

ENDESA, S.A. and Subsidiaries

Consolidated Annual Financial Report

2021

This English-language version has been translated from the original issued in Spanish by the entity itself and under its sole responsibility, and is not considered official or regulated financial information.
In the event of discrepancy, the Spanish-language version prevails.

I. Letter to Shareholders and Other Stakeholders

LETTER TO SHAREHOLDERS AND OTHER STAKEHOLDERS

Dear shareholders,

Once more, we are happy to send you the balance sheet of a year in which we have had many achievements and learned a lot. We closed 2021 as the largest electricity company in the Iberian Peninsula, with firm and verifiable progress towards the decarbonisation of our activity, with important milestones in the digitalisation and platformisation of our network and services and with the financial objectives achieved. These objectives allow us to combine profitability while being recognised as one of the companies with the best valuation in sustainability criteria.

We closed a year that was once again marked by a global pandemic that affected and continues to affect the normal operations of companies, institutions and society. This is added to a sectoral environment strongly affected by the increase in wholesale electricity prices in Europe and by numerous regulatory changes that, without a doubt, have forced us to adapt, learn and continue with our commitment to sustainable development. In this context, the unstoppable path taken to move to a sustainable energy model has been affected, but in no case halted. So much so, that we have continued to adapt our activity to the macrorends that will continue to mark the Energy Transition.

And it is in this complex, uncertain and volatile environment where sustainability has been consolidated as a key factor to face the current problems and the future that we are building today. Companies that do not put sustainability at the centre of their activity will not be able to compete in the near future.

In the case of Endesa, in 2021 we continued moving towards a sustainable business model that has allowed us to provide maximum value for the benefit of all our stakeholders. Even after having left behind a year marked by the pandemic, we can confirm our commitment to the Energy Transition in Spain.

Achievements and commitments.

In 2021, we met all the objectives set out in our strategic plan. We achieved a solid operational and financial performance, we maintained and accelerated our route to decarbonisation, and we further advanced our digitalisation strategy and the promotion of electrification. All on the basis of solid results that will also allow us to distribute an outstanding dividend.

We want to emphasise that we continue to work and advance in our social commitment, either as a result of the Energy Transition process, which we believe must be fair, or as a result of the impact of the pandemic on society.

We continued to deploy the second part of our Public Responsibility Plan that we launched in April 2020 and that we extended in 2021 to different projects that are essentially aimed at favouring economic reactivation. Endesa and the Endesa Foundation will continue to play our leadership role.

Decarbonisation, renewable energies and digitalisation.

Endesa is the main electricity operator in Spain and the second largest in Portugal. We are the largest electricity company in the Iberian Peninsula, with 21.9 GW of managed capacity, we have the largest electricity distribution network, with a grid that spans more than 300,000 kilometres and with 12.5 million end users connected to the most advanced digitised networks in the country. We manage a significant base of 11.9 million customers in Spain and Portugal.

We want to take advantage of the opportunities arising from the Spanish Integrated National Energy and Climate Plan and the recovery funds that will come from the European Union. We plan to invest 31,000 million euros by 2030. Of the estimated investment, more than 12,000 million euros will be allocated to new renewable

power to reach the operational 24 GW. This investment is 20% higher than that estimated a year ago. This will triple the 8.3 GW volume of renewable power reached at the end of 2021.

Another €12,000 million, also 20% more than the amount expected last year, will be allocated to the digitalisation and modernisation of the grid to improve quality of service and increase the regulated asset base to more than €13,000 million. With regard to the electric vehicle charging network, we have estimated that we will have more than 400,000 points (total public and private) operational in 2030.

We have brought forward our conversion to a completely decarbonised company to 2040, which is a goal we plan to achieve without using carbon capture techniques or emissions compensation.

In this way, Endesa will collaborate with the goal established at group level by the parent company, Enel. We will accelerate the departure from our emissions production business, as well as the sale of gas, which will make us a 100% renewable electricity company, with our activity contributing to the objectives of the 2030 Agenda.

We have been leading the digital transformation for years with a strong commitment to continuous efficiency through business digitisation. In digitisation, the greatest effort is being made in Distribution assets, especially in grid automation and digitisation, but also in Generation for greater operational efficiency of the plants. Digital transformation also includes improving data management processes, cloud storage, data-driven decision making and promoting cybersecurity. In this transformation, our commitment to digitalisation and the development of platforms is absolutely critical to accelerate the Energy Transition.

Electricity needs to be distributed and delivered to customers efficiently, reliably and safely, and this requires increasing the efficiency of the grid and its digitalisation. An example of this is the progressive increase of new customer requirements such as charging electric vehicles and a quick response to solve problems, needs and incidents. This requires ensuring simple and high quality access to all electrical needs. This is achieved by driving the network's digitisation. In this regard, in November we announced investments in distribution of 2,900 million euros for the 2022-24 period, which is 12% more than in our previous plan. Of this amount, 1,300 million will go to the digitisation of these infrastructures. As a result, we will continue to improve the quality of service.

Regarding platformisation, we must underline that it is a logical progression of digitisation. Platforming means working in an integrated and transversal way, putting the customer at the centre and taking advantage of all the opportunities that technology offers us. This allows us, for example, to address our relationship with our customers by providing services under subscription models and not only offering a product based on energy supply.

Profitable and sustainable.

We are happy to be perceived as a company that reconciles the profitability of our business with the utmost care of social, ecological and human capital. Being sustainable and profitable is absolutely possible. Our strong financial and sustainability performance in recent years has increased investor confidence in Endesa.

The Leadership of the Enel Group and Endesa's commitment to sustainability is being recognised, as evidenced by our presence in numerous indices such as MSCI's AAA rating and the confirmation of our presence in the MSCI ESG Leaders indices, the Dow Jones World and Europe sustainability indices, the CDP Climate "A" List, the Vigeo Eiris rating in which the Group ranks first in all sectors and the Euronext Vigeo Eiris 120 index, the Refinitiv ESG rating and the FTSE4Good index, being the industry leader in both cases.

The Enel Group is also present in the three main indices that evaluate corporate gender diversity performance: Bloomberg Gender Equality Index, Refinitiv Top 100 Diversity and Inclusion Index, and Equileap's Top 100 Gender Equality Ranking.

We have achieved all this with a workforce that is committed, dedicated and devoted to making sure that nothing fails and with the objective of providing households and businesses with power.

With regards to the Energy Transition process, our company is and will continue to be an essential player in the industrial transformation that our sector is undergoing. We are already one of the biggest investors in Spain and, thanks to the implementation of and compliance with our strategic plan, we will play an essential role in economic development and accelerating the Energy Transition. We will continue to play the leadership role that we have assumed.

In short, we have provided you today with our 2021 report in which you will find the details of our financial performance and the keys to our increasingly recognised sustainable action. We want to thank you for the confidence you put in us and show you our total commitment to continue leading the Iberian electricity sector, ensuring a profitability aligned with the demands of growth and sustainability.

Yours sincerely,

Juan Sanchez-Calero
Chairman

José D. Bogas
Chief Executive Officer

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

Consolidated Annual Financial Report of ENDESA, S.A. and Subsidiaries for the year ended 31 December 2021

TABLE OF CONTENTS.

I. Letter to Shareholders and Other Stakeholders

II. Consolidated Financial Statements Audit Report

III. Consolidated Management Report

1. ENDESA

2. Corporate Governance

3. Strategy and Risks

4. Performance and Metrics

5. Outlook

Appendix I: Statement of Non-Financial Information

IV. Consolidated Financial Statements

V. Statement of Responsibility

II. Consolidated Financial Statements Audit Report



Auditor's Report on ENDESA, S.A. and Subsidiaries

(Together with the consolidated financial statements and consolidated Management Report of ENDESA, S.A. and subsidiaries for the year ended 31 December 2021)

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



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

Independent Auditor's 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.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Endesa, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statements of financial position at 31 December 2021, 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 financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the period 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 Financial statements* 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 financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



Key Audit Matters

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

Revenue recognition. Supplied energy not yet billed

See notes 3.2, p.1.II and 33 to the consolidated financial statements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>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 2021, sales of electricity and gas as yet unbilled by the Group amounted to Euros 1,548 million and Euros 1,684 million, respectively.</p> <p>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.</p> <p>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 period.</p>	<ul style="list-style-type: none">• 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 financial statements meet the requirements of the applicable financial reporting framework.

Impairment of property, plant and equipment

See notes 3.2f f4, 15.1 and 20.3 to the consolidated financial statements

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2021, the Group has recognised property, plant and equipment amounting to Euros 22,097 million allocated to the different Cash-Generating Units (CGUs) as detailed in note 3.2.f.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 2021 are the CGUs of each of the Non-Peninsular Territories (Balearic Islands, Canary Islands, Ceuta and Melilla).</p> <p>The 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.</p> <p>As a result of these estimates, the Group has recognised an impairment loss of Euros 652 million at 31 December 2021 on the assets of the Non-Peninsular Territories of the Balearic Islands, the Canary Islands, Ceuta and Melilla.</p> <p>To estimate the recoverable amount of CGUs, the Group 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.</p>	<ul style="list-style-type: none"> • Analysis of the design and implementation of the key controls related to the process of determining 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 financial statements meet the requirements of the applicable financial reporting framework.

Other Information: Consolidated Management Report

Other information solely comprises the 2021 consolidated Management Report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated Management Report. Our responsibility regarding the information contained in the consolidated Management Report is defined in the legislation regulating the audit of accounts, as follows:

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



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

- b) Assess and report on the consistency of the rest of the information included in the consolidated Management Report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated Management 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 Management Report is consistent with that disclosed in the consolidated financial statements for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibility for the Consolidated Financial statements

The Parent's Directors are responsible for the preparation of the accompanying consolidated financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 the economic decisions of users taken on the basis of these consolidated financial statements.



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

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 financial statements, 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 financial statements 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and compliance committee of the Parent 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 to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

From the matters communicated to the audit and compliance committee of the Parent, we determine those that were of most significance in the audit of the consolidated financial statements 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 2021 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated financial statements 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 2021 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the consolidated Management Report.

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 financial statements included in the aforementioned digital files fully corresponds to the consolidated financial statements we have audited, and whether the consolidated financial statements 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 financial statements, 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 and Compliance 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 21 February 2022.



(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)

Estibaliz Bilbao Belda

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

21 February 2022

III. Consolidated Management Report

ENDESA, S.A.
and Subsidiaries

Consolidated Management Report
for the year ended
31 December 2021

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

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021







Contents

1. Basis of presentation.....	5
1.1. ENDESA Corporate Reports.....	5
1.2. Materiality analysis.....	5
1.3. Connectivity matrix.....	6
1.4. World Economic Forum (WEF). Key performance indicators (KPIs).....	8
1.5. European Union (EU) taxonomy.....	9
ENDESA.....	13
2. Description of the entity.....	14
2.1. Main activities.....	14
2.2. Most significant figures.....	14
2.3. Sustainable value creation and business model.....	15
2.4. Corporate map.....	19
CORPORATE GOVERNANCE.....	22
3. Corporate governance system.....	23
3.1. Corporate governance focused on sustainability objectives.....	23
3.2. Organisational structure.....	24
3.3. Incentives system.....	24
3.4. Business ethics values and pillars.....	24
STRATEGY AND RISKS.....	26
4. Outlook.....	27
4.1. Energy policy context.....	27
4.2. 2022-2024 Strategic Plan.....	27
4.3. Main Financial Indicators.....	29
4.4. Long-term planning and vision for 2030.....	30
5. Reference scenario.....	33
5.1. Performance of the main market indicators.....	33
5.2. Electricity and gas market.....	34
5.3. Climate change and long-term scenarios.....	35
6. Main risks and uncertainties associated with ENDESA's activity.....	43
6.1. General Risk Control and Management Policy.....	43
6.2. ENDESA's Criminal and Anti-Bribery Risk Prevention Model.....	45
6.3. Internal Control Over Financial Reporting System (SCIIF).....	47
6.4. Risk control and management.....	48
6.5. Main risks and uncertainties.....	49
PERFORMANCE AND METRICS.....	77
7. Alternative Performance Measures (APMs).....	78
8. Significant events in the period.....	80
8.1. Comparative information.....	80
8.2. Changes in the consolidation scope.....	81

8.3. COVID-19 health crisis.....	81
9. Changes in ENDESA's operations and profit and loss in 2021.....	81
9.1. Operating performance.	81
9.2. Analysis of results.	84
9.3. Value created for stakeholders.	95
10. Equity and financial analysis.	96
10.1. Net capital invested and financing.	96
10.2. Financial management.	97
10.3. Capital management.	101
10.4. Cash flows.	103
10.5. Investments	104
10.6. Contractual obligations and off-balance sheet operations.	105
11. Results by segment.	105
11.1. Generation and supply.	108
11.2. Distribution	108
11.3. Structure and others.	109
11.4. Results by segments and investments according to the European Union (EU) taxonomy.	110
12. Climate change and environmental balance.	111
12.1 Climate change.	111
12.2. Environmental protection.	115
13. Innovation and digitalisation.	121
13.1. Innovation model.	122
13.2. Patents and licences.	123
13.3. Context and objectives of the Research, Development and Innovation activities (R&D+i).	124
13.4. Investment in research, development and innovation activities (R&D+i).	124
13.5. Main areas of activity	124
14. People	130
14.1. Workforce.	130
14.2. Occupational Health and Safety (OHS).	130
14.3. Responsible people management.	132
14.4. Employment climate.	135
14.5. Leadership and personal development	135
14.6. Training.	137
14.7. Attracting and retaining talent	138
14.8. Social dialogue.	139
14.9. Responsible relationship with communities.	139
14.10. Sustainable supply chain.	142
14.11. Circular economy.	142
15. Sustainability policy.	144
15.1. ENDESA's sustainability commitment.	144
15.2. ENDESA's contribution to the United Nations Sustainable Development Goals (SDGs).	144
16. Regulatory Framework	145
16.1. Regulatory framework in Spain.	145
16.2. Regulatory framework in Europe.	153
17. Treasury shares.....	155
18. Stock market information.....	155
19. Other information.....	157
19.1. Management of credit ratings.....	157
19.2. Dividend policy.	158
20. Disclosures on financial instruments.....	159

21. Events after the Reporting Period	159
22. Information on the average payment period to suppliers.	160
23. Annual Corporate Governance Report.....	160
24. Statement of Non-Financial Information and Sustainability	160
25. Proposed distribution of net income.	160
OUTLOOK.....	161
26. Forecast performance	162
Appendix I: Statement of Non-Financial Information and Sustainability.....	164

Legend.

Activity	Description of Activity
	Conventional generation
	Renewable generation
	Energy supply
	Marketing of other products and services
	Distribution
	Structure and Services

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Basis of Presentation.

1.1. ENDESA Corporate Reports

ENDESA's Consolidated Annual Financial Report comprises the consolidated financial statements and the consolidated management report. It brings together all of ENDESA's corporate information, based on transparency and responsibility in reporting.

The purpose of ENDESA's Consolidated Annual Financial Report is to describe its strategic approaches, which can be summarised in the formula "Sustainability = Value". The report also presents ENDESA's results and the medium- and long-term outlooks for its integrated and sustainable business model, which has fostered the creation of value in the context of the Energy Transition over recent years.

ENDESA has taken inspiration from Accountancy Europe's "Core&More" reporting concept. It has drawn up this report in a consistent, logical and structured way to help its stakeholders, developing its own concept for presenting business, social, environmental and corporate governance information in accordance with applicable regulations, benchmark references and international best practices.

As a result, the Consolidated Annual Financial Report is the "Core Report". This means it provides a comprehensive picture of ENDESA, its integrated and sustainable business model, and its value-creation process. It includes the financial and non-financial, qualitative and quantitative information considered most important following a materiality assessment, considering the expectations of its stakeholders.

The "More Report" documents, which complement the "Core Report" and provide more detailed and complementary information, referring to specific regulations, are:

- The Individual Annual Financial Report, which comprises the financial statements and management report of ENDESA S.A., as required under Article 253 of Legislative Royal-Decree 1/2010, of 2 July, enacting the consolidated text of the Spanish Corporate Enterprises Act ("LSC").
- The Corporate Governance Annual Report, and the Annual Report on Directors' Remuneration, which, in turn, are forming part of the Consolidated Management Report, as required under Article 538 of Royal Decree Law 1/2010, of 2 July, enacting the consolidated text of the Spanish Corporate Enterprises Act.
- The Statement of Non-financial Information and Sustainability, forming part of the Consolidated Management Report, as required under Law 11/2018, of 28 December, which amends the Code of Commerce, in accordance with the consolidated text of the Spanish Corporate Enterprises Act enacted by Royal Decree-Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Audit of Financial Statements with respect to Non-Financial Information and diversity.

Cross references have been used to facilitate reading and understanding of the "Core Report" and the "More Report".

1.2. Materiality analysis

The Consolidated Annual Financial Report seeks to represent the capacity of ENDESA's business model to create value in the short, medium and long term for its stakeholders, ensuring that the information presented is consistent.

ENDESA is in constant contact with its stakeholders, in order to understand and meet their needs, including for information, considering the importance of the repercussions of ENDESA's business model on all stakeholders in order to create shared value.





The financial and non-financial information presented in the corporate reports is selected based on its relative materiality, as determined by applying specific frameworks, methodologies and evaluations.

The guiding principles used in the preparation of this Consolidated Annual Financial Report are:

Principios Fundamentales	Descripción
International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU).	<ul style="list-style-type: none"> ENDESA's Consolidated Financial Statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU) at the date of the Consolidated Statement of Financial Position, in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002 and other provisions of the financial reporting framework applicable to ENDESA (see Notes 2.1 and 3.2 of the Notes to the Consolidated Financial Statements). No. 1606/2002 of 19 July 2002 of the European Parliament and of the Council and other provisions of the financial reporting framework applicable to ENDESA (see Notes 2.1 and 3.2 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2021).
"Guidelines for the Preparation of the Directors' Report of Listed Entities."	<ul style="list-style-type: none"> Guide issued by the Group of Experts appointed by the Spanish National Securities Market Commission (CNMV).
"Practice Statement 2 - Making Materiality Judgements, published by the International Accounting Standards Board (IASB).	<ul style="list-style-type: none"> It establishes the requirements for selecting the information to be published based on a materiality analysis with consideration of the Sustainable Development Goals (SDGs) of the United Nations, included in ENDESA's Strategic Plan. ENDESA performs a materiality analysis described in point 3 of the Company Vision section of the Statement of Non-Financial Information and Sustainability (see Section 24. of this Consolidated Management Report), the purpose of which is to identify the priorities of the stakeholders.
Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).	<ul style="list-style-type: none"> These recommendations have guided the structure of the Consolidated Management Report, with an integrated approach, in chapters in accordance with the four proposed pillars: Corporate Governance, Strategy and Risks, Performance and Metrics, and Perspective. These recommendations are aligned with the principles of the Value Reporting Foundation.
"IFRS Standards and climate-related disclosures and Effects of climate-related matters on financial statements, published by the International Accounting Standards Board (IASB).	<ul style="list-style-type: none"> Documents published by the International Accounting Standards Board (IASB) on the effects of climate-related issues on the Financial Statements, to be considered in assessing the impacts and risks of Climate Change on the Consolidated Financial Statements.
"Standard Global Reporting Initiative" (GRI).	<ul style="list-style-type: none"> Global Reporting Initiative (GRI) Standard, in accordance with the Statement of Non-Financial Information and Sustainability (see Section 24. of this Consolidated Management Report, and the "Aspects" of the "Electric Utilities Sector Disclosures" supplement of the Global Reporting Initiative (GRI).
Report "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation" published by the International Business Council (IBC) of the World Economic Forum (WEF).	<ul style="list-style-type: none"> Performance indicators (KPIs) of the report "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation" published by the International Business Council (IBC) of the World Economic Forum (WEF) (see section 1.4 of this Consolidated Management Report).

1.3. Connectivity matrix.

ENDESA's connectivity matrix shows the relationships between ENDESA strategic objectives and the corporate governance, strategy and risks, performance and metrics, and outlook for the business lines.

Connectivity matrix							
Business	Value creation	SDG ⁽¹⁾	Corporate governance	Strategy and risks		Performance and metrics	Outlook/ 2022-2024 Strategic Plan objectives
				Strategy	Risks		
Conventional and renewable generation 	Generation	7 and 13	Chapter 2. Corporate governance	- Decarbonisation. Acceleration of the decarbonisation commitments for the generating stock, through even greater commitment to renewable energies, which will result in 92% of mainland electricity production being free of carbon dioxide (CO2) emissions by the end of 2024.	Strategic: -Regulatory. -Climate. -Sustainability. -Market conditions. -Competition. Financial: -Supplies. -Exchange rates. -Climate and weather. -Interest rates. -Financing capacity. -Credit risk. -Customers and suppliers. Digital technologies: -Cybersecurity. -Management of activities through information technology. Operational: -Construction of facilities. -Unscheduled unavailability. -Insurance cover. -People. -Occupational health and safety.	Innovation and digitalisation People Operating performance -Electricity generation -Net installed capacity Analysis of results -Revenue -EBITDA ⁽²⁾ /EBIT ⁽²⁾ -Gross Investment	- Renewable capacity that enables electricity generation activity to be 100%-emissions free by 2040 (70% in 2030). Planned gross investment amounting to Euro 12,000 million ⁽³⁾ . - Exit from the coal business in 2027 and the electricity generation from gas business in 2040 . -Exit from the retail gas trading business in 2040 .
Energy supply 	Customers	7, 9, 11 and 13		- Electrification of demand. Consolidation of our leadership position and leverage of the use of new platforms that allow a competitive advantage through management based on customer value and the development of new personalised services and products that meet new needs.		Innovation and digitalisation People Operating performance -Electricity sales -Gas sales -Charging stations -End users -Responsible demand -Storage Analysis of results -Revenue EBITDA ⁽²⁾ /EBIT ⁽²⁾ -Gross Investment ⁽²⁾	-The number of customers in the deregulated market is expected to increase by 23%, to around 6.9 million in 2030 Planned gross investment amounting to Euro 4,100 million ⁽³⁾ . -ENDESA estimates that it will have 400,000 charging stations for electric vehicles by the end of this decade. -ENDESA estimates that it will have a base of up to 2.6 GW of demand management facilities, enabling the use of new systems and management models.
Marketing of other products and services 							
Distribution 	Networks	9, 11 and 13			- Progress with the development and operation of more efficient networks that will enable the integration of increasing renewable capacity and the electrification of transport, with the ambition of being the digital network operator that achieves excellence in the sector.	Compliance -Data protection. Other: -Environmental. -Defence of competition. -Litigation and arbitration. -Tax. -ENEL's interests. -Image and reputation.	Innovation and digitalisation People Operating performance -Energy distributed -Distribution and transmission networks -Energy losses -System Average Interruption Duration Index (SAIDI) -Duration of interruptions in the distribution grid – SAIDI Analysis of results -Revenue EBITDA ⁽²⁾ /EBIT ⁽²⁾ -Gross Investment ⁽²⁾

(1) Sustainable Development Goals (SDGs).

(2) See the definition in Section 7. in this Consolidated Management Report.

(3) Corresponds to estimated gross investments between 2021 and 2030.

1.4. World Economic Forum (WEF). Key performance indicators (KPIs).

The World Economic Forum (WEF) has defined standard metrics, using key performance indicators (KPIs), for preparing reports and measuring and comparing the sustainability of companies through its “Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation” report. This seeks to measure the effectiveness of actions to achieve the United Nations Sustainable Development Goals (SDGs) in the business model adopted to create value for stakeholders.

The following table shows the 21 core key performance indicators (KPIs) described in the World Economic Forum (WEF) report, arranged in accordance with the four core conceptual pillars of the “Environmental, Social, Governance” (ESG) criteria, and how these correspond to the key performance indicators (KPIs) detailed in this Consolidated Management Report.

World Economic Forum (WEF)			Consolidated Annual Financial Report 2021		
Pillar	Theme	21 core KPIs	KPIs representing the 21 World Economic Forum core KPIs	2021	References ⁽¹⁾
Principles of governance	Corporate governance purpose	Setting the purpose	-	Chapters: 2. Corporate Governance.	
	Quality of governing body	Board composition	Women on the Board of Directors (%)	36.4%	Section 14.3
	Stakeholder engagement	Material issues that affect stakeholders	-	Section 1.	
	Ethical behaviour	Anti-corruption	Workers who have received training on the anti-corruption policies and procedures (%)	40	Section 6.2
			Verified breaches of the Code of Ethics (no.)	1	
		Protected ethics advice and reporting mechanisms	Total Complaints Received for Possible Breaches of the Code of Ethics (no.)	7	Section 6.2
	Risks and opportunity oversight	Integrating risk and opportunity into business processes	-	Section 6.	
Planet	Climate Change	Greenhouse Gas (GHG) Emissions	Carbon Dioxide (CO2) Greenhouse Gas (GHG) Scope 1 Emissions (t)	10,702,129	Section 12.1
			Carbon Dioxide (CO2) Emissions Greenhouse Gas (GHG) Scope 2 - location based (t)	470,773	
			Indirect Greenhouse Gas (GHG) Emissions - Scope 2 - Energy Procurement from the Grid (t)	5,516	
			Indirect Greenhouse Gas (GHG) Emissions - Scope 2 - Distribution Network Losses (t)	465,257	
			Scope 3 - Greenhouse Gas (GHG) Carbon Dioxide (CO2) Emissions (t)	21,737,472	
		Implementation of Task Force on Climate-related Financial Disclosures (TCFD)	-	Chapters: 2. Corporate Governance. 3. Strategy and Risks, 4. Performance and Metrics and 5. Outlook	
	Nature loss	Land use and ecological sensitivity	Surface area occupied by facilities located within a protected natural area (km²)	789	Section 12.2
	Fresh water availability	Fresh water consumption in water stressed areas	Water extraction (million m³)	4.6	Section 12.2.3
			Water Withdrawal for Industrial Use in Water Stressed Areas (%)	18	
Total Water Consumption (million m3)			1.9		
Water Consumption in Water Stressed Areas (%)			0.88		

World Economic Forum (WEF)			Consolidated Annual Financial Report 2021		
Pillar	Theme	21 core KPIs	KPIs representing the 21 World Economic Forum core KPIs	2021	References ⁽¹⁾
People	Dignity and equality	Diversity and inclusion	Percentage of Women over Total Employees in the Final Workforce (%)	25.5	Note 52.1
		Wage equality	Wage Gap. Fixed + Variable Remuneration + Social Benefits (%) ⁽²⁾	8.1	Section 14.7
		Wage level	Remuneration ratio of the Chief Executive Officer ⁽³⁾	29	Na
		Risk of incidents of child, forced or compulsory labour	Evaluation of the supply chain for protection from child labour and prohibition of forced and compulsory labour	Section 3.4.2.	
	Health and well being	Health and safety	Number of Fatal Accidents (n ^o) ⁽⁴⁾	1	Section 14.2
			Fatal Accident Frequency Rate ⁽⁵⁾	-	
			Fatal Accident Frequency Rate ⁽⁶⁾	0.02	
			Number of Serious Accidents (n ^o) ⁽⁴⁾	2	
			Serious Accident Frequency Rate ⁽⁵⁾	-	
			Serious Accident Frequency Rate ⁽⁶⁾	0.06	
	Skills for the future	Training provided	Boost in Employee Training (average number of hours of training per employee) ⁽⁷⁾	43.95	Section 14.6
			Spending on employee training (millions of euros)	34	
Prosperity	Wealth creation and employment	Total amount and employment rate	Persons hired (n ^o .)	678	Section 14.1
			Incorporation rate (%) ⁽⁸⁾	7.3	
			Contract terminations (n. ^o)	934	
			Turnover rate (%) ⁽⁹⁾	10.1	
		Economic contribution	-	Section 9.3.	
		Contribution to financial investment	Gross investments (millions of euros)	2,432	Section 10.5
			Purchase of treasury shares (millions of euros) ⁽¹⁰⁾	3	Note 35.1.8 and Sections 17 and 19.2
			Dividends Paid (millions of euros)	2,132	
	Innovation in better products and services	Total R&D spend	Gross direct investment in Research, Development and innovation (R+D+i) (millions of euros)	7	Section 13.4
	Community and social vitality	Total tax paid	Economic value distributed to Public Administration (millions of euros)	1,147	Section 9.3

(1) Sections of this Consolidated Directors' Report and Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

(2) Difference between the average fixed remuneration of men and women as a percentage of the average fixed remuneration of men (%).

(3) Ratio between the total remuneration of ENDESA's CEO and the average gross annual remuneration of ENDESA's employees.

(4) Includes own personnel and subcontracted personnel.

(5) Own personnel.

(6) Subcontracted personnel.

(7) Average training given to each employee (average number of hours of training).

(8) Percentage of new hires as a percentage of final staff.

(9) Percentage of contract terminations as a percentage of final staff.

(10) Total accumulated cost of acquisition of treasury stock at 31 December 2021.

1.5. European Union (EU) taxonomy.

Commitment and position of ENDESA

ENDESA welcomes the development of the European Union (EU) Taxonomy, as it provides a science-based, standardised classification system for identifying environmentally sustainable economic activities, acting as an important enabler for supporting sustainable investment and accelerating the decarbonisation of the European economy, while creating security and transparency for investors and helping companies to create a roadmap for achieving net-zero emissions.

ENDESA is fully committed to reporting on the application of the European Union (EU) Taxonomy Regulation (Article 8 of the Taxonomy Regulation and subsequent delegated acts that further develop on the content, methodology and presentation of the information to be disclosed by both non-financial and financial institutions). Although the Taxonomy Regulation establishes the requirement for companies to declare compliance with this Taxonomy as of January 2022, ENDESA has been a pioneer in this field and began reporting on its implementation at the Capital Market Day held in 2021. This approach is in line with the approach taken by the ENEL Group, that ENDESA forms part of, which in turn provided this information in its 2020 Sustainability Report and at its Capital Market Day in 2020 and 2021.

ENDESA also supports the different Taxonomy thresholds defined on the basis of climate and environmental science, such as the general limit on the intensity of the life cycle at 100 g CO₂e/kWh for measuring the substantial contribution to mitigating Climate Change established for most power generation technologies, as this has been generated as part of a robust and scientific process of analysis.

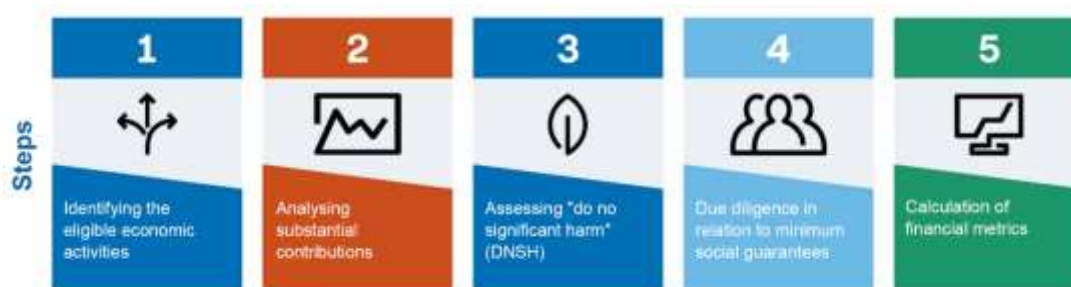
However, certain activities that may not qualify for the European Union (EU) Taxonomy are critical to promoting the well-being of European citizens, especially in the short and medium term, in addition to contributing to the long-term sustainable development of Europe. As for the energy sector, there important sustainability issues that the European Commission failed to take into consideration when drawing up the technical selection criteria, as they fell outside the main scope of the European Union (EU) Taxonomy Regulation, including energy security, grid reliability or the Energy Transition; these factors are critical to the well-being in Europe and are duly addressed by other European Union (EU) and Member State policies, funds and regulations.

The European Union (EU) Taxonomy regulation is still in the development stage and important delegated acts were still pending at the date of preparation of this Consolidated Management Report, including those providing details of the criteria for the remaining four objectives and those identifying the economic activities that do not have a significant impact on environmental sustainability and economic activities that have a significant adverse impact on environmental sustainability. The completion of the entire regulatory process will make it possible to cover all available economic activities at a global level and thus reduce the current uncertainties surrounding their implementation.

Implementation process at ENDESA.

ENDESA has deployed a five-step process to analyse the applicability of the European Union (EU) Taxonomy across its entire value chain, as part of the process carried out globally by ENEL. This process has involved relevant functions at a corporate level and across lines of business.

The following graph shows the process performed:



The following are the five steps of the process indicated in the graph:

Steps	Description
1. Identifying the eligible economic activities	<ul style="list-style-type: none"> The objective of exclusively mitigating Climate Change has been considered, since this is the most important objective for ENDESA on account of its business model.
2. Analysing substantial contributions	<ul style="list-style-type: none"> The eligible activities identified in the previous step were analysed in depth to ensure that they comply with the specific technical criteria established to measure the substantial contribution to mitigating Climate Change.
3. Assessing "do no significant harm" (DNSH)	<ul style="list-style-type: none"> An analysis of existing environmental procedures has been carried out to verify compliance with the qualitative criteria of "Do No Significant Harm" (DNSH).
4. Due diligence in relation to minimum social guarantees	<ul style="list-style-type: none"> It has been verified that ENDESA's Human Rights Due Diligence process covers the entire perimeter of ENDESA's activities.
5. Calculation of financial metrics	<ul style="list-style-type: none"> The corresponding financial metrics have been associated with each economic activity based on the classification process performed in steps 1-4, by gathering the relevant financial information from the Company's accounting system. In addition, some proxies have been made for specific activities.

Detailed information on this process can be found in the Statement of Non-Financial Information and Sustainability (see Section 24. of this Consolidated Management Report).

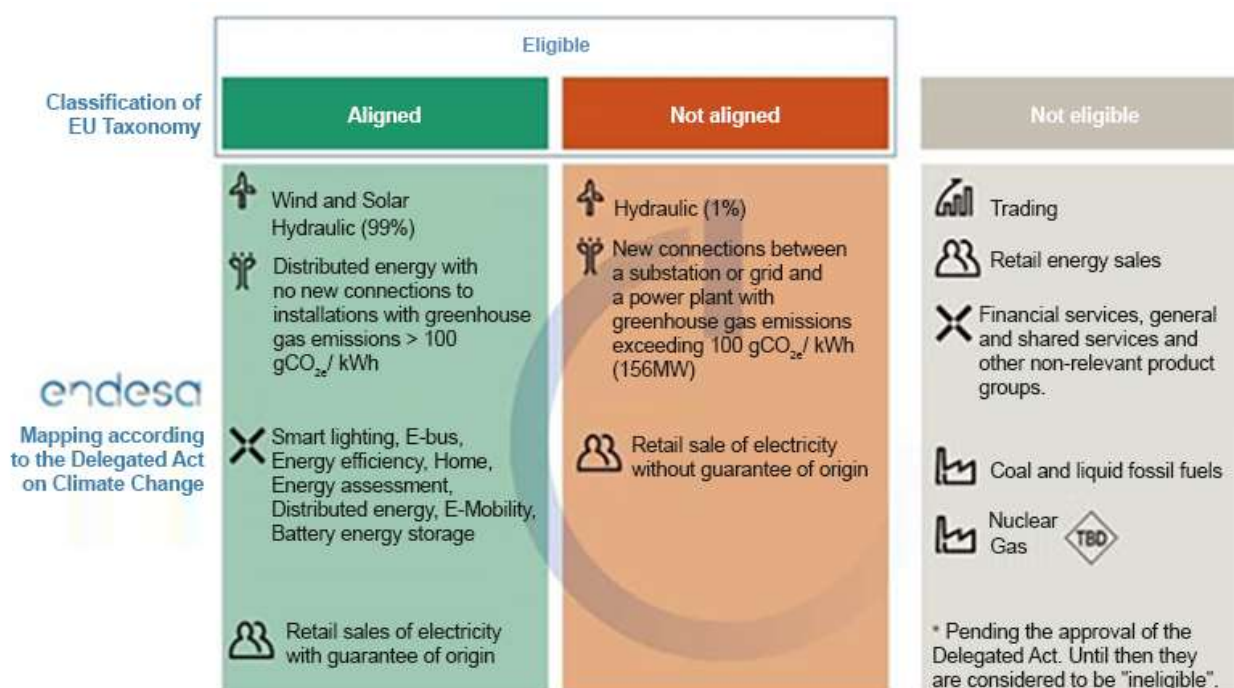
In accordance with the foregoing, ENDESA has classified all its economic activities throughout its value chain into the following three categories: Eligible-Aligned, Eligible-Non-Aligned, Ineligible.

Categories	Description
Eligible-Aligned	<ul style="list-style-type: none"> These are economic activities that simultaneously fulfil the following three conditions: <ul style="list-style-type: none"> ➢ They have been explicitly included in the European Union (EU) Taxonomy Regulation on account of their substantial contribution to mitigating Climate Change; and ➢ They satisfy the specific criteria developed by the European Union (EU) Taxonomy regulation for the specific environmental objective in question; and ➢ They satisfy all the "Do No Significant Harm" criteria and the minimum social guarantees.
Eligible Non-Aligned	<ul style="list-style-type: none"> These are economic activities that meet the first condition indicated below, but fail to fulfil the second or third condition or either of them, in other words: <ul style="list-style-type: none"> ➢ They have been explicitly included in the European Union (EU) Taxonomy Regulation on account of their substantial contribution to mitigating Climate Change; but ➢ They do not satisfy the specific criteria developed by the European Union (EU) Taxonomy regulation for the specific environmental objective in question; or ➢ They do not satisfy at least one of the "Do No Significant Harm" criteria and/or the minimum social guarantees.
Ineligible	<ul style="list-style-type: none"> These are economic activities that have not been identified by the European Union (EU) Taxonomy as a substantial contributor to mitigating Climate Change and therefore no criteria have been developed to this end. The existence of this third category means it is impossible to achieve a business model that can be qualified as fully aligned with the criteria of the European Union (EU) Taxonomy, even though these ineligible activities might not cause any harm to the European Union's (EU) environmental objectives.

Eligibility of ENDESA's activities

Bearing all the above in mind, in 2021, the eligibility analysis was carried out pursuant to the process and the new definition for the three categories described above in line with the final version of the Delegated Act on Climate published in the Official Journal of the European Union (OJEU) in December 2021.

The following table summarises the result of this analysis:



Detailed information on this analysis can be found in the Statement of Non-Financial Information and Sustainability (see Section 24. of this Consolidated Management Report).

Process for calculating financial figures.

The following considerations have been implemented as part of the process for calculating financial figures:

- The three financial figures required by the Taxonomy Regulation of the European Union (EU), income, investments and fixed operating expenses, have been calculated according to the eligibility analysis described in the previous paragraphs.
- Although not strictly necessary, ENDESA has also performed an assessment in terms of EBITDA, as this figure reflects the effective financial performance of public utility companies like ENDESA. This figure is based exclusively on revenue, and in the case of ENDESA, is strongly influenced by commercial activities with a high volume of revenue (such as the wholesale market) that do not contribute proportionally to the growth of gross operating profit (EBITDA) as is the case with other commercial activities.
- Financial information has been collected from the Company's accounting and management system. Furthermore, certain proxies were also carried out to generate more detailed figures, to exclude a number of specific activities from the overall calculation of Eligible-Aligned activities (such as non-aligned hydropower generation or eligible-non-aligned infrastructure in the eligible-aligned distribution system). For example, the following proxies have been used:
 - Hydro: the figures corresponding to the revenue of eligible-non-aligned hydroelectric power plants have been calculated taking their production multiplied by the average unit revenue for 2020 and 2021. This approach has also been applied to investments, fixed operating expenses and EBITDA.
 - Distribution: the figures corresponding to the revenue of the new connections between a substation or grid and a production point with an intensity of more than 100 gCO_{2e}/kWh, eligible non-aligned have been calculated taking their power (in MW) multiplied by the average unit revenue (k€/MW) for 2020 and 2021. This approach has only been applied to revenue, EBITDA and investments.
- The financial indicators subject to analysis include transactions with third parties and transactions between Segments and activities.
- Revenues from energy sales activities have been calculated taking into account the amount of energy sold by the group's retail companies through guarantees of origin, based on data from the Spanish Markets and Competition Commission (CNMC), applying different unit revenue ratios. These revenues are considered eligible-aligned because they refer to electricity produced from energy production that meets the technical selection criteria of the European Union (EU) Taxonomy. This approach has also been implemented for investments, fixed operating expenses and EBITDA. For a correct presentation, the eligible income by segments and activities does not include operations between them; these operations are presented and eliminated in the Ineligible activities.
- Each of the financial figures (measured in millions of euros) are broken down by Segments and activities, indicating their percentage out of the total. It also details the percentage of Eligible activities of each figure that contribute to the mitigation of Climate Change.

ENDESA's Strategic Plan for 2022-2024 presented at Capital Market Day 2021 (25 November 2021) suggests that more than 80% of investments will be dedicated to Eligible activities under European Union (EU) Taxonomy in the 2022-2024 period.

The information relating to ENDESA's revenues, fixed operating expenses, EBITDA and investments according to the European Union (EU) Taxonomy is described in Sections 9.2, 10.5 and 11 of this Consolidated Management Report.

1

ENDESA

2. Description of the entity

2.1. Main activities

ENDESA, S.A. was incorporated on 18 November 1944. Its registered office is at calle Ribera del Loira 60, Madrid.

Its corporate purpose is the electricity business in all industrial and commercial areas, the exploitation of all types of primary energy resources, the provision of industrial services or services relating to its main area of business, particularly the gas business, and those preliminary or supplementary to the corporate purpose, and management of the corporate Group, comprising investments in other companies. The Company carries out its corporate objects in Spain and abroad directly or through its investments in other companies.

ENDESA, S.A.'s corporate purpose is mainly categorised in section D, division 35 of the Spanish Business Classification Index (CNAE).

ENDESA, S.A. and its subsidiaries (ENDESA or the "Company") operate in the electricity and gas business, mainly in the markets of Spain and Portugal. To a lesser extent, ENDESA also supplies electricity and gas in other European markets, and other products and services related to its main business.

The organisation is divided into generation, supply and distribution activities, each of which includes electricity and, in certain cases, gas activities and other products and services.

In view of the areas of business carried on by the subsidiaries of ENDESA, S.A., transactions are not highly cyclical or seasonal.

2.2. Most significant figures

Main figures	SDG (1)	Unit	2021	2020	% Var.
Revenue		€M	20,899	17,050	22.6
Gross operating profit (EBITDA) (2)		€M	4,278	3,809	12.3
Net income		€M	1,435	1,394	2.9
Net ordinary income (2)		€M	1,902	2,132	(10.8)
Net financial debt (2)		€M	8,806 (3)	6,853 (4)	28.5
Cash flows from operating activities		€M	2,621	2,951	(11.2)
Gross investments in property, plant and equipment and intangible assets		€M	2,389	1,823	31.0
Net installed capacity		MW	21,140 (3)	21,652 (4)	(2.4)
Net installed mainland renewable capacity	7	MW	8,312 (3)	7,719 (4)	7.7
Electricity generation (5)		GWh	57,592	56,269	2.4
Generation of renewable electricity	7	GWh	12,794	13,415	(4.6)
Distribution and transmission networks	9	km	316,506 (3)	315,365 (4)	0.4
Energy distributed (6)	9	GWh	131,090	124,658	5.2
End users (7)		Thousands	12,359 (3)	12,291 (4)	0.6
List of digitalised customers (8)	9	%	100 (3)	100 (4)	-
Net electricity sales (9)		GWh	79,458	80,772	(1.6)
Number of customers (electricity) (10) (11)		Thousands	10,251 (3)	10,420 (4)	(1.6)
Deregulated market (12)		Thousands	5,878 (3)	5,690 (4)	3.3
Public and private electricity charging stations	11	Units	9,482 (3)	7,072 (4)	34.1
Final headcount		No. of employees	9,258 (3)	9,591 (4)	(3.5)

€M = million euros.

(1) Sustainable Development Goals.

(2) See definition in Section 7 of this Consolidated Management Report.

(3) At 31 December 2021.

(4) At 31 December 2020.

(5) In power plant busbars.

(6) Energy supplied to customers, with or without a contract, ancillary consumption of generators and output towards other grids (transmission or distribution).

(7) Customers of distribution companies.

(8) Number of digitalised customers / End users (%).

(9) Sales to end customers.

(10) Supply points.

(11) Customers of supply companies.

(12) Customers of supply companies of deregulated market.

2.3. Sustainable value creation and business model.

2.3.1. Sustainable value creation

The integration of financial and non-financial information in this Consolidated Management Report enables effective communication of the business model and its value-creation process, both with regard to its results and to the short, medium and long-term outlook. It provides an overview for partners and stakeholders to make their business decisions with sufficient information, as environmental, social and economic aspects are becoming increasingly important.

The following charts summarise the creation of value in ENDESA, showing its main figures and how these translate into results and value created for stakeholders through ENDESA's organisation and business model, which are characterised by robust and transparent corporate governance and a sustainable strategy that, among other matters, prioritises achieving the Sustainable Development Goals (SDGs), particularly Goals 7, 9, 11 and 13.

INPUTS

Prosperity

	Amount	Unit
Net financial debt ⁽¹⁾	8.806	EUR M
Equity of the Parent	5.380	EUR M
Gross Investments in Property, Plant and Equipment and Intangible Assets	2.389	EUR M
Property, Plant and Equipment	22.097	EUR M
Net Installed Capacity	21.140	MW
Net Installed Renewable Capacity	8.389	MW
Distribution and Transmission Grids	316.506	km
Energy distributed ⁽²⁾	131.090	GWh
End users ⁽³⁾	12.359	Thousands
Digitalised Customers ⁽⁴⁾	100	%
Net Electricity Sales ⁽⁵⁾	79.458	GWh
Number of Customers (Electricity) ^{(6) (7)}	10.251	Thousands
Number of Electricity Customers on the Deregulated Market ⁽⁸⁾	5.878	Thousands
Public and Private Electricity Charging Station	9.482	Units
Intangible Assets	1.542	EUR M

People

Period-End Headcount	9.258	No. of employees
% Women in Final Headcount	25,5	No. of employees (%)
% Women in management positions	21,0	No. of employees (%)

Planet

Extraction of water for Industrial use in Areas of water stress	18,0	%
---	------	---

Background: Opportunities and Threats

Circular cities | New Consumption | Climate emergency and the environment |
New generations (millennials, generation Y and Z) | COVID-19 |

How can we do it?

GOVERNANCE

STRATEGY

PERFORMANCE

OUTLOOK



What can we do


Business Strategy


DECARBONISATION

DIGITAL PLATFORMS

ELECTRIFICATION








✓

✓

✓

Creation of long-term sustainable value



Governance Principles. OPEN POWER

Outlook

Mission

Values

To be at the forefront of developments in the energy sector to bring safe, affordable and sustainable energy to millions of people

To open access to secure and sustainable energy

To open access to energy for new technologies

To open access to energy for people

To open access to energy for new uses

To open access to energy for broader alliances

Corporate Social

Innovation

Trust

Proactivity

Future of work and focus on people

Automation and Robotics | New ways of working | Creativity | "Gig economy" |

OUTPUTS & SHAREHOLDER VALUE CREATION

Prosperity

	Amount	Unit
Direct Economic Value Generated	21.639	EUR M
Public Administrations	(1.147)	EUR M
Share Buybacks	79.659	Shares
Dividends paid	2.132	EUR M
Revenue	20.899	EUR M
Gross Operating Income (EBITDA) ⁽⁹⁾	4.278	EUR M
Net Ordinary Income ⁽⁹⁾	1.902	EUR M
Additional Net Installed Mainland Renewable Capacity	627	MW
Duration of Interruptions in the Distribution Grid – SAIDI ⁽¹⁰⁾	70,0	Minutes
Patents	10	Units

People

Accident Frequency Index for Own Employees ⁽¹⁰⁾	0,12	%
Training Hours (average per employee) ⁽¹¹⁾	43,95	Hours
Turnover rate ⁽¹²⁾	10,1%	%

Planet

Direct Carbon Dioxide Emissions - Scope 1	10.702.129	(t)
Water consumption in areas of water stress	0,88	%

(1) See definition in Section 7. of this Consolidated Management Report.

(2) Energy supplied to customers, with or without a contract, ancillary consumption of generators and output towards other grids (transmission or distribution).

(3) Customers of distribution companies.

(4) Number of Digitised Customers / End Users (%).

(5) Sales to end customers.

(6) Supply points.

(7) Customers of supply companies.

(8) Customers of supply companies of deregulated market.

(9) Source: In-house. Figures for the last 12 months.

(10) Frequency Rate = (Number of accidents or Number of serious accidents or Number of fatal accidents / Number of hours worked) x 10⁶.

(11) Average training per employee (average number of training hours).

(12) Contract terminations as a % of final workforce.

2.3.2. Vision, mission and values.

Vision.

ENDESA strives to be at the forefront of the development of the energy sector, supplying safe, affordable and sustainable energy to millions of people. ENDESA is aware of the significant change the industry is currently experiencing, operating in a new era for energy that is more open, participative and digital.

“Open Power” is the platform for growth, combining the strength of a global organisation with the opportunities of an open and connected world. This represents the company's vision, mission and values.

Mission.

“Open Power” means opening access to energy to more people, opening the world of energy to new technologies, opening the management of energy to people, opening the possibility of new energy uses, and opening up to more partnerships.

Principles	Description
Opening energy to more people	<ul style="list-style-type: none"> working to connect more people to safe and sustainable energy.
Opening energy to new technologies	<ul style="list-style-type: none"> leading the development and application of new technologies to generate and distribute energy more sustainably, focusing, in particular, on renewable energy sources and smart distribution grids.
Opening new ways of managing energy for consumers	<ul style="list-style-type: none"> developing more tailored services for people to help them use energy more efficiently, concentrating, in particular, on smart meters and digitalisation.
Opening energy to new uses	<ul style="list-style-type: none"> developing new services based on energy to meet global challenges, focusing on connectivity and electric mobility.
Open to more collaboration	<ul style="list-style-type: none"> promoting a network of research, technology, product development and marketing partners to create new solutions together.

Values.

ENDESA's values are the pillars of its behaviour and reflect its commitment to people.

Values	Description
Responsibility	<ul style="list-style-type: none"> ENDESA all of our employees are responsible for ENDESA's success, at all levels, always acting within the framework of our social responsibility strategy and complying with tax regulations.
Innovation	<ul style="list-style-type: none"> works to open energy to new uses, technologies and people, learning from its successes and its failures.
Trust	<ul style="list-style-type: none"> ENDESA acts competently, honestly and transparently to earn the trust of its employees, customers and external partners, treasuring individual differences.
Proactivity	<ul style="list-style-type: none"> ENDESA continuously analyses global scenarios and challenges to stay ahead of change, redefining its priorities as the context requires

2.3.3. Sustainable business model.

ENDESA has developed a sustainable business model, recognising that it must focus its business strategy on meeting the major challenges facing the society in which it performs its activities. Climate change is the main challenge for all of ENDESA's stakeholders. ENDESA, therefore, recognises that it must play a leading role in fighting this challenge. To this end, it is pursuing a business model that aims to lead the Energy Transition, in line with the United Nation's Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement. The objective is to meet the challenge of decarbonisation and so limit the average increase in global temperatures to below 2°C, with the aim of not exceeding 1.5°C compared with the pre-industrial period, creating shared value for all stakeholders and spreading its sustainability principles and commitments throughout the value chain.

Around 89% of the investments in ENDESA's 2022-2024 Strategic Plan address Sustainable Development Goal (SDG) 13 (Climate action), which it contributes to through specific actions relating to: SDG7 (Affordable and clean energy), through growth in renewable energy capacity; SDG 9 (Industry, innovation and infrastructure), through digitalisation of distribution; and SDG 11 (Sustainable cities and communities), driving the electrification of energy consumption through the sale of products and roll out of charging stations for

electric vehicles. This demonstrates the extent to which sustainability is integrated into ENDESA's business model (see Section 24 of this Consolidated Management Report). Around 81% of the gross investment in the 2022-2024 Strategic Plan is consistent with the European Union (EU) Taxonomy Regulation.

ENDESA's 2022-2024 Strategic Plan is complemented by its Sustainability Plan, which brings together the company's sustainability guidelines, including over 100 quantitative objectives for a three-year period. These objectives are reviewed every year to ensure continuity and alignment with the strategy, in order to integrate sustainability ever more completely throughout the value chain.

This strategic approach of the business model reflects ENDESA's vision, mission and values. Through innovation and by implementing the values in its "Open Power" positioning, ENDESA is continuing to contribute to achieving the United Nations Sustainable Development Goals (SDGs), promoting solutions to reduce environmental impact and meet the needs of its customers and the local communities where it operates, while always ensuring the safety of its employees and contractors.

2.3.4. Business Lines and main markets.




ENDESA's business model is organised into various business lines to effectively handle the risks and exploit the opportunities of the constantly changing energy sector. This enables it to respond flexibly in the markets where it operates, considering the needs of its customers and the territories and businesses where it is active.

These business lines reflect the activities ENDESA performs: generation, distribution and marketing of electricity and gas, mainly, in Spain and Portugal, and, to a lesser extent, marketing of electricity and gas in other European markets, particularly Germany, France and the Netherlands, from its platform in Spain, and marketing of other products and services related to its main business.

ENDESA manages its generation and supply businesses jointly - apart from production from its mainland coal-fired plants - enabling it to optimise its integrated position compared to separate management of both activities.

The markets in which ENDESA carries out its activities are as follows:

Market in Spain.

Activities	Description
Electricity generation 	<ul style="list-style-type: none"> Electricity generation: ENDESA carries out its electricity generation activities in the mainland and in Non-mainland territories (TNP), which include the Balearic and Canary Islands and the self-governing cities of Ceuta and Melilla. In the mainland territory, conventional and renewable generation is a deregulated activity, although there is specific remuneration for generation from renewable energies. Conventional generation in Non-Mainland Territories (TNP) is subject to specific regulations which address the particular nature of their geographical location, with regulated remuneration. There are incentives for investment in generation from renewable sources in the Non-mainland Territories (TNP) to reduce costs.
Supply of electricity, gas and other products and services 	<ul style="list-style-type: none"> This activity consists of supplying energy in the market and the sale of other products and services to customers. The supply of energy is a deregulated activity.
Electricity distribution: 	<ul style="list-style-type: none"> The purpose of the electricity distribution activity is to distribute electricity to the consumption points. Electricity distribution is a regulated activity.

Section 9.1. of this Consolidated Management Report provides a breakdown of ENDESA's main figures at 31 December 2021.

Market in Portugal.

Activities	Description
Electricity generation 	<ul style="list-style-type: none"> Electricity generation in Portugal is carried out in a competitive environment.
Supply of electricity, gas and other products and services 	<ul style="list-style-type: none"> This activity is deregulated in Portugal.

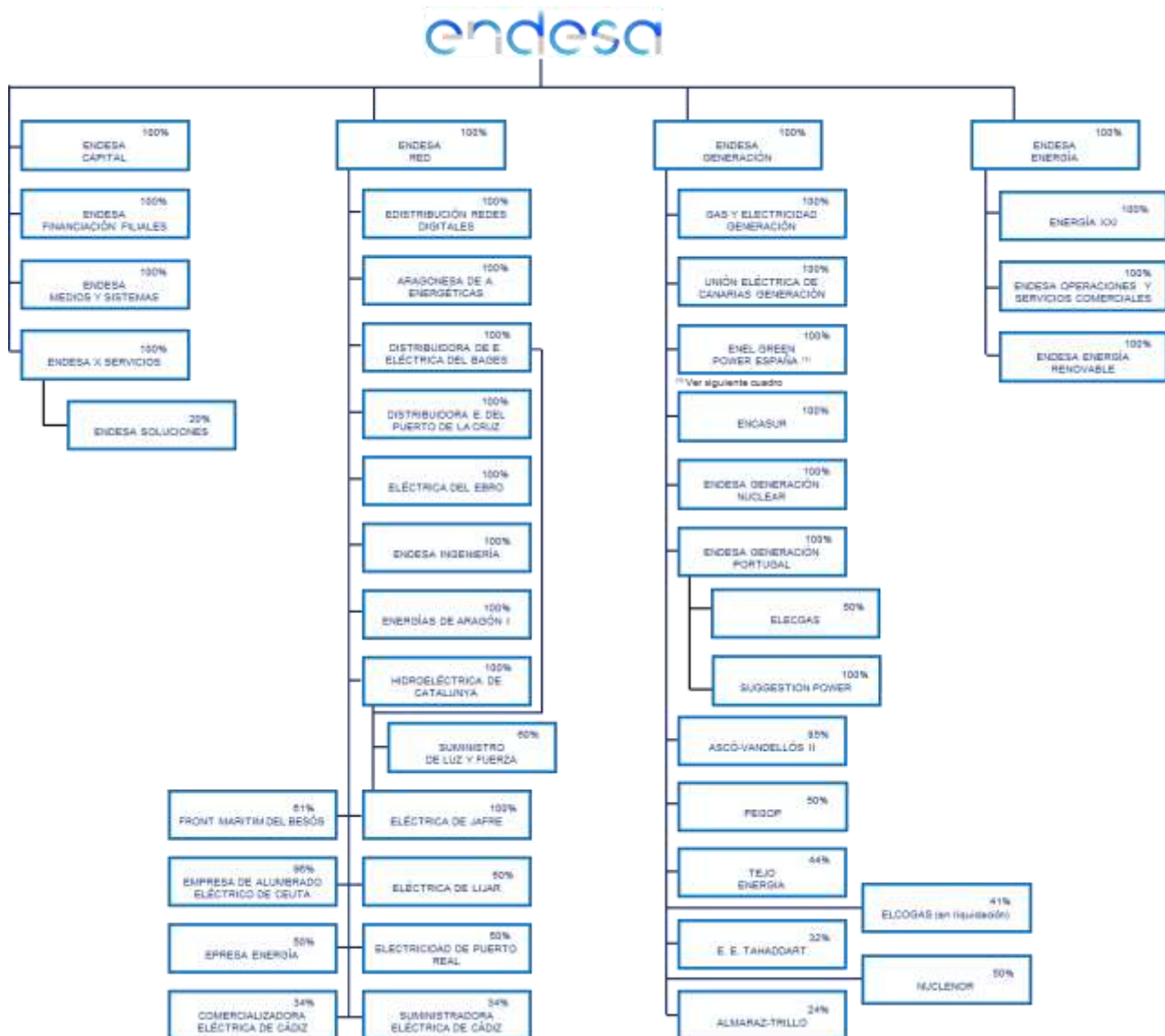
2.4. Corporate map.

ENDESA, S.A.'s activity is structured by business lines, giving the Company flexibility and the ability to respond to the needs of its customers in the territories and businesses in which it operates.

ENDESA, S.A. works primarily through the following companies to organise its business lines:

Sociedades	Descripción
Electricity generation: ENDESA Generación, S.A.U. 	<ul style="list-style-type: none"> This company was set up on 22 September 1999 to hold the generation and mining assets of ENDESA, S.A. ENDESA Generación, S.A.U. comprises holdings in Gas y Electricidad Generación, S.A.U. (100%) and Unión Eléctrica de Canarias Generación, S.A.U. (100%), which manage the conventional generation assets in the Non-mainland Territories (TNP), and ENEL Green Power España, S.L.U. (EGPE) (100%), which manages renewable-energy generation assets. At 31 December 2021, ENDESA's total net installed capacity in Spain was 21,140 MW, of which 16,800 MW was in the mainland electricity system and 4,340 MW in the non-mainland territories (NPT) of the Balearic Islands, the Canary Islands, Ceuta and Melilla. At that date, the net power installed in renewables was 8,389 MW, of which 8,312 MW corresponded to the mainland electricity system and 77 MW to the non-mainland territories (see Section 9.1. of this Consolidated Management Report). ENDESA's had total net output of 57,592 GWh in 2021 (see Section 9.1. of this Consolidated Management Report).
Marketing of energy and other products and services: ENDESA Energía, S.A.U., Energía XXI Comercializadora de Referencia, S.L.U. y ENDESA X Servicios, S.L.U. 	<ul style="list-style-type: none"> ENDESA Energía, S.A.U. was set up on 3 February 1998 to carry out supply activities and meet the demands of deregulation of the Spanish electricity sector. Its activity involves supply of energy to customers who opt to exercise their right to choose their supplier and receive the service in the deregulated market, in addition to other products and services relating to the development of energy efficient infrastructure and maintenance services. ENDESA Energía, S.A.U. owns 100% of the companies: Energía XXI Comercializadora de Referencia, S.L.U., which supplies electricity in the regulated market; ENDESA Operaciones y Servicios Comerciales, S.L.U., which provides commercial services related to energy supply; and ENDESA Energía Renovable, S.L.U., which is involved in supplying electricity and natural gas specifically from renewable sources. ENDESA Energía, S.A.U. also supplies the deregulated markets in Germany, France, the Netherlands and Portugal. Net electricity sales amounted to 79,458 GWh in 2021, with the portfolio of customers in the electricity market including 10.3 million points of supply at 31 December 2021. ENDESA supplied gas amounting to 76,991 GWh in 2021. Its customer portfolio in the conventional natural gas market at 31 December 2021 comprised 1.7 million supply points (see Section 9.1. of this Consolidated Management Report). ENDESA X Servicios, S.L.U. develops and markets new services for the changing energy market, with four main lines of action: e-Home, e-Industries, e-City and e-Mobility
Energy distribution: ENDESA Red, S.A.U. 	<ul style="list-style-type: none"> This company was set up on 22 September 1999 and marked the culmination of the integration of ENDESA, S.A.'s regional distribution companies in Spain. Among other interests, this company holds 100% interests in Edistribución Redes Digitales, S.L.U., which engages in regulated electricity distribution activities, and ENDESA Ingeniería, S.L.U. (100%). At 31 December 2021, ENDESA distributed electricity in 24 Spanish provinces (La Coruña, Almería, Badajoz, Barcelona, Cádiz, Córdoba, Girona, Granada, Huelva, Huesca, the Balearic Islands, Jaén, Las Palmas, León, Lleida, Málaga, Ourense, Santa Cruz de Tenerife, Seville, Soria, Tarragona, Teruel, Zamora and Zaragoza) in 8 Autonomous Communities (Andalusia, Aragón, the Canary Islands, Castilla y León, Catalonia, Extremadura, Galicia and the Balearic Islands) and the self-governing city of Ceuta, covering a total of 195,794 km² and a population of over 21 million people. At that date ENDESA had over 12 million customers with access contracts for its distribution grids, and in 2021 its network supplied total power amounting to 131,090 GWh, (see Section 9.1. of this Consolidated Management Report).

The following corporate map shows ENDESA's main investees at 31 December 2021:



100% ENEL GREEN POWER ESPAÑA						
AGUÓN 20 51%	CORPORACIÓN EÓLICA DE ZARAGOZA 25%	EMVATOS PROMOCIÓN II 100%	PRV SANJA 100%	PARC EÓLIC LITREJAS 32%	RENOVABLES ANDORRA 100%	SOCIEDAD EÓLICA LOS LANCES 60%
ANAROT DE SARROLO 100%	DOYESA DE LOS SUADOLPE'S SOLAR 100%	EMVATOS PROMOCIÓN III 100%	PRV VILLALBELLOS 100%	PARQUE EÓLICO A CAPLEGA 100%	RENOVABLES LA PROGRESA 100%	SOLANA RENOVABLES 80%
ARENA POWER SOLAR 11 100%	DEHESA PV FARM 03 100%	EÓLICA VALLE DEL EBRO 51%	PRV ZAMORA SOLAR 1 100%	PARQUE EÓLICO BELMONTE 50%	RENOVABLES MANZANARES 330 KV 20%	SOTAVIENTO GALICIA 30%
ARENA POWER SOLAR 12 100%	DEHESA PV FARM 04 100%	EÓLICAS DE AGASTE 80%	PRV ZAMORA SOLAR 3 100%	PARQUE EÓLICO CARRETERA DE AERNA 50%	RENOVABLES MEDAVILLA 100%	TAUPE ENERGÍA DISTRIBUIDA 51%
ARENA POWER SOLAR 13 100%	DEPURACIÓN DESTILACIÓN RECICLAJE 42%	EÓLICAS DE PUENCALBENTE 50%	FUNDAMENTAL RECOGNIZED SYSTEMS 100%	PARQUE EÓLICO DE SARRANZA 70%	RENOVABLES TERRELL 100%	TERMOPEC ENERGÍA (en liquidación) 40%
ARENA POWER SOLAR 20 100%	EMTEGICAL CYCLE 100%	EÓLICAS DE FUERTEVENTURA 80%	FURTERA SOLAR 1 100%	PARQUE EÓLICO DE SAN ANDRÉS 82%	SALTO DE SAN RAFAEL 50%	TERRER RENOVABLES 30%
ARENA POWER SOLAR 33 100%	ENERGÍA BASE NATURAL 100%	EÓLICAS DE LA PATAGONIA 30%	HERDELETRICA DE OLIVOL 30%	PARQUE EÓLICO DE SANTA LUCÍA 60%	SAN FRANCISCO DE BORJA 60%	TICO SOLAR 1 100%
ARENA POWER SOLAR 34 100%	ENERGÍA EÓLICA ÁRREDO 100%	EÓLICAS DE LANZAROTE 40%	HISPAID GENERACIÓN DE ENERGÍA SOLAR 51%	PARQUE EÓLICO FINCA DE MOJAN 100%	SANTO ROSARIO COGENERACIÓN (en liquidación) 40%	TICO SOLAR 2 100%
ARENA POWER SOLAR 35 100%	ENERGÍA EÓLICA GALENA 100%	EÓLICAS DE TENERIFE 50%	INFRAESTRUCTURAS PUERTO SANTA MARÍA 220 100%	PARQUE EÓLICO MONTES DE LAS NAVAS 70%	SAVANNA POWER SOLAR 8 100%	TOLEDO PV 30%
ATICA RENOVABLES 30%	ENERGÍA EÓLICA GREGAL 100%	EÓLICAS DE TRAZUNA 80%	INFRAESTRUCTURAS SAN SERVÁN 220 31%	PARQUE EÓLICO MUEBESA 100%	SAVANNA POWER SOLAR 9 100%	TORREFALMA ENERGY 1 100%
BAIAL ENTERPRISE 100%	ENERGÍA RETA SA CABAÑA LUBERMAJON 100%	EXPLOTACIONES EÓLICAS DE ERECHUA 70%	LUCAS SOSTENIBLE 30%	PARQUE EÓLICO PUNTA DE TENO 52%	SAVANNA POWER SOLAR 6 100%	TREVAJO RENOVABLES 30%
BALCARES ENERGY 100%	ENERGÍA Y NATURALIZA 100%	EXPLOTACIONES EÓLICAS EL PUERTO 70%	MEGALIA RENOVABLES 400KV 30%	PARQUE EÓLICO SERRA DEL MADRID 50%	SAVANNA POWER SOLAR 9 100%	VALDECAILLERO SOLAR 100%
BAYLID SOLAR 100%	ENERGÍAS ALTERNATIVAS DEL SUR 30%	EXPLOTACIONES EÓLICAS SANTO DOMINGO DE LUNA 51%	MINERALS DEL CANAL IMPERIAL-GALLUR 30%	PARQUE EÓLICO TICO 100%	SAVANNA POWER SOLAR 10 100%	VIRULELOS 80%
BODARIS PV1 100%	ENERGÍAS DE GRASA 60%	EXPLOTACIONES EÓLICAS SABO PLANO 50%	MONTA REINA RENOVABLES 21%	PLANTA EÓLICA EUROPEA 100%	SAVANNA POWER SOLAR 12 100%	XALIC SOLAR 100%
BOSO ENERGÍA 40%	ENERGÍAS ESPECIALES DE CARCÓN 70%	EXPLOTACIONES EÓLICAS SIERRA COSTERA 30%	NAVAVILLAR SOLAR 100%	PRODUCTIVE SOLAR SYSTEMS 100%	SAVANNA POWER SOLAR 13 100%	YSCOLA COGENERACIÓN (en liquidación) 40%
BOTA DEL EBRO 51%	ENERGÍAS ESPECIALES DE PERA ARMADA 50%	EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN 30%	OLIVUM PV FARM 01 100%	PRODUCTORA DE ENERGÍAS 30%	SEGUIDORES SOLARES PLANTA 3 100%	
CARTELANCO SOLAR 100%	ENERGÍAS ESPECIALES DEL ALTO ULLA 100%	FOROVOLTAICA YUNCLLOS 100%	OXADESA (en liquidación) 20%	PROMOCIONES ENERGÉTICAS DEL BIRZO 100%	SISTEMA ELÉCTRICO DE CONEXIÓN VALDAR 30%	
CENTRAL HIDRÁULICA GUEJAR-SIERRA 30%	ENERGÍAS ESPECIALES DEL BIERZO 50%	PRV CORCHITOS I 100%	PAMPARUS PV FARM 01 100%	PROYECTOS UNIVERSITARIOS DE ENERGÍAS RENOVABLES 50%	SISTEMAS ENERGÉTICOS MARÓN ORTIGUERA 30%	
COGENERACIÓN EL SALTO (en liquidación) 20%	EMVATOS PROMOCIÓN I 100%	PRV CORCHITOS II SOLAR 100%	PARAVIENTO 30%	PUERTO SANTA MARÍA ENERGÍA 100%	SOCIEDAD EÓLICA DE ANDALUCÍA 50%	
COMPAÑIA EÓLICA TERNAS ALBA 30%	EMVATOS PROMOCIÓN II 100%	PRV GIBALDEN JEREZ 100%	PARC EÓLIC LA ROSA-LA AGUA (en parcial) 50%	PUERTO SANTA MARÍA ENERGÍA 3 100%	SOCIEDAD EÓLICA EL PUNAL 50%	

The additions, removals and changes to ENDESA's company map in 2021 are described in Note 7 in the Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

Appendix I in the Notes to the Consolidated Financial Statements for the year ended 31 December 2021 lists ENDESA's companies and material shareholdings:

2

CORPORATE GOVERNANCE

3. Corporate governance system.

3.1. Corporate governance focused on sustainability objectives.

ENDESA is aware of the effects that Climate Change has on its business. It integrates this vision not only as an element in its environmental and climate management policy, but as a major component in decision-making at the business level and in the determination of its strategic plans. This means that decisions are made at the highest level of management.

ENDESA establishes its strategic plans taking into account macro geopolitical, regulatory and technological trends, with particular emphasis on the markets in which it operates, and considering the risks and opportunities it faces (taking into account operational, technological, market and transition aspects, and physical risks). One of the main pillars of ENDESA's strategy is Climate Change and the Energy Transition. ENDESA, S.A.'s Board of Directors is responsible for approval of its strategy and its senior management is responsible for its development and implementation.

The Appointments and Remuneration Committee (CNR) is responsible, inter alia, for informing and/or proposing the appointments of Directors and the Remuneration Policy to the Board of Directors for submission to the General Shareholders' Meeting. This Committee proposes carbon dioxide (CO₂) emission reduction targets to the Board of Directors of ENDESA, S.A. It also monitors these targets, which are linked to the variable remuneration of the executive Directors. ENDESA has established an incentive system for its managers related to the Company's performance in Climate Change management. The long-term Incentive Plan, whose participants are the executive Directors of ENDESA, S.A. and those managers whose involvement is considered essential for achieving the Strategic Plan, includes the following objectives related directly to management of Climate Change:

- Net installed renewable energy capacity. This is represented by the relationship between ENDESA's net installed capacity from renewable sources and its total net cumulative installed capacity for a particular period (this year, until 2023). This parameter is weighted as 15% of the total incentive.
- Reduction of carbon dioxide (CO₂) emissions, calculated as a reduction of specific carbon dioxide (CO₂) (g/CO₂/kWh) of ENDESA for a specific period (this year, until 2023). This is defined as the ratio between the absolute carbon dioxide (CO₂) emissions from ENDESA's electricity generation and its net total production for that year. This parameter is weighted as 10% of the incentive.

These objectives are reviewed annually with each long-term incentive plan. The most recent objective set at the time of preparation of this Consolidated Management Report is that for the 2021-2023 Plan, in line with the industrial objectives in the 2021-2023 Strategic Plan (see Note 49.3.5. Remuneration Plans linked to the ENDESA, S.A. Share Price in the Notes to the Consolidated Annual Accounts for the year ended 31 December 2021).

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

The main function of the Sustainability and Corporate Governance Committee is to advise the Board of Directors of ENDESA, S.A. and supervise, among other things, environmental issues, including Climate Change. Its competences include reviewing the Company's environmental policies, overseeing the objectives of the sustainability plan and regularly evaluating the degree to which the objectives are being achieved.

3.2. Organisational structure.

ENDESA and its subsidiaries are part of the ENEL Group, the parent of which is ENEL Iberia, S.L.U. in Spain.

At 31 December 2021, the ENEL Group's holding in the share capital of ENDESA, S.A., through ENEL Iberia, S.L.U., stood at 70.1% (see Notes 1 and 35.1.1 in the Notes to the Consolidated Financial Statements for the year ended 31 December 2021).

At the date on which this consolidated management report was drawn up, the composition of ENDESA S.A.'s Executive Management Committee, the functions of which include implementation of Group strategies, was as follows:

Position	Member
Chief Executive Officer	José Damián Bogas Gálvez
General Manager - Communication	Ignacio Jiménez Soler
General Manager - Energy Management	Juan María Moreno Mellado
General Manager - People and Organisation	Paolo Bondi
General Manager - Generation	Rafael González Sánchez
General Manager - Infrastructure and Networks	Jose Manuel Revuelta Mediavilla ⁽¹⁾
General Manager - Supply	Javier Uriarte Monereo
General Manager - Institutional Relations and Regulation	José Casas Marín
General Manager - Media	Pablo Azcoitia Lorente
General Manager - ENDESA X	Davide Ciciliato ⁽²⁾
General Manager - Nuclear Power	Gonzalo Carbó de Haya
General Manager - Audit	Patricia Fernández Salís
General Manager - ICT Digital Solutions	Manuel Fernando Marín Guzmán
General Manager - Sustainability	María Malaxechevarría Grande
General Manager - Purchasing	Ignacio Mateo Montoya
General Manager - Administration, Finance and Control	Luca Passa
General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs	Francisco Borja Acha Besga

(1) Joined on 1 March 2021, replacing Gianluca Caccialupi.

(2) Joined on 1 April 2021, replacing Josep Trabado Farré.

The Annual Corporate Governance Report, which describes the organisation of ENDESA's Board of Directors and the bodies to which it delegates decision-making powers, is an integral part of this Consolidated Management Report (see Section 23. of this Consolidated Management Report).

The general principles of ENDESA's corporate governance strategy ensure that the company's internal rules guarantee transparency and reconciliation of the interests of all shareholders, and equal treatment of all shareholders under identical conditions.

3.3. Incentives system.

Information on ENDESA's incentives system is provided in Note 49.3.5 to the consolidated financial statements for the year ended 31 December 2021.

3.4. Business ethics values and pillars.

3.4.1 Code of Ethics.

Information on ENDESA's Code of Ethics is provided in Section 6.2. of this Consolidated Management Report.

3.4.2. ENDESA's Human Rights Policy.

ENDESA's Human Rights Policy was first approved in 2013. It has since been updated and was approved most recently by the Board of Directors on 21 December 2021. This Human Rights Policy follows the recommendations of the United Nations Guiding Principles on Business and Human Rights and includes ENDESA's commitment to and responsibilities in relation to all human rights. This policy focuses on creating sustainable value throughout the value chain, in both its business activity and the operations carried out by its workers. The Company encourages its contractors, suppliers and trade partners to adhere to the same principles, focusing particularly on situations involving conflict and high risks.

The policy consists of **12 principles** covering two major areas: employment practices, and communities and society. These principles are inspired by the Universal Declaration of Human Rights and the conventions of the International Labour Organization in relation to human and social rights.

Human rights policy at ENDESA



ENDESA started implementing pioneering due diligence exercises in 2017 to ensure implementation and monitoring of the commitments in its Human Rights Policy, following the recommendations of the guiding principles. These due diligence exercises have resulted in action plans to address the opportunities for improvement identified. Two such due diligence exercises have been performed. The first was in 2017, with 100% of the associated action plan having been completed. The second was in 2020 and resulted in a three-year action plan, 67% of which was completed in 2021, its first year.

During the due diligence process, the extension of the commitment to human rights was analysed throughout the value-creation chain, including the supply chain. This process covers obligations relating to respect for human rights in the general contracting terms and conditions, and since 2017, the rating process has included human rights criteria, including audits and site visits when necessary.

Issues relating to human rights are overseen at the highest level within the organisation. The Human Rights Policy is approved by the Board of Directors of ENDESA, S.A., while the Board's Corporate Governance and Sustainability Committee monitors compliance with the associated action plan.

Information on the Human Rights Policy and the due diligence process is detailed in the Statement of Non-Financial Information and Sustainability (see Section 24. of this Consolidated Management Report).

3

STRATEGY AND RISKS

4. Outlook

4.1. Energy policy context.

The effects of the COVID-19 pandemic continued to be felt in 2021, which saw a sustained increase in electricity prices throughout Europe, as a result of more expensive gas and carbon dioxide (CO₂) emission rights. This general increase in raw material prices resulted from the gradual recovery in economic activity and geopolitical issues that have affected the equilibrium in global gas markets.

The European Commission considers that the best solution is to accelerate the Energy Transition, as a firm commitment to renewable energies will reduce dependence on fossil fuels. In its “E.U. Toolbox for Action and Support”, the European Commission sets out a series of guidelines within a coordinated European framework, clarifying the tools available in the short term that could be adopted by Member States under legislation to provide immediate protection for vulnerable customers and industry against rising electricity prices.

The Energy Transition is thus set to be a central pillar of the global economic recovery, both as a factor to mitigate the recession caused by the pandemic and as a key element in fostering appropriate electricity prices that facilitate the ongoing decarbonisation of the economy.

“Fit for 55” is the latest in a series of packages of regulatory measures approved by the European Union to define the common framework for climate, energy, land use, transport and tax policies. This proposal sets new objectives for net reductions of greenhouse gases (GHG) by 2030, which must reach at least 55% compared to 1990 levels. This package includes renewable energies representing 40% of the energy mix by 2030 (meaning 65% of renewable energy in electricity by that year) and specific objectives for energy efficiency (36%), and improvement of the European Trading Scheme (ETS) mechanism, which will now include other sectors (aviation and shipping).

This framework is an opportunity to eliminate all of the barriers to electrification and so guarantee a profitable and efficient Energy Transition. It also offers unique options for post-COVID economic recovery.

The possibilities of this framework are demonstrated by the European Union's (EU) Economic Recovery Fund (see Section 16. of this Consolidated Management Report), which is an opportunity that will enable Spain's economy to become more sustainable, innovative, productive and resilient. ENDESA has submitted a list of around 120 projects, with potential investment of Euro 23,000 million, through all of its business lines. These projects would facilitate long-term structural economic growth and create jobs and boost gross domestic product (GDP).

4.2. 2022-2024 Strategic Plan

In line with the decarbonisation objectives set for Spain, and seeking to set even more ambitious goals for the future, on 25 November 2021 ENDESA presented an update of its 2022-2024 Strategic Plan.

This is another step in ENDESA's firm commitment to continue contributing to the development of an efficient and sustainable energy model, based on electrification from renewable sources, a customer-centric approach and development of smart grids as an integrative element.

Planned gross investment to achieve these objectives amounts to Euro 7,500 million gross in the first three years, continuing the approach in the previous Plan. This means an average of Euro 2,500 million per year to meet the objectives set for 2024. 89% of the planned investment is directly related to the United Nations Sustainable Development Goals. Likewise, more than 80% of the consolidated investments will meet the criteria of the European Union (EU) Taxonomy due to their significant contribution to Climate Change mitigation (see Section 1.5. of this Consolidated Management Report).

The integration of circularity into the strategy is another important feature of ENDESA's long-term vision. ENDESA is determined to play a significant role in the development of a low-emission economic model, while undertaking cultural change in which adopting circular-economy thinking as the operating paradigm is key (see Section 14.11. of this Consolidated Management Report). The circularity objective for its generating assets is based on reducing consumption of materials and fuel. This will improve from 66% compared to 2015 at present to 72% in 2024.

The update of the 2022-2024 Strategic Plan is based on the following lines of action:

1. Speeding up fulfilment of the decarbonisation commitments for generating facilities, by further boosting renewable energies and closure of mainland coal-fired plants.
2. Electrification of demand, consolidating the current leadership position and leveraging the use of new platforms, that enable the Company to achieve a competitive advantage by enabling management based on customer value and the development of new personalised services and products that meet new needs.
3. Progress with the development and operation of more efficient grids that enable integration of increased renewable-energy capacity and electrification of transport.

Gross investments plan designed to meet customer needs.



(1) Includes nuclear, combined cycle, non-mainland and others.

1) Acceleration of decarbonisation commitments at generation facilities.

The strategic lines in the three-year plan are:

1. Gross investment of Euro 3,100 million in developing wind and solar energy in the 2022-2024 period, which will enable 4 GW of new clean capacity to be brought on stream, with 90% coming from solar energy and the rest from wind farms. As a result, ENDESA will have 12.3 GW of solar, wind and hydroelectric capacity. In 2024, 63% of mainland generating capacity will use renewable sources.
2. This growth in renewable energies will enable 92% of energy production in the Spanish mainland to be free of CO₂ emissions by the end of 2024.
3. These ambitious growth goals are supported by a robust 11 GW portfolio of projects that are currently mature or under construction, resulting in comfortable coverage that triples the objectives. This continuously expanding and developing portfolio provides a remarkable degree of flexibility and certainty about achieving the Plan.

2) Electrification of demand.

ENDESA plans to increase the efforts it has been making for many years, using new tools and platforms to further foster the digitalisation of customers and their loyalty, based on tailored services that meet their needs.

The gross investment planned for growth in marketing energy and other products and services amounts to Euro 700 million. Most of this will be invested in the energy marketing business, where investment will be 25% higher than in the previous Plan, at Euro 500 million. As a result of this and the gradual recovery in demand, total sales of electricity will grow in 2024 to 93 TWh.

The company expects that free market customers will increase by 200,000, to 5.8 million. As a result, 58% of the total portfolio would correspond to free market customers by the end of 2024. The focus will be on customer loyalty, based on offering tailored services adapted to their needs. These digitalisation and platform commitments are expected to improve operating expenses, particularly service costs, which will fall by 15%, to 9.9 euros/customer, in 2024.

Gross investment in ENDESA X Servicios, S.L.U., the subsidiary focusing on decarbonising energy consumption by households, companies and public administrations, will also increase, by 30% to over Euro 200 million. This will include about Euro 100 million invested in developing the electric mobility business. This will include the number of charging stations for electric cars exceeding 46,000 by the end of 2024, with 125 charging stations for electric buses expected by the end of the plan. The number of e-home contracts for electricity and gas maintenance is also expected to rise sharply, to 2.7 million, up 35%.

3) Grid development as an enabler and integrator

Development of the electricity grid is one of the core pillars of ENDESA's strategy. The acceleration of implementation of renewable energies nationally must be matched by development of new infrastructure that enables these technologies to be harnessed, as they are essential for decarbonisation and electrification of the economy.

ENDESA is committed to remaining the leading operator in this regard. This new Strategic Plan therefore maintains its commitment to investment to ensure this. It, therefore, plans to invest Euro 2,900 million gross in development, automation and modernisation of the grid in the period 2022-2024. This investment is expected to maintain the base of regulated assets constant at Euro 11,700 million throughout the period.

Around Euro 1,300 million will be invested in digitalisation plans, helping to further improve network reliability and service quality, achieving operating excellence. Specifically, ENDESA plans to reduce service outages by 25% and grid losses by three percentage points, while keeping operating cost per customer at its current level over the next three years.

4.3. Main financial indicators.

The new Business Plan includes, among other parameters, forecasts for economic indicators for the consolidated results, based on the current lines of action. Therefore, ENDESA expects positive performance in:

1. Gross operating profit (EBITDA), which will increase by 6% year-on-year to Euro 4,700 million in 2024.
2. Net ordinary income, which will increase at the same average rate, to Euro 2,000 million in 2024.
3. Net cash flows from operating activities, amounting to Euro 10,300 million over the 2022-2024 period, assuming recovery of the impact on working capital of the regulatory and tax measures implemented by the government in 2021, making it possible to undertake this acceleration of the investment plan while maintaining an attractive shareholder remuneration policy in line with the growth profile.

With a view to maintaining ENDESA's risk profile and financial strength, the dividend policy approved by the Company maintains a 70% pay out on net ordinary income over the period 2022-2024, representing dividend yields of more than 6% during the Plan period (see Section 19.2. of this Consolidated Management Report.).

Millions of euros				
Financial objectives	Unit	2022	2023	2024
Gross operating profit (EBITDA) ⁽¹⁾	Millions of euros	4,100	4,500	4,700
Net ordinary income ⁽¹⁾	Millions of euros	1,800	1,900	2,000
Gross dividend per share	Euros	1.2	1.3	1.3

(1) See the definition in Section 7. of this Consolidated Management Report.

4.4. Long-term planning and vision for 2030

ENDESA is fully committed to developing a sustainable business model in line with the objectives of the Paris Agreement. For ENDESA, the fight against Climate Change is an unprecedented challenge. It has been setting ambitious targets through its series of Strategic Plans, with a firm commitment to zero carbon dioxide (CO₂) emissions by 2050, charting a path with clear intermediate targets for reduction.

The 2022-2024 Strategic Plan, which was presented on 25 November 2021, follows this approach and is based on ENDESA's intention to lead the Energy Transition, which it will achieve by accelerating the decarbonisation of its generating mix and encouraging the adoption of behaviour that will result in electrification of its customers' consumption.

The 2022-2024 Strategic Plan includes the following significant milestones in its long-term planning:

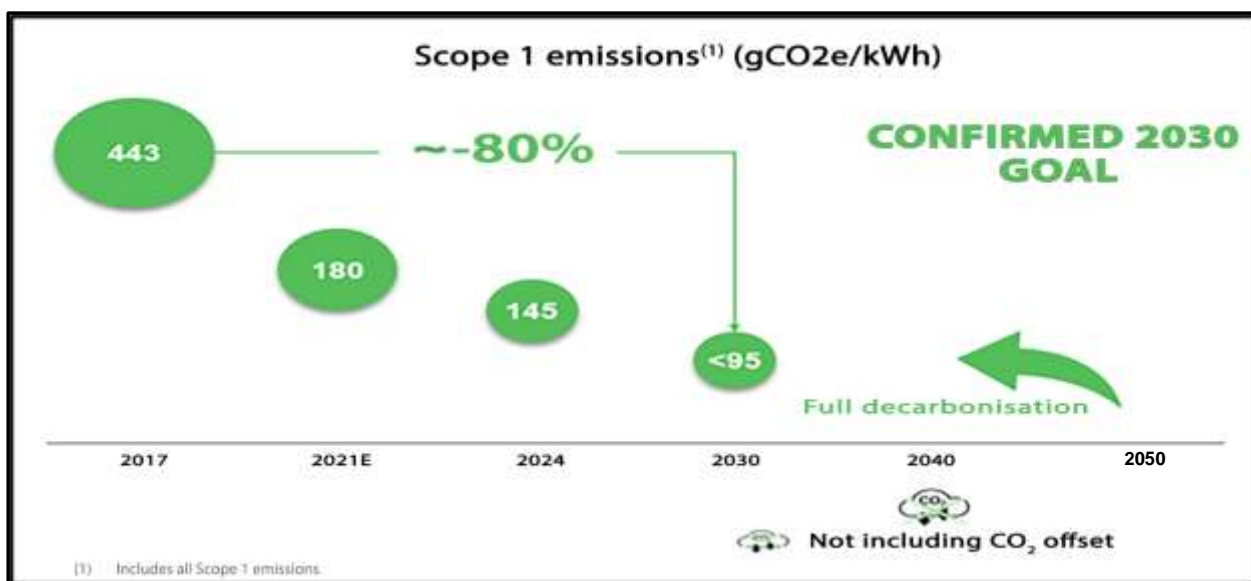
a. Full decarbonisation by 2040.

This commitment was initially to be met by 2050. However, as a result of strategic repositioning towards renewable energies over recent years, ENDESA has aligned itself with its parent, ENEL, in bringing the objective of complete decarbonisation of its activities forward to 2040.

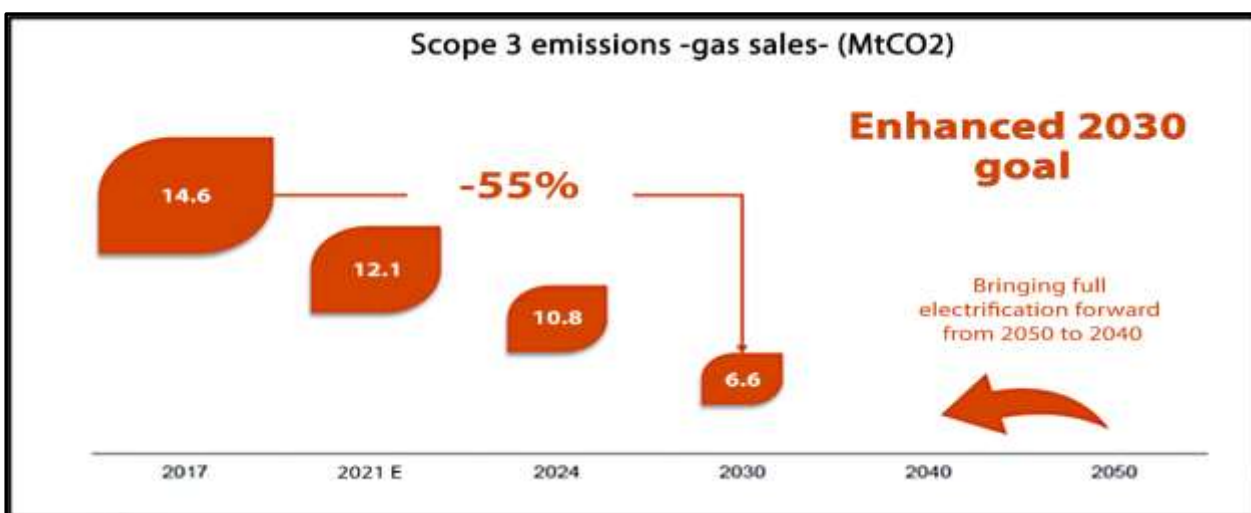
This will be achieved through four main lines of action:

1. The deployment of new renewable capacity, making all generation activities 100% free from emissions (inside and outside the Iberian Peninsula), from 40% in 2021 and 70% estimated in 2030.
2. The hybridisation of renewable facilities with storage technologies and green hydrogen production.
3. Exiting the coal business in 2027 and the production of electricity using gas by 2040.
4. Exiting the retail gas trading business by offering a wide range of new products and services that incentivise the electrification of gas usage.

Path to complete decarbonisation by 2040: electricity generation.



Path to complete decarbonisation by 2040: gas sales.



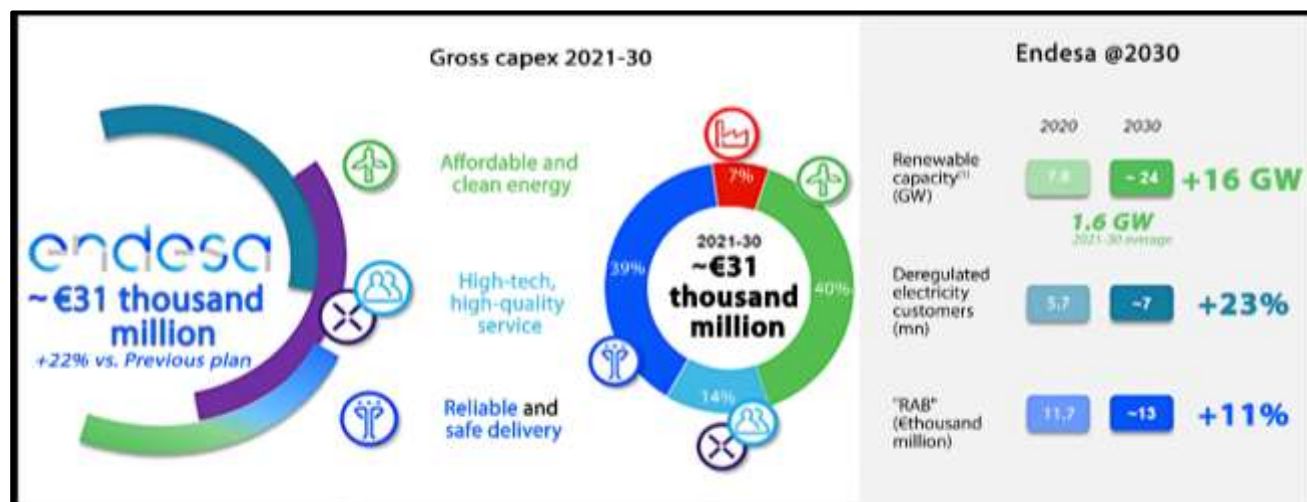
Commitment to net-zero emissions.

ENDESA, through the ENEL Group, which is involved in the "Business Ambition for 1.5°C" campaign promoted by the United Nations and other institutions, has set itself a long-term objective of achieving emission neutrality throughout its value chain by 2040, in both direct emissions (Scope 1), achieving complete decarbonisation of its generating mix, and indirect emissions (Scopes 2 and 3), including stopping its sales of natural gas. This is in combination with the scientific objectives in all relevant areas, and in accordance with the criteria and recommendations of the Science Based Targets initiative (SBTi).

Vision	Greenhouse gas (GHG) target	Area	Main factors and actions to Achieve the objective
Short term (2024)	145 gCO _{2eq} /kWh in 2024	100% of Scope 1 greenhouse gasses (GHG)	<ul style="list-style-type: none"> Gradual phase-out of 90% of coal-fired capacity in the period 2022-2024 (percentage weight of coal-fired capacity from 10% in 2020 to approximately 1% in 2024 with planned closure in 2027). Euro 3,100 million gross investment to accelerate the development of renewable energies by installing 4 GW of new renewable capacity in the 2022-2024 period, reaching 12.3 GW of consolidated renewable capacity in 2024.
Medium-long-term (2030)	<95 gCO _{2eq} /kWh in 2030 (80% reduction compared to the baseline year, 2017)	100% of Scope 1 greenhouse gasses (GHG)	<ul style="list-style-type: none"> Bringing forward of coal phase-out to 2027 from 2030 (gradual phase-out of coal capacity in the period 2017-2027). Euro 12,400 million gross investment to accelerate the development of renewable energies by installing 16 GW of new renewable capacity in the 2021-2030 period, reaching 24 GW of renewable capacity by 2030 (1.7 GW in the baseline year, 2017).
	6.6 MtCO _{2eq} (55% reduction compared to the baseline year, 2017)	100% of Scope 3 emissions related to the sale of natural gas in the end market (Scope 3, "Category of use of products sold")	<ul style="list-style-type: none"> Promoting transition of customers from gas to electricity (particularly residential customers). Optimisation of the portfolio of gas customers (especially industrial customers).
Long term (2040)	~0 gCO _{2eq} /kWh in 2040	100% of Scope 1 greenhouse gasses (GHG)	<ul style="list-style-type: none"> Commitment to the gradual elimination of thermal capacity and the achievement of a 100% renewable energy mix.
	0 MtCO _{2eq} (100% reduction compared to the baseline year, 2017)	100% of Scope 3 emissions ^{(1) (2)}	<ul style="list-style-type: none"> Cessation of the gas trading business on the basis of electrification of consumption, bringing forward full electrification from 2050 to 2040.

- (1) In accordance with the ENEL Group's commitment to neutrality in emissions, which includes both direct and indirect emissions, ENDESA assumes the commitment to Scope 2 and Scope 3 emissions in accordance with the "Net-Zero Standard" being developed by the Science Based Targets initiative (SBTi).
- (2) An objective of 100% reduction of Scope 3 emissions related to gas trading has been set for 2040, with neutrality in other indirect emissions.

b. Updating of ENDESA's vision to 2030



ENDESA has reviewed its vision of its main business objectives to 2030 applying the most ambitious criteria. The company maintains this prospective exercise to convey the strategy to be followed in a key decade for the sector due to the multiple and profound changes facing energy activity in Spain and Portugal arising from decarbonisation, massive electrification of demand and respect for the criteria of sustainability and circularity in business activity.

ENDESA is a key player in the reconfiguration of the sector, as it is the largest distributor and the second largest producer of electricity in the Spanish mainland. It also has the largest customer base. To take advantage of the opportunities arising from both the Spanish Integrated National Energy and Climate Plan 2021-2030 (PNIEC) and the European Union's (EU) new "Fit for 55" strategy, ENDESA has estimated gross investments of Euro 31,000 million between 2021 and 2030.

More specifically:

- Of this, 40%, around Euro 12,000 million, will go to increasing renewable generation capacity to reach 24 GW. With this, production from clean sources will be multiplied by four, to 48 TWh, and the proportion of emission-free generation in the mainland will reach 95%. These objectives are backed by a robust portfolio of projects amounting to 80 GW. The growth in renewables and the complete exit from the coal business by 2027 are being approached from a circular economy perspective.
- A further 40%, approximately Euro 12,000 million, will go to the distribution network. This will increase the base of regulated assets from Euro 11,700 million to Euro 13,200 million by the end of 2030. The aim of this is to further improve security and quality of supply, and to make the grid more efficient and flexible to meet the requirements of the new renewable generation planned, and to meet the new demand from customers. The number of end users of ENDESA's grid will grow by 6%, to 13.1 million.
- The marketing of energy and other products and services will account to Euro 4,100 million to the end of the decade. As a result, the number of customers in the free market segment is forecast to increase by 23%, to around 6.9 million in 2030. The electrification of demand will also be promoted to achieve around 400,000 charging stations for electric vehicles by the end of the decade. At the same time, there is expected to be a base of up to 2.6 GW of demand management installations, which will enable the use of new systems and management models based on the new functionalities of the distribution network.

However, prospective information cannot be considered a guarantee of the Company's future performance in that plans and forecasts are subject to risks and uncertainties that could result in ENDESA's future performance not matching the initial forecasts (see Section 6. of this Consolidated Management Report).

5. Reference scenario.

5.1. Performance of the main market indicators.

Market indicators	January - December 2021	January - December 2020	% Var.
Arithmetic average price in the wholesale electricity market (€/MWh) ⁽¹⁾	111.9	34.0	229.1
ICE Brent average price (\$/bbl) ⁽²⁾	71.0	43.2	64.4
Average price of carbon dioxide (CO ₂) emission rights (€/t) ⁽³⁾	53.6	24.8	116.1
Average price of coal (€/MWh) ⁽⁴⁾	121.7	50.5	141.0
Average price of gas (€/MWh) ⁽⁵⁾	46.6	9.3	401.1

(1) Source: Iberian Energy Market Operator - Polo Español (OMIE).

(2) Source: ICE: Brent Crude Futures.

(3) Source: ICE: ECX Carbon Financial Futures Daily.

(4) Source: Api2 index.

(5) Source: TTF index.

Year-end exchange rates ⁽¹⁾	31 December 2021	31 December 2020	Difference
Closing exchange rate (Euro/US Dollar)	1,1370	1,2270	(0,0900)
Closing exchange rate (Euro/Pound Sterling)	0,8396	0,8980	(0,0584)

(1) Source: Thomson Reuters.

Average exchange and interest rates	January- December 2021	January- December 2020	Difference
Average exchange rate (Euro/US Dollar) ⁽¹⁾	1,1829	1,1417	0,0412
6-month EURIBOR (period average) ⁽²⁾	(0.52)	(0.36)	(0.16)

(1) Source: Thomson Reuters.

(2) Source: Bloomberg.

Percentage (%)	31 December 2021	31 December 2020	Difference
Estimated annual inflation ⁽¹⁾			
Spain	6.5	(0.3)	6.8

(1) Source: INE (Spanish Official Statistics Institute).

5.2. Electricity and gas market.

Electricity.

The changes in electricity demand in 2021 and 2020 are as follows:

Percentage (%)				
Trends in electricity demand ⁽¹⁾	Without adjusting effects for working days and temperature		Adjusted for effects of working days and temperature	
	2021	2020	2021	2020
Mainland	2.4	(5.1)	2.4	(5.1)
Non-mainland Territories (TNP)	5.2	(13.7)	6.1	(13.3)

(1) Source: Red Eléctrica de España, S.A. (REE). In power plant busbars.

Total mainland electricity demand rose by 2.4% in 2021, adjusted for working days and temperature, compared to -5.1% in 2020.

Accumulated electricity demand in non-mainland territories (TNP), adjusted for the effect of working days and temperature, ended 2021 up 10.6% in the Balearic Islands and 1.6% in the Canary Islands compared with the same period of the previous year (-18% and -10.5%, respectively, in 2020).

At 31 December 2021 and 2020, mainland electricity demand in the territories in which ENDESA distributes electricity was as follows:

Percentage (%)		
Changes in mainland electricity demand: ENDESA area ⁽¹⁾		
	2021	2020
ENDESA	1.5	(4.4)
Industrial	(0.3)	(5.8)
Services	8.3	(12.1)
Residential	(3.5)	4.7
ENDESA adjusted for the effects of working days and temperature	1.7	(5.0)

(1) Source: In-house.

2021 was characterised by extraordinarily high prices, with the arithmetic average price in the wholesale electricity market standing at Euro 111.9/MWh (+229.1%), mainly due to changes in the prices of raw materials and carbon dioxide (CO₂) emission rights.

Renewable energies contributed 48.4% of total mainland production in 2021 (45.5% in 2020).

At 31 December 2021, ENDESA held the following electricity market shares:

Percentage (%)		
Market share (electricity) ⁽¹⁾		
	31 December 2021	31 December 2020
Mainland generation ⁽²⁾	17.5	18.0
Distribution	42.7	42.9
Supply	29.6	32.4

(1) Source: In-house.

(2) Includes renewable energies.

Gas.

The changes in gas demand at 31 December 2021 and 2020 were as follows:

Percentage (%)		
Trend in gas demand ⁽¹⁾		
	2021	2020
Domestic market	3.4	(9.6)
Domestic - conventional	4.3	(5.3)
Electricity sector	(0.8)	(20.7)

(1) Source: Enagás, S.A.

Demand for gas for conventional consumption increased by 4.3% in 2021.

At 31 December 2021, ENDESA had the following gas market share:

Percentage (%)

Market share (gas) ⁽¹⁾	31 December 2021	31 December 2020
Deregulated market	15.1	14.3

(1) Source: In-house.

5.3. Climate change and long-term scenarios.

5.3.1. Climate change

The key performance indicators (KPIs) related to Climate Change defined in ENDESA's 2022-2024 Strategic Plan are:

Line of action		2023 objectives	2021 result	Actions to be highlighted
Decarbonisation of ENDESA's activity ⁽¹⁾	Specific Scope 1 greenhouse gas emissions (GHG) (gCO _{2e} /kWh).	<150	185.8	Reduction of specific emissions by 53% compared to 2017.
	Specific greenhouse gas (GHG) emissions from marketing of electricity (gCO _{2e} /kWh).	Nd ⁽²⁾	179.0	A target of 100% Scope 3 emissions reduction by 2040 related to gas and electricity trading is set, as well as neutrality in the rest of indirect emissions.
	Specific greenhouse gas (GHG) emissions from marketing of natural gas (tCO ₂) - Scope 3.	Nd ⁽³⁾	15,157,936	A target of 100% Scope 3 emission reductions by 2040 related to gas and electricity trading is set, as well as neutrality in all other indirect emissions.
	Carbon dioxide free production (CO ₂) (% Production)	75	66.5	Increase in CO ₂ emission-free production by 36% compared to 2017, with a target of 100% CO ₂ emission-free production by 2040.
	Gross installed renewable capacity (MW installed)	11,593	8,433	Increase in installed renewable capacity (0.50 GW solar and 0.12 GW wind).
	Gross fossil thermal installed capacity (MW installed)	~8,000	11,188	Cessation of coal activity in 2027.

(1) Source: Own elaboration.

(2) The monitoring of this target is established for the year 2040.

(3) A reduction target of 55% is set for 2030 compared to 2017, and 100% for 2040.

Global commitment to combating Climate Change.

The main objective of the Paris Agreement is to limit the increase in global temperature to 2°C, with the aim of not exceeding 1.5°C compared to the pre-industrial period, and introduces the condition of carbon neutrality, which must be achieved by 2050.

The United Nations Conference on Climate Change (COP26), held in Glasgow in November 2021, closed with the Glasgow Climate Pact which, based on the role of science and the insufficiency of the commitments presented, recognises the urgency of accelerating climate action. The Pact updates the objective to limit temperature increases. All of the countries recognise they must limit global warming to 1.5°C, including the need to reduce emissions by 45% in 2030 compared to 2010. Given the insufficiency of the commitments presented to date, all countries have been asked to increase their emission reduction targets annually to 2030 to align them with the Paris targets, and the mechanism is updated with more ambitious targets to call for accountability on an annual basis, instead of every five years as foreseen in Paris.

In line with the climate urgency and the call for more ambitious targets, in recent years, ENDESA has honed its strategy to reflect the urgency of the climate emergency and the call for increased ambition, setting ambitious targets through its successive Strategic Plans since the Paris Agreement was adopted. The results obtained by ENDESA and its decarbonisation path over recent years reflect its ambition for decarbonisation and its efforts year after year to exceed the objectives it has committed to. In 2021, through its Strategic Plan 2022-2024, ENDESA announced its road map to being a completely carbon-neutral generating company in 2040, bringing forward its previous objective by 10 years. ENDESA is accelerating its exit from the fossil-fuel generation business and gas sales, to become a 100% renewable electricity company with no links to technologies that produce emissions or fossil fuels.

By updating its 2022-2024 Strategic Plan, ENDESA has reaffirmed its Energy Transition strategy, which is based on a 48% increase in installed capacity using renewable energy sources, to a total of 12.3 GW. As a result, 92% of ENDESA's mainland energy production will be free of carbon dioxide (CO₂) emissions by the end of 2024, with the addition of 4 GW of renewable capacity to its energy mix in this period. Of this, 90% will be solar and the remainder will be wind power. Renewable capacity will increase at an average of 1.3 GW per year.

Looking towards 2030, ENDESA plans to have 24 GW operational under its 2022-2024 Strategic Plan at the close of the decade. This is a 20% increase on the estimate a year ago, tripling the currently installed power.

This new renewable power will amply exceed the reduction in thermal capacity due to the closure of mainland coal plants. ENDESA is continuing to make progress with this process after achieving authorisation in 2021 to close the Litoral plant in Almería. Production at the Pego coal-fired plant in Portugal, in which ENDESA has a non-controlling interest, is also scheduled to end. This would only leave permission for closure of the As Pontes plant in A Coruña to be obtained. As a result, 63% of ENDESA's generating capacity in the Iberian Peninsula will be from renewable sources at the end of 2024.

Continuing its drive to exceed the targets it has undertaken to achieve, ENDESA ended 2021 consolidating its cumulative trend of reducing emissions. Six years after the adoption of the Paris Agreement, emissions are now 69% lower than in 2015 (81% since 2005, when the Kyoto Protocol came into force).

ENDESA promotes transparency in its disclosures relating to Climate Change and works to make these available to its stakeholders who are confronting Climate Change with diligence and determination, following the "Guidelines on climate-related reporting" published by the European Commission, which, together with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the GRI standard, constitute the main framework for the Group's reporting on Climate Change issues.

ENDESA, as a signatory through the ENEL Group of the United Nations "Business Ambition for 1.5°C" campaign, has established an objective of reducing emissions aligned with a maximum temperature increase of 1.5°C compared to pre-industrial levels, in line with the criteria and recommendations of the "Science Based Targets" (SBTi) initiative, undertaking to ensure that its specific Scope 1 emissions do not exceed 95 gCO₂/kWh in 2030. In this way, ENDESA is once again playing a leading role in the fight against Climate Change, demonstrating leadership and contributing significantly to the fulfilment of national and international commitments to decarbonisation of the planet, and complying with the targets of the Paris Agreement.

5.3.2. Strategy.

Scenarios.

ENDESA assesses the flexibility and resilience of its Strategic Plan using climate, energy and macroeconomic Scenarios over the short (corresponding to the Strategic Plan), medium (corresponding to the coverage schedule of the National Integrated Energy and Climate Plan (PNIEC)), and long term (2050). In these scenarios, the impact of Climate Change is of huge importance, producing effects that can be analysed in terms of:

- Extreme events: heat waves, torrential rain, hurricanes, etc. and their potential impact on industrial facilities.
- Chronic phenomena: considering gradual changes in weather conditions, such as increased average temperatures, rising sea levels, etc., which affect the production of electricity generation plants and consumption profiles.
- Transition: of different sectors towards a green economy, characterised by becoming more decarbonised.

The aspects related to projections of climate variables, in terms of chronic phenomena and extreme events, define Physical Scenarios, and the aspects related to the industrial and economic transition towards decarbonised solutions define the Transition Scenarios. These scenarios are developed to provide a reference framework to ensure consistency between climate projections and transition assumptions.

Strategic planning based on the use of scenarios involves defining alternative futures on the basis of certain key variables, such as compliance with the objectives defined in the Paris Agreement and technological development. In this projection approach, scenarios offer greater flexibility and enable preparation to manage risks and take advantage of opportunities. This approach includes projections based on past trends, so it does not anticipate significant changes, risks or opportunities.

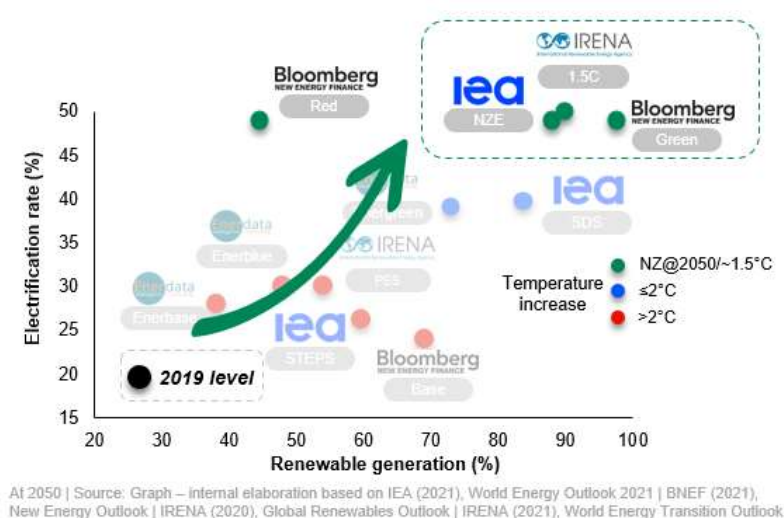
The scenarios are used in planning, strategic positioning and risk assessment processes, and to test the resilience of the strategy. Preparation of scenarios helps to take strategic decisions in complex and uncertain conditions, analysing plausible future alternatives and enabling the design of various mitigation paths, schedules and options, and analysis based on the key risks to challenge the strategic thinking.

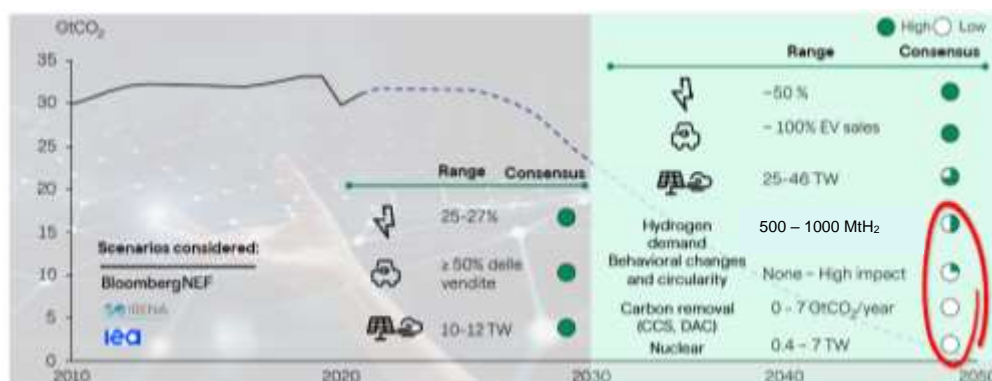
Benchmarking of external scenarios constitutes a useful starting point for building robust internal scenarios. There are many global Energy Transition scenarios, published by a range of bodies and designed for multiple purposes, from government planning to support for business decision-making processes. This benchmarking activity consists of analysing the scenarios prepared by these organisations, comparing the results in terms of the energy mix, emission trends and technology choices, and identifying the main drivers of the Energy Transition for each of them.

Global energy scenarios are classified into families of scenarios, based on the level of climate ambition:

Scenarios	Description
“Business as usual/Stated policies”:	<ul style="list-style-type: none"> energy scenarios based on “business as usual/current policies”. These provide a conservative reference point for the future, representing the development of the energy system without any additional climate and energy policies. These scenarios do not achieve the objectives of the Paris Agreement.
“Paris Aligned”:	<ul style="list-style-type: none"> energy scenarios consistent with the Paris Agreement, i.e. they include the objective of limiting the average increase in global temperatures to below 2°C compared to pre-industrial levels. To attain this objective, the scenarios in this category consider ambitious new policies to boost the electrification of end uses of energy and the development of renewable energy.
“Paris Ambitious”:	<ul style="list-style-type: none"> global energy scenarios that establish a transition towards net-zero greenhouse gas emissions in 2050, in line with the most ambitious objective of the Paris Agreement, i.e. ensuring that the increase in the average global temperature does not exceed 1.5°C. All the scenarios in this family share the drivers of the Energy Transition towards net zero in 2050: electrification of end energy uses and increased renewable electricity generation, in both the medium and long term. However, they differ in the type of additional solutions required in the long term to bridge the gap to achieving net-zero emissions, giving different weightings to the contributions of the various technologies and changes in behaviour.

In general, the conclusions drawn from systematic analysis of the scenarios are that the most ambitious scenarios for reducing Climate Change require greater penetration of electrification and renewable generation.





The acquisition and processing of the huge volume of data obtained from the application of the scenarios, as well as identification of the methodologies and metrics needed to interpret complex phenomena with, in the case of Climate Scenarios, very high resolution, requires ongoing dialogue involving both external and internal experts. For example, the ENEL Group uses models that describe the country's energy system considering specific features at the technological, socio-economic, political and regulatory-framework levels to assess the effects of the transition and physical phenomena on the energy system.

Adoption of these scenarios and their integration into the everyday management of the company, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD), enables assessment of the risks and opportunities associated with Climate Change.

The process that translates the conclusions from application of the scenarios into useful information for industrial and strategic decision-making can be summarised in five steps:



Physical Scenarios.

Three Climate Scenarios have been selected to assess physical risks in line with those published in the Sixth Report of the Intergovernmental Panel on Climate Change (IPCC)¹. These scenarios are characterised by a level of emissions in line with that known as the “Representative Concentration Pathway” (RCP). Each of these are related with one of the five scenarios defined by the scientific community as “Shared Socioeconomic Pathways” (SSP). The “Shared Socioeconomic Pathways” scenarios consider general assumptions about the population and urban development, etc. The three scenarios considered are:

¹ IPCC Sixth Assessment Report, Working Group 1, “The Physical Science Basis” (2021).

Scenarios	Description
"Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6):	<ul style="list-style-type: none"> scenario aligned with a global temperature increase of well below 2°C in 2100 with respect to pre-industrial levels (1850-1900). The "Intergovernmental Panel on Climate Change" (IPCC) projects an average increase in temperature of ~+1.8°C compared to the period 1850-1900, with 44% probability of limiting the increase in temperature to less than 1.5°C and 78% probability of it remaining below +2°C.² For the analysis that considers both the physical and the transition variables, the Group associates the "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario with the "Paris" and "Best Place" scenarios.
Shared Socioeconomic Pathways" 2 (SSP 2) - "Representative Concentration Pathway" 4.5 (RCP 4.5):	<ul style="list-style-type: none"> this is compatible with an intermediate scenario that estimates an average temperature increase of around 2.7°C in 2100 compared to 1850-1900. This scenario is considered the most representative of today's global climate and geopolitical context. This scenario projects global warming in line with estimates based on the current and expected policies at the global level³. In its analysis that considers both the physical and the transition variables, the Group associates the "Shared Socioeconomic Pathways" 2 (SSP 2) - "Representative Concentration Pathway" 4.5 (RCP 4.5) scenario with the "Slow Transition" scenario.
"Shared Socioeconomic Pathways" 5 (SSP 5) - "Representative Concentration Pathway" 8.5 (RCP 8.5):	<ul style="list-style-type: none"> compatible with a scenario that considers that no specific measures will be taken to combat Climate Change. This scenario estimates that the global temperature increase with respect to pre-industrial levels will be around 4.4°C in 2100. The "Intergovernmental Panel on Climate Change" (IPCC) estimates that the increase will be above 3°C, and that there is a 62% probability it will exceed 4°C.

The "Shared Socioeconomic Pathways" 5 (SSP 5) - "Representative Concentration Pathway" 8.5 (RCP 8.5) scenario is considered the most unfavourable situation. It has been used to assess the consequences of climate impacts in an extreme Scenario, which is currently considered to have a low probability of occurring. The "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario is used to assess the consequences of climate impacts associated with an Energy Transition that achieves ambitious mitigation targets.

The work performed with the Climate Scenarios considers both chronic phenomena and extreme events. Data and analyses provided by private, public and academic bodies are considered in describing specific complex phenomena.

The scenarios used are global, but they must be analysed at the local level to define the effects on the specific areas where the ENEL Group performs its activities. The work carried out by the Department of Earth Sciences of the International Centre for Theoretical Physics (ICTP) has allowed the projections of the most important climate variables, with a resolution equivalent to a grid of between 12 km² and 100 km² for a time horizon of 2020-2050. The main variables considered are temperature, snow and rainfall, and solar radiation. For a more robust analysis, we are currently working on the basis of the regional climate model defined by the International Centre for Theoretical Physics (ICTP), plus five others selected from the most representative climate models referred to in the specialist literature. Working with various models enables more robust analysis, based on the average assumptions in the individual models. In 2021, projections for Spain were analysed based on this series of models, providing a more accurately defined representation of the Physical Scenarios.

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

The analysis of certain aspects depends not only on climate projections, but also on the characteristics of the territory. More specific modelling is, therefore, required to achieve a high-resolution representation. To achieve this, Natural Hazard maps are used to supplement the Climate Scenarios developed by the International Centre for Theoretical Physics (ICTP). Using these maps provides expected frequencies for a number of weather events, such as storms, hurricanes and floods, with high spatial resolution. The findings of this type of analysis using historical series are being applied to optimise insurance strategy. Work is currently under way to integrate these findings with the climate scenario projections.

The ENEL Group has equipped itself with tools and acquired sufficient knowledge to work independently with the gross data published by the scientific community. This enables a high-level global overview of the long-term performance of climate variables. The sources used are the outputs of the CMIP6⁴ and CORDEX⁵ climate and regional models. CMIP6 is the sixth assessment of the Coupled Model Intercomparison Project (CMIP), a project involving the World Climate Research Programme (WCRP) and the "Working Group of Coupled Modelling" (WGCM), which provides gross climatic data from global climate models. This information is used

² IPCC Fifth Assessment Report, Working Group 1, "Long-term Climate Change: Projections, Commitments and Irreversibility"

³ Climate Action Tracker thermometer, estimates of global warming in 2100 considering the current "Policies & action" and "2030 targets only" (update November 2021).

⁴ <https://www.wcrp-climate.org/wgcm-cmip/wgcm-cmip6>

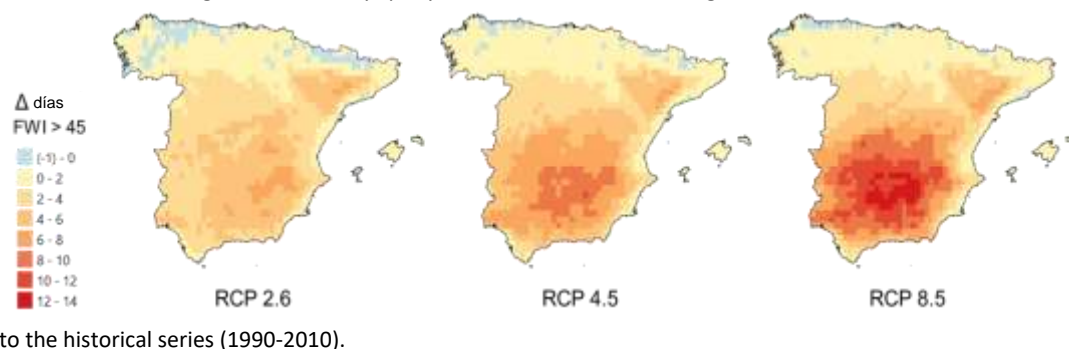
⁵ <https://cordex.org/>

to assess standard metrics on a global scale, with a resolution of around 100 km x 100 km. The “Coordinated Regional Climate Downscaling Experiment” (CORDEX), which is also part of the “World Climate Research Programme” (WCRP), provides regional climate projections in greater resolution.

The following conclusions about the territories in which ENDESA operates can be drawn from this work:

- **Extreme events:** the number of days with an extreme risk of fire (Fire Weather Index > 45) will be higher in the “Shared Socioeconomic Pathways” 5 (SSP 5) - “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario than in the “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario, exceeding the historical average in all cases. The number of days per year with high fire risk increases significantly in the summer in the centre-south of Spain in all the scenarios.

Increase in the average number of days per year in the summer with a high fire risk for the RCP scenarios and with respect



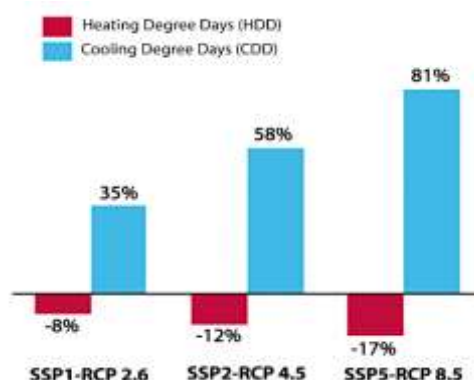
Accordingly, it is expected that in the 2030-2050 period, heat waves will become more widespread and frequent, especially in the southern area of the country. Variation is expected in the frequency of extreme rainfall phenomena. In a preliminary analysis, it was concluded that the average annual rainfall of rainy days with an intensity exceeding the 95 percentile will be reduced in certain areas in the south of the country in the “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario.

- **Chronic phenomena:** an analysis was performed in greater detail of potential air conditioning and heating needs, enabling it to be concluded that in the 2030-2050 period, with respect to the 1990-2020 period, it is considered that the “Heating Degree Days” (HDD)⁶ will be reduced in all scenarios, from (-8%) in the “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario to (-17%) in the “Shared Socioeconomic Pathways” 5 (SSP 5) - “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario.

The results also forecast an increase in the “Cooling Degree Days” (CDD)⁷ in all scenarios, from +35% in the “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario to +58% in the “Shared Socioeconomic Pathways” 2 (SSP 2) - “Representative Concentration Pathway” 4.5 (RCP 4.5) scenario and +81% in the “Shared Socioeconomic Pathways” 5 (SSP 5) - “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario.

⁶ Heating Degree Days (HDD): annual sum of the difference between the indoor temperature (estimated at 18°C) and the outside temperature, considering every day of the year with an outdoor temperature of 15°C or less.

⁷ Cooling Degree Days (CDD): annual sum of the difference between the indoor temperature (estimated at 21°C) and the outside temperature, considering every day of the year with an outdoor temperature of 24°C or higher.



Variations in rainfall were analysed in the basins of interest to ENDESA's hydroelectric production. After preliminary analysis, the conclusions do not find significant variations when comparing the 2030-2050 period with 1990-2009, with a downward trend in the south of Spain in all scenarios.

ENDESA has been a pioneer in the use of Climate Scenarios. In 2009, it launched its first project to analyse and evaluate the vulnerability of all its businesses and facilities globally, leading it to be chosen by the former Ministry of Agriculture and Fisheries, Food and Environment (now the Ministry of Ecological Transition and Demographic Challenge (MITECO)) to represent the energy sector in the ADAPTA I and II initiatives.

Following that, ENDESA has continued to explore this in greater depth, participating in multiple international initiatives and developing projects related to different areas.

Transition scenarios.

The Transition Scenario represents the performance of energy production and consumption in different sectors in an economic, social and regulatory context consistent with the trends in greenhouse gas emissions (GHG) and, therefore, related to Climate Scenarios.

With regard to the assumptions established to define Transition Scenarios, it is important to highlight:

- The assumptions related to Climate Change regulations, governing aspects such as reducing carbon dioxide (CO₂) emissions, the efficiency of the energy system, decarbonising the electricity sector and reducing oil consumption.
- The macroeconomic and energy context (e.g. in terms of gross domestic product (GDP), population and raw material prices), considering international references, such as the International Energy Agency (IEA), "Bloomberg New Energy Finance" (BNEF) and, "International Institute for Applied Systems Analysis" (IIASA)⁸.

⁸ At IIASA, data was collated in relation to the demand for raw materials and the underlying population in the "Shared Socioeconomic Pathways (SSPs)", in which different scenarios are projected that describe the socio-economic changes and the changes in the regulatory framework, in line with the climate scenarios. The data taken from the "SSPs" are used, together with internal modelling, to support long-term forecasts such as those for electricity demand and raw materials prices.

In 2021, the ENEL Group reviewed the reference framework for the medium-long term Energy Transition scenarios, defining three alternative scenarios:

Scenarios	Description
"Paris" scenario	<ul style="list-style-type: none"> this foresees a level of climate ambition significantly greater than "business as usual", in which the increased ambition is based on increased electrification and more renewable energy.
"Slow Transition" scenario	<ul style="list-style-type: none"> this is characterised by a slower Energy Transition, which does not enable the objectives of the Paris Agreement to be met. This scenario considers a slower increase in renewable energy and lower electrification compared to the "Paris" scenario, especially in the short term.
"Best Place" scenario	<ul style="list-style-type: none"> this is designed to test more ambitious assumptions than the "Paris" scenario. In this scenario, the objectives of the Paris agreement are also met, but a wider portfolio of technological solutions is considered, for example, greater penetration of green hydrogen, i.e. that produced from renewable electricity, which is used extensively in the sectors known as "hard-to-abate", facilitating the decarbonisation process towards net zero emissions.

In 2021, the "Paris" scenario was chosen for long-term planning, in line with the success of the Paris Agreement and, at the Spanish level, with its National Integrated Energy and Climate Plan 2021-2030 (PNIEC). Hence, ENDESA operates on the basis of a business model aligned with the maximum level of ambition of the Paris Agreement, i.e. it is aligned with an objective of limiting the increase in global temperature to 1.5°C. In this regard, it has set ambitious long-term objectives to achieve completely renewable generation in 2040, together with the marketing of zero-emission energy.

The assumptions on the variations in raw material prices in the "Paris" scenario are in line with the external scenarios that ensure the objectives of the Paris Agreement. In 2030, sustained growth in the price of carbon dioxide (CO₂) is considered, as a result of the progressive reduction in the supply of emission rights with increasing demand, and a progressive fall in coal prices due to lower demand. With respect to gas, price tensions are expected to ease in the coming years, as a result of a realignment between supply and demand at the global level. Finally, a progressive stabilisation of oil prices is projected, with a peak in demand estimated for 2030.

In applying the variables at the local level in ENDESA, a bottom-up approach was used in the definition of the "Paris" scenario, due to models being available for long-term equilibrium simulation of the whole energy system. This has enabled changes in carbon dioxide (CO₂) emissions to be established to ensure consistency with the objective of net zero emissions in 2050, consistent with stabilisation of the increase in the average global temperature at +1.5°C.

The two alternative "Slow Transition" and "Best Place" scenarios are used for the strategic stress tests, assessment of risks and identification of business opportunities.

Joint effect on the Transition Scenarios and physical scenarios with respect to electricity demand.

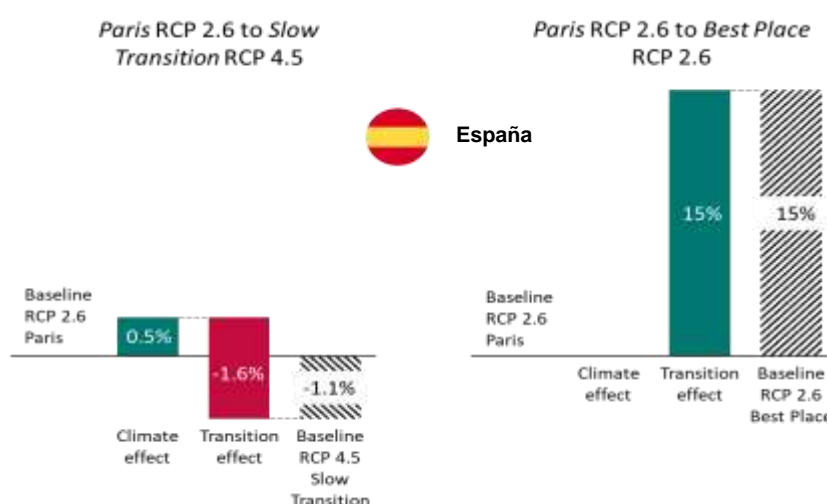
The country's service demand can be quantified through the use of models of an integrated energy system. This level of detail enables the specific effects of a change of temperatures on energy needs to be identified. For such purpose, the "Paris", "Slow transition" and "Best place" Transition Scenarios included the effect of an increase in temperature (quantified through "Heating Degree Days" (HDD) and "Cooling Degree Days" (CDD)) on total demand for energy (not just electricity) for air conditioning and heating needs in residential and commercial sectors. The definition of a strategic base scenario aligned with compliance with the Paris Agreement and with the commitments to reduce emissions assumed at the European level has enabled the "Heating Degree Days" (HDD) and "Cooling Degree Days" (CDD) consistent with the "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario to be associated with the "Paris" and "Best place" scenarios, and those consistent with the "Representative Concentration Pathway" 4.5 (RCP 4.5) scenario to be associated with the "Slow transition" scenario. To emphasise the analysis further, this latter scenario was also associated with a "Representative Concentration Pathway" 8.5 (RCP 8.5) scenario.

Considering the current policies and the strong focus of the European Union (EU) on achieving carbon neutrality by 2050, the three scenarios ("Paris", "Slow transition" and "Best place") converge on this result, although the "Slow transition" scenario is associated with a different and higher "Representative Concentration Pathway" (RCP) scenario, which corresponds to a slower trend in the reduction of greenhouse gas emissions (GHG). With respect to the effect of the transition considered independently, the greater speed in attaining carbon neutrality in the "Paris" scenario makes it a more electrified scenario compared to the "Slow transition"

scenario, which estimates lower average values for electricity demand of around 1.5% in Spain for the 2030-2050 period. The important role of green hydrogen in the characterisation of the accelerated scenario also increases electricity demand by 15% compared to the “Paris” scenario in Spain.

The speed of the Energy Transition has much greater impact on the level of electricity demand than the increase in temperature as a result of Climate Change. Decarbonisation policies, together with technological innovation and social responsibility, will play an active role in the development of electricity demand and the energy mix in general. The analysis performed shows that the increase in temperature as a result of Climate Change involves an increase in electricity demand, although with lower impact.

The Spanish Integrated Energy and Climate Plan 2021-2030 (PNIEC) presented by Spain is highly ambitious and is aligned with a “Representative Concentration Pathway” 2.6 (RCP 2.6) climate scenario, which means that the slow Transition Scenario is very similar to the “Paris” scenario, expecting less variability in terms of changes in the energy system and, consequently, in electricity demand in the period 2030-2050.



To ascertain the impact of temperature on the Transition Scenarios, and extend the range of assumptions related to Climate Change, sensitivity analysis was performed associating the “Slow Transition” scenario with the “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario rather than the “Representative Concentration Pathway” 4.5 (RCP 4.5) scenario. Assuming an additional increase in temperature, under equal Energy Transition conditions, leads to a lower variation in demand, of around (0.6%) in Spain.

6. Main risks and uncertainties associated with ENDESA's activity.

6.1. General Risk Control and Management Policy.

The General Risk Control and Management Policy lays down the basic principles and the general framework for controlling and managing risks of all kinds that could affect the attainment of targets, ensuring that such risks are systematically identified, analysed, assessed, managed and controlled within the risk levels set. The General Risk Control and Management Policy identifies the different types of risk, both financial and non-financial (including, among others, operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) faced by the Company. The financial and economic risks include any contingent liabilities and other risks not included in the consolidated statement of financial position.

The General Risk Control and Management Policy seeks to guide and direct the strategic, organisational and operational activities that enable the Board of Directors of ENDESA, S.A. to identify the acceptable level of risk precisely. This enables the managers of the various business lines and staff and service functions to maximise the Company's profit, maintaining or increasing its equity and the certainty of this being above particular levels. It also prevents future uncertain events from undermining the Company's profit targets, its operations, sustainability, resilience and reputation in a sustained manner over time. This provides adequate certainty for shareholders, safeguarding their interests and those of customers and other stakeholders.

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

The General Risk Control and Management Policy is implemented through an Internal Control and Risk Management System, comprising an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System (SCIGR) applies a model based on: continuous study of the risk profile, applying current best practices in the energy sector and benchmark risk management practices; criteria to standardise measurements within the same risk type; and separation of risk managers and risk controllers. It seeks to ensure that the risk assumed is proportional to the resources required to operate the businesses, always optimising the risk-return ratio, as determined by the Board of Directors of ENDESA, S.A.

The risk control and management model implemented at the Company is aligned with international standards, following a methodology based on the model of three lines of defence.

The Internal Control and Risk Management System is organised through independent risk control and management functions, which ensure adequate separation of functions. The main governing bodies in the risk control process are as follows:

Main governing bodies	Description
The Criminal and Anti-Bribery Risk Prevention Supervision Committee	<ul style="list-style-type: none"> this is a collegiate body with autonomous powers of initiative and control with respect to criminal risks, which is supervised directly by the Audit and Compliance Committee. It oversees compliance and updating of the Model to prevent criminal risks that may result in criminal liability for ENDESA, S.A.
Transparency Committee	<ul style="list-style-type: none"> the Transparency Committee is chaired by the Chief Executive Officer and comprises ENDESA's main executives, including all members of the Executive Management Committee, together with other members of ENDESA, S.A.'s management directly involved in the preparation, certification and disclosure of financial and non-financial information. Its main purpose is to ensure compliance with and correct application of the general principles of financial and non-financial information (confidentiality, transparency, consistency and responsibility), by evaluating events, transactions, reports and other significant matters that are externally disclosed, determining the manner and timing for making these disclosures. The Transparency Committee is the ENDESA, S.A. management body that assesses conclusions on compliance with and the effectiveness of the Internal Control Over Financial and Non-Financial Reporting System, and the internal controls and procedures for market disclosures, taking corrective or preventative action as necessary. The conclusions of the Transparency Committee are subsequently submitted to the Audit and Compliance Committee (CAC).
Risk Committee	<ul style="list-style-type: none"> this Committee supervises the management and monitoring of all risks, including tax risks but excluding criminal risks and those relating to the Internal Control Over Financial and Non-financial Reporting System. It submits the results of its deliberations and conclusions to the Audit and Compliance Committee.

The General Risk Control and Management Policy defines the Internal Control and Risk Management System as an inter-linked network of regulations, processes, controls and IT systems, in which global risk is defined as the risk resulting from the complete panorama of all risks to which it is exposed, considering the mitigating effects between the various risk exposures and risk categories. It enables consolidation and evaluation of the risk exposure of the Company's Units, and preparation of the corresponding management information for decision-making on risk and the appropriate use of capital.

The risk control and management process consists of identifying, assessing, monitoring and managing risks over time, addressing the main risks to which the Company is exposed, whether endogenous (due to internal factors) or exogenous (due to external factors):

Risk control and management process	Description
Identification	<ul style="list-style-type: none"> the risk identification process aims to generate a risk inventory based on events that could prevent, impair or delay the meeting of targets. This identification must include risks whether their origin is under the control of the organisation or whether it is due to unmanageable external causes.
Evaluation	<ul style="list-style-type: none"> the objective is to obtain parameters that can be used to measure the economic and reputational impact of all risks so they can then be prioritised. This assessment includes various methodologies in line with the risk characteristics such as, for example, assessment of scenarios and estimation of potential losses from the evaluation of the distributions of impacts and probability.
Follow-up	<ul style="list-style-type: none"> the objective is monitoring of risks and establishment of management mechanisms that enable the risks to be kept within the established limits, and to take the appropriate management actions.
Management	<ul style="list-style-type: none"> the purpose is to implement actions aimed at adjusting risk levels to their optimum levels, respecting the limits set in all cases.

ENDESA, S.A.'s General Policy, which is set and approved by its Board of Directors, is the core element of the system, from which other specific documents and policies derive, such as the Tax Risk Control and Management Policy and the Criminal and Anti-Bribery Risk Prevention Policy, which are also approved by ENDESA, S.A.'s Board of Directors and which define the risk and control catalogues.

In addition, in view of the growing interest in the management and control of the risks to which companies are exposed, and given the difficulty of their identification from an overall perspective, it is important that employees are involved at all levels of this process. A risk mailbox has now been created for employees to help identify market risks and suggest measures to mitigate them, complementing the existing top-down risk control and management systems and mailboxes and specific procedures for sending communications in connection with breaches of ethical conduct and criminal, tax and employment risks.

Information regarding ENDESA's risk management and the use of derivative financial instruments is provided in Notes 44 and 46 in the Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

The Annual Corporate Governance Report, which describes ENDESA's risk control and management systems, forms an integral part of this Consolidated Management Report (see Section 23. of this Consolidated Management Report).

For more information on risk management see the General Risk Management and Control Policy published on the Company's website (<https://www.endesa.com/es/accionistas-e-inversores/gobierno-corporativo/politicas-corporativas.html>).

6.2. ENDESA's Criminal and Anti-Bribery Risk Prevention Model

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

Organic Law 5/2010, of 22 June, amending Organic Law 10/1995, of 23 November, of the Criminal Code not only included offences applicable to legal persons, but also referred to the need to establish surveillance and control measures to prevent and detect them. This legal system was reformed by Organic Law 1/2015, of 30 March, detailing the requirements for management and control systems that allow legal persons to prove their diligence in the field of crime prevention and detection. Organic Law 1/2019, of 20 February, further amended Organic Law 10/1995, of 23 November, on the Criminal Code, to transpose European Union (EU) Directives in the areas of finance and terrorism and to address international matters.

In line with these legal requirements, ENDESA has developed internal rules that satisfy the need for adequate control and management systems in the area of criminal detection and prevention, particularly in conduct aimed at preventing bribery.

This system comprises the following standards applicable to ENDESA:

Risk control and management process	Description
Criminal and anti-bribery risk prevention model	<ul style="list-style-type: none"> a document that provides ENDESA with a control system aimed at preventing criminal offences within the company, complying with the provisions of the applicable regulations on the criminal liability of legal persons.
Protocol in the case of an action by an Authority under article 31 Bis of the Criminal Code	<ul style="list-style-type: none"> procedure for adequate response in the event of a risk of criminal liability for any ENDESA, S.A. company.
Code of Ethics	<ul style="list-style-type: none"> a document setting out the ethical commitments and responsibilities in the management of businesses and business activities assumed by ENDESA's employees, whether Directors or employees of any kind, in these companies.
Zero Tolerance Plan against Corruption:	<ul style="list-style-type: none"> a document that represents ENDESA's firm commitment to the fight against corruption, which is the result of its adherence to the United Nations Global Compact.
Corporate Integrity Protocols:	<ul style="list-style-type: none"> Action protocols in matters of conflicts of interest, exclusive dedication and commercial competition Protocol for accepting and offering presents, gifts and favours. Action protocol for dealings with public servants and the authorities

The Criminal and Anti-Bribery Risk Prevention Policy is another part of these internal rules. Together with those mentioned above, these comprise ENDESA, S.A.'s Criminal and Anti-Bribery Risk Prevention Management System. This is an integrated body of provisions that respects Spanish legal requirements in this area and is sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as ENDESA, S.A.

At 31 December 2021, 3,678 employees had received training in anti-bribery policies and procedures (40%), compared to 2,035 employees (21%) at 31 December 2020.

Since October 2017, ENDESA, S.A.'s Criminal and Anti-Bribery Risk Prevention Management System has been accredited by AENOR, in accordance with the "UNE 19601" (Compliance Management) and "UNE-ISO 37001" (Anti-bribery Management) standards. These accreditations have been successfully renewed since that date and still apply at the date of preparation of this consolidated management report.

The Audit and Compliance Committee is responsible for ensuring the correct application of the Criminal and Anti-Bribery Risk Prevention Compliance System, in which it is supported by the Supervision Committee, which is a collegiate body endowed with autonomous powers of initiative and control, and independence in the exercise of its functions, whose powers and principles of action are established in its Regulations. The Supervision Committee reports solely and exclusively to the Audit and Compliance Committee (CAC), which has specific functions including criminal risk prevention under its operating regulations.

In 2021, the Company fully complied with all of the processes put in place to apply the Code of Ethics correctly.

The number of complaints of different types received for breaches of the Code of Ethics, and the number of breaches of the Code, indicating which are related to corruption and/or fraud, are detailed below:

	Number		% Var.
	2021	2020	
Total complaints received for possible breaches of the Code of Ethics	7	4	75.0
Proven breaches of the Code of Ethics	1	-	-
Related to corruption and/or fraud	1	-	-

6.3. Internal Control Over Financial Reporting System (SCIF).

The quality and reliability of the financial information that listed companies publish for the market is a core element for the Company's credibility, which significantly affects the value that the market assigns to it. Any dissemination of incorrect or low-quality financial information could provoke a significant decrease in the Company's value, with the consequential detriment for shareholders.

The Internal Control Over Financial Reporting System is a part of the Company's internal control and comprises a series of thorough processes to provide reasonable assurance with respect to the reliability of internal and external financial information. ENDESA's Internal Control Unit is responsible for identifying the most significant processes, activities, risks and controls in relation to the Internal Control Over Financial Reporting System (ICFR) that are considered material in reasonably ensuring that the information disclosed externally is reliable and appropriate.

The documentation of the processes that form part of ENDESA, S.A.'s Internal Control Over Financial Reporting System includes detailed descriptions of the activities relating to the financial reporting process from initial recognition to the ultimate accounting entries and their subsequent disclosure, including authorisation and processing, with the following basic objectives:

- Identification of critical processes related directly and indirectly to the generation of financial information
- Identification of the risks intrinsic to these processes which could give rise to material financial reporting errors (typically related to completeness, validity, recognition, cut-off, measurement and presentation)
- Identification and categorisation of the controls in place to mitigate these risks.

Every six months, ENDESA, S.A. assesses the Internal Control Over Financial Reporting System, with the officers responsible for each of the controls in the Internal Control Over Financial Reporting System evaluating their design and effectiveness. Within the model, an independent expert conducts on-going verification of the Internal Control Over Financial Reporting System. The findings of both processes are reported to:

- a) The Board of Directors, which, in accordance with the Corporate Enterprises Act, has the indelegable power to supervise the internal information and control systems; and
- b) The Audit and Compliance Committee, the functions of which, in accordance with the Corporate Enterprises Act, include supervision of the effectiveness of the Company's internal control.

In June 2020, the Code of Good Governance of Listed Companies, approved by the Spanish Securities Market Commission, established that supervision and assessment of the preparation and integrity of Non-Financial Information is a competence of the Audit Committee. Non-Financial Information must be prepared applying the same veracity and integrity requirements as financial information. It must, therefore, be subject to an adequate internal control system.

In 2020, ENDESA opted to apply its Internal Control Over Financial Reporting System to Non-Financial Information, with specific additional controls to guarantee the integrity and veracity of the Non-Financial Information. Since 2021, ENDESA, S.A. has been extending the methodology of the Internal Control Over Financial Reporting System with an end-to-end scope for legally-required non-financial and sustainability information, to guarantee supervision of the processes and systems, identification of risks, and the design and implementation of adequate controls.

6.4. Risk control and management.

ENDESA has established a risk control and management process that enables it to obtain a complete vision of all risks to which it is exposed, considering the mitigating effects between the various risk exposures and risk categories. This enables consolidation and evaluation of the risk exposure of the Group's units, and preparation of the corresponding management information for decision-making on risk and the appropriate use of capital.

The Risk Committee supervises the management and monitoring of all risks, including tax risks but excluding criminal risks and those relating to the Internal Control Over Financial and Non-financial Reporting System. The mission of the Risk Committee is to:

- Participate actively in drawing up the risk strategy and in important decisions regarding its management;
- Ensure the proper functioning of the risk control and management systems and that all significant risks that affect the Company are appropriately identified, managed and quantified.
- Ensure that the Internal Control and Risk Management System mitigates risks appropriately;
- Ensure that senior management participates in strategic risk control and management decisions;
- Regularly provide the Board of Directors with a comprehensive view of current and foreseeable risk exposure;
- Ensure coordination between the risk management units and the units under its control; and
- Encourage a culture in which risk is a factor considered in all decisions and at all levels of the Company.

The Risk Control area is tasked by the Risk Committee with defining the procedures and rules of the Internal Control and Risk Management System, to ensure adequate identification, definition, management and quantification of all risks that affect the Company in a consistent and regular manner, including those outside the Consolidated Statement of Financial Position, and to monitor risk exposure and control activities implemented.

In line with its internal operating instructions and procedures, the Risk Control area is tasked with preparing the following documents for the risks in their scope of application:

- The **Risk Appetite Framework**, which determines the main risk indicators, the levels of risk considered acceptable and the management and mitigation mechanisms. This is approved by the Board of Directors of ENDESA, S.A.
- **The Risk Map**, which provides a prioritised view of the significant risks and is also approved by the Board of Directors of ENDESA, S.A.
- **Monitoring Reports**, guaranteeing compliance with the limits set and the effectiveness of the mitigation measures to provide a response to the risks, the conclusions of which are reported regularly to the Audit and Compliance Committee (CAC).

In performing these functions, the Risk Control area is supported by other Areas and Committees with specific and complementary risk control and management models and policies. For example, in the tax area, ENDESA, S.A.'s Board of Directors has also approved a Tax Risk Control and Management Policy to guide and direct strategic, organisational and operating activities, to enable employees in the Tax Affairs unit and other departments in the organisation whose work involves the company's taxation to achieve the objectives set in the Company's Tax Strategy for tax risk control and management.

The Regulations of ENDESA, S.A.'s Audit and Compliance Committee state that the internal risk control and management function will be subject to regular performance assessments by an external independent party. As a result, the Committee asked an independent expert to report the conclusions of the integrated assessment of ENDESA's Risk Control and Management System (specifically, its Risk System, Criminal and Anti-Bribery Risk Prevention System and Tax Risk System), and it was informed of the conclusions in relation to the supervision of the risk control function. To this end, ENDESA is one of the companies that most closely adheres to applicable best practices among all listed companies and companies in the electricity sector.

6.5. Main risks and uncertainties.

ENDESA's activities are carried out against a backdrop in which outside factors may affect the performance of its operations and its earnings.

The main risks that may affect ENDESA's operations, including those arising from the COVID-19 health crisis, are summarised below:

Risk	Section	Description	Metrics	Importance ⁽³⁾
	a.1, a.2, a.3, a.4 and a.5	Risk derived from the possible loss of value or earnings as a result of strategic uncertainties, uncertainties regarding the competitive environment and macroeconomic conditions and social or political uncertainties, and alterations in the regulatory framework (regulatory risk), including those related to Climate Change, which guarantee ENDESA's sustainability and its attractiveness to its stakeholders.	Scenarios ⁽¹⁾	High
	b.1 and b.2	ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces that may affect the price and the amount of energy sold by ENDESA	Stochastic ⁽²⁾	High
	b.3	ENDESA's activities could be affected by changes in natural resources and climate and weather conditions.	Stochastic ⁽²⁾	Medium
	b.4 and b.5	Self-financing ability (liquidity) and interest rate risk.	Stochastic ⁽²⁾	Low
	b.6	Credit risk exposition	Stochastic ⁽²⁾	High
	c.1, c.2	Risks associated with ENDESA's activity management through information technologies, which are essential for its business and cybersecurity.	-	⁽⁴⁾
	d.1	Risks associated with the construction of new electricity generation and distribution facilities.	Scenarios ⁽¹⁾	Low
	d.2 and d.3	ENDESA's activity may be affected by faults, breakdowns, problems in carrying out planned works and other problems that cause unscheduled non-availability and other operational risks.	Scenarios ⁽¹⁾	Medium
	d.4 and d.5	Risk relating to the Occupational Health and Safety (OHS) of the people who work for ENDESA, talent management and the difficulty of maintaining an appropriate working environment.	-	⁽⁴⁾
	d.6	ENDESA's business could be adversely affected by inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity or quality, as well as suppliers failing to maintain the conditions of the service provided, limiting operating possibilities and business continuity.	Stochastic ⁽²⁾	Low
	e.1, e.2, e.3, e.4, e.5, e.6 and e.7	Risk derived from the breach of mandatory regulations, legal risks and uncertainty caused by third-party legal actions, particularly from public administrations in compliance with or interpretation of obligations, contracts and regulations. This risk is associated both with compliance with current regulations and with changes in the interpretation of such regulations (civil, mercantile, criminal, tax, etc.)	-	⁽⁴⁾
	f.1	Risk of the perception, assessment or opinion of the Company's main audience being seriously affected by the Company's own actions, events that are wrongly or unfairly attributed to it, or events of a similar nature that affect the entire sector and are projected onto the Company in a more marked or damaging fashion.	-	⁽⁴⁾

(1) Scenario: calculated as the loss arising from the various hypothetical situations.

(2) Stochastic: calculated as the loss that could be incurred with a certain degree of probability or confidence.

(3) The significance of the risks is measured based on the expected potential loss: High (exceeding Euro 75 million), Medium (between Euro 10 million and Euro 75 million) and Low (below Euro 10 million).

(4) They relate to risks whose impact may be difficult to quantify economically (in general, high impact and probability, following the mitigation mechanisms implemented, very low or very difficult to determine).

a) Strategic risks.

a.1. ENDESA's activities are subject to extensive regulation, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows.

ENDESA's subsidiaries are subject to wide-ranging regulations on their tariffs and other aspects of their activities in Spain and Portugal. These regulations in many ways determine the manner in which ENDESA performs its business and the revenues it receives from its products and services.

ENDESA is subject to a complex set of laws and other regulations applied by both public and private bodies, including the Spanish Markets and Competition Commission (CNMC). The introduction of new standards and modifications to those already in effect could have a negative impact on ENDESA's business, results, financial position and cash flows.

Information on sector regulation can be found in Section 16 of this Consolidated Management Report and in Note 6 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

The European Union (EU) also establishes an action framework for Member States which includes, among other things, objectives for emissions, efficiency and renewable energies.

The introduction of new requirements, or amendments to existing ones, could adversely affect ENDESA's business activities, results, financial positions and cash flows if it cannot adapt and manage correctly the environment arising from them.

Information on likely trends in the new economic and industrial model and ENDESA's Strategic Plan can be found in Section 4. of this Consolidated Management Report.

a.2. ENDESA is affected by Climate Changes arising from human action, which has an impact on both physical and transitional aspects.

ENDESA has made a decisive commitment to the fight against Climate Change and decisions are, therefore, taken at the highest level of management. Climate change is one of the main pillars of the Company's strategy. The Board of Directors of ENDESA, S.A. is responsible for the development and implementation of this (see Note 5.2 in the Notes to the Consolidated Financial Statements for the year ended 31 December 2021).

As proof of this commitment, ENDESA has undertaken the objective of achieving full decarbonisation by 2040, with a reduction in specific carbon dioxide (CO₂) emissions of 80% in 2030 compared to 2017. These objectives, which involve changes in its generating assets towards an emissions-free model, demonstrate the company's alignment with the objectives of the Paris Agreement and the latest scientific findings.

The General Risk Control and Management Policy identifies the various types of risk, both financial and non-financial (including operational, technological, legal, social, environmental, incorporating those related to Climate Change, political and reputational risks, including those related to corruption) faced by ENDESA. The financial and economic risks include contingent liabilities and other risks not included in the consolidated statement of financial position.

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

All organisational levels are involved in the risk identification and assessment process in a coordinated manner, led by the Company's Risk Control System. Each line of business and facility identifies and evaluates the risks and opportunities arising from its activities, also derived from its geographical location. Specifically for the Climate Change, risks are assessed based on established risk tolerance levels, considering: exposure (climate impacts that can affect facilities), sensitivity (potential effects and their implications for business or facilities), and vulnerability (ability to adapt to overcome the impacts of Climate Change considering financial, technological and knowledge requirements).

Climate change and Energy Transition will have an effect on ENDESA's activities. As recommended by the "Task Force on Climate-related Financial Disclosures" (TCFD), to identify the different types of risks and opportunities and their impacts on different Company businesses, ENDESA has defined a reference

framework. Risks are classified into physical and transitional. Physical risks are in turn classified into acute (extreme events) and chronic events. The former are presented as a result of extreme intensity weather conditions, and the latter are related to gradual and structural changes in climatic conditions. Extreme events expose ENDESA to potential unavailability, of variable duration, at its facilities and infrastructures, repair costs, customer complaints, etc. The chronic change in climate conditions exposes ENDESA to other risks and opportunities, such as changes in the production regime for certain technologies, as well as changes in electricity demand. In reference to the Energy Transition to a more sustainable model, characterised by a progressive reduction in carbon dioxide (CO₂) emissions, risks and opportunities linked to both the regulatory context and to the tendencies of technological development, electrification and concomitant market developments are identified.

In line with the climate and Transition Scenarios adopted to define risks and opportunities, changes in customer behaviour, industry strategies in different economic sectors and regulatory changes are beginning to be identified. ENDESA is committed to playing an active role in the transition. It therefore defines facilitating measures in its Strategic Plan 2022-2024 to make the most of the opportunities that arise, which are identified through analysis of scenarios. As a result, 89% of the investments planned in the 2022-2024 Strategic Plan are related to climate action.

Scenario	Risk and opportunity category	Temporary horizon	Description	Description of the impact	Management mode
Acute physical	Extreme events	Short term (1-3 years)	Risk: weather events that are extreme because of their intensity.	Extreme events can cause impact in terms of facility damage and reduced availability.	ENDESA adopts the best practices for incident management. With regard to risk management for insurance purposes, the Company runs a Loss Prevention programme for ownership risks, which is also aimed at assessing the main exposure factors associated with natural events. Changes in the climate that are expected to occur over the longer term will also be considered in the evaluation in the future.
Chronic physical	Market	Long term (2030-2050)	Risk/Opportunity: increase or decrease in electricity production and demand.	Electricity demand is also influenced by temperature, changes in which can impact results. Renewable production can also be affected by structural changes in the availability of renewable resources.	Geographical and technological diversity enables mitigation of the impact of changes (whether positive or negative) in individual variables. Weather forecasting activities and monitoring are performed, in tandem with real-time control of facilities and long-term Climate Scenarios, to manage the impact of weather events.
Transition	Policies and regulation	Medium term (2025-2030)	Risk/Opportunity: pricing policies and carbon dioxide (CO ₂) emissions; incentives for Energy Transition; resilience regulations.	The effects of Energy Transition and resilience policies can have an impact on investment.	ENDESA minimises risk exposure through the progressive decarbonisation of your production park. ENDESA's strategic actions mitigate potential risks and take advantage of the opportunities associated with the Energy Transition. ENDESA also participates in public processes to define policies and regulation.
Transition	Market	Medium term (2025-2030)	Risk/Opportunity: changes in the price of raw materials and energy; variations in the energy mix; change in consumption in the residential sector.	Considering two alternative Transition Scenarios, ENDESA assesses the effects of variations in terms of renewable penetration in the energy mix and electrification to assess potential impacts.	ENDESA maximises opportunities through a strategy that focuses on the Energy Transition, massive development of renewable production and a clear commitment to the electrification of demand.
Transition	Products and services	Medium term (2025-2030)	Opportunity: higher margins and greater investment capacity as a result of the transition, considering the penetration of new electricity technologies for domestic consumption and electrical transport.	The evolution of transport and residential electrification will have potential impacts on the business.	ENDESA maximises opportunities with strong strategic positioning in new business opportunities and services.
	Technology	Medium term (2025-2030)		ENDESA evaluates the potential opportunities to increase its investments, based on the performance of transport electrification and considering alternative Transition Scenarios.	ENDESA maximises opportunities thanks to a strong strategic positioning in electrical infrastructure.

ENDESA establishes its Strategic Plan with a vocation to minimise risks and maximise opportunities, considering the medium- and long- term phenomena identified in its conception.

The risk and opportunity framework in the table above highlights the relationships between physical and Transition Scenarios and factors that influence ENDESA's businesses. Such effects, related to the scenario phenomena described, materialise in different time horizons, which leads to an assessment of their impact over three time horizons:

- Short-term (1-3 years), in which sensitivity analyses can be made from the Strategic Plan 2022-2024 presented to markets on 25 November 2021.
- Medium-term (until 2030), in which the effect of the Energy Transition can be appreciated.
- Long-term (2030-2050), in which chronic structural changes at the climate level should begin to emerge.

At the Group level, a policy was published in 2021 on the “Risks and Opportunities of Climate Change”, to establish common guidelines for integrating climate and Transition Scenarios into processes and activities. This feeds into industrial and strategic choices to improve resilience. The main steps in integrating the scenarios are: definition and analysis of scenarios, assessment of impacts and operating and strategic actions.

Chronic and acute physical risks and opportunities.

With reference to the risks and opportunities associated with physical variables, an attempt is being made to assess the trend of the following variables and operational and industrial phenomena as potential risks and opportunities, using the scenarios defined by the Intergovernmental Panel on Climate Change (IPCC) as a reference.

- **Chronic physical changes and potential risks and associated opportunities.**

It is clear from the scenarios prepared in conjunction with the Earth Sciences Department of the International Centre for Theoretical Physics (ICTP) that there is no evidence of major changes before 2030 and that variations could begin to be seen in the period 2030 to 2050. The main impacts as a result of chronic physical changes would be seen in the following variables:

- Electricity demand: variation of the average temperature level with a potential effect (increase/decrease) on electricity demand.
- Thermoelectric production: variation in the average temperature level of water bodies with an effect on thermoelectric production.
- Hydroelectric production: variation in the average level of rain and snow and of the temperatures with a potential increase and/or reduction of hydroelectric production.
- Photovoltaic production: variation in the average level of solar radiation, temperature and rainfall with a potential increase and/or reduction in photovoltaic production.
- Wind production: variation in the average wind level with a potential increase and/or reduction in wind production.

The impacts of the most significant chronic physical changes have been identified for each generation technology, and analysis has begun to ascertain the impact on their productivity, considering the facilities individually. In addition to the technologies included in the table, geothermal generation was also assessed at the Group level.

	Event					
	Rain/snow	Wind	Solar radiation	Sea level	Air temperature	Temperature extremes
Thermal						
Solar						
Wind						
Hydro						
Storage						
Distribution network	Evaluation					
Endesa X						

• Acute physical changes and potential risks and associated opportunities.

The intensity and frequency of acute physical phenomena, extreme events, can cause significant unexpected damage to installations and potential consequences arising from service interruptions.

Acute physical phenomena (gales, floods, heat waves, cold waves, etc.) are characterised by their high intensity and infrequent occurrence in the short term, which increases in the long-term Climate Scenarios.

For the reasons already given, the risk associated with the occurrence of extreme events is currently being managed in the short term, while the methodology is being extended to longer time horizons (until 2050), in accordance with the Climate Scenarios selected ("*Representative Concentration Pathway*" 8.5, 4.5 and 2.6).

• Risk assessment methodology for extreme events.

ENDESA uses an established methodology to analyse catastrophic risks and quantify the risk of extreme events. This methodology is used in insurance and in the reports of the Intergovernmental Panel on Climate Change (IPCC9).

This methodology can be applied to all analysable extreme events, such as gales, heat waves and floods. The following are considered for all types of natural disasters:

- The probability of the event (Hazard), i.e. the theoretical frequency in a given period of time: the return period. Risk maps are prepared that associate the estimated frequency of the different types of extreme event with each geographical point on the map.

⁹L. Wilson, "Industrial Safety and Risk Management". University of Alberta Press.

T. Bernold. "Industrial Risk Management". Elsevier Science Ltd.

Kumamoto, H. and Henley, E. J., 1996, Probabilistic Risk Assessment and Management For Engineers And Scientists, IEEE Press, ISBN 0-7803100-47

Nasim Uddin, Alfredo H.S. Ang. (eds.), 2012, Quantitative risk assessment (QRA) for natural hazards, American Society of Civil Engineers CDRM Monograph no. 5.

UNISDR, 2011. Global Assessment Report on Disaster Risk Reduction: Revealing Risk, Redefining Development. United Nations International Strategy for Disaster Reduction. Geneva, Switzerland.

Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation - A Special Report of Working Groups I-II of the Intergovernmental Panel on Climate Change (IPCC). Cambridge University Press, Cambridge, UK, and New York, NY, USA.

- Vulnerability, which indicates the value lost or affected as a result of the extreme event, in percentage terms. This allows both the impacts on the facilities and the impact on service continuity, both production and distribution, to be considered. ENDESA performs vulnerability analyses of its facilities, allowing a matrix that relates installation types to the extreme events that may significantly affect them.
- The exposure is the set of economic values in ENDESA's portfolio that might be impacted in a non-negligible way by catastrophic natural events. Specific analyses are carried out for this parameter for the various production technologies, the distribution infrastructures and the services provided to customers.

The combination of these three factors (probability of an event, vulnerability and exposure) provides the key to assessing the seriousness of the risk of extreme events. Considering the Climate Scenarios, ENDESA differentiates the risk analysis considering the different time horizons. The following table summarises the scheme considered for impact assessment as a result of extreme events:

Temporary horizon	Probability of the event	Vulnerability	Exposure
Short term (1-3 years)	Probability maps based on historical series and weather models.	The vulnerability is related to the type of event, and to technology, and is quite independent of the time horizon.	ENDESA values in the short term.
Long term (until 2050 and/or 2100)	Probability maps and specific studies for the different Representative Concentration Pathway Climate Scenarios of the Intergovernmental Panel on Climate Change (IPCC).		The long-term trend in ENDESA values.

This chart shows the seriousness of the various extreme events for the types of facilities in ENDESA's portfolio (in addition to the technologies in the table, geothermal generation is also assessed at the Group level):



• Insurance.

ENEL defines annual insurance coverage programmes for its businesses, covering all of the Group's subsidiaries, including ENDESA. The two main programmes are:

- The Global Property Programme, the policy conditions of which cover the costs of rebuilding affected facilities and economic losses from inability to operate facilities.
- The Global Liability Programme, the policy conditions of which cover damage to third parties for which ENEL has civil liability due to performance of its activities, including the consequences of the impact of extreme events on ENDESA's facilities.

The policy conditions are defined on the basis of risk assessment, including extreme events associated with Climate Change. As seen in past events, the impact of extreme events on ENDESA's activities can be significant.

ENDESA's preventive maintenance actions for its generation and distribution facilities are also important and essential. These actions enable mitigation of the impact of extreme events and optimisation of the cost of insurance programmes.

Adaptation to Climate Change.

In the short term (1-3 years) ENDESA is implementing procedures to manage extreme events and chronic physical changes effectively, reducing their impact on its businesses.

The main activities needed to adapt to Climate Change in the short term include risk assessment and management for extreme events. Work is also being performed to progressively integrate quantitative assessments of chronic physical changes through the Climate Scenarios. This information helps with strategic and industrial decisions, considering, for example, the effects of future temperatures on electricity demand and long-term changes in the availability of renewable resources, for both new and existing facilities.

This approach is considered for both new and existing activities and facilities. Adaptation solutions may include actions implemented in the short term and long-term decisions, such as planning of investments in response to climate phenomena. Adaptation activities also include procedures, policies and best practices.

With new investments, we can act from the design and construction phase to reduce the impact of climate risks, for example, through risk and vulnerability assessments in the design phase. We can also consider potential chronic effects by including Climate Scenarios in estimates of long-term renewable resources.

Once the significant meteorological and climate phenomena have been identified, activities to maximise the ability to adapt can be classified as: preparation for adverse events, management of adverse events and enhancement of the resilience of facilities.

• Generation.

The following are noteworthy:

- Improved management systems for cooling water to compensate for possible reductions in river flows.
- Fogging systems to improve airflow and offset power reduction as a result of increased ambient temperatures at combined cycle generation facilities.
- Installation of drainage pumps, regular cleaning of canals and other actions to eliminate risks of landslides as a result of torrential rains and floods.
- Periodic re-evaluation for hydroelectric facilities in torrential rain and flooding scenarios. The scenarios are managed through mitigation actions and interventions at facilities.

Main policies
N.1106 Global Power Generation Maintenance N.1107 Global Power Generation O&M Operation N.1025 Dams and Hydraulic infrastructure Safety N.1020 Global Power Generation Critical Event Management

A number of good practices have also been adopted for the management of adverse weather events:

- Weather forecasts to monitor the availability of renewable resources and the occurrence of extreme events, with alert systems that guarantee the protection of people and facilities.

- Hydrological simulations, surveying (even with drones) and monitoring of possible vulnerabilities through "Geographic Information System" (GIS) digital systems.
- Advanced monitoring of more than 100,000 parameters (with more than 160 million historical measures) taken in dams and hydraulic civil works.
- Remote real-time monitoring of electrical production facilities.
- Adoption of specific guidelines for hydrological and hydraulic studies in the initial stages of development, to assess risks in both the area of the facility and the surrounding area.
- Monitoring of changes in climate parameters because of their potential effects on project design, such as assessment of the rainfall patterns for the design of drainage systems for photovoltaic facilities.
- Estimation of extreme wind speeds using up-to-date databases containing historical records of gales, in order to choose the most suitable wind-turbine technology for a site.

In addition, to act immediately against extreme events, ENDESA adopts specific procedures for emergency management with real-time communication protocols, the planning and management of all activities to resume activity under safety conditions in the shortest possible time, and predefined lists for damage assessment.






• **Distribution.**

ENDESA has adopted a "4R" approach to the management of extreme climate events. This defines the measures to be taken in preparation for emergencies and during subsequent start-up phases when facilities are damaged by extreme events. This is set out in policy 486 (4R: "Innovative Resilience Strategy for Power Distribution Networks"), which defines four stages of action:

- 1) "Risk prevention": it includes actions that reduce the likelihood of losing network elements as a result of an event, and/or of minimising its impact, and actions aimed at increasing the robustness of infrastructure, as well as maintenance actions.
- 2) "Readiness": it includes all actions aimed at improving the immediacy with which a potentially critical event is identified, and ensuring coordination with Civil Protection and the local administration, as well as organising resources once the service failure has occurred.
- 3) "Response": includes the phase of assessing the operational capacity to deal with an emergency once the extreme event occurs, considering both the ability to mobilise operational resources on the ground, and the possibility of performing remote-controlled feedback manoeuvres over back-up connections.
- 4) "Recovery": it is the last phase, which aims to return to the network service, as soon as possible, under normal operating conditions, in those cases in which the extreme event has caused service interruptions despite all measures taken preventively.

The distribution business has adopted various specific procedure and policies to integrate the aspects and risks related to Climate Change:

- Policy 1073 ("Guidelines for Readiness Response and Recovery actions during emergencies"): this includes guidelines for the final three phases of the "4R" management approach.
- Policy 387 ("Guideline for Network Resilience Enhancement Plan"): aims to determine the actions to be carried out to minimise the impact on the network of extreme events, based on the operating history.
- Policy 439 ("Measures for Risk Prevention and Preparation in case of wildfires affecting the electrical installations"): integrated approach to emergency management applied to fires in wooded areas, whether originated by the network or external causes.
- Support actions: implementation of weather forecasting systems, monitoring of the condition of the network, preparation of operational plans and simulations. The agreements reached to mobilise extraordinary resources (internal and contractor) to deal with emergencies are also noteworthy.

Priority extreme events	Fire 	Heat waves 	Ice sleeves 	Gales 	Rain/Floods 
Policy	Policy 486	Policy 486	Policy 486	Policy 486	Policy 486
	Policy 1073	Policy 1073	Policy 1073	Policy 1073	Policy 1073
	Policy 439	Policy 387	Policy 387	Policy 387	Policy 387

In addition to the protocols envisaged for short-term situations, the short and long-term impacts of extreme events on the grid identified as being significant (such as heat waves, fires and explosive cyclogenesis, torrential rain and floods) are being analysed in collaboration with research bodies:

- Heat waves: the impact of these has been analysed. They are caused by too many days of high temperatures with no rainfall, which makes it difficult to evacuate heat from underground lines and could cause abnormal increases in the risk of network faults, especially in urban and tourist areas. There are few underground lines in the distribution grid in Spain. Initial analysis of the operating history of the distribution grid has found no significant correlation between heat waves and grid faults.
- Fire: events related to fire risk have not been very significant to date. However, detailed analysis of the scenarios to 2050 is underway, together with mapping of the most significant risks as per policy 439. A study has been conducted to identify the areas at the greatest risk of forest fires, identifying the networks and environmental areas in which they are located, so that the necessary action can be implemented taking a risk-prevention approach to fire.
- Explosive cyclogenesis: detailed analysis is underway with external experts on this type of extreme event, given their seriousness and frequency.

• Generation of knowledge in relation to adaptation.

The 2021-2030 National Climate Change Adaptation Plan (PNACC) provides the basic planning tool for promoting coordinated action against the effects of Climate Change in Spain. The main objective of this Plan is to avoid or reduce present and future damage from Climate Change and build a more resilient economy and society, incorporating new international commitments and the latest knowledge on Climate Change risks, drawing on the experience gained from implementing the 2013-2020 National Climate Change Adaptation Plan (NACCP).

Taking the same approach and complementing its analysis of the physical risks associated with Climate Change and the management of such risks, ENDESA has been working for over a decade to: enhance its knowledge of Climate Change and minimise the vulnerability of its facilities to it; share and exchange impressions of the results obtained; and foster ongoing learning and resilience to climate conditions, enabling it to optimise the management of its businesses.

ENDESA's most significant activities in this area to date are summarised below:

- A project to analyse the vulnerability of ENDESA's facilities to Climate Change. Selected by the Spanish Climate Change Office (OECC), which reports to MITERD (the Ministry of Ecological Transition and Demographic Challenge (MITECO)), as a model of the energy sector for the Adapta Initiative.
- HIDSOS IV Project: Sustainability of water resources during global change.
- ENDESA Reservoir Project and Climate Change.
- Adaptation to Climate Change in ENDESA's distribution business.
- Participation in national and international projects and initiatives: RESCUE, ANYWHERE and COPERNICUS.
- Monitoring and participation in United Nations international Climate Change summits (COPs).
- Technical committee for adaptation to Climate Change and working group to manage climate risks and their financial impacts, CONAMA (National Environment Congress).

Risks and opportunities in the transition.

Drivers of potential risks and opportunities can be identified in relation to the variables in the Energy Transition by analysing the reference scenarios in combination with the elements in the risk identification process (such as the competitive context, the long-term vision of the industry, materiality analysis and technological performance, etc.), enabling us to prioritise the most significant phenomena. The main risks and opportunities are outlined below.

• Policies and regulation.

- Carbon dioxide (CO₂) emissions and prices: introduction of regulations that require stricter emission limits, through both regulation and a market mechanism.
 - Opportunities: regulatory mechanisms involving control and command measures, and market mechanisms that strengthen pricing signals for carbon dioxide (CO₂).
 - Risks: lack of a coordinated approach among the regulators and actors involved, limiting the efficiency of the instruments applied, with consequences for the trends in electrification and decarbonisation in the sectors, compared to ENDESA's strategy, which is sharply focussed on the Energy Transition.
- Energy transition incentives: incentives and opportunities for development based on the Energy Transition, with an energy system based on use of low-emission energy sources as the core of the country's energy mix, increased electrification of demand, energy efficiency, flexibility in the electricity system and upgrading of infrastructure, with positive impacts in terms of return on investment and new business opportunities.
 - Opportunities: additional margins and volumes as a result of additional investments in the electricity sector, in accordance with the strategy for electrification, decarbonisation and upgrading and electrification of enabling infrastructure. The National Integrated Energy and Climate Plan 2021-2030 (PNIEC) sets ambitious targets for renewable penetration, with 74% of total electricity generation being renewable in 2030, consistent with a path towards 100% renewable electricity sector by 2050, complemented by increasing additional power in storage. The National Integrated Energy and Climate Plan 2021-2030 (PNIEC) also sets an improvement target for energy efficiency - one of the pillars of the Plan - of 39.5% by 2030.
 - Risks: obstacles to attaining the Energy Transition objectives due to a regulatory framework that is ineffective in facilitating this transition, slowness in the processes for obtaining administrative authorisations, difficulty in undertaking projects due to situations such as lack of access to the grid, etc.

- Regulations on resilience to improve standards, or introduction of ad-hoc mechanisms to regulate investment in resilience, in a context of ongoing Climate Changes.
 - Opportunities: profits from allocation of investment to reduce risks to quality and service continuity for customers.
 - Risks: reputational impact due to damage and service restoration times in the face of extreme events. Potential penalties in the event of failure to restore services adequately after an extreme event.
- Financial policies to encourage the Energy Transition: incentives for Energy Transition through appropriate financial instruments and policies to support a long-term, credible and stable investment framework and positioning as a "policy maker". Introduction of public and private rules and/or financial instruments (such as funds, mechanisms, taxonomy and benchmarks) focused on integrating sustainability into financial markets and public financing instruments.
 - Opportunities: creation of new markets and sustainable financing products, in line with the investment framework, facilitating increased public resources for decarbonisation, access to financial resources in accordance with the Energy Transition objectives, and the resulting impact on financing costs and availability of aid for the transition.
 - Risks: insufficient instruments and actions to provide incentives for the Energy Transition, uncertainty or delay in the introduction of new instruments and regulations due to the effect of worsening conditions for public financing.

- **Market.**

- Market dynamics, such as those related to variability in raw material prices, increased electricity consumption due to the Energy Transition and the penetration of renewable energies, have an impact on commercial parameters, affecting margins and production and sales volumes.
 - Opportunities: positive effects of increased electricity demand and increased room for renewable energies and for all flexibility mechanisms.
 - Risks: exposure of merchant technologies to market price volatility.

- **Technology.**

- Progressive penetration of new technologies to foster the Energy Transition, such as electric vehicles, storage, demand response and green hydrogen; digital lever for transforming operating models and "platform" business models.
 - Opportunities: investment in the development of technological solutions and the positive effect of increased electricity demand and increased room for renewable energies through the production of green hydrogen.

Electricity grids play a leading role in the National Integrated Energy and Climate Plan 2021-2030 (PNIEC), as facilitators for integrating new renewable capacity into the system, while fostering flexibility and demand management. The National Integrated Energy and Climate Plan 2021-2030 (PNIEC) allocates 24% of its estimated investment to their development, a total of Euro 58,579 million.

- Risks: slowdown and interruption of supplies of raw materials, such as metals for batteries (such as lithium, nickel and cobalt) and semi-conductors, could cause delays in procurement and higher costs. This could slow the penetration of renewable energies, storage and electric vehicles.

- **Products and services.**

- Electrification of residential consumption and industrial processes: the progressive electrification of end uses is increasing the penetration of products capable of guaranteeing lower costs and lower impacts in terms of local emissions in the residential and industrial sectors (for example, heat pumps).
 - Opportunities: increased demand for electricity in a context of lower demand for energy, due to the greater efficiency of renewable fuel.
 - Risks: increased competition in this market segment.
- Electric mobility: use of modes of transport that are more efficient in terms of Climate Change, particularly with regard to the development of electric mobility and charging infrastructure, and the electrification of industrial consumption.
 - Opportunities: positive effects of increased demand for electricity and higher margins related to the penetration of electric transport and associated services.
 - Risks: entry of new players into the market.

In general, the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) provides opportunities for products and services in three ways, one of which is electrification of the economy. This will help us achieve the 2030 targets of 42% of total end energy consumption coming from renewable energy and reducing emissions of greenhouse gas (GHG) by 39% compared to 2005. More specifically, and in parallel to the development of renewable energies, the electrification of demand should involve significant development of electric mobility and use of electricity in residential heating. The National Integrated Energy and Climate Plan 2021-2030 (PNIEC) expects the presence of renewable energy in the mobility-transport sector to boost the decarbonisation of the sector, with five million electric vehicles by 2030. The National Integrated Energy and Climate Plan 2021-2030 (PNIEC Plan also includes ambitious plans for renewing residential equipment.

ENDESA has already implemented strategic actions to mitigate the potential risks and take advantage of the opportunities associated with the variables in the Energy Transition. Shared value can be created in the long term through an industrial and financial strategy that includes environmental, social and corporate governance (ESG) factors, with an integrated approach based on sustainability and innovation. ENDESA's strategy for total decarbonisation and the Energy Transition provides it with resilience in the face of the risks that might arise from the implementation of more ambitious emission-reduction policies, maximising the opportunities to develop renewable generation, infrastructure and enabling technologies. Unlike the chronic climate impacts, we can say that we are already seeing impacts from the Transition Scenario for the short term and the medium-long term.

As with the analysis of the climate variables, we can also stress test the Strategic Plan 2022-2024, considering the factors potentially influenced by the Transition Scenario, particularly the price of carbon dioxide (CO₂). One of the main transition variables is the price of carbon dioxide (CO₂), as a reliable driver of regulatory measures that could accelerate the transition process. The effects of a potential +/- 10% change in the price of carbon dioxide (CO₂) in Spain is used to assess the impact of possible changes in this driver. Such price changes would change the equilibrium point in the wholesale market, affecting the margins for generating activity in both conventional and renewable energy plants.

The Energy Transition scenarios described in section 5.3 of this Consolidated Management Report, were taken into account in quantifying the risks and opportunities arising from the long-term Energy Transition. The effects of the "Slow transition" and "Best place" scenarios are identified below for the variables that may have the greatest impact on the business, particularly electricity demand, which is influenced by the dynamics of electrification of demand and, therefore, by the penetration of electrical technologies and the energy generating mix. These considerations offer ideas for determining what ENDESA's strategic positioning might be in terms of resource allocation.

The reference scenario chosen expects increasing ambition for decarbonisation and energy efficiency, backed by increased electrification of demand and development of renewable generation. The dynamics of the Energy Transition may provide growth opportunities for ENDESA. In the retail electricity market, the progressive electrification of demand, particularly in the transport and residential sectors, will result in a significant increase

in electricity consumption, to the detriment of the consumption of other renewable fuels with higher emissions. Likewise, the gradual increase in the share of renewable energies in the energy mix should lead to lower electricity prices in both the medium and long term.

In terms of the economic impact of the change in Transition Scenarios, the impact in terms of gross operating profit (EBITDA) that the “Slow transition” and “Best place” scenarios would have on 2030 earnings has been analysed compared to the “Paris” benchmark scenario.

The “Paris” scenario shows a downward trend in emissions in line with the European “Fit for 55” package, through increased electrification of demand supported by an increasing contribution from renewables to the generating mix.

Given the level of ambition defined in the National Integrated Energy and Climate Plan 2021-2030 (PNIEC), the “Paris” scenario does not include any substantial additional increases to the penetration of renewable energies. The “Slow transition” scenario is less ambitious in the fight against Climate Change. This is reflected in slower development of renewable energy and lower penetration of electrification at all levels.

The “Best place” scenario considers a faster reduction in the costs of production technologies for green hydrogen. This leads to increased penetration for this renewable fuel, to the detriment of blue and grey hydrogen, with the associated additional effect on electricity demand in Spain and on renewable facilities compared to the “Paris” scenario. The impact on electricity prices in the wholesale market is limited, as the current market system based on marginal prices will remain unchanged in the medium term. Any alternative market structure could produce different effects.

In reference to the electrification of demand, the “Slow Transition” scenario foresees lower rates of penetration of more efficient electricity technologies, in particular, electric vehicles and heat pumps, resulting in lower electricity demand in comparison to the Paris scenario, which is expected to have limited impact on the retail electricity market and associated products. At the same time, lower electricity demand will result in less space to develop renewable capacity, impacting the generating business.

All of the scenarios, but particularly the “Paris” and “Best place” scenarios, involve considerable increases in the complexity of managing the electricity grid. A significant increase is expected in distributed generation and other resources, such as storage systems, with increased penetration of electric mobility and its associated charging infrastructures, with an increasing pace of electrification of demand and the appearance of new players with new forms of consumption. This will result in decentralisation of consumption and injection points, increases in demand for electricity and average power requirements, and significant variability in energy flows. These developments will require dynamic and flexible management of the grid. ENDESA expects that additional investments will be needed in this scenario to ensure the connections and adequate levels of quality and resilience, fostering the adoption of innovative operating models. These investments must be accompanied by an appropriate regulatory environment to guarantee acceptable economic returns for the distribution business.

Time horizon: Short (2022-2024); Medium (until 2030); Long (2030-2050)



Risk and opportunity category	Time horizon	Description of the analysis	Business lines affected	Description of the impact	Quantification – Type of impact	Quantification – range		
						<100 €min	100-300 €min	>300 €min
Policies and regulation	short/medium		Generation 	Risk: impact on the margin as a result of a CO2 price intervention. Considering the potential effects of regulatory measures to encourage the energy transition, exposure to CO2 price variations of +/- 10% is evaluated through a sensitivity analysis.	EBITDA/ye 10%- Upside: current political scenario -10%- Downside: current political scenario			
Market	average	Considering two alternative transition scenarios, the effects of a higher penetration of renewables on the reference energy price and on additional capacity in 2030 have been assessed.	Generation 	Opportunity: greater scope for investment in new renewable capacity. Risk: lower energy prices due to increased penetration of renewables.	EBITDA 2030 Best Place vs Paris			
				Risks: less room for investment in new renewable capacity. Opportunity: higher energy prices due to less renewables.	EBITDA 2030 Solw Transition vs Paris			
Market/ Products and Services	average	Considering alternative transition scenarios, the effect of efficiency developments, electrification of demand, and electric vehicle penetration has been assessed to evaluate the potential impacts on raw material consumption, including the effect on the gas customer portfolio due to increased electrification, and on the demand for additional services.	Trade receivables 	Opportunity: higher margins due to the effect of the transition in terms of the electrification of demand, mainly in relation to the expected increase in green hydrogen.	EBITDA 2030 Best Place vs Paris			
				Risk: lower margins due to the effect of a slow transition in terms of electrification of demand, mainly in residential and transport, and low penetration of new technologies.	EBITDA 2030 Solw Transition vs Paris			

a.3. ENDESA is making decisions that will affect the future of the company and its sustainability. These decisions are subject to significant risks and uncertainties, and changes in circumstances and other factors that may be beyond ENDESA's control or that may be difficult to predict.

ENDESA presents a Strategic Plan every year, setting out the Company's strategic guidelines and its objectives for economic, financial and equity growth, and their contribution to the Company.

The main assumptions on which the forecasts and objectives in the Strategic Plan are based relate to:

- The regulatory environment, exchange rates, commodities, investments and divestments, increases in production and installed capacity in the markets in which ENDESA operates, and increases in demand in these markets;
- Allocation of production among the various technologies, with costs increases associated with higher activity that do not exceed certain limits and electricity prices that do not fall below certain levels, with the cost of combined cycle plants and availability and cost of raw materials and carbon dioxide (CO₂) emission rights needed to operate the business at the desired levels; and the general development of social, environmental and ethical trends in the environment in which it operates, including factors relating to the loss of biodiversity, terrorism, water stress, cybersecurity, inequality and social instability, structural unemployment, infectious diseases, extreme political conflicts, extreme weather phenomena, environmental catastrophes and Climate Change.

ENDESA cannot guarantee that its perspectives will be complied with in the terms notified, since they are based, among others, on the following matters:

- In the suppositions related with future events that management expects will occur and on actions that management itself expects to perform at the date of drafting; and
- In general suppositions relating to future events and actions of management itself, which do not necessarily have to be complied with and which depend substantially on variables beyond the control of management.

ENDESA's Strategic Plan foresees a significant investment effort in electricity production and distribution systems and facilities. The execution of these investments is dependent on market and regulatory conditions. If the necessary conditions enabling the viability of the plants do not arise, ENDESA may have to cease production at the facilities and, where appropriate, begin the task of dismantling them. These closures would involve a reduction in installed capacity and output that support customer energy sales and, therefore, could adversely affect ENDESA's business activities, results, financial position and cash flows.

Consequently, and in line with accounting regulations, ENDESA assesses, throughout the year and, in any case, at each reporting date, whether there is any indication that a non-financial asset may be impaired. The information on the impairment of non-financial assets recognised in 2021 is included in Notes 3.2f and 15.1 to the consolidated financial statements for the year ended 31 December 2021.

The information relating to the Strategic Plan is included in Section 4 of this Consolidated Management Report and the information relating to ENDESA's commitment to sustainable development is included in Section 15 of this Consolidated Management Report.

a.4. ENDESA's business could be affected by adverse economic or political conditions in Spain, Portugal, the Eurozone and in international markets

Adverse economic conditions could have a negative impact on energy demand and the ability of ENDESA's consumers to fulfil their payment obligations. In times of economic recession, as experienced by Spain and Portugal in recent years, electricity demand usually falls off, adversely affecting the Company's results.

If the economic situation in Spain, Portugal or other Eurozone economies deteriorates, it could adversely affect energy consumption and, consequently, ENDESA's business activities, financial position, operating results and cash flows would be negatively affected.

In addition, the financial conditions in the international markets represent a challenge for ENDESA's economic situation due to the potential impact on its business of, on the one hand, the government debt level, declining growth rates and possible downgrading of government bond ratings at the international level – and, in

particular, in Eurozone countries – and, on the other hand, the new monetary expansion measures in the credit market. Changes in any of these factors could condition ENDESA's access to capital markets and the conditions under which it obtains financing, consequently affecting its business activities, results, financial position and cash flows.

In addition to any economic problems that could arise at international level, ENDESA faces a situation of uncertainty at political level, in Spain and abroad, which could adversely affect ENDESA's economic and financial position. Specifically, it is considered that the impact of Brexit and other international events is not material for ENDESA.

No guarantee can be given that the international or Eurozone economic situation will not deteriorate, or that an event of a political nature will not have a significant impact on the markets, thus affecting the business, the economic situation, the result of operations and cash flows of ENDESA.

a.5. ENDESA is exposed to competition in its business activities.

ENDESA maintains relationships with a high number of customers, 10.3 million electricity customers and 1.7 million gas customers at 31 December 2021 (see Section 9.1. of this Consolidated Management Report).

The Company's business activities are carried out in a highly competitive environment. Even if ENDESA were to lose individual customers, it would not have a significant impact on its business as a whole, and the inability to maintain stable relationships with customers could adversely affect ENDESA's business activities, results, financial position and cash flows (see Note 44.6 to the Consolidated Financial Statements for the year ended 31 December 2021).

b) Financial risks.

b.1. ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA

The contribution margin of ENDESA's Generation and Supply segment in 2021 was Euro 3,681 million, most of which correspond to deregulated activities, subject to the effects of competition and market volatility. These activities require gas, electricity and raw material purchases, hence:

- In 2021, 529,933 tonnes of coal and 2,144 million m³ of natural gas were consumed to generate electricity.
- At 31 December 2021, electricity and energy stocks purchase commitments amounted to Euro 19,766 million, of which a portion corresponds to agreements that have "take or pay" clauses (see section 10.6 of this Consolidated Management Report).

ENDESA is exposed to market price risks in relation to fuel purchases (including gas and coal) and carbon dioxide (CO₂) emission rights prices, used to generate electricity, to procure gas and for supply activities. In this connection, the fluctuations in the price of these products in international markets may affect the contribution margin.

ENDESA has entered into electricity and natural gas supply contracts based on certain assumptions regarding future market prices for electricity and natural gas. Any deviation with respect to the assumptions when the aforementioned supply contracts are signed could give rise to an obligation to purchase electricity or natural gas at prices that are higher than those included in these contracts. In the event there is a market price adjustment with respect to the estimates made, a deviation in ENDESA's obligations with regard to its fuel needs, or a regulatory change which affects prices as a whole and how they have been established, and if its risk management strategies are inadequate in the face of such changes, ENDESA's business activities, results, financial position and cash flows could be affected adversely.

ENDESA has signed certain natural gas supply contracts which include binding "take or pay" clauses which compel it to either acquire the fuel it has agreed to contractually or to pay if it does not acquire such fuel. The terms of these contracts have been established based on certain assumptions regarding future electricity and gas demand. Any deviation from the assumptions used could give rise to an obligation to purchase more fuel than necessary or to sell excess fuel on the market at current prices.

Information on energy stocks purchase commitments is provided in Section 10.6 of this Consolidated Management Report and Note 50 to the consolidated financial statements for the year ended 31 December 2021.

b.2. ENDESA is exposed to foreign currency risk

ENDESA is exposed to foreign currency risk, mainly in relation to the payments it must make in international markets to acquire energy-related commodities, especially natural gas and international coal, where the prices of these commodities are usually denominated in US dollars.

Therefore, this means that the fluctuations in the foreign exchange rate could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information relating to foreign currency risk and the foreign currency sensitivity analysis is provided in Note 44.2 to the consolidated financial statements for the year ended 31 December 2021.

b.3. ENDESA's activities could be affected by changes in natural resources and climate and weather conditions.

ENDESA's electricity production depends on the levels of natural resources, plant availability and market conditions. The output of renewable plants depends on levels of rainfall and on the levels of sun radiation and wind, which exist in the geographic areas in which the Company's hydroelectric, wind power and photovoltaic generation facilities are located. In the event of a low level of hydric, wind or solar resources or other circumstances that adversely affect renewable energy generation, ENDESA's business, results, financial position and cash flows could be adversely affected.

The demand not covered by renewable energy is caused by thermal plants, whose production, together with their margin, depends on competitiveness among the different technologies. A year with low rainfall, scant sunshine or less wind leads to a decline in hydroelectric, solar or wind power production, in turn, increasing the output of thermal power plants (with a greater cost) and, therefore, the price of electricity and the costs of buying energy. In a wet year, with more sunshine or wind, the opposite effects occur. For example, in the event conditions are unfavourable, due to scant resources, electricity generation will, to a large extent, come from thermal plants and ENDESA's operating expenses arising from these activities will increase. ENDESA's inability to manage changes in natural resource conditions could adversely affect its business activities, results, financial position and cash flows.

In an average year, it was estimated that hydroelectric production could vary by $\pm 28\%$, wind power by $\pm 5\%$ and photovoltaic power by $\pm 1\%$. Hence, in 2021, electricity generation at ENDESA's hydroelectric plants was 6,122 GWh.

Information concerning ENDESA's electricity production (GWh) by technology is included in Section 9.1 of this Consolidated Management Report.

Climate-related conditions and, in particular, seasons, have a significant impact on electricity demand. Electricity consumption levels reach their peak in summer and winter. Seasonal changes in demand are attributed to the impact of several climate factors, such as climate and the amount of natural light, the use of light, heating and air conditioning. Changes in demand due to weather conditions can have a major effect on the business's profitability. Additionally, ENDESA must make certain projections and estimates regarding climate conditions when negotiating its contracts, and a significant divergence in the precipitation levels and other weather conditions envisaged could adversely affect ENDESA's business activities, results, financial position and cash flows.

Likewise, adverse weather conditions could impact the regular supply of energy due to damages to the network, with the resulting interruption in services which could compel ENDESA to compensate its customers due to delays or disruptions in the supply of energy.

The occurrence of any of the foregoing circumstances could adversely affect its business activities, results, financial position and cash flows.

b.4. ENDESA is exposed to interest rate risk.

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to floating interest rates. The interest rate fluctuations could adversely affect ENDESA's business activities, results, financial position and cash flows.

Gross financial debt totalled Euro 10,378 million at 31 December 2021. 48% of gross financial debt before cash flow and fair value hedging accrued fixed rate interest, mainly linked to the EURIBOR, while the remaining 52% is tied to floating rate interest.

At 31 December 2021, taking into account cash flow hedges that are considered to be effective, 58% of gross financial debt was protected against interest rate risk. Also taking fair value hedges into consideration, at 31 December 2021, this percentage is 53%.

Information relating to interest rate risk and the interest rate sensitivity analysis is provided in Note 44.1 to the consolidated financial statements for the year ended 31 December 2021.

b.5. ENDESA's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenses

ENDESA is confident that it will be able to generate funds internally (self-financing), access bank financing through long-term credit facilities, access short-term capital markets as a source of liquidity and access the long-term debt market in order to finance its organic growth programme and other capital requirements, including its commitments arising from the on-going maintenance of its current facilities. Furthermore, ENDESA occasionally needs to refinance its existing debt. This debt includes long-term credit facilities undertaken both with banks and with Group companies, ENEL and financial investments.

If ENDESA is unable to access capital under reasonable conditions, refinance its debt, settle its capital expenses and implement its strategy, the Company could be adversely affected. The capital and turmoil in the capital market, a possible reduction in ENDESA's creditworthiness or possible restrictions on financing conditions imposed on the credit facilities in the event financial ratios deteriorate, could increase the Company's finance costs or adversely affect its ability to access the capital markets.

A lack of financing could force ENDESA to dispose of or sell its assets to offset the liquidity shortfall in order to pay the amounts owed and this sale could occur under circumstances which prevent ENDESA from obtaining the best price for said assets. Therefore, if ENDESA is unable to access financing under acceptable conditions, ENDESA's business activities, results, financial position and cash flows could be adversely affected.

At 31 December 2021, ENDESA had negative working capital of Euro 4,170 million. The undrawn amount on the Company's long-term credit facilities provide assurance that the ENDESA can obtain sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the consolidated statement of financial position.

Information regarding liquidity risk is included in Note 44.4. to the financial statements for the year ended 31 December 2021 and the information relating to the main transactions performed by ENDESA is set forth in section 10.2. of this Consolidated Management Report.

Also, the conditions in which ENDESA accesses capital markets or other means of financing, whether within the Company or on the credit market, are highly dependent upon its credit rating which, in turn, is conditioned by that of its Parent ENEL. ENDESA's capacity to access the markets and financing could therefore be adversely affected, in part, by the credit and financial position of ENEL, to the extent that it could determine the availability of intercompany financing for ENDESA or the conditions under which the Company accesses the capital market

In this connection, the deterioration of ENEL's credit rating and, consequently, that of ENDESA, could limit ENDESA's ability to access the capital markets or any other means of financing (or refinancing) from third parties or increase the cost of these transactions which could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information on ENDESA's ratings is provided in Section 19.1. of this Consolidated Management Report.

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

In its commercial and financial activities, ENDESA is exposed to the risk that its counterparty may be unable to meet all or some of its obligations, both payment obligations arising from goods already delivered and services already rendered, as well as payment obligations related to expected cash flows, in accordance with the financial derivative contracts entered into, cash deposits or financial assets. In particular, ENDESA assumes the risk that the consumer may not be able to fulfil its payment obligations for the supply of energy, including all transmission and distribution costs.

ENDESA cannot guarantee that it will not incur losses as a result of the non-payment of commercial or financial receivables and, therefore, the failure of one or various significant counterparties to fulfil their obligations could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information relating to credit risk is provided in Note 44.5 to the consolidated financial statements for the year ended 31 December 2021.

c) Risks associated with digital technologies.

c.1. ENDESA faces cybersecurity risks.

ENDESA's digital transformation involves greater exposure to potential cyber attacks, which may endanger the security of IT systems and databases with sensitive information.

The potential impact on ENDESA would cause economic losses and reputational impacts (loss of trust by the Company) arising in the event ENDESA's information systems are affected by a cyber attack. The Company's critical infrastructures may also be exposed to this type of attack, which could have a serious impact on the essential services provided (for example, nuclear plants). Increase in the danger of the fraudulent implantation of commercial activity and it is necessary to adopt security measures and protect customer data.

With respect to the risk management and mitigation measures, ENDESA has a cybersecurity strategy, in keeping with international standards and government initiatives. As part of this strategy, ENDESA performs an assessment of the main risks and identifies vulnerabilities, and also conducts an exhaustive digital monitoring through which the information is analysed and remedial measures are implemented to mitigate risks. It also conducts training and awareness-raising programmes in the use of digital technologies for its employees, at both the professional and individual level, to change the conduct of people and reduce risks.

In its assets, ENDESA executes cybersecurity exercises that involve plant or industrial facilities.

c.2. ENDESA manages its activities with information technology that guarantees operating efficiency, as well as the continuity of the businesses, systems and processes that contribute to attaining its corporate objectives.

The use of information technology at ENDESA is essential to manage its activity. ENDESA's systems represent a strategic distinguishing element with respect to sector companies, given the business aggregates used with regard to technical complexity, volume, granularity, functionality and case-based diversity. Specifically, ENDESA's main computer systems handle the following business processes:

- Sales systems: marketing processes, demand forecasts, profitability, sales, customer service, claim management, hiring and the basic revenue cycle (validation of meter reading, invoicing, collection management and debt processing).
- Technical distribution systems: processes for managing the grid, meter-reading management, handling of new supplies, network planning, field work management, management of meter-reading equipment with advanced remote management and energy management capabilities.
- Generation systems, energy management and renewables: fuel management processes, meter-reading management, trading risk management, etc.
- Economic and financial systems: economic management, accounting, financial consolidation and balance sheet processes of the Company.

Management of ENDESA's business activity through these systems is key to perform its activity efficiently and achieve its corporate objectives.

d) Operational risks.

d.1. ENDESA is exposed to risks associated with the construction of new electricity generation and distribution facilities.

The construction of generation facilities and energy distribution is time-consuming and can be highly complex. This means that investment needs to be planned well in advance of the estimated start-up date of the facility and, therefore, it could be necessary to adapt such decisions to changes in the market conditions. This may entail significant additional costs not originally planned that may affect the return on these types of projects.

Generally, in connection with the development of such facilities, ENDESA has to obtain the related administrative authorisations and permits, acquire land purchase or lease agreements, sign equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transport agreements, off-take arrangements and obtain sufficient financing to meet its capital and debt requirements.

The Strategic Plan approved by the Board of Directors of ENDESA, S.A. and presented to the market on 25 November 2021 contemplates an investment target, net of grants and assets assigned by customers, of Euro 7,500 million between 2022 and 2024.

Factors that may affect ENDESA's ability to construct new facilities include:

- Delays in obtaining regulatory approvals, including environmental permits;
- Shortages or changes in the price of equipment, materials or labour;
- Opposition from local groups, political groups or other stakeholders;
- Adverse changes in the political environment and environmental regulations;
- Adverse weather conditions, natural catastrophes, accidents and other unforeseen events that could delay the completion of power plants or substations;
- Non-compliance by suppliers of the agreed contractual conditions; and
- Inability to obtain financing under conditions that are satisfactory to ENDESA.

Any of these factors may cause delays in completion or commencement of the Group's construction projects and may increase the cost of planned projects. In addition, if ENDESA is unable to complete these projects, any costs incurred in connection with such projects may not be recoverable.

If ENDESA faces problems related to the development and construction of new facilities and, therefore, of its business, results, financial position and cash flows may be adversely affected.

The information relating to investments made in 2021 is included in Notes 20.1 and 23.1 to the consolidated financial statements for the year ended 31 December 2021 and in Section 10.5. of this Consolidated Management Report. Information on ENDESA's investment plan is provided in Section 4.2. of this Consolidated Management Report.

d.2. ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned works or other problems that cause unscheduled non-availability and other operational risks.

To carry on its activities, ENDESA has a huge volume of assets related with its activities, which comprise, among others:

- Electricity generation: At 31 December 2021, ENDESA's potential total net installed capacity in Spain amounted to 21,140 MW, of which 16,800 MW are found in the Mainland Electricity System and 4,340 MW in Non-mainland Territories (TNP) in the Balearic Islands, Canary Islands, Ceuta and Melilla (see Sections 2.4. and 9.1. of this Consolidated Management Report).
- Energy distribution: At 31 December 2021, ENDESA distributed electricity in 24 Spanish provinces in 8 Autonomous Communities and in the Autonomous City of Ceuta, with a total extension of 195,794 km² and a population of around 21 million inhabitants. The total energy distributed by ENDESA's grids amounted to 131,090 GWh in 2021 (see Sections 2.4. and 9.1. of this Consolidated Management Report).
- Energy supply: At 31 December 2021, ENDESA had almost 12 million electricity and gas customers (see Sections 2.4. and 9.1. of this Consolidated Management Report).

ENDESA is exposed to risks of breakdown and accidents that can temporarily interrupt the operation of its plants and services to its customers. Prevention and protection strategies exist to mitigate these risks, including predictive and preventive maintenance techniques in line with the best international practices.

ENDESA cannot ensure that during the performance of its business activities, direct or indirect losses would not arise from inadequate internal processes, technological failures, human error or certain external events, such as accidents at facilities, workplace conflicts and natural disasters. These risks and dangers could cause explosions, floods or other circumstances that could cause the total loss of energy generation and distribution

facilities; damage to or the deterioration or destruction of ENDESA's facilities or those of third parties, or even environmental damage; delays in electricity generation and the partial or total interruption of activities. The occurrence of any of these circumstances could adversely affect its business activities, results, financial position and cash flows.

d.3. ENDESA's insurance cover and guarantees may not be adequate or may not cover all of the damages

Despite the fact that ENDESA attempts to obtain adequate insurance cover in relation to the main risks associated with its business – including damage to the Company itself, general third-party liability, environmental and nuclear power plant liability – it is possible that insurance cover may not be available on the market in commercially reasonable terms. Likewise, the amounts for which ENDESA is insured may not be sufficient to cover the incurred losses in their entirety.

In the event of a partial or total loss of ENDESA's facilities or other assets, or a disruption to its activities, the funds ENDESA receives from its insurance may not be sufficient to cover the complete repair or replacement of the assets or losses incurred. Furthermore, in the event of a total or partial loss of ENDESA's facilities or other assets, part of the equipment may not be easily replaced, given its high value or its specific nature, or may not be easily or immediately available.

Similarly, the cover of guarantees in relation to the aforementioned equipment or the limits to ENDESA's ability to replace the equipment could disrupt or hinder its operations or significantly delay the course of its ordinary operations. Consequently, all of the above could adversely affect ENDESA's business activities, results, financial position and cash flows.

Likewise, ENDESA's insurance contracts are subject to constant review by its insurers. It is therefore possible that ENDESA may be unable to maintain its insurance contracts under conditions similar to those currently in place in order to meet possible increases to premiums or to covers which become inaccessible. If ENDESA is unable to transfer a possible premium increase to its customers, these additional costs may adversely affect its business activities, results, financial position and cash flows.

d.4. The success of ENDESA's business depends on the continuity of the services provided by the Company's management and by ENDESA's key workers.

To carry out its activities, at 31 December 2021, ENDESA had a workforce of 9,258 employees. So that ENDESA can continue to maintain its position in the sector, it needs to guarantee talent management, especially with regard to digital competences.

The qualified labour market is highly competitive and ENDESA must be able to successfully hire additional qualified staff or to replace outgoing staff with sufficiently qualified and effective employees. ENDESA's inability to retain or recruit essential staff could adversely affect its business activities, results, financial position and cash flows.

Information on staff, attracting and retaining talent and on the training, leadership and development of employees may be found in Section 14. of this Consolidated Management Report.

d.5 ENDESA considers Occupational Health and Safety (OHS) and maintaining a fluid social dialogue to be priority objectives. The inability not to meet these objectives could adversely affect ENDESA's business, image, results, financial position and cash flows.

ENDESA considers Occupational Health and Safety (OHS) to be a priority and a key value to be preserved at all times for everyone who works for the Company, without distinction between in-house staff and its partnership companies. The inclusion of this target in ENDESA's strategy is as follows:

- Implementation of Occupational Health and Safety (OHS) policies at all Group companies.
- The implementation of specific work plans.
- The application of a sole, global occupational conduct observation system.

ENDESA also carries out various annual initiatives in its long-term strategy to continuously improve occupational health and safety (OHS).

Information on ENDESA's Occupational Health and Safety (OHS) is provided in Section 14.2. and in Section 24. of this Consolidated Management Report.

ENDESA guarantees the right to freedom of association for its employees and for all its contractors and suppliers.

Information on ENDESA's Social Dialogue is provided in Section 14.8. of this Consolidated Management Report and is detailed in the Statement of Non-Financial Information and Sustainability of this Consolidated Management Report.

As regards ENDESA in Spain, it must be highlighted that on 23 January 2020, the “V ENDESA Framework Collective Agreement” was signed, which means that, from that date, a collective employment agreement exists, which adapts the employment regulations to the new requirements of the area.

The inability not to meet these objectives could adversely affect ENDESA's business, image, results, financial position and cash flows.

d.6. ENDESA's business could be adversely affected by a possible inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity and/or quality, as well as supplier failures to maintain the conditions of the service provided, limiting the possibilities of operability and business continuity.

The relationships ENDESA currently maintains with the main industry service suppliers and providers are essential for the development and growth of its business, and will continue to be so in the future. Furthermore, certain of these relationships are and will continue to be managed by ENEL, S.p.A.

ENDESA's dependence on these relationships could affect its ability to negotiate contracts with these parties under favourable conditions. Although ENDESA's supplier portfolio is sufficiently diverse, if any of these relationships is severed or terminated, ENDESA cannot guarantee the replacement of any significant service supplier or provider within an appropriate time frame or with similar conditions.

ENDESA makes significant purchases of fuels, materials and services. In this area, it must be mentioned that:

- Some thermal plants have consumption that is highly concentrated in few suppliers and countries, which represents a risk in the event of an interrupted supply;
- Fuel supply contracts, especially gas contracts, are found in areas with a significant geopolitical risk that may materialise in supply interruptions; and
- In the case of Non-Mainland Territories (TNP) plants, (Balearic and Canary Islands and the cities of Ceuta and Melilla), they are all geographically isolated and have a significant dependence on liquid fuels.

If ENDESA is unable to negotiate contracts with its suppliers under favourable terms, if such suppliers are unable to comply with their obligations or if their relationship with ENDESA is severed, and ENDESA is unable to find an appropriate replacement, its business activities, results, financial position and cash flows could be affected adversely.

Note 44.6 to the consolidated financial statements for the year ended 31 December 2021 provides information on the concentration of customers and suppliers.

e) Compliance risks.

e.1. ENDESA uses the highest security and contingency standards according to the state of the art, such that it guarantees personal data protection.

In the construction and operation of ENDESA's information systems, the Company includes the highest security and contingency standards so that it guarantees operating efficiencies, as well as the continuity of businesses and processes that contribute to attaining its corporate objectives.

These standards acquire a particularly significant role faced with the digital transformation process in which ENDESA is immersed, which involves a growing exposure to potential cyberattacks, which are increasingly numerous and complex, and which may compromise the security of its systems, its data, including personal data, the continuity of its operations and, consequently, the quality of its customer relations and its results, financial position and cash flows.

Security has therefore become a global strategic matter. In this regard, at ENDESA, policies, processes, methodologies, tools and protocols exist that are based on international standards and duly audited governmental initiatives. In particular, ENDESA has a cybersecurity procedural and management model promoted by senior management, which involves all business areas and the area responsible for the management of IT systems. This model is based on the identification, prioritisation and quantification of existing security risks, taking into account the impact of each system on ENDESA's business, to adopt security actions to minimise and mitigate such risks.

e.2. ENDESA's activities are subject to wide-reaching environmental regulations and its inability to comply with current environmental regulations or requirements or any changes to the environmental regulations or requirements applicable could adversely affect its business activities, results, financial position and cash flows

ENDESA is subject to environmental regulations which affect both the normal course of its operations, as well as the development of its projects, leading to increased risks and costs. This regulatory framework requires licences, permits and other administrative authorisations be obtained in advance, as well as fulfilment of all the requirements provided for in such licences, permits and authorisations. As in any regulated company, ENDESA cannot guarantee that:

- The regulations will not be amended or interpreted in such a way as to increase the expenses necessary to comply with such laws or as to affect ENDESA's operations, facilities or plants;
- Public opposition will not lead to delays or changes in the projects that are proposed; and
- The authorities will grant the environmental permits, licences and authorisations required to develop new projects.

In addition, ENDESA is exposed to environmental risks inherent to its business, including those risks relating to the management of the waste, spills and emissions of the electricity production facilities, particularly nuclear power plants. ENDESA may be held responsible for environmental damages, for harm to employees or third parties, or for other types of damages associated with its energy generation, supply and distribution facilities, as well as port terminal activities.

Although the plants are prepared to comply with the prevailing environmental requirements, ENDESA cannot guarantee that it will be able to comply with the requirements imposed or that it will be able to avoid fines, administrative or other sanctions, or any other penalties and expenses related to compliance matters, including those related to the management of waste, spills and emissions from the electricity production units. Failure to comply with this regulation may give rise to liabilities, as well as fines, damages, sanctions and expenses, including, where applicable, facility closures. Government authorities may also impose charges or taxes on the parties responsible in order to guarantee obligations are repaid. In the event ENDESA were accused of failing to comply with environmental regulations, its business activities, results, financial position and cash flows could be affected adversely.

In this connection, ENDESA has taken out the following insurance policies:

- An environmental liability insurance policy which covers, up to a maximum of Euros 150 million, claims arising from contamination.
- A general third-party liability insurance policy that covers claims relating to damage to third parties or their property up to a maximum of Euro 250 million, taking this coverage to Euro 900 million for hydroelectric plants.
- Under current legislation in Spain and pursuant to Electricity Sector Law 24/2013 of 26 December, the Company is insured for up to Euro 700 million against third-party liability claims for possible nuclear accidents at its plants. Any loss or damage in excess of this amount would be governed by the international conventions to which Spain is a signatory. The nuclear power plants are also insured against damage to their installations (including stocks of nuclear fuel) and machinery breakdowns, with maximum coverage of US dollars 1,500 million for each plant.

On 28 May 2011, the Spanish government published Law 12/2011, of 27 May, on third-party liability due to nuclear damage or damage caused by radioactive materials, which raises operator liability to Euro 1,200 million, while also allowing operators to cover this liability in several ways. This Regulation will enter into force on 1 January 2022, following the joint ratification by the member States of the Protocols of 12 February 2004, amending the Nuclear Civil Liability Convention (Paris Convention) and the Brussels Convention, complementing the foregoing. The civil nuclear liability coverage arranged by ENDESA will have a limit of Euro 1,200 million demanded from 1 January 2022.

However, it is possible ENDESA may face third-party damage claims. If ENDESA were to be held liable for damages generated by its facilities for amounts greater than its insurance policy cover or for damages that exceed the scope of the insurance policy's coverage, its business activities, financial position, results and cash flows could be adversely affected.

ENDESA is subject to compliance with the legislation and regulations on emissions of pollutants and on the storage and treatments of waste from fuel from nuclear power plants. It is possible that the Company will be subject to even stricter environmental regulations in the future. In the past, the approval of new regulations has required, and could require in the future, significant capital investment expenditures in order to comply with legal requirements. ENDESA cannot predict the increase in capital investments or the increase in operating costs or other expenses it may have to incur in order to comply with all environmental requirements and regulations. Nor can it predict if the aforementioned costs may be transferred to third parties. Thus, the costs associated with compliance with the regulations applicable could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information on ENDESA's environmental management systems is included in Section 12.2.1. of this Consolidated Management Report.

e.3. Past or future infringements of competition and antitrust laws could adversely affect ENDESA's business activities, results, financial position and cash flows.

ENDESA is subject to competition and antitrust laws in the markets in which it operates. Infringements, especially in Spain, ENDESA's main market, could give rise to legal actions against ENDESA.

ENDESA has been, is and could be the object of legal investigations and proceedings regarding competition and antitrust matters. Investigations regarding the infringement of competition and antitrust laws usually last several years and may be subject to rules which prevent the disclosure of information. Furthermore, infringements of these regulations may give rise to fines and other types of sanctions which could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information on litigation and arbitration is provided in Note 53 to the consolidated financial statements for the year ended 31 December 2021.

ENDESA's growth strategy has traditionally included, and continues to include, purchase transactions that are subject to various competition laws. These regulations may affect ENDESA's ability to perform strategic transactions (see Section 8.1. of this Consolidated Management Report).

e.4. ENDESA is involved in court and arbitration proceedings

ENDESA is party to various ongoing legal proceedings related to its business activities, including tax, regulatory and antitrust disputes. It is also subject to ongoing or possible tax audits. In general, ENDESA is exposed to third-party claims from all jurisdictions (criminal, civil, commercial, labour and economic-administrative) and in national and international arbitration proceedings.

ENDESA performs its best estimate to recognise its provisions for legal contingencies, provided that the need to meet this obligation is probable and its amount can be reasonably quantified.

However, ENDESA cannot guarantee that it will be successful in all the proceedings in which it expects a positive outcome, or that an unfavourable decision will not adversely affect ENDESA's business activities, results, financial position and cash flows. Likewise, the Company cannot guarantee that it will not be the object of new legal proceedings in the future which, if the outcome were unfavourable, would not have an adverse effect on its business activities, operating results, financial position or cash flows.

Information on litigation and arbitration is provided in Note 53 to the consolidated financial statements for the year ended 31 December 2021.

e.5. In general, ENDESA could be affected by tax risks arising either from a possible interpretation of the rule by the tax authorities other than that adopted by the Company or by an incorrect perception by third parties of the tax position adopted by the Company.

Currently, the tax risks to be managed and controlled are those arising from the uncertainties arising either due to the possibility that the tax authorities may demand additional contributions from ENDESA than those considered due (either as a result of the failure to file returns or of a different interpretation of the applicable regulations) or of the risk of an incorrect perception or valuation by third parties of tax events that are erroneously or unjustly attributed to the Company.

In 2021, ENDESA's total tax contribution amounted to Euro 3,009 million, of which 41% corresponded to taxes borne that represent a cost for ENDESA and 59% relate to taxes collected by ENDESA as a result of its business activities. Spain has been the jurisdiction in which ENDESA has most contributed to the payment of taxes, representing more than 89% of the total taxes paid and collected in 2021.

The information relating to ENDESA's tax contribution is detailed in the Statement of Non-Financial Information and Sustainability Report.

The information relating to ENDESA's tax contribution is detailed in Section 9.3. and Section 24. of this Consolidated Management Report.

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

- The periods open for review by the tax authorities and significant inspections for the period and their effects (see Note 3.2o to the consolidated financial statements for the year ended 31 December 2021); and.
- Significant tax disputes are likely to generate a contingency (see Note 53 to the consolidated financial statements for the year ended 31 December 2021).

ENDESA mitigates the occurrence of these risks through:

- Compliance with its Tax Risk Management and Control Policy (see section 6.1. of this Consolidated Management Report) which is the base document of the Tax Compliance Management System implemented by the Company;
- Its inclusion in the cooperative compliance system, expressed in the Code of Good Tax Practices and in the annual filing before the tax authorities of the Tax Transparency Report <https://www.endesa.com/es/nuestro-compromiso/transparencia>; and
- This inclusion means that ENDESA voluntarily undertakes with respect to the tax authorities to foster good practices that significantly reduce tax risks and the prevention of that conduct likely to generate such risks.

Despite this firm commitment, any change in the interpretation of the tax regulations by the tax authorities or the Administrative or Justice Tribunals could affect ENDESA's compliance with its tax obligations and alter its businesses, results, financial position and cash flows.

e.6. ENDESA could be held liable for income tax and value added tax (VAT) charges corresponding to the tax group of which it forms part or has formed part.

Since 2010, ENDESA has filed consolidated tax returns for income tax purposes, as part of consolidated tax group no. 572/10, the Parent of which is ENEL, S.p.A. and ENEL Iberia, S.L.U. being the representative entity in Spain. Likewise, since January 2010, ENDESA has formed part of the Spanish consolidated Value Added Tax (VAT) group no. 45/10, the Parent of which is ENEL Iberia, S.L.U. Until 2009, ENDESA filed consolidated tax returns as the Parent under group no. 42/1998 for income tax and under group no. 145/08 for Value Added Tax (VAT).

Also, ENEL Green Power España, S.L.U. (EGPE), a wholly-owned ENDESA subsidiary, has been fully consolidated between 2010 and 2016 as part of the Group number 574/10 of which ENEL Green Power España, S.L.U. (EGPE) was the Parent. From 1 January 2017, ENEL Green Power España, S.L.U. (EGPE) paid taxes as part of tax group number 572/10 of which ENEL, S.p.A. is the Parent and ENEL Iberia, S.L.U. is the representative in Spain.

Likewise, following the taking of control by ENDESA of Empresa de Alumbrado Eléctrico de Ceuta, S.A., with respect to which, at 31 December 2021, it held a stake of 96.41% of the share capital, the Consolidated Tax Group no. 21/02 was incorporated, comprising the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as Parent and representative of the Consolidated Tax Group), Energía Ceuta XXI Comercializadora de Referencia, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U.

In accordance with the regime for filing consolidated tax returns for purposes of income tax and Value Added Tax (VAT) for company groups, all of the Group companies which file consolidated tax returns are jointly responsible for paying the Group's tax charge. This includes certain sanctions arising from failure to comply with specific obligations imposed under the VAT regime for company groups.

As a result of this, ENDESA is jointly responsible for paying the tax charge of the other members of the consolidated tax Groups to which it belongs or has belonged for all tax periods still open for review. Likewise, ENEL Green Power España, S.L.U. (EGPE) is also jointly and severally responsible with respect to the other members of the Consolidated Tax Group of which it has formed part and Empresa de Alumbrado Eléctrico de Ceuta, S.A. is also jointly and severally liable with respect to its members.

Even though ENDESA or, where applicable, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A. have the right to recourse against the other members of the corresponding Consolidated Tax Group, any of them could be held jointly and severally liable if any outstanding tax charge were to arise that had not been duly settled by another member of the Consolidated Tax Groups to which ENDESA or, where applicable, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A. belong or have belonged. Any material tax liability could adversely affect ENDESA's business activities, results, financial position and cash flows.

e.7. The ENEL Group controls the majority of ENDESA's share capital and voting rights and the interests of the ENEL Group could conflict with those of ENDESA.

At 31 December 2021, the ENEL Group, through ENEL Iberia, S.L.U., held 70.1% of ENDESA, S.A.'s share capital and voting rights, enabling it to appoint the majority of ENDESA, S.A.'s Board members and, therefore, to control management of the business and its management policies.

The ENEL Group's interests may differ from the interests of ENDESA or those of its shareholders. Furthermore, both the ENEL Group and ENDESA compete in the European electricity market. It not possible to ensure that the interests of the ENEL Group will coincide with the interests of ENDESA's other shareholders or that the ENEL Group will act in support of ENDESA's interests.

Information on balances and transactions with related parties is provided in Note 49 to the consolidated financial statements for the year ended 31 December 2021.

f) Corporate Governance and Culture Risk.

f.1. ENDESA is exposed to image and reputation impairment risk

ENDESA is exposed to the opinion and perception projected to different stakeholders. This perception could deteriorate as a result of events produced by the Company or third parties over which it has little or no control. Should this occur, this could lead to economic detriment for the Company due, among other factors, to increased requirements on the part of regulators, higher borrowing costs or increased efforts to attract customers.

Although ENDESA actively works to identify and monitor potential reputational events and stakeholders affected, and transparency forms part of its communications policy, there is no guarantee that it will not have its image or reputation impaired which, since the outcome would be unfavourable, will have an adverse affect on its business, operating results, financial position or cash flows.

Furthermore, ENDESA cannot guarantee that it will maintain solid relationships and ongoing communication with suppliers, consumers and users and with the associations that represent them and, therefore, any change in these relationships could entail negative publicity and a significant loss of customers, which could adversely affect ENDESA's business activities, results, financial position and cash flows.

4

PERFORMANCE AND METRICS

7. Alternative Performance Measures (APMs)

Below is a description of ENDESA's Alternative Performance Measures and their amount in 2021 and 2020:

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of alternative performance measures (APMs)		Relevance of use
			2021	2020	
EBITDA	€M	Income - Procurements and Services +- Income and Expenses for Energy Stocks Derivatives + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses + Other gains and losses	€4,278 M = €20,899 M - €15,364 M + €543 M + €320 M - €916 M - €1,239 M + €35 M	€3,809 M = €17,050 M - €11,069 M + €25 M + €275 M - €1,147 M - €1,351 M + €26 M	Measure of operating return excluding interest, taxes, provisions and depreciation and amortisation.
Operating Profit (EBIT)	€M	EBITDA - Depreciation and amortisation, and impairment losses.	€1,956 M = €4,278 M - €2,322 M	€1,912 M = €3,809 M - €1,897 M	Measure of operating return excluding interest and taxes
Net income	€M	Net Income of the Parent	€1,435 M	€1,394 M	Measure of profit for the period
Net ordinary income	€M	Net ordinary income = Net income of the Parent - Net gain/(loss) on disposal of non-financial assets (exceeding Euro 10 million) - Net impairment losses on non-financial assets (exceeding Euro 10 million) - Initial net expenses of personnel expenses as a result of workforce restructuring costs relating to the Decarbonisation Plan and the digitalisation of processes - Net expenses corresponding to the Public Responsibility Plan for the COVID-19 health crisis.	€1,902 M = €1,435 M - €22 M + €489 M + €0 M + €0 M	€2,132 M = €1,394 M - €0 M + €266 M + €450 M + €22 M	Measure of profit for the period isolating non-recurring effects of more than Euro 10 million.
Contribution margin	€M	Revenue - Procurements and Services +- Income and Expenses for Energy Stocks Derivatives	€6,078 M = €20,899 M - €15,364 M + €543 M	€6,006 M = €17,050 M - €11,069 M + €25 M	Measure of operating profitability taking into account direct variable production costs
Procurements and services	€M	Power purchases + Fuel consumption + Transmission costs + Other variable procurements and services	€15,364 M = €7,603 M + €1,607 M + €4,425 M + €1,729 M	€11,069 M = €3,322 M + €1,100 M + €5,000 M + €1,647 M	Goods and services for production
Net financial profit/(loss)	€M	Financial Income - Financial Expense +- Income and Expenses on Derivative Financial Instruments+- Net Exchange Differences	€(31) M = €163 M - €177 M - €11 M - €6 M	€(158) M = €25 M - €191 M - €4 M + €12 M	Measure of financial cost
Net financial expense	€M	Financial income - Financial expense +- Income and Expenses from Derivative Financial Instruments	€(25) M = €163 M - €177 M - €11 M	€(170) M = €25 M - €191 M - €4 M	Measure of financial cost
Net investments	€M	Gross investments - Capital grants and facilities disposed of	€2,229 M = €2,432 M - €203 M	€1,711 M = €1,846 M - €135 M	Measure of investment activity
Ordinary return on equity	%	Net ordinary income of the Parent / ((Equity of the Parent (n) + Equity of the Parent (n-1)) / 2)	29.96% = €1,902 M / ((€5,380 + €7,315) / 2) M	28.42% = €2,132 M / (€7,315 + €7,688 / 2) M	Measure of the capacity to generate profits on shareholder investments
Ordinary return on assets	%	Net ordinary income of the Parent / ((Total assets (n) + Total assets (n-1)) / 2)	5.28% = €1,902 M / ((€39,968 + €32,062) / 2) M	6.66% = €2,132 M / (€32,062 + €31,981 / 2) M	Measure of business profitability
Economic profitability	%	Operating Profit (EBIT) / ((PP&E (n) + PP&E (n-1)) / 2)	9.00% = €1,956 M / ((€22,097 + €21,354) / 2) M	8.96% = €1,912 M / (€21,354 + €21,329 / 2) M	Measure of the capacity to generate income from invested assets or capital
Return on capital employed (ROCE)	%	Operating income / (((Non-current assets (n) + Non-current assets (n-1)) / 2) + ((Current assets (n) + Current assets (n-1)) / 2))	4.11% = €1,481 M / (((€28,316 + €25,828) / 2) + ((€11,652 + €6,234) / 2) M))	4.68% = €1,497 M / (((€25,828 + €25,881) / 2) + ((€6,234 + €6,100) / 2)) M	Measure of return on capital employed
Return on invested capital (ROIC)	%	Operating income after taxes / (Net equity of the Parent + Net financial debt)	10.44% = €1,481 M / (€5,380 + 8,806) M	10.57% = €1,497 M / (€7,315 + 6,853) M	Measure of return on capital invested
Funds from operations	€M	Cash flows from operating activities + Changes in working capital - Work carried out by the group for its assets	€3,301 M = €2,621 M + €1,000 M - €320 M	€3,089 M = €2,951 M + €413 M - €275 M	Measure of cash generated by the company's business available to make investments, amortise debt and distribute dividends to shareholders
Interest expenses	€M	Interest paid	€152 M	€152 M	Measure of interest payments
Net ordinary earnings per share	€	Net ordinary income of the Parent / Number of shares at the end of the year	€1,7965 = €1,902 M / 1,058,752,117 shares	€2,0136 = €2,132 M / 1,058,752,117 shares	Measure of the portion of net ordinary income corresponding to each outstanding share at the end of the period
Net earnings per share	€	Net ordinary income of the Parent / Number of shares at the end of the year	€1,355 = €1,435 M / 1,058,752,117 shares	€1,317 = €1,394 M / 1,058,752,117 shares	Measure of the portion of net ordinary income corresponding to each outstanding share at the end of the period
Cash flow per share	€	Net cash flow from operating activities / Number of shares at the end of the reporting year	€2,476 = €2,621 M / 1,058,752,117 shares	€2,787 = €2,951 M / 1,058,752,117 shares	Measure of the portion of funds generated corresponding to each outstanding share at the end of the period

€M = millions of euros; € = euros.
n = 31 December of the year being calculated.
n-1 = 31 December of the year before the year being calculated.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of alternative performance measures (APMs)		Relevance of use
			2021	2020	
Returns for shareholders	%	(Shares at the close of the period - Shares at the beginning of the period + Gross dividend paid in the year / Shares at the beginning of the period	$(0.61\%) = (20.200 \text{ €} - 22.350 \text{ €} + 2.0136 \text{ €}) / 22.350 \text{ €}$	$0.15\% = (22.350 \text{ €} - 23.790 \text{ €} + 1.475 \text{ €}) / 22.350 \text{ €}$	Measure of the relationship existing between the amount invested in a share and the economic result provided, which includes both the effect of the increased price of the share and that of the Gross dividend received in cash (without considering its reinvestment)
Consolidated ordinary pay-out	%	(Gross Dividend per Share * Number of Shares at the end of the Reporting Period) / Net Ordinary Income attributable to the Parent Company in the Consolidated Financial Statements	$80.0\% = (€1.4372 * 1,058,752,117 \text{ shares}) / €1,902 \text{ M}$	$100.0\% = (€2.0136 * 1,058,752,117 \text{ shares}) / €2,132 \text{ M}$	Measure of the part of ordinary income obtained used to remunerate shareholders through the payment of dividends (consolidated Group)
Consolidated pay-out	%	Gross dividend per share * Number of shares at the end of the reporting period / Profit attributable to the Parent Company in the Consolidated Financial Statements	$106.0\% = (€1.4372 * 1,058,752,117 \text{ shares}) / €1,435 \text{ M}$	$152.9\% = (€2.0136 * 1,058,752,117 \text{ shares}) / €1,394 \text{ M}$	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (consolidated Group)
Individual pay-out	%	(Gross dividend per share * Number of shares at the end of the reporting period / Profit of ENDESA, S.A. for the year	$261.9\% = (1.4372 \text{ €} * 1,058,752,117 \text{ shares}) / €581 \text{ M}$	$91.5\% = (€2.0136 * 1,058,752,117 \text{ shares}) / €2,330 \text{ M}$	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company)

€M = millions of euros; € = euros.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of alternative performance measures (APMs)		Relevance of use
			31 December 2021	31 December 2020	
Borrowings Net ⁽¹⁾	€M	Non-current borrowings + Current borrowings + Debt derivatives recognised in liabilities - Cash and cash equivalents - Debt derivatives recognised in assets - Financial guarantees recognised in assets	$€8,806 \text{ M} = €7,211 \text{ M} + €3,167 \text{ M} + €14 \text{ M} - €703 \text{ M} - €7 \text{ M} - €876 \text{ M}$	$€6,853 \text{ M} = €5,901 \text{ M} + €1,372 \text{ M} + €36 \text{ M} - €403 \text{ M} - €7 \text{ M} - €46 \text{ M}$	Current and non-current borrowings, less cash and financial investments equivalent to cash and financial guarantees recognised in assets.
Sustainable financing	%	Sustainable gross financial debt / Gross financial debt	$60\% = €6,268 \text{ M} / €10,378 \text{ M}$	$45\% = €3,264 \text{ M} / €7,273 \text{ M}$	Measure of the weight of gross financial debt with sustainability clauses as a share of total gross financial debt
Leverage	%	Net financial debt / Equity	$158.84\% = €8,806 \text{ M} / €5,544 \text{ M}$	$91.80\% = €6,853 \text{ M} / €7,465 \text{ M}$	Measure of the weight of external funds in the financing of business activities
Debt ratio	%	Net financial debt / (Equity + Net financial debt)	$61.37\% = €8,806 \text{ M} / (€5,544 \text{ M} + €8,806 \text{ M})$	$47.86\% = €6,853 \text{ M} / (€7,465 \text{ M} + €6,853 \text{ M})$	Measure of the weight of external funds in the financing of business activities
Average life of gross financial debt	Number of years	(Principal * Number of days validity) / (Principal outstanding at the end of the period * Number of days in the period)	$4.4 \text{ años} = 45,718 / 10,373$	$4.6 \text{ years} = 33,484 / 7,268$	Measure of the duration of borrowings to maturity
Average gross financial debt	€M	(Total Drawdowns or Debt Positions * Number of Days in force of each Provision or Position) / (Cumulative Number of Days in Force	$€9,375 \text{ M}$	$€8,104 \text{ M}$	Measure of average gross financial debt in the period to calculate the average cost of gross financial debt.
Average cost of gross financial debt	%	(Cost of gross financial debt) / Average gross financial debt	$1.5\% = (€136 \text{ M} / €9,375 \text{ M})$	$1.7\% = (€139 \text{ M} / €8,104 \text{ M})$	Measure of the effective rate of borrowings
Debt maturity coverage	Number of months	Maturity period (n. months) of core debt that could be covered with the liquidity available	33 months	17 months	Measure of the capacity to meet debt maturities
Liquidity ratio	N/A	Current assets / Current liabilities.	$0.74 = €11,652 \text{ M} / €15,822 \text{ M}$	$0.73 = €6,234 \text{ M} / €8,555 \text{ M}$	Measure of the capacity to meet short term commitments
Solvency ratio	N/A	(Equity + Non-current liabilities) / Non-current assets	$0.85 = (€5,544 \text{ M} + €18,602 \text{ M}) / €28,316 \text{ M}$	$0.91 = (€7,465 \text{ M} + €16,042 \text{ M}) / €25,828 \text{ M}$	Measure of the capacity to meet obligations
Debt coverage ratio	N/A	Net financial debt / Gross operating profit (EBITDA)	$2.06 = €8,806 \text{ M} / €4,278 \text{ M}$	$1.80 = €6,853 \text{ M} / €3,809 \text{ M}$	Measure of the amount of available cash flow to meet principal payments on borrowings.
Fixed assets	€M	Property, plant and equipment + Real estate investments + Intangible assets + Goodwill	$€24,156 \text{ M} = €22,097 \text{ M} + €55 \text{ M} + €1,542 \text{ M} + €462 \text{ M}$	$€23,273 \text{ M} = €21,354 \text{ M} + €58 \text{ M} + €1,399 \text{ M} + €462 \text{ M}$	Assets of the Company, whether tangible or intangible, not convertible into short-term liquidity, necessary for the Company to operate and not intended for sale.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of alternative performance measures (APMs)		Relevance of use
			31 December 2021	31 December 2020	
Total net non-current assets	€M	Property, plant and equipment + Intangible assets + Goodwill + Investments accounted for using the equity method + Investment property + Other non-current financial assets + Non-current derivative financial instruments + Other non-current assets - Grants - Non-current liabilities from contracts with customers - Non-current derivative financial instruments - Other non-current financial liabilities - Other non-current liabilities - Financial Guarantees recorded under Assets - Debt derivatives recognised under non-current financial assets and liabilities	€19,999 M = €22,097 M + €1,542 M + €462 M + €180 M + €55 M + €580 M + €774 M + €264 M - €254 M - €4,284 M - €573 M - €120 M - €690 M - €40 M + €6 M	€19,042 M = €21,354 M + €1,399 M + €462 M + €217 M + €58 M + €534 M + €169 M + €244 M - €261 M - €4,256 M - €236 M - €1 M - €630 M - €40 M + €29 M	Measure of non-current assets excluding deferred tax assets, less the value of deferred income and other non-current liabilities.
Total net working capital	€M	Trade receivables for sales and services and other receivables + Inventories + Other current financial assets + Current derivative financial instruments + Current income tax assets + Other tax assets + Current assets from contracts with customers - Current income tax liabilities - Other tax liabilities - Current derivative financial instruments - Other current financial liabilities - Current liabilities from contracts with customers - Financial Guarantees recorded under Assets - Debt derivatives recognised under non-current financial assets and liabilities - Suppliers and other payables	€(1,930) M = €5,024 M + €1,343 M + €1,817 M + €2,401 M + €76 M + €282 M + €6 M - €333 M - €452 M - €4,884 M - €34 M - €270 M - €836 M + €1 M - €6,071 M	€(881) M = €2,808 M + €1,077 M + €931 M + €467 M + €426 M + €112 M + €10 M - €512 M - €467 M - €404 M - €25 M - €274 M - €0 M - €6 M - €5,024 M	Measure of current assets excluding cash and financial investments equivalent to cash, less suppliers and other payables and current income tax liabilities
Gross invested capital	€M	Total net non-current assets + Total net working capital	€18,069 M = €19,999 M - €1,930 M	€18,161 M = €19,042 M - €881 M	Total net non-current assets plus total net working capital
Total deferred tax assets and liabilities and provisions	€M	- Provisions for pensions and similar obligations - Other non-current provisions - Current provisions + Deferred tax assets - Deferred tax liabilities	€(3,719) M = - €659 M - €3,325 M - €611 M + €2,362 M - €1,486 M	€(3,843) M = - €757 M - €2,947 M - €477 M + €1,391 M - €1,053 M	Measure of deferred tax assets and liabilities and provisions
Net invested capital	€M	Gross capital invested - Total deferred tax assets and liabilities and provisions + Net non-current assets held for sale and discontinued operations	€14,350 M = €18,069 M - €3,719 M + €0 M	€14,318 M = €18,161 M - €3,843 M + €0 M	Measure of gross capital invested plus total provisions and deferred tax assets and liabilities and non-current assets held for sale and discontinued operations
Carrying amount per share	€	Equity of the Parent / Number of shares at the end of the reporting period	€ 5,081 M = €5,380 M / 1,058,752,117 shares	€6,909 = €7,315 M / 1,058,752,117 shares	Measure of the portion of equity corresponding to each share at the end of the period
Market cap	€M	Number of shares at the end of the period * Share price at the end of the year	€21,387 M = 1,058,752,117 shares * €20,200	€23,663 M = 1,058,752,117 shares * €22,350	Measure of total enterprise value according to the share price
Price to earnings ratio (PER) ordinary	N/A	Share price at the end of the year / Net ordinary earnings per share	11.24 = 20,200 € / 1,7965 €	11.10 = 22,350 € / 2,0136 €	Measure indicating the number of times that net ordinary earnings per share can be divided into the market price of the shares.
Price to earnings ratio (PER)	N/A	Share price at the end of the year / Net earnings per share	14.91 = 20,200 € / 1,355 €	16.97 = 22,350 € / 1,317 €	Measure indicating the number of times earnings per share can be divided into the market price of the shares.
Price / Carrying amount	N/A	Market cap / Equity of the Parent	3.98 = €21,387 M / €5,380 M	3.23 = €23,663 M / €7,315 M	Measure comparing total enterprise value according to the share price with the carrying amount

€M = millions of euros; € = euros.

(1) At 31 December 2021, ENDESA amended the definition of this Alternative Performance Measure (see Section 8.1. of this Consolidated Management Report and Note 2.2 to the Consolidated Financial Statements for the year ended 31 December 2021).

8. Significant events in the period.

8.1. Comparability of information.

At 31 December 2021, in order to provide information in line with market practice, ENDESA has adapted the presentation of the Consolidated Financial Statements.

This adaptation has also been applied retroactively, which has implied the modification of the Consolidated Financial Statements for the year ended 31 December 2020, so that the comparative figures do not coincide with those published in the Notes to ENDESA's Consolidated Annual Accounts for the year ended 31 December 2020.

Details of the main modifications made are set out in Note 2.2 to the Consolidated Annual Accounts for the year ended 31 December 2021.

8.2. Changes in the consolidation scope.

The information on changes in ENDESA's consolidation scope are provided in Note 7 to the Consolidated Financial Statements for the year ended 31 December 2021.

8.3. COVID-19 health crisis.

Information on the COVID-19 health crisis is provided in Note 5.1 to the Consolidated Financial Statements for the year ended 31 December 2021.

9. Changes in ENDESA's operations and profit and loss in 2021.

9.1. Operating performance.

Operating figures	SDG s ⁽¹⁾	Unit	January- December 2021	January- December 2020	% Var.
Electricity generation ⁽²⁾		GWh	57,592	56,269	2.4
Generation of renewable electricity	7	GWh	12,794	13,415	(4.6)
Gross installed capacity		MW	21,915 ⁽³⁾	22,465 ⁽⁴⁾	(2.4)
Net installed capacity		MW	21,140 ⁽³⁾	21,652 ⁽⁴⁾	(2.4)
Net installed mainland renewable capacity	7	MW	8,312 ⁽³⁾	7,719 ⁽⁴⁾	7.7
Net installed Non-mainland Territories renewable capacity	7	MW	77 ⁽³⁾	62 ⁽⁴⁾	15.0
Energy distributed ⁽⁵⁾	9	GWh	131,090	124,658	5.2
Digitalised customers ⁽⁶⁾	9	Thousands	12,472 ⁽³⁾	12,389 ⁽⁴⁾	0.7
Distribution and transmission networks	9	km	316,506 ⁽³⁾	315,365 ⁽⁴⁾	0.4
End users ⁽⁷⁾		Thousands	12,359 ⁽³⁾	12,291 ⁽⁴⁾	0.6
List of digitalised customers ⁽⁸⁾		(%)	100 ⁽³⁾	100 ⁽⁴⁾	-
Gross electricity sales ⁽²⁾		GWh	87,823	88,923	(1.2)
Net electricity sales ⁽⁹⁾		GWh	79,458	80,772	(1.6)
Gas sales ⁽¹⁰⁾		GWh	76,991	70,045	9.9
Number of customers (Electricity) ^{(11) (12)}		Thousands	10,251 ⁽³⁾	10,420 ⁽⁴⁾	(1.6)
Deregulated market ⁽¹³⁾		Thousands	5,878 ⁽³⁾	5,690 ⁽⁴⁾	3.3
Public and private electricity charging stations	11	Units	9,482 ⁽³⁾	7,072 ⁽⁴⁾	34.1
Public lighting points	11	Units	101 ⁽³⁾	100 ⁽⁴⁾	0.9
Final headcount		No. of employees	9,258 ⁽³⁾	9,591 ⁽⁴⁾	(3.5)
Average headcount		No. of employees	9,271	9,721	(4.6)

(1) Sustainable Development Goals (SDGs).

(2) At power plant busbars.

(3) At 31 December 2021.

(4) At 31 December 2020.

(5) Energy supplied to customers, with or without a contract, ancillary consumption of generators and output towards other grids (transmission or distribution).

(6) Smart meters activated.

(7) Customers of distribution companies.

(8) Number of digitalised customers / End users (%).

(9) Sales to end customers.

(10) Excluding in-house generation consumption.

(11) Supply points.

(12) Customers of supply companies.

(13) Customers of deregulated supply companies

Electricity generation.

ENDESA's electricity production in 2021 was 57,592 GWh, up 2.4% on the same period of the previous year, as detailed below:

Electricity generation ⁽¹⁾	2021		2020		% Var.
	GWh	Percentage (%)	GWh	Percentage (%)	
Mainland	46,536	80.8	46,142	82.0	0.9
Renewable energy plants	12,794	22.2	13,415	23.8	(4.6)
Hydroelectric	6,122	10.6	7,681	13.6	(20.3)
Wind ⁽²⁾	5,605	9.7	5,235	9.3	7.1
Photovoltaic ⁽³⁾	1,066	1.9	498	0.9	114.1
Rest	1	0.0	1	0.0	-
Nuclear power	25,504	44.3	25,839	45.9	(1.3)
Coal	731	1.3	1,211	2.2	(39.6)
Combined cycle (CCGT)	7,507	13.0	5,677	10.1	32.2
Non-mainland Territories (TNP)	11,056	19.2	10,127	18.0	9.2
Coal	45	0.1	222	0.4	(79.7)
Fuel-gas	4,077	7.1	4,217	7.5	(3.3)
Combined cycle (CCGT)	6,934	12.0	5,688	10.1	21.9
TOTAL	57,592	100.0	56,269	100.0	2.4

(1) At power plant busbars.

(2) In 2021, it included 117 GWh corresponding to Non-mainland Territories (TNP) (112 GWh in 2020).

(3) In 2021, it included 52 GWh corresponding to Non-mainland Territories (TNP) (1 GWh in 2020).

Non-emitting renewable and nuclear technologies accounted for 66.5% of ENDESA's mainland generation mix in 2021 (69.8% in 2020, compared with 82.7% for the rest of the sector (80.8% in 2020)).

Gross and net installed capacity.

ENDESA's gross and net installed capacity at 31 December 2021 was 21,915 MW and 21,140 MW, respectively, as detailed below:

Gross installed capacity	31 December 2021		31 December 2020		% Var.
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	17,178	78.4	17,729	78.9	(3.1)
Renewable energy plants ⁽¹⁾	8,433	38.5	7,825	34.8	7.8
Hydroelectric	4,790	21.9	4,793	21.3	(0.1)
Wind ⁽²⁾	2,546	11.6	2,423	10.8	5.1
Photovoltaic ⁽³⁾	1,097	5.0	609	2.7	80.1
Nuclear power	3,453	15.8	3,453	15.4	-
Coal	1,469	6.7	2,627	11.7	(44.1)
Combined cycle (CCGT)	3,823	17.4	3,824	17.0	(0.0)
Non-mainland Territories (TNP)	4,737	21.6	4,736	21.1	0.0
Coal	260	1.2	260	1.2	-
Fuel-gas	2,620	12.0	2,619	11.7	0.0
Combined cycle (CCGT)	1,857	8.4	1,857	8.3	-
TOTAL	21,915	100.0	22,465	100.0	(2.4)

(1) At 31 December 2021 and 2020, additional capacity stood at 627 MW and 391 MW, respectively.

(2) At 31 December 2021, it included 40 MW relating to Non-mainland Territories (TNP) (40 MW at 31 December 2020).

(3) At 31 December 2021, it included 37 MW relating to Non-mainland Territories (TNP) (22 MW at 31 December 2020).

Net installed capacity	31 December 2021		31 December 2020		% Var.
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	16,877	79.8	17,388	80.3	(2.9)
Renewable energy plants ⁽¹⁾	8,389	39.7	7,781	35.9	7.8
Hydroelectric	4,746	22.5	4,749	21.9	(0.1)
Wind ⁽²⁾	2,546	12.0	2,423	11.2	5.1
Photovoltaic ⁽³⁾	1,097	5.2	609	2.8	80.1
Nuclear power	3,328	15.7	3,328	15.4	-
Coal	1,403	6.6	2,523	11.7	(44.4)
Combined cycle (CCGT)	3,757	17.8	3,756	17.3	0.0
Non-mainland Territories (TNP)	4,263	20.2	4,264	19.7	(0.0)
Coal	241	1.1	241	1.1	-
Fuel-gas	2,334	11.1	2,334	10.8	-
Combined cycle (CCGT)	1,688	8.0	1,689	7.8	(0.1)
TOTAL	21,140	100.0	21,652	100.0	(2.4)

(1) At 31 December 2021 and 2020, additional capacity stood at 627 MW and 391 MW, respectively.

(2) At 31 December 2021, it included 40 MW relating to Non-mainland Territories (TNP) (40 MW at 31 December 2020).

(3) At 31 December 2021, it included 37 MW relating to Non-mainland Territories (TNP) (22 MW at 31 December 2020).

Electricity and gas sales.



Electricity.

At 31 December 2021, ENDESA had 10,250,657 electricity customers, down 1.6% on 31 December 2020, as shown in the following breakdown:

Thousands			
Number of customers (Electricity) ^{(1) (2)}	31 December 2021	31 December 2020	% Var.
Regulated market	4,373	4,730	(7.5)
Mainland Spain	3,732	4,020	(7.2)
Non-mainland Territories (TNP)	641	710	(9.7)
Deregulated market	5,878	5,690	3.3
Mainland Spain	4,561	4,444	2.6
Non-mainland Territories (TNP)	858	838	2.4
Outside Spain	459	408	12.5
TOTAL	10,251	10,420	(1.6)
Revenue / Supply points ⁽³⁾	1.4	1.1	-

(1) Supply points.

(2) Customers of supply companies.

(3) Relationship between revenue from electricity sales and the number of electricity supply points (Thousands of euros / Supply points).

ENDESA's gross and net sales to these customers in 2021 totalled 87,823 GWh and 79,458 GWh, down 1.2% and 1.6%, respectively, on 2020, as follows:

	Gross electricity sales ⁽¹⁾			Net electricity sales ⁽²⁾		
	2021	2020	% Var.	2021	2020	% Var.
Regulated price	12,620	13,258	(4.8)	10,705	11,342	(5.6)
Deregulated market	75,203	75,665	(0.6)	68,753	69,430	(1.0)
Spanish	64,136	65,471	(2.0)	58,541	59,800	(2.1)
Outside Spain	11,067	10,194	8.6	10,212	9,630	6.0
TOTAL	87,823	88,923	(1.2)	79,458	80,772	(1.6)

(1) At power plant busbars.

(2) Sales to end customers.

Gas.

At 31 December 2021, ENDESA had 1,684,369 gas customers, up 0.7% on 31 December 2020, as shown in the following breakdown:

Thousands			
Number of customers (gas) ⁽¹⁾	31 December 2021	31 December 2020	% Var.
Regulated market	232	233	(0.4)
Mainland Spain	210	209	0.5
Non-mainland Territories (TNP)	22	24	(8.3)
Deregulated market	1,452	1,440	0.8
Mainland Spain	1,250	1,252	(0.2)
Non-mainland Territories (TNP)	70	71	(1.4)
Outside Spain	132	117	12.8
TOTAL	1,684	1,673	0.7
Revenue / Supply points ⁽²⁾	1.7	1.1	-

(1) Supply points.

(2) Relationship between revenue from gas sales and the number of gas supply points (Thousands of euros / Supply points).

In 2021, ENDESA sold 76,991 GWh to customers in the natural gas market, which represents a 9.9% increase on the 2020 figure.

GWh			
Gas sales	2021	2020	% Var.
Deregulated market	41,147	39,665	3.7
Regulated market	1,318	1,225	7.6
International market	17,765	17,440	1.9
Wholesale business	16,761	11,715	43.1
TOTAL⁽¹⁾	76,991	70,045	9.9

(1) Excluding own generation consumption.

Electricity distribution.

Supply quality measures	2021	2020	% Var.
Energy Distributed (GWh) ⁽¹⁾	131,090	124,658	5.2
Energy losses (%) ⁽²⁾	7.1	7.1	-
Installed capacity equivalent interruption time (average) – ICEIT (minutes) ⁽³⁾	61.4	58.3	5.3
Duration of interruptions in the distribution grid – SAIDI (minutes) ⁽⁴⁾	70.0	74.5	(6.0)
Number of Interruptions in the Distribution Grid – SAIDI ⁽⁴⁾	1.4	1.4	-

(1) Energy supplied to customers with or without a contract, ancillary consumption of generators and output towards other grids (transmission or distribution).
(2) Input of energy in the distribution grid (or energy injected into the distribution grid), less distributed energy divided among the energy input to the distributor (or energy injected into the distribution grid).
(3) Criteria of the Spanish regulator Includes in-house, scheduled and the transmission of data of installed capacity equivalent interruption time (ICEIT).
(4) Source: In-house. Figures for the last 12 months.

Marketing of other products and services.

Business performance	31 December 2021	31 December 2020	% Var.
Public and private electricity charging stations (units)	9,482	7,072	34.1

9.2. Analysis of results.

Net income attributed to the Parent amounted to Euro 1,435 million in 2021 compared to the Euro 1,394 million obtained in the previous year (+2.9%).

That result includes the accounting entry in 2021 and 2020 for the impairment of the cash generating units (CGUs) of each of the non-mainland territories (TNP) in the Balearic Islands, the Canary Islands, Ceuta and Melilla, totalling Euro 489 million and Euro 253 million, respectively, in order to adapt the net carrying amount of these assets to their recoverable value (see Section 9.2.2 of this Consolidated Management Report).

Net ordinary profit for the financial year 2021 amounted to EUR 1,902 million, a decrease of 10.8% compared to the previous year.

Below, details are provided of the most relevant figures in ENDESA's consolidated income statement for 2021 and their year-on-year variation:

Millions of Euros					
	Reference ⁽¹⁾	Most significant figures			
		2021	2020	Difference	% Var.
Revenue	9	20,899	17,050	3,849	22.6
Procurements and services	10	(15,364)	(11,069)	(4,295)	38.8
Income and expenses from energy stocks derivatives	11	543	25	518	2,072.0
Contribution Margin ⁽²⁾		6,078	6,006	72	1.2
Self-constructed assets	3.2b.1 and 3.2e.3	320	275	45	16.4
Personnel expenses	12	(916)	(1,147)	231	(20.1)
Other fixed operating expenses	13	(1,239)	(1,351)	112	(8.3)
Other gains and losses	14	35	26	9	34.6
Gross Operating Profit (EBITDA) ⁽²⁾		4,278	3,809	469	12.3
Depreciation and amortisation, and impairment losses on non-financial assets	15.1	(2,197)	(1,787)	(410)	22.9
Impairment losses on financial assets.	15.2	(125)	(110)	(15)	13.6
Operating Profit (EBIT) ⁽²⁾		1,956	1,912	44	2.3
Net financial profit/(loss) ⁽²⁾	16	(31)	(158)	127	(80.4)
Income before tax		1,924	1,788	136	7.6
Net income ⁽²⁾		1,435	1,394	41	2.9
Net ordinary income ⁽²⁾		1,902	2,132	(230)	(10.8)

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) See definition in Section 7. of this Consolidated Management Report.

In 2021, EBITDA was Euro 4,278 million (+12.3%).

Operating profit (EBIT) in 2021 increased by 2.3% with respect to the same period of the previous year, standing at Euro 1,956 million.

9.2.1. Revenue.

In 2021, revenue stood at Euro 20,899 million, up Euro by 3,849 million (+22.6%) on that obtained in 2020.

The table below presents the detail of "Revenue" in the 2021 consolidated income statement and its changes with respect to the previous year:

Millions of Euros					
	Reference ⁽¹⁾	Revenue			
		2021	2020	Difference	% Var.
Revenue from sales and services	9.1	20,527	16,717	3,810	22.8
Other operating income	9.2	372	333	39	11.7
TOTAL	9	20,899	17,050	3,849	22.6

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

Revenue from sales and services.

The table below presents the details of "Revenue from sales and services" in the 2021 consolidated income statement and its changes with respect to the previous year:

Millions of Euros					
		Sales			
		2021	2020	Difference	% Var.
Electricity sales		14,423	11,929	2,494	20.9
Sales to the deregulated market		9,161	8,245	916	11.1
Sales to the Spanish deregulated market		7,962	7,201	761	10.6
Sales to customers in deregulated markets outside Spain		1,199	1,044	155	14.8
Sales at regulated prices		2,608	1,839	769	41.8
Wholesale market sales		2,089	579	1,510	260.8
Compensation from Non-mainland Territories (TNP)		565	1,111	(546)	(49.1)
Remuneration for investment in renewable energies		(25)	135	(160)	(118.5)
Other electricity sales		25	20	5	25.0
Gas sales		2,898	1,817	1,081	59.5
Sales to the deregulated market		2,816	1,764	1,052	59.6
Sales at regulated prices		82	53	29	54.7
Regulated revenue from electricity distribution		2,059	2,175	(116)	(5.3)
Verifications and connections		39	40	(1)	(2.5)
Rendering of services at facilities		26	14	12	85.7
Other sales and rendering of services		1,077	736	341	46.3
Sales related to Value Added Services		327	296	31	10.5
Proceeds due to capacity		17	20	(3)	(15.0)
Sales of other Energy Commodities		482	145	337	232.4
Provision of services and others		251	275	(24)	(8.7)
Lease revenue		820	730	90	12.3
TOTAL		20,527	16,717	3,810	22.8

Electricity sales to deregulated market customers.

In economic terms, sales on the deregulated market in 2021 amounted to Euro 9,161 million (+11.1%), in accordance with the following details:

- Sales in the Spanish deregulated market totalled Euro 7,962 million, up by Euro 761 million (+10.6%), with respect to 2020 due, mainly, to the changes in price unit.
- Revenue from sales to customers in deregulated markets outside of Spain amounted to Euro 1,199 million (+14.8%), up Euro 155 million with respect to those of the same period in the previous year due, mainly, to the changes in the unit price.

Electricity sales at a regulated price.

These sales generated revenue of Euro 2,608 million, up 41.8% on that of 2020, as a result, mainly, of the increase in the unitary price.

Electricity sales in the wholesale market.

Revenue from sales in the wholesale market in 2021 amounted to Euro 2,089 million and include recognition of Euro 186 million in relation to its right to be compensated for the amount of the internalisation

of the CO₂ emission rights allocated free of charge by the National Emissions Allocation Plan (PNA), which it does not have a legal duty to bear (see Section 9.2.3. of this Consolidated Management Report and Note 53 to the Consolidated Financial Statements for the year ended 31 December 2021).

Remuneration for investment in renewable energies.

In 2021, ENDESA included the recognition of a negative adjustment for variations in market price in accordance with Royal Decree 413/2014 of 6 June 2014., amounting to Euro 120 million (Euro 35 million, positive, in 2020).

Gas sales.

In economic terms, revenue from gas sales in 2021 totalled Euro 2,898 million, up Euro 1,081 million (+59.5%) on the 2020 figure, as follows:

- Gas sales in the deregulated market totalled Euro 2,816 million, which is Euro 1,052 million (59.6%) higher than those of 2020, due mainly to the increase in the number of physical units sold.
- Revenue from gas sales to customers at a regulated price amounted to Euro 82 million, up Euro 29 million (54.7%) on the same period of the previous year due, mainly, to the increase in the physical units sold.

Compensation from Non-mainland Territories (TNP).

Compensation in 2021 for the cost overruns of non-mainland generation (TNP) totalled Euro 565 million, down by Euro 546 million (-49.1%) on 2020, due mainly, to the increased arithmetic average price on the wholesale electricity market.

Electricity distribution.

ENDESA distributed 131,090 GWh in the Spanish market in 2021, 5.2% more than in 2020.

Regulated revenue from the distribution activity in 2021 amounted to Euro 2,059 million, representing a reduction of Euro 116 million (-5.3%) with respect to the same period in the previous year due, among other aspects, to the new financial remuneration rate applicable from 1 January 2021.

Sales of other Energy Commodities

The results of ENDESA's deregulated business are subject to various risk factors, including movements in the price of commodities (electricity, fuel and carbon dioxide (CO₂) emission rights) and regulatory changes.

In 2021, the market hedging strategy successfully met the challenge posed by the sharp price rises in commodity markets for a company such as ENDESA, which sells volumes of electricity in excess of its own production. The application of these hedging and commercial strategies as a whole made it possible to maintain a level of risk in line with the Company's strategic objectives (see Note 3.2.h to the Consolidated Financial Statements for the year ended 31 December 2021).

As a result of these risk policies, sales of other energy commodities with physical settlement increased by EUR 337 million, mainly due to the evolution of the settlement of derivatives of carbon dioxide (CO₂) emission rights, which must be analysed together with the increase in costs of carbon dioxide (CO₂) emission rights for EUR 359 million, recorded under the heading "Other Variable Procurements and Services" in the Consolidated Income Statement.

The evolution of these headings is the result, among other aspects, of purchases and sales made to cover industrial risks caused by the variability of the market and the technologies that have participated in it, as well as regulatory threats, and the increase in the average price of carbon dioxide (CO₂) emission rights (+116.1%).

Other operating income

Below are details of other operating income in 2021 and its year-on-year variation:

Millions of Euros					
	Reference ⁽¹⁾	Other operating income			
		2021	2020	Difference	% Var.
Charge to results of customer facilities ceded, hook-up extension rights and other liabilities from contracts with customers	27.2	167	164	3	1.8
Grants released to income ⁽²⁾		48	28	20	71.4
Third party compensation		25	22	3	13.6
Other		132	119 ⁽³⁾	13	10.9
TOTAL		372	333	39	11.7

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.




(2) Euro 15 million corresponded to grants related to assets and Euro 33 million corresponded to grants related to income in 2021 (Euro 16 million and Euro 12 million, respectively in 2020). In 2021, the recognition of a grant was included at Empresa Carbonífera del Sur ENCASUR, S.A.U., in the amount of Euro 10 million, to cover extraordinary costs arising from the closure of coal production units under the Spanish Closure Plan for uncompetitive coal mining.

(3) Includes Euro 44 million relating to the update of dismantling provisions at the mainland thermal plants Compostilla II (Leon) – Groups III, IV and V and Teruel (Teruel), whose closure was authorised through a Resolution dated June 2020.

Revenue according to the European Union (EU) taxonomy.

ENDESA has classified its economic activities in the value chain into three categories, Eligible Aligned, Eligible Non-Aligned and Non-Eligible, in accordance with the European Union (EU) Taxonomy Regulation (see Section 1.5. of this Consolidated Management Report).

The table below presents the percentage of "Revenue" in the 2021 consolidated income statement, which relates to each activity category:

Millions of Euros			
Revenue	2021		
	Amount	Percentage (%)	
 Activities Eligible aligned ⁽¹⁾	5,677	27.2	
 Activities Eligible non-aligned	9,750	46.6	
 Activities Non-eligible	5,472	26.2	
TOTAL	20,899	100.0	

(1) Correspond to Renewable Generation (3.4%), Energy Supply (10.6%), Marketing of other Products and Services (1.0%) and Distribution (12.2)%.

In 2021, 27.2% of ENDESA's revenues will correspond to activities aligned with the European Union (EU) Taxonomy, i.e. economic activities that contribute to the objective of mitigating Climate Change without causing damage to other environmental objectives and respecting minimum social guarantees.

9.2.2. Operating costs.

Operating costs in 2021 totalled Euro 18,943 million, up 25.1% with respect to the previous year.

The table below presents the details of operating expenses in 2021 and their variations with respect to the previous year:

Millions of Euros					
	Reference ⁽¹⁾	Operating expenses			
		2021	2020	Difference	% Var.
Procurements and services		15,364	11,069	4,295	38.8
Power purchases	10.1	7,603	3,322	4,281	128.9
Fuel consumption	10.2	1,607	1,100	507	46.1
Transmission costs		4,425	5,000	(575)	(11.5)
Other variable procurements and services	10.3	1,729	1,647	82	5.0
Income and expenses from energy stocks derivatives	11	(543)	(25)	(518)	2,072.0
Self-constructed assets	3.2b.1 and 3.2e.3	(320)	(275)	(45)	16.4
Personnel expenses	12	916	1,147	(231)	(20.1)
Other fixed operating expenses	13	1,239	1,351	(112)	(8.3)
Other gains and losses	14	(35)	(26)	(9)	34.6
Depreciation and amortisation, and impairment losses on non-financial assets	15.1	2,197	1,787	410	22.9
Impairment losses on financial assets	15.2	125	110	15	13.6
TOTAL		18,943	15,138	3,805	25.1

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

Procurements and services (variable costs).

Procurements and services costs (variable costs) in 2021 totalled Euro 15,364 million, up 38.8% on 2020.

The performance of these costs in 2021 was:

- Power purchases rose by Euro 4,281 million (+128.9%) to Euro 7,603 million, mainly as a result of the increased arithmetic average price in the wholesale electricity market, which stood at Euro 111.9/MWh (+229.1%).

In 2020, this heading included an amount equal to Euro 9 million (Euro 6 million, net of the tax effect), corresponding to the impairment of inventories at mainland coal-fired plants (see section 9.2.6. of this Consolidated Management Report).

- Fuel consumption stood at Euro 1,607 million, with an increase of Euro 507 million (+46.1%) due mainly to changes in commodity prices (see section 5.1. of this Consolidated Management Report).
- "Other variable procurements and services" in the consolidated income statement amounted to Euro 1,729 million, up by Euro 82 million (+5.0%) on 2020, the breakdown of which was as follows:

Millions of Euros					
	Reference ⁽¹⁾	Other variable procurements and services			
		2021	2020	Difference	% Var.
Taxes and charges		568	892	(324)	(36.3)
Tax on electricity production		151	234	(83)	(35.5)
Rate for the treatment of radioactive waste		210	213	(3)	(1.4)
Street lighting / works licences		205	172	33	19.2
Nuclear charges and taxes		119	125	(6)	(4.8)
Catalonia environmental tax		109	54	55	101.9
Water tax		(299)	30	(329)	(1,096.7)
Other taxes and charges		73	64	9	14.1
Social Bonus		80	51	29	56.9
CO ₂ emission rights		689	330	359	108.8
Costs related to Value Added Services		184	164	20	12.2
Other		208	210	(2)	(1.0)
TOTAL	10.3	1729	1,647	82	5.0

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

This amount includes:

- The decrease of Euro 83 million (-35.5%) in the Electricity Production tax due, among other aspects, to the extension of its temporary suspension in accordance with Royal Decree Law 17/2021, of 14 September 2021 (see section 16. of this Consolidated Management Report).

- The increase of Euro 55 million in the expense relating to the tax on facilities affecting the environment in the Catalonia Autonomous Community as a result of the publication of Law 5/2020, of 29 April, of the Catalonia Provincial Government in the second quarter of 2020.
- The decrease of euros 329 million in the expense relating to Water Charges as a result of the refund in 2021 of euros 300 million as a consequence of the declaration of unenforceability of the State Water Charge according to the Supreme Court Ruling of 19 April 2021 (see Section 9.2.3 of this Consolidated Management Report).
- The increase of Euro 359 million (+108,8%) in CO₂ emission rights due, mainly, to the changes in their average price (+116.1%) (see Section 5.1. of this Consolidated Management Report).

Income and expenses from energy stocks derivatives.

Below are details of the revenue and expenses arising from energy stocks derivatives in 2021 and their changes with respect to the previous year:

Millions of Euros					
	Reference ⁽¹⁾	2021	2020	Difference	% Var.
Revenue	43.5				
Revenue for derivatives designated as hedging instruments		1,463	89	1,374	1,543.8
Revenue from cash flow hedging derivatives ⁽²⁾		1,463	89	1,374	1,543.8
Income from derivatives at fair value with changes in profit/loss		6,230	536	5,694	1,062.3
Revenue from fair value derivatives recognised in the income statement		6,230	536	5,694	1,062.3
Total revenue		7,693	625	7,068	1,130.9
Expenses	43.5				
Expenses from derivatives designated as hedging instruments		(908)	(308)	(600)	194.8
Expenses from cash flow hedging derivatives		(908)	(308)	(600)	194.8
Expenses from derivatives at fair value with changes in profit/loss		(6,242)	(292)	(5,950)	2,037.7
Expenses from fair value derivatives recognised in the income statement		(6,242)	(292)	(5,950)	2,037.7
Total expenses		(7,150)	(600)	(6,550)	1,091.7
TOTAL		543	25	518	2,072.0

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) At 31 December 2021, it included Euro 35 million, negative, corresponding to the impact on the income statement due to ineffectiveness (Euro 9 million, positive, at 31 December 2020).

This heading includes:

- Revenue and expenses relating to the settlement of the non-physical derivatives designated for accounting purposes as hedging instruments and with respect to which hedge accounting is applied. The changes in the fair value of these derivatives are recognised, in the case of cash flow hedges, in the portion in which these hedges are effective under "Other comprehensive income" in the Consolidated Statement Of Other Comprehensive Income.
- Revenue and expenses relating to the changes in the fair value and settlement of the energy stocks derivatives not designated for accounting purposes as hedging instruments which, furthermore, are not physically settled.

In 2021, total revenue and expenses arising from energy stocks derivatives amounted to Euro 543 million, positive, which meant an increase of Euro 518 million with respect to 2020, due mainly to the changes in the assessment and liquidation of electricity and gas derivatives as a result, mainly, of the increased price of commodities, especially the gas and CO₂ emission rights which, in turn, significantly affected electricity prices (see Sections 5.1. and 5.2. of this Consolidated Management Report)

The financial instrument derivatives and hedging transactions performed by ENDESA relate mainly to transactions arranged to hedge foreign currency risk or commodity price risk (electricity, fuel and CO₂ emission rights), the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions (see Note 3.2.h to the Consolidated Financial Statements for the year ended 31 December 2021).

In the current economic climate, ENDESA, S.A. has checked that the criteria established by the regulations to apply hedge accounting continue to be complied with.

Fixed operating expenses.

Below are details of other fixed operating expenses in 2021 and their year-on-year variation:

Millions of Euros					
	Reference ⁽¹⁾	Fixed operating expenses			
		2021	2020	Difference	% Var.
Self-constructed assets	3.2b.1 and 3.2e.3	(320)	(275)	(45)	16.4
Personnel expenses	12	916	1,147	(231)	(20.1)
Other fixed operating expenses	13	1,239	1,351	(112)	(8.3)
TOTAL		1,835	2,223	(388)	(17.5)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

In 2021, fixed operating expenses amounted to Euro 1,835 million, down Euro 388 million (-17.5%) on 2020, mainly as a result of the following aspects:

- The implementation in 2020 of the “V ENDESA Framework Collective Agreement”, which generated a positive impact of Euro 515 million on the consolidated income statement (Euro 386 million, net of the tax effect).
- The charge in 2020 to certain provisions for workforce restructuring costs as part of the “Agreement on Voluntary Measures to Suspend or Terminate Employment Contracts”, totalling Euro 759 million in the consolidated income statement. This amount included Euro 213 million (Euro 160 million, net of the tax effect), in conformity with ENDESA's decarbonisation commitment and Euro 387 million (Euro 290 million, net of the tax effect) relating to process digitalisation (see Section 9.2.6. of this Consolidated Management Report).
- Changes in the update of provisions for workforce restructuring costs in force led to a positive impact of Euro 2 million in the consolidated income statement for 2021 (profit of Euro 44 million in 2020).
- The expense relating to disciplinary proceedings and taxes and charges amounted to Euro 123 million (Euro 175 million in 2020).
- The recognition in 2020 of an expense of Euro 25 million corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis (see Section 8.3. and 9.2.6. of this Consolidated Management Report).

Excluding the effects described in the preceding paragraphs, fixed operating costs in 2021 would have fallen by Euro 109 million (-6.0%) compared to the same period of the previous year, in line with the Company's policy of containing fixed costs and the reduction in ENDESA's average workforce (-4.6%) (see Section 14.1. of this Consolidated Management Report).

Other fixed operating expenses according to the European Union (EU) Taxonomy.

ENDESA has classified its economic activities in the value chain into three categories, Eligible Aligned, Eligible Non-Aligned and Non-Eligible, in accordance with the European Union (EU) Taxonomy Regulation (see Section 1.5. of this Consolidated Management Report).

The percentage of costs that are part of the heading "Other fixed operating expenses" in the Consolidated Income Statement for the year 2021, which are considered eligible for classification among the categories of activities in accordance with the European Union (EU) Taxonomy Regulation, are presented below. These costs relate mainly to Repairs and Maintenance and Insurance Premiums:

Millions of Euros

Other Fixed operating expenses	2021	
	Amount	Percentage (%)
Activities Eligible aligned ⁽¹⁾	147	38.8
Activities Eligible non-aligned	7	1.9
Activities Non-eligible	224	59.3
TOTAL	378	100.0

(1) Correspond to Renewable Generation (13.7%), Energy Supply (0.5%), Marketing of other Products and Services (0.5%) and Distribution (24.1%).

In 2021, 38.8% of considered costs correspond to activities aligned with the European Union (EU) Taxonomy, i.e. economic activities that contribute to the objective of mitigating Climate Change without causing damage to other environmental objectives and respecting minimum social guarantees.

Other gains and losses.

The main transactions in 2021 and 2020 were as follows:

Millions of Euros

	Reference ⁽¹⁾	Other gains and losses			
		2021	2020	Difference	% Var.
Transfer of optical fibre use rights		-	6	(6)	(100)
Non-current asset disposals		35	20	15	75
Guadarranque photovoltaic facility (San Roque, Cádiz)		30	-	30	N/A
Las Atochas photovoltaic facilities (Paraje El Acebuche-Retamar, Almería)		-	9	(9)	(100)
Other ⁽²⁾		5	11	(6)	(54.5)
TOTAL	14	35	26	9	34.6

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) Corresponds to capital gains generated from the sale of land and buildings.




On 30 December 2021, ENEL Green Power España, S.L.U. (EGPE) sold the Alboran Solar, S.L.U. Guadarranque photovoltaic solar plant with a net capacity of 12.3 MW, located in the municipality of San Roque (Cádiz). The total price of the sale was Euro 80 million, which had been fully paid, which includes compliance with certain contractual obligations of Euro 10 million, having generated a total gross gain amounting to Euro 30 million (Euro 22 million, net of the tax effect) (see Section 9.2.6 of this Consolidated Management Report).

On 31 July 2020, ENDESA Energía, S.A.U. sold the assets and contracts with customers relating to the photovoltaic facility Las Atochas located at Paraje El Acebuche-Retamar (Almería), amounting to Euro 17 million, to ENDESA Soluciones, S.L. Subsequently, on 30 November 2020, ENDESA Soluciones, S.L. sold these assets to a third party, generating a total gross gain of Euro 9 million (Euros 7 million net of tax effect).

Gross operating profit (EBITDA) according to the European Union (EU) Taxonomy.

With respect to "Gross operating profit (EBITDA)", below the percentage of this consolidated income statement heading in 2021 is presented, which relates to each activity category in accordance with the European Union (EU) Taxonomy Regulation (see Section 1.5 of this Consolidated Management Report):

Millions of Euros

Gross operating Profit (EBITDA)		2021	
		Amount	Percentage (%)
	Activities Eligible aligned ⁽¹⁾	2,751	64.3
	Activities Eligible non-aligned	337	7.9
	Activities Non-eligible	1,190	27.8
TOTAL		4,278	100.0

(1) Correspond to Renewable Generation (15.8%), Energy Supply (1.7%), Marketing of other Products and Services (1.4%) and Distribution (45.4%).

In 2021, 64.3% of ENDESA's gross operating profit (EBITDA) corresponds to activities aligned with the European Union (EU) Taxonomy, i.e. economic activities that contribute to the objective of mitigating Climate Change without causing damage to other environmental objectives and respecting minimum social guarantees.

Depreciation and amortisation, and impairment losses on non-financial assets.

During 2021 and 2020, the details of this consolidated income statement heading were as follows:

Millions of Euros

	Reference ⁽¹⁾	Depreciation and amortisation, and impairment losses			
		2021	2020	Difference	% Var.
DEPRECIATION AND AMORTISATION		1,529	1,464	65	4.4
Provision for the depreciation of property, plant and equipment	20	1,266	1,221	45	3.7
Provision for amortisation of intangible assets	23	263	243	20	8.2
IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS		668	323	345	106.8
Provision for impairment losses		668	352	316	89.8
Provision for impairment losses on property, plant and equipment and investment property	8.2.1	667	352	315	89.5
Mainland coal-fired thermal power plants	3.2f f.4 and 20	4 ⁽²⁾	10 ⁽²⁾	(6)	(60.0)
Cash-Generating Units (CGUs) in Non-mainland Territories (TNP)	3.2 f.4 and 20	652 ⁽³⁾	338 ⁽³⁾	314	92.9
Other property, plant and equipment and investment property	20 and 22	11	4	7	175.0
Provision for impairment losses on intangible assets	8.2.1 and 23	1	-	1	Na
Reversal for impairment losses		-	(29)	29	(100.0)
Reversal of impairment losses on property, plant and equipment and investment property	8.2.1	-	(27) ⁽⁴⁾	27	(100.0)
Mainland coal-fired thermal power plants	3.2 f.4 and 20	-	(27)	27	(100.0)
Reversal of impairment losses on intangible assets	23	-	(2)	2	(100.0)
TOTAL		2,197	1,787	410	22.9

(1) Notes to the Consolidated Annual Accounts for the year ended 31 December 2021.

(2) Includes the impairment charge for the Los Barrios Port Terminal (Cádiz) amounting to EUR 1 million (EUR 10 million in 2020).

(3) Corresponds to the impairment charge for the Cash Generating Units (CGUs) for each of the Non-Mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of 652 million euros (338 million euros in 2020).

(4) Corresponds to the reversal of impairment of non-financial assets (EUR 1 million) and the restatement of provisions for decommissioning (EUR 26 million).

"Depreciation and amortisation, and impairment losses on non-financial assets" in 2021 totalled Euro 2,197 million, up Euro 410 million (+22.9%) on the same period of the previous year, as a result mainly of the following aspects:

- The accounting entry in 2021 and 2020 for the impairment of the cash generating units (CGUs) of each of the Non-mainland Territories (TNP) in the Balearic Islands, the Canary Islands, Ceuta and Melilla, totalling Euro 652 million and Euro 338 million, respectively, (Euro 489 million and Euro 253 million, net of the tax effect, respectively), in order to adapt the net carrying amount of these assets to their recoverable value (see Section 9.2.6. of this Consolidated Management Report and Note 3.2.f to the Consolidated Financial Statements for the year ended 31 December 2021).
- The recognition, in 2020, of revenue for the update of the provision relating to the mainland coal plants amounting to Euro 26 million and the net provision for impairment amounting to Euro 9 million (Euro 7 million, net of the tax effect) (see Section 9.2.6. of this Consolidated Management Report), as a result of ENDESA's Decarbonisation Plan.

- The increased depreciation and amortisation expense, amounting to Euro 65 million due, among other aspects, to the investment effort in electricity production and distribution systems and facilities, in line with ENDESA's Strategic Plan (see Sections 4.3. and 10.5 of this Consolidated Management Report).

Impairment losses on financial assets.

During 2021 and 2020, the details of this consolidated income statement heading were as follows:

Millions of Euros					
	Reference ⁽¹⁾	2021	2020	Difference	% Var.
Provision for impairment losses	8.2.1 and 43.1.3	294	253	41	16.2
Provision for impairment losses on receivables from contracts with customers		294	253 ⁽²⁾	41	16.2
Provision for impairment losses on other financial assets		-	-	-	N/A
Reversal for impairment losses	8.2.1 and 43.1.3	(169)	(143)	(26)	18.2
Reversal of impairment losses on receivables from contracts with customers		(169)	(133)	(36)	27.1
Reversal of impairment losses on other financial assets		-	(10)	10	(100.0)
TOTAL		125	110	15	13.6

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) Includes the provision for impairment losses on trade receivables as a result of the impact of the COVID-19 health crisis, amounting to Euro 50 million (see section 8.3 of this Consolidated Management Report).

In 2021, impairment losses on financial assets amounted to Euro 125 million and relate in full to impairment losses on receivables from contracts with customers (Euro 120 million in 2020). Their changes are due, among other aspects, to the recognition of a provision amounting to Euro 27 million, as a result of the worsening of the payment performance of small energy supply companies as a result of the significant increase in energy stocks prices in the year, which was offset, to the contrary, by the current scenario of economic recovery in Spain and Portugal and the intensification of collection management, which was temporarily suspended in 2020, due to the extraordinary measures in response to the economic situation caused by COVID-19.

9.2.3. Net financial profit/(loss).

The Group reported net financial profit/(loss) of Euro 31 million and Euro 158 million in 2021 and 2020, respectively.

The table below presents the details of net financial profit/(loss) in 2021 and its variations with respect to the previous year:

	Net financial profit/(loss) ⁽¹⁾			
	2021	2020	Difference	% Var.
Net financial loss	(25)	(170)	145	(85.3)
Financial income	163	25	138	552.0
Financial expense	(177)	(191)	14	(7.3)
Income and expenses on derivative financial instruments	(11)	(4)	(7)	175.0
Net exchange differences	(6)	12	(18)	(150.0)
TOTAL	(31)	(158)	127	(80.4)

(1) See Section 7 of this Consolidated Management Report.

In 2021, the net financial loss stood at Euro 25 million, down Euro 145 million (-85.3%) year on year.

Net exchange differences reflected losses of Euro 6 million in 2021 (net exchange gains of Euro 12 million in 2020). The variation is due mainly to the fluctuations in the euro/USD exchange rate for 2021 with respect to 2020 and its impact on borrowings, in US dollars (USD), associated with rights of use corresponding to charter agreements for the transmission of liquefied natural gas (LNG).

The following effects should be considered when examining net financial loss during 2021:

Millions of Euros				
	Net financial loss ⁽¹⁾			
	2021	2020	Difference	% Var.
Net expense in respect of financial liabilities at amortised cost	(128)	(132)	4	(3.0)
Income from financial assets at amortised cost	1	1	-	-
Update of provisions for workforce restructuring plans, dismantling of facilities and impairment of financial assets in accordance with IFRS 9 "Financial Instruments"	10	(6)	16	(266.7)
Interest on late payment of 2016-2017 income tax		7	(7)	(100.0)
Late-payment interest on the compensation of carbon dioxide (CO ₂) emission rights for 2006 and State water tax	121	-	121	N/A
Factoring transaction fees	(27)	(24)	(3)	12.5
Income and expenses on derivative financial instruments	(11)	(4)	(7)	175.0
Other	9	(12)	21	(175.0)
TOTAL	(25)	(170)	145	(85.3)

(1) See definition in Section 7 of this Consolidated Management Report,

Net financial expenses for financial liabilities at amortised cost amounted to Euro 128 million, down Euro 4 million (-3.0%) on those recognised in 2020, due to the combination of the following effects (see Section 10.2. of this Consolidated Management Report):

- The lower average cost of gross financial debt, which fell from 1.7% in 2020 to 1.5% in 2021.
- The increase in average gross financial debt between both years, which rose from Euro 8,104 million in 2020 to Euro 9,375 million in 2021.

The net financial loss in 2021 includes Euro 73 million for late payment interest in relation to ENDESA's right to be compensated for the reduction of its remuneration as a generating company, in the amount of the internalisation of the CO₂ emission rights allocated free of charge by the National Emissions Allocation Plan (PNA), which it does not have a legal duty to bear, in the amount of Euro 48 million, and late-payment interest stemming from the declaration of the unenforceability of the state water tax under the Supreme Court ruling of 19 April 2021 (see Sections 9.2.1 and 9.2.2. of this Consolidated Management Report).

9.2.4. Net income of companies accounted for using the equity method

In 2021 and 2020, the net income of the companies accounted for using the equity method amounted to Euro 1 million, negative, and Euro 34 million, positive, respectively, as follows:

Millions of Euros			
	Reference ⁽¹⁾	Net income of companies accounted for using the equity method	
		2021	2020
Associates		1	1
Tecnatom, S.A.		(2)	(2)
Boiro Energía, S.A.		(2)	1
Other		5	2
Joint Ventures		(2)	33
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		(17)	(3)
Front Marítim del Besòs, S.L.		-	(4)
Nuclenor, S.A.		2	25
Énergie Électrique de Tahaddart, S.A.		1	1
Suministradora Eléctrica de Cádiz, S.A.		3	5
Other		9	9
TOTAL	17 and 26	(1)	34

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.

In 2021 and 2020, the results of the investment in 43.75% of Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. include the losses associated with the completion of the coal plant activity and the adjustment of accounts receivable.

Nuclenor, S.A.

In 2020, gains from the ownership interest of 50% in Nuclenor, S.A., amounting to Euro 25 million, included the effect of Ruling 84/2020 of the Constitutional Court, of 15 July 2020, declaring the non-constitutionality of the environmental tax caused by certain uses of catchment waters by wind farms and by the high-voltage electricity transmission facilities, regulated by the consolidated legal provisions of the Castile and Leon Autonomous Community in the area of own and assigned taxes.

9.2.5. Income tax expense.

The income tax expense in 2021 stood at Euro 467 million, an increase of Euro 79 million year on year (+20.4%) with respect to the amount recognised in 2020 (see Note 18 to the Consolidated Financial Statements for the year ended 31 December 2021).

The effective rate in 2021 stood at 24.3% (21.7% in 2020) due, mainly, to the recognition of tax provisions in the period, to the limitation in the exemption of dividends and gains in force since 1 January 2021 and to the materialisation of tax relief and credit allocated to income.

At the date of approval of this consolidated management report, the recovery of deferred tax assets is not affected by the current context and the effective rate does not reflect any legislative changes affecting income tax.

9.2.6. Net income.

Net income attributable to the Parent in 2021 amounted to Euro 1,435 million, an increase of Euro 41 million (+2.9%) from 2020.

Net ordinary income attributable to the Parent in 2021 amounted to Euro 1,902 million (-10.8%), as follows:

Millions of Euros					
	Sections	2021	2020	Difference	% Var.
Net income ⁽¹⁾		1,435	1,394	41	2.9
Net gain/(loss) on disposal of non-financial assets ⁽²⁾	9.2.2	(22)	-	(22)	Na
Guadarranque photovoltaic facility located in San Roque (Cádiz)		(22)	-	(22)	Na
Net impairment losses on non-financial assets ⁽²⁾	9.2.2	489	266	223	83.8
Mainland coal-fired thermal power plants and inventories		-	13	(13)	(100.0)
Cash-Generating Units (CGUs) in Non-mainland Territories (TNP)		489	253	236	93.3
Initial net expenses of personnel expenses due to workforce restructuring costs relating to the Decarbonisation Plan and the digitalisation of processes	9.2.2	-	450	(450)	(100.0)
Net expenses relating to the Public Responsibility Plan for the COVID-19 Health Crisis	9.2.2	-	22	(22)	(100.0)
Net ordinary income ⁽³⁾		1,902	2,132	(230)	(10.8)

(1) See definition in Section 7. of this Consolidated Management Report.

(2) Exceeding Euro 10 million.

9.3. Value created for stakeholders.

The economic value generated and distributed by ENDESA in 2021 and 2020 was as follows:

Millions of Euros

	Reference (1)	Sections	2021	2020	Difference	% Var.
Direct economic value generated			21,639	17,160	4,479	26.1
Revenue from sales and services	9.1	9.2.1	20,527	16,717	3,810	22.8
Other operating income	9.2	9.2.1	372	333	39	11.7
Net income of companies accounted for using the equity method	17 and 26.1	9.2.4	(1)	34	(35)	(102.9)
Income and expenses from energy stocks derivatives	11	9.2.2	543	25	518	2,072.0
Other gains and losses	14 and 16.1	9.2.2	198	51	147	288.2
Economic value distributed to:			(19,710)	(16,316)	(3,394)	20.8
Shareholders		19.2	(1,522)	(2,132)	610	(28.6)
Companies: Customers, suppliers and contractors			(15,923)	(11,395)	(4,528)	39.7
Power purchases	10.1	9.2.2	(7,603)	(3,322)	(4,281)	128.9
Fuel consumption	10.2	9.2.2	(1,607)	(1,100)	(507)	46.1
Transmission costs		9.2.2	(4,425)	(5,000)	575	(11.5)
Other variable procurements and services	10.3	9.2.2	(1,729)	(1,647)	(82)	5.0
(Taxes and charges in variable procurements)	10.3		568	892	(324)	(36.3)
Other fixed operating expenses	13	9.2.2	(1,239)	(1,351)	112	(8.3)
(Taxes and charges in fixed costs)	13		112	133	(21)	(15.8)
Employees	12	9.2.2	(916)	(1,147)	231	(20.1)
Public authorities			(1,147)	(1,413)	266	(18.8)
Income tax expense	18	9.2.5	(467)	(388)	(79)	20.4
Taxes and charges	10.3 and 13		(680)	(1,025)	345	(33.7)
Investment in social development (2)			(14)	(34)	20	(58.8)
Financial community	16	9.2.3	(188)	(195)	7	(3.6)
Financial expense			(177)	(191)	14	(7.3)
Income and expenses on derivative financial instruments			(11)	(4)	(7)	175.0
Economic value retained			1,929	844	1,085	128.6

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) Calculated in accordance with the "London Benchmarking Group" (LBG) methodology.

10. Equity and financial analysis.

10.1. Net capital invested and financing.

Below are the details of the breakdown and changes in ENDESA's net capital invested at 31 December 2021 and 31 December 2020:

	Reference (1)	31 December 2021	31 December 2020	Difference	% Var.
Net non-current assets:					
Property, plant and equipment and intangible assets	20 and 23	23,639	22,753	886	3.9
Goodwill	24	462	462	-	-
Investments accounted for using the equity method	26	180	217	(37)	(17.1)
Other net non-current assets/(liabilities)		(4,282)	(4,390)	108	(2.5)
Total net non-current assets (2)		19,999	19,042	957	5.0
Net working capital:					
Trade receivables for sales and services and other receivables	33	5,024	2,808	2,216	78.9
Inventories	32	1,343	1,077	266	24.7
Other net current assets/(liabilities)		(2,226)	258	(2,484)	(962.8)
Suppliers and other payables	41	(6,071)	(5,024)	(1,047)	20.8
Total net working capital (2)		(1,930)	(881)	(1,049)	119.1
Gross invested capital (2)		18,069	18,161	(92)	(0.5)
Deferred tax assets and liabilities and provisions:					
Provisions for pensions and other similar obligations	38.1	(659)	(757)	98	(12.9)
Other provisions	38	(3,936)	(3,424)	(512)	15.0
Deferred tax assets and liabilities	25	876	338	538	159.2
Total deferred tax assets and liabilities and provisions		(3,719)	(3,843)	124	(3.2)
Non-current Assets classified as Held for Sale and Discontinued Operations		-	-	-	Na
Net invested capital (2)		14,350	14,318	32	0.2
Equity (3)	35	5,544	7,465	(1,921)	(25.7)
Net financial debt (2) (4)	37 and 43.3	8,806	6,853	1,953	28.5

(1) Notes to the Consolidated Annual Accounts for the year ended 31 December 2021.

(2) See definition in Section 7. of this Consolidated Management Report.

(3) See Section 10.3. of this Consolidated Management Report.

(4) See Section 10.2. of this Consolidated Management Report.

At 31 December 2021, net capital invested stood at Euro 14,350 million and the changes in 2021 were as follows:

- The increase in “Property, plant and equipment and intangible assets” amounted to Euro 886 million (+3.9%), as a result mainly of gross investments in 2021 in tangible and intangible assets, amounting to Euro 2,389 million (see Section 10.5 of this Consolidated Management Report, partially offset by the period amortisation charge amounting to Euro 1,529 million (see Section 9.2.2. of this Consolidated Management Report).
- The decrease in “Net working capital” totalled Euro 1,049 million (119.1%), mainly as a result, in other aspects, of the payment of the dividend with a charge to 2020 profit, in the sum of Euro 2,132 million (see Sections 10.4. and 19.2. of this Consolidated Management Report).

10.2. Financial management.

Within the framework of an efficient cost management and optimisation policy, the finance function is centralised at ENDESA. S.A.

At the date of approval of this Consolidated Management Report, the Company had the necessary liquidity and access to medium/long-term financial resources to ensure the availability of the funds required to meet its future investment obligations and debt maturities.

ENDESA, S.A. uses principles of prudence that are similar to those applied until now in its debt structure by obtaining long-term financing that enables it to adjust its maturity schedules to its capacity to generate cash flows in line with the business plan envisaged. In this regard, it:

- Uses external financing, especially through the banking and capital markets.
- Obtains funds from public authorities that offer attractive terms for very long-term loans.
- Has short-term financing in place that helps optimise the management of its working capital requirements and improve the overall cost of debt. This financing is obtained through bank credit facilities with leading financial institutions or through the issue of Euro Commercial Paper (ECP).

ENDESA, S.A. also carries out transactions with ENEL Group companies in which the applicable transfer pricing regulations are complied with (see Note 49 to the Consolidated Financial Statements for the year ended 31 December 2021).

Financial position.

The year 2021 began with optimism towards economic recovery and reopening. Vaccination, fiscal stimulus and monetary easing by central banks helped markets to perform well in the first months of the year, with credit spreads narrowing moderately.

Throughout the year, electricity prices climbed rapidly, reaching record highs at the end of the year. Gas supply shortages, low renewable production and rising carbon dioxide (CO₂) emission allowance prices were among the main factors behind this sudden price increase. The rise in gas prices adds to the general price increases in raw materials, both agricultural products and metals and energy. Thus, the price of Brent crude oil closed the year with a price of 78 dollars per barrel, an increase of 52% compared to the 51 dollars at which it closed in 2020.

The year was also characterised by the intensification of difficulties in international trade transport, with significant delays in delivery times and the consequent impact on global production chains. Finally, certain sectors have shown significant imbalances due to supply constraints following the pandemic and the rebound in demand, notably semiconductors. These factors have also had a significant impact on overall price levels.

In the second part of the year a new variant of COVID-19 with the name Omicron was notified to the World Health Organisation (WHO). The rapid spread of this variant has raised uncertainty about the pace of recovery and possible central bank action.

At its last meeting of the year, the US Federal Reserve (Fed) sent a clear message of its need to normalise its balance sheet after several attempts since it initiated its monetary policy aimed at mitigating the coronavirus crisis. With inflation finally reaching 7% at the end of the year, the US Federal Reserve (Fed) announced that it would end its stimulus programme at the beginning of March 2022, clearing the way for a rate hike in the middle of that month. The benchmark rate has been in the range between 0% and 0.25% since March 2020.

In the euro zone, the good performance of the economy and the evolution of inflation - in this case 5.1% at the end of 2021 - allowed the European Central Bank (ECB) to also announce a plan to reduce asset purchases, although much less specific than the US Federal Reserve (FED). In the case of the European Central Bank (ECB), the rate hike was announced for the end of 2023. The euro zone's reference rate stands at 0% and the bank deposit facility rate at -0.50%.

In 2021, inflation in Spain rose by 6.5% in year-on-year terms, representing the highest rate on the Consumer Price Index (CPI) since March 1992.

Main indicators.

In 2021, yields on ten-year bonds increased from 0.04% at the start of the year to 0.56% at the end of 2021, reaching their historical minimum in January on trading at 0.02%. As a result, Spain's premium risk (spread with respect to the 10-year German bond) improved by 13 basis points to end 2021 at 75 basis points. The Italian risk premium closed at 135 basis points at 2021 year-end, up 24 basis points with respect to the previous year, while the Portuguese risk premium rose by 5 basis points to stand at 64 basis points at year-end.

In 2021, the long-term euro interest rate (10-year swap) rose by 56 basis points to -0.30% at the end of the year, having traded in January at historical minimums of -0.2920%. In turn, the short-term interest rate (3-month EURIBOR) fell by 2 basis points, to end the year at (-0.572%). The long-term US dollar interest rate rose from 0.92% to 1.581% in 2021, while the 3-month US dollar interest rate (USD) dropped from 3 basis points to end the year at 0.21%.

In terms of the exchange rate, in 2021, the euro depreciated by 7.3% on the US dollar (USD), with the EUR/USD exchange rate increasing from 1,227 at the start of the year to 1,137 at 2021 year-end.

Below are the variations in 2021 in some of the indicators mentioned in the previous paragraphs:

	31 December 2021	31 December 2020	Difference	% Var.
Closing exchange rate (Euros / US Dollar) ⁽¹⁾	1,1370	1,2270	(0,0900)	(7.3)
Long-Term Euro Interest Rate (10-Year Swap) (%) ⁽²⁾	0.30	(0.26)	0.56	(215.4)
Short-Term Euro Interest Rate (3-month EURIBOR) (%) ⁽²⁾	(0.57)	(0.55)	(0.02)	3.6
Long-Term US Dollar Interest Rate (USD) (10-Year Swap) (%) ⁽²⁾	1.58	0.92	0.66	71.7
Short-Term US dollar Interest Rate (USD) (3-Month Libor) (%) ⁽²⁾	0.21	0.24	(0.03)	(12.5)
German 10-Year Bond (%) ⁽²⁾	(0.18)	(0.57)	0.39	(68.4)
German 30-Year Bond (%) ⁽²⁾	0.19	(0.16)	0.35	(218.8)
10-Year Spanish Bond (%) ⁽²⁾	0.56	0.04	0.52	1,300.0
Spanish Risk Premium (bp) ^{(2) (3)}	75	62	13	21.0
Italian Risk Premium (bp) ^{(2) (3)}	135	111	24	21.6
Portuguese Risk Premium (bp) ^{(2) (3)}	64	59	5	8.5
European Central Bank (ECB) Reference Rates (%) ⁽²⁾	0.00	0.00	-	-
European Central Bank (ECB) Deposit Facility (%) ^{(2) (4)}	(0.50)	(0.50)	-	-
U.S. Federal Reserve (Fed) Reference Rates (%) ⁽²⁾	0.00 - 0.25	0.00 - 0.25	-	-

(1) Source: Thomson Reuters.

(2) Source: Bloomberg.

(3) Spread with respect to the 10-year German bond.

(4) Rate charged by the European Central Bank (ECB) to banks for their deposits.

bp = basis points.

Borrowings.

Information on borrowings is provided in Notes 37 and 43.3 to the consolidated financial statements for the year ended 31 December 2021.

At 31 December 2021, ENDESA had net financial debt of Euro 8,806 million, an increase of Euro 1,953 million (+28.5%) compared to debt as per 31 December 2020.

At 31 December 2021 and 2020, the reconciliation of ENDESA's gross and net financial debt was as follows:

Millions of Euros

	Reference ⁽¹⁾	Reconciliation of borrowings			
		31 December 2021	31 December 2020	Difference	% Var.
Non-current borrowings	37 y 43.3	7,211	5,901	1,310	22.2
Current borrowings	37 y 43.3	3,167	1,372	1,795	130.8
Gross Financial Debt		10,378	7,273	3,105	42.7
Debt derivatives recognised as liabilities	46	14	36	(22)	(61.1)
Cash and cash equivalents	34	(703)	(403)	(300)	74.4
Debt derivatives recognised as assets	46	(7)	(7)	-	-
Financial guarantees recognised as assets	2.2, 28.1 y 31	(876)	(46)	(830)	1,804.3
Net financial debt		8,806	6,853	1,953	28.5

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

To analyse the performance of net financial debt, it should be noted that in 2021, ENDESA, S.A. paid its shareholders dividends of Euro 2,0136 gross per share, with a pay-out of Euro 2,132 million (see Sections 10.4. and 19.2. of this Consolidated Management Report).

Structure.

The structure of ENDESA's gross financial debt at 31 December 2021 and 2020 was as follows:

Millions of Euros

	Structure of gross financial debt			
	31 December 2021	31 December 2020	Difference	% Var.
Euro	10,191	7,222	2,969	41.1
US dollar (USD)	201	87	114	131.0
TOTAL ⁽¹⁾	10,392	7,309	3,083	42.2
Fixed interest rate	5,490	4,716	774	16.4
Floating interest rate	4,902	2,593	2,309	89.0
TOTAL ⁽¹⁾	10,392	7,309	3,083	42.2
Sustainable financing ⁽²⁾	60	45	-	-
Average life (years) ⁽²⁾	4.4	4.6	-	-
Average cost (%) ⁽²⁾	1.5	1.7	-	-

(1) Includes debt derivatives recognised in liabilities.

(2) See definition in Section 7. of this Consolidated Management Report.

At 31 December 2021, 53% of the Company's gross financial debt accrued interest at fixed rates, while the remaining 47% accrued interest at floating rates. At this date, 98% of the Company's gross financial debt was denominated in euros.

Information concerning the maturities of ENDESA's gross financial debt is set forth in Note 43.3 to the consolidated financial statements for the year ended 31 December 2021.

Main financial transactions.

The main transactions in 2021 were as follows:

- ENDESA, S.A. has registered a new Euro Commercial Paper (ECP) SDG7 emissions programme for Euro 4,000 million, the outstanding nominal balance of which was Euro 2,915 million at 31 December 2021, renewable with the backing of irrevocable bank credit facilities. This Programme incorporates sustainability objectives, in line with ENDESA's Strategic Plan.
- Likewise, at the date of authorisation for issue of this Consolidated Management Report, the following financial transactions were performed, all of which incorporated sustainability goals:

Millions of Euros

Transactions	Counterparty	Signature date	Maturity date	Amount
Loan ^{(1) (2)}	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	300
Line of credit ^{(1) (2)}	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	250
Lines of credit ^{(1) (3)}	Various banks	25 March 2021	25 March 2025	1,955
Line of credit ⁽¹⁾	BNP Paribas	25 March 2021	25 March 2025	100
Loan ⁽⁴⁾	CaixaBank, S.A.	31 March 2021	15 April 2028	150
Line of Credit ⁽¹⁾	Deutsche Bank, S.A.E.	28 April 2021	28 April 2025	70
Intercompany credit facility ^{(1) (5)}	ENEL Finance International N.V.	25 May 2021	25 May 2025	1,700
Loan ⁽⁴⁾	Unicaja Banco, S.A.	28 June 2021	28 June 2028	75
Loan ⁽⁴⁾	Kutxabank, S.A.	30 July 2021	30 July 2028	75
Loan ⁽⁴⁾	Cajasur Banco S.A.U.	30 July 2021	30 July 2028	50
Loan ⁽⁴⁾	Unicaja Banco, S.A.	15 October 2021	15 October 2026	125
Loan ⁽⁴⁾	Kutxabank, S.A.	15 October 2021	15 October 2026	75
Loan ⁽⁴⁾	Banco Cooperativo Español, S.A.	27 October 2021	27 October 2028	100
Loan ⁽⁴⁾	European Investment Bank	11 November 2021	22 November 2036	250
Line of Credit ⁽¹⁾	Bankinter, S.A.	3 December 2021	25 March 2025	25
Loan ⁽⁴⁾	CaixaBank, S.A.	9 December 2021	9 December 2024	275
Line of Credit ⁽⁴⁾	CaixaBank, S.A.	10 December 2021	10 December 2024	100
Line of Credit ⁽⁴⁾	Intesa San Paolo, S.p.A.	13 December 2021	13 December 2024	200
Line of Credit ⁽¹⁾	Unicaja Banco, S.A.	17 December 2021	25 March 2025	25
Line of Credit ⁽⁴⁾	BBVA, S.A.	17 December 2021	17 December 2024	150
Line of Credit ⁽⁴⁾	BNP Paribas	17 December 2021	17 December 2024	100
Line of Credit ⁽⁴⁾	Deutsche Bank, S.A.E.	17 December 2021	17 December 2024	125
Loan ⁽⁴⁾	BBVA, S.A.	17 December 2021	17 December 2024	225
Loan ⁽⁴⁾	Instituto de Crédito Oficial	20 December 2021	20 December 2033	300
Loan ⁽⁴⁾	European Investment Bank	21 December 2021	2037	250
TOTAL				7,050

(1) Transactions described as sustainable on including the performance indicator (KPI) in relation to ENDESA's commitment that its net installed capacity from renewable sources is 55% of the total net mainland installed capacity at 31 December 2022.

(2) Corresponds to a current financial transaction in "Club Deal" format renewed at the signature date.

(3) Corresponds to 9 credit facilities in force renewed at the signature date.

(4) The credit conditions of this transactions are tied, for the first time at ENDESA, to the objective established in the Company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO₂) equivalent to 150 gCO₂eq/kWh in 2023.

(5) The formalisation of this credit facility coincides with the cancellation of two lines of credit that ENDESA held with ENEL Finance International, N.V. until that date, for the amount of Euro 1,000 million and Euro 700 million, respectively.

At the date of authorisation for issue of this Consolidated Management Report, ENDESA has not had to resort to refinancing processes for its borrowings as a consequence of the health crisis caused by COVID-19.

Likewise, in the current context, ENDESA did not modify, renegotiate or cancel clauses contained in those lease arrangements in which it acts as lessee hence, consequently, no modifications were made to either the asset for the right of use that represents the right of use of the leased asset or the liability that represents the present value of the obligation to make lease payments during its term (see Note 21 to the Consolidated Financial Statements for the year ended 31 December 2021).

Financial stipulations.

The borrowings of some ENDESA companies includes the usual covenants in this type of agreement. At the date of authorisation for issue of this Consolidated Management Report, neither ENDESA, S.A. nor any of its subsidiaries were in breach of their financial obligations or any obligations that could require the early repayment of their financial commitments (see Note 43.4.3 to the notes to the consolidated financial statements for the year ended 31 December 2021).

Liquidity

At 31 December 2021, ENDESA's liquidity rose to Euro 5,520 million (Euro 4,493 million at 31 December 2020) as detailed below:

Millions of Euros					
	Reference ⁽¹⁾	Liquidity			
		31 December 2021	31 December 2020	Difference	% Var.
Cash and cash equivalents	34	703	403	300	74.4
Freely available on credit facilities ⁽²⁾	43.4.1 and 44.4	4,817	4,090	727	17.8
TOTAL		5,520	4,493	1,027	22.9
Coverage of debt maturities ⁽³⁾		33	17	-	-

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) At 31 December 2021 and 2020, Euro 1,700 million related to the committed and irrevocable credit facility arranged with ENEL Finance International, N.V.

(3) See the definition in Section 7. of this Consolidated Management Report.

Treasury investments considered to be "Cash and cash equivalents" are highly liquid and involve no risks of changes in value, mature within three months of their contract date and accrue interest at the market rates for such instruments.

Any restrictions that may affect the drawing of funds by ENDESA, S.A. are set out in Notes 34 and 35.1.13 to the consolidated financial statements for the year ended 31 December 2021.

Information on liquidity risk is described in Note 44.4 to the Consolidated Financial Statements for the year ended 31 December 2021.

10.3. Capital management.

Information on capital management is provided in Note 35.1.12 to the consolidated financial statements for the year ended 31 December 2021.

ENDESA's capital management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term. This policy of financial prudence makes it possible to maintain an adequate level of value creation for shareholders while guaranteeing ENDESA's liquidity and solvency.

Capital.

At 31 December 2021 ENDESA had share capital of Euro 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euro 1.2 each, subscribed and fully paid up and all admitted for trading on the Spanish Stock Exchanges. This figure remains unchanged for the financial years 2021 and 2020.

At 31 December 2021, the ENEL Group, through ENEL Iberia, S.L.U., held 70.1% of ENDESA, S.A.'s share capital.

At that date, no other shareholder held more than 10% of the share capital of ENDESA, S.A.

Leverage.

The consolidated leverage ratio is defined as a monitoring indicator of its financial position, whose details at 31 December 2021 and 2020 were as follows:

Millions of Euros

	Reference ⁽¹⁾	Leverage		% Var.
		31 December 2021	31 December 2020	
Net financial debt:		8,806	6,853	28.5
Non-current borrowings	37 y 43.3	7,211	5,901	22.2
Current borrowings	37 y 43.3	3,167	1,372	130.8
Debt derivatives recognised as liabilities	46	14	36	(61.1)
Cash and cash equivalents	34	(703)	(403)	74.4
Debt derivatives recognised as assets	46	(7)	(7)	-
Financial guarantees recognised as assets	2.2, 28.1 y 31	(876)	(46)	1.804.3
Equity:	35	5,544	7,465	(25.7)
Of the Parent	35.1	5,380	7,315	(26.5)
Of non-controlling interests	35.2	164	150	9.3
Leverage (%) ⁽²⁾		158.84	91.80	Na

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) See definition in Section 7. of this Consolidated Management Report.

The Directors of the company consider that its leverage enables it to optimise the cost of capital while maintaining a high solvency ratio. Therefore, taking into account the expectations of earnings and the envisaged investment plan, the dividend policy will maintain a future leverage to attain the aforementioned capital management objective.

At the date of authorisation for issue of this Consolidated Management Report, ENDESA, S.A. had no commitments to obtain funds through its own sources of finance.

Information on the investment plan and shareholder remuneration is provided, respectively, in Sections 10.2. and 19.2. of this Consolidated Management Report.

Financial indicators.

Financial indicators ⁽¹⁾	31 December 2021	31 December 2020	% Var.
Liquidity ratio	0.74	0.73	1.4
Solvency ratio	0.85	0.91	(6.6)
Debt ratio (%)	61.37	47.86	28.2
Debt coverage ratio	2.06	1.80	14.4
Net Financial Debt / Fixed Assets (%)	36.45	29.45	23.8
Net Financial Debt / Funds from Operations	2.67	2.22	20.3
	2021	2020	% Var.
(Funds from Operations + Interest Expenses) / Interest Expenses	22.72	21.32	6.6

(1) See the definition in Section 7. of this Consolidated Management Report.

10.4. Cash flows.

At 31 December 2021 and 2020, cash and cash equivalents were as follows (see Section 10.2. of this Consolidated Management Report):

Millions of Euros

	Reference ⁽¹⁾	Cash and cash equivalents			
		31 December 2021	31 December 2020	Difference	% Var.
Cash in hand and at banks		703	403	300	74.4
Other cash equivalents		-	-	-	N/A
TOTAL	34	703	403	300	74.4

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2021.

In 2021 and 2020 ENDESA's net cash flows, broken down into operating, investing and financing activities, were as follows:

Millions of Euros

	Statement of cash flows			
	2021	2020	Difference	% Var.
Net cash flows from operating activities	2,621	2,951	(330)	(11.2)
Net cash flows from investing activities	(3,073)	(1,726)	(1,347)	78.0
Net cash flows from financing activities	752	(1,045)	1,797	(172.0)

In 2021, net cash flows generated from operating activities (Euro 2,621 million) and those obtained from financing activities (Euro 752 million) have enabled net payments to be met arising from investing activities (Euro 3,073 million).

Information on ENDESA's consolidated statements of cash flows is set out in Note 48 to the Consolidated Financial Statements for the year ended 31 December 2021.

10.5. Investments

In 2021, ENDESA had gross investments totalling Euro 2,432 million, of which Euro 2,389 million related to investments in property, plant and equipment and intangible assets, and the remaining Euro 43 million to financial investments, as follows:

Millions of Euros				
	Reference ⁽¹⁾	Investments ⁽²⁾		
		2021	2020	% Var.
Generation and Supply		1,228	897	36.9
Conventional generation ⁽³⁾		440	309	42.4
Renewable generation		770	551	39.7
Energy supply		1	2	(50.0)
Marketing of other products and services		17	35	(51.4)
Distribution		819	614	33.4
Structure, services and Others ⁽⁴⁾		14	78	(82.1)
TOTAL PROPERTY, PLANT AND EQUIPMENT ^{(5) (6)}	20.1	2,061	1,589	29.7
Generation and Supply		274	185	48.1
Conventional generation ⁽⁷⁾		22	12	83.3
Renewable generation		19	14	35.7
Energy supply		194	139	39.6
Marketing of other products and services		39	20	95.0
Distribution		34	22	54.5
Structure, services and Others ⁽³⁾		20	27	(25.9)
TOTAL INTANGIBLE ASSETS ⁽⁶⁾	23.1	328	234	40.2
FINANCIAL ⁽⁸⁾		43	23	87.0
TOTAL GROSS INVESTMENTS		2,432	1,846	31.7
Capital grants and facilities sold		(203)	(135)	50.4
Generation and Supply		(3)	(7)	(57.1)
Conventional generation		(3)	(2)	50.0
Renewable generation		-	(5)	(100.0)
Distribution		(200)	(128)	56.3
TOTAL NET INVESTMENTS ⁽⁹⁾		2,229	1,711	30.3

(1) Notes to the consolidated financial statements for the year ended 31 December 2021.

(2) Does not include corporate acquisitions made in the year (see Section 8.2. of this Consolidated Management Report and Note 7 to the consolidated financial statements for the year ended 31 December 2021)

(3) In 2021, it included Euro 93 million relating to investments in Non-mainland Territories (TNP) (Euro 102 million in 2020).

(4) Structure, services and adjustments.

(5) In 2021, it included additions for rights of use amounting to Euro 213 million (Euro 182 million in 2020) (see Note 21 to the consolidated financial statements for the year ended 31 December 2021).

(6) In 2021, it included Euro 2,251 million, 94.2%, relating to investments in products, services and technologies low in carbon (Euro 1,647 million, 90.4%, in 2020).

(7) In 2021, it included Euro 1 million relating to investments in Non-mainland Territories (TNP) (Euro 3 million in 2020).

(8) In 2021, it included Euro 5 million relating to investments in Non-mainland Territories (TNP) (Euro 2 million in 2020).

(9) See the definition in Section 7. of this Consolidated Management Report.




Information on the main investments is provided in Notes 20.1.1 and 23.1.1 to the consolidated financial statements for the year ended 31 December 2021.

Investments according to the European Union (EU) taxonomy.

ENDESA has classified its economic activities in the value chain into three categories, Eligible Aligned, Eligible Non-Aligned and Non-Eligible, in accordance with the European Union (EU) Taxonomy Regulation (see Section 1.5. of this Consolidated Management Report).

The table below presents the percentage of "Investments" in 2021, which relates to each activity category:

Millions of Euros

Investments	2021	
	Amount	Percentage (%)
 Activities Eligible aligned ⁽¹⁾	1,633	75.0
 Activities Eligible non-aligned	140	6.5
 Activities Non-eligible	403	18.5
TOTAL ⁽²⁾	2,176	100.0

(1) Correspond to Renewable Generation (32.7%), Energy Supply (1.4%), Marketing of other Products and Services (2.2%) and Distribution (38.7%).
 (2) Does not include additions for rights of use amounting to euros 213 million.

In 2021, 75% of ENDESA's gross investments correspond to activities aligned with the European Union (EU) Taxonomy, i.e. economic activities that contribute to the objective of mitigating Climate Change without causing damage to other environmental objectives and respecting the minimum social guarantees.

10.6. Contractual obligations and off-balance sheet operations.

The information relating to the contractual obligations and off-balance sheet operations of this consolidated statement of financial position is included in Note 50 to the consolidated financial statements for the year ended 31 December 2021.

11. Results by segment.

The information relating to Segments, which includes segmentation and reporting criteria by segment and geographical area, is included in Note 8 to the consolidated financial statements for the year ended 31 December 2021.

The following is a breakdown of the most significant figures in ENDESA's consolidated income statement and investments, by segment, in 2021 and 2020:







	2021									
	Generation and Supply						Distribution	Structure and services	Consolidated adjustments and eliminations	Total
	Conventional generation ⁽¹⁾	Renewable Generation	Energy supply	Marketing of other products and services	Generation and supply adjustments and eliminations	Total				
REVENUE	8,135	871	16,176	270	(6,950)	18,502	2,575	465	(643)	20,899
Revenue with third parties	2,874	243	15,089	268	-	18,474	2,420	5	-	20,899
Revenue from transactions between segments	5,261	628	1,087	2	(6,950)	28	155	460	(643)	-
PROCUREMENTS AND SERVICES	(5,126)	158	(17,140)	(144)	6,888	(15,364)	(146)	(1)	147	(15,364)
INCOME AND EXPENSES FROM ENERGY STOCKS DERIVATIVES	(1,419)	(22)	1,984	-	-	543	-	-	-	543
CONTRIBUTION MARGIN ⁽³⁾	1,590	1,007	1,020 ⁽²⁾	126	(62)	3,681	2,429	464	(496)	6,078
FIXED OPERATING COSTS AND OTHER GAINS AND LOSSES	(731)	(166)	(475)	(76)	62	(1,386)	(464)	(446)	496	(1,800)
GROSS OPERATING PROFIT (EBITDA) ⁽³⁾	859	841	545	50	-	2,295	1,965	18	-	4,278
Depreciation and amortisation, and impairment losses on non-financial assets	(1,136)	(215)	(106)	(45)	-	(1,502)	(646)	(49)	-	(2,197)
Depreciation and amortisation	(480)	(205)	(106)	(45)	-	(836)	(644)	(49)	-	(1,529)
Provision for impairment of non-financial assets	(656)	(10)	-	-	-	(666)	(2)	-	-	(668)
Reversal of impairment of non-financial assets	-	-	-	-	-	-	-	-	-	-
Impairment losses on financial assets.	(10)	-	(90)	(4)	-	(104)	(21)	-	-	(125)
Provision for impairment of financial assets	(11)	(1)	(244)	(9)	-	(265)	(29)	-	-	(294)
Reversal of impairment of financial assets	1	1	154	5	-	161	8	-	-	169
OPERATING PROFIT (EBIT) ⁽³⁾	(287)	626	349	1	-	689	1,298	(31)	-	1,956
Net income of companies accounted for using the equity method	(6)	2	-	-	-	(4)	3	-	-	(1)

(1) Includes the contribution margin, gross operating profit (EBITDA) and operating profit (EBIT) of the generation of Non-mainland Territories (TNP) amounting to Euro 518 million, positive, Euro 279 million, positive and Euro 471 million, negative, respectively.

(2) Includes the gas contribution margin for marketing of euros 170 million.

(3) See the definition in Section 7. of this Consolidated Management Report.

Millions of Euros

	2020									
	Generation and Supply					Total	Distribution	Structure and Services	Consolidated adjustments and eliminations	Total
	Conventional generation ⁽¹⁾	Renewable Generation	Energy supply	Marketing of other products and services	Generation and supply adjustments and eliminations					
										
REVENUE	5,162	776	11,935	235	(3,169)	14,939	2,720	519	(1,128)	17,050
Revenue with third parties	1,828	238	12,214	231	-	14,511	2,534	5	-	17,050
Revenue from transactions between segments	3,334	538	(279)	4	(3,169)	428	186	514	(1,128)	-
PROCUREMENTS AND SERVICES	(3,421)	(145)	(10,955)	(117)	3,203	(11,435)	(174)	-	540	(11,069)
INCOME AND EXPENSES FROM ENERGY STOCKS DERIVATIVES	123	-	(24)	-	(74)	25	-	-	-	25
CONTRIBUTION MARGIN ⁽³⁾	1,864	631	956 ⁽²⁾	118	(40)	3,529	2,546	519	(588)	6,006
FIXED OPERATING COSTS AND OTHER GAINS AND LOSSES	(854)	(191)	(495)	(79)	40	(1,579)	(557)	(649)	588	(2,197)
GROSS OPERATING PROFIT (EBITDA) ⁽³⁾	1,010	440	461	39	-	1,950	1,989	(130)	-	3,809
Depreciation and amortisation, and impairment losses on non-	(758)	(190)	(105)	(38)	-	(1,091)	(632)	(64)	-	(1,787)
Depreciation and amortisation	(436)	(190)	(105)	(38)	-	(769)	(633)	(62)	-	(1,464)
Provision for impairment of non-financial assets	(349)	-	-	-	-	(349)	(1)	(2)	-	(352)
Reversal of impairment of non-financial assets	27	-	-	-	-	27	2	-	-	29
Impairment losses on financial assets.	11	3	(114)	(8)	-	(108)	(3)	1	-	(110)
Provision for impairment of financial assets	(3)	-	(202)	(8)	-	(213)	(40)	-	-	(253)
Reversal of impairment of financial assets	14	3	88	-	-	105	37	1	-	143
OPERATING PROFIT (EBIT) ⁽³⁾	263	253	242	(7)	-	751	1,354	(193)	-	1,912
Net income of companies accounted for using the equity method	25	2	1	-	-	28	6	-	-	34

(1) Includes the contribution margin, gross operating profit (EBITDA) and operating profit (EBIT) from the generation of Non-mainland Territories (TNP), amounting to Euro 534 million, positive, Euro 211 million, positive and Euro 220 million, negative, respectively.

(2) Includes the gas contribution margin for marketing of 89 million euros.

(3) See the definition in Section 7. of this Consolidated Management Report.

11.1. Generation and supply.

The main figures in 2021 and their variations with respect to the same period of the previous year are as follows:

Millions of Euros

	Generation and Supply			
	2021	2020	Difference	% Var.
Contribution margin	3,681	3,529	152	4.3
EBITDA	2,295	1,950	345	17.7
Operating Profit (EBIT)	689	751	(62)	(8.3)

Contribution margin.

In 2021, the contribution margin in the Generation and Supply segment, rose by Euro 3,681 million, up Euro 152 million (+4.3%) year on year, due mainly, to the income recorded for the refund of the renewable generation state water tax (see Section 9.2.2 of this Consolidated Management Report), which was partially offset by the increased cumulative arithmetic price (€111.9 /MWh; +229.1%) in the wholesale electricity market and commodities prices in conventional generation.

Gross operating profit (EBITDA).

In 2021, gross operating profit (EBITDA) amounted to Euro 2,295 million (+17.7%). The following factors must be taken into account when analysing the changes in 2021:

- The 4.3% increase in the contribution margin.
- The update to provisions for current workforce restructuring costs in force amounting to Euro 10 million (positive) in 2021 (Euro 17 million (positive) in 2020).
- The implementation, in 2020, of the "V ENDESA Framework Collective Agreement", which had a positive impact of Euro 215 million.
- The recognition in 2020 of certain provisions for workforce restructuring costs totalling Euro 310 million.

Operating profit (EBIT)

Operating profit (EBIT) in 2021 stood at Euro 689 million, down Euro 62 million as a result, mainly, of:

- The increase of 17.7% in gross operating profit (EBITDA).
- The provisioning, in 2021, of impairment on the cash generating units (CGUs) for each of the Non-mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla, in the sum of Euro 652 million (Euro 338 million in 2020).

11.2. Distribution

The main figures in 2021 and their variations with respect to the same period of the previous year are as follows:

Millions of Euros

	Distribution			
	2021	2020	Difference	% Var.
Contribution margin	2,429	2,546	(117)	(4.6)
EBITDA	1,965	1,989	(24)	(1.2)
Operating Profit (EBIT)	1,298	1,354	(56)	(4.1)

Contribution margin.

The contribution margin in 2021 amounted to Euro 2,429 million, which represents a decrease of Euro 117 million (-4.6%) on the same period of the previous year. This can mostly be attributed to the reduction in regulated income from the distribution activity, totalling Euro 116 million (-5.3%) due, among other matters, to the application of the new financial remuneration rate applicable from 1 January 202.

Gross operating profit (EBITDA).

In 2021, gross operating profit (EBITDA) amounted to Euro 1,965 million (-1.2%). The following must be taken into account when analysing the changes in 2021 with respect to the same period last year:

- The negative performance of the contribution margin (-4.6%).
- The updates of the provisions for workforce restructuring costs in force in the amount of Euro 5 million (positive) in 2020.
- The implementation, in 2020, of the "V ENDESA Framework Collective Agreement", which had a positive impact of Euro 269 million.
- The recognition in 2020 of certain provisions for workforce restructuring costs totalling Euro 315 million.

Operating profit (EBIT)

Operating profit (EBIT) in 2021 dropped by Euro 56 million, down by 4.1% year on year, mainly as a result of the 1.2% decrease in gross operating profit (EBITDA).

11.3. Structure and others.

The main figures in 2021 and their variations with respect to the same period of the previous year are as follows:

Millions of Euros				
	Structure and others			
	2021	2020	Difference	% Var.
Contribution margin	(32)	(69)	37	(53.6)
EBITDA	18	(130)	148	(113.8)
Operating profit (EBIT)	(31)	(193)	162	(83.9)

Contribution margin.

The contribution margin in 2021 stood at Euro 32 million, negative.

Gross operating profit (EBITDA).

Gross operating profit (EBITDA) in 2021 increased by Euro 148 million with respect to the same period of the previous year, mainly as a result of:

- The update of provisions for workforce restructuring costs in force for Euro 8 million (negative) in 2021 (Euro 22 million (positive) in 2020).
- The implementation, in 2020, of the "V ENDESA Framework Collective Agreement", which had a positive impact of Euro 31 million.
- The recognition in 2020 of certain provisions for workforce restructuring costs totalling Euro 134 million.
- The recognition in 2020 of a cost of Euro 25 million corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis (see Section 8.3. of this Consolidated Management Report).

Operating profit (EBIT)

Operating profit (EBIT) in 2021 increased by Euro 162 million relating to the same period of the previous year, mainly as a result of the changes in gross operating profit (EBITDA).

11.4. Results by segments and investments according to the European Union (EU) taxonomy.

ENDESA has classified its economic activities in the value chain into three categories, Eligible Aligned, Eligible Non-Aligned and Non-Eligible, in accordance with the European Union (EU) Taxonomy Regulation (see Section 1.5. of this Consolidated Management Report).

The table below presents the percentage of the main headings of the 2021 consolidated income statement and investments, which relates to each activity category:

Value chain Economic Activities	2021							
	Revenue		Other Fixed Operating expenses ⁽¹⁾		EBITDA		Investments	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Generation and Supply	18,502	88.5	288	76.2	2,295	53.6	1,299	59.7
Conventional generation	8,135	38.9	221	58.5	859	20.1	333	15.3
Activities Eligible aligned	-	-	-	-	-	-	-	-
Activities Eligible non-aligned	-	-	-	-	-	-	-	-
Activities non-eligible	8,135	38.9	221	58.5	859	20.1	333	15.3
Renewable Generation	871	4.2	53	14.0	841	19.7	717	33.0
Activities Eligible aligned	700	3.3	52	13.8	676	15.8	711	32.7
Activities Eligible non-aligned	8	0.0	1	0.3	9	0.2	1	0.0
Activities non-eligible	163	0.8	-	0.0	156	3.6	5	0.2
Energy supply	16,176	77.4	11	2.9	545	12.7	195	9.0
Activities Eligible aligned	2,205	10.6	2	0.5	74	1.7	31	1.4
Activities Eligible non-aligned	9,742	46.6	6	1.6	328	7.7	137	6.3
Activities non-eligible	4,229	20.2	3	0.8	143	3.3	27	1.2
Marketing of other products and services	270	1.3	3	0.8	50	1.2	54	2.5
Activities Eligible aligned	219	1.0	2	0.5	58	1.4	49	2.3
Activities Eligible non-aligned	-	-	-	-	-	-	-	-
Activities non-eligible	51	0.2	1	0.3	(8)	(0.2)	5	0.2
Generation and supply adjustments and eliminations	(6,950)	(33.3)	-	-	-	-	-	-
Distribution	2,575	12.3	91	24.1	1,965	45.9	845	38.8
Activities Eligible aligned	2,553	12.2	91	24.1	1,943	45.4	843	38.7
Activities Eligible non-aligned	-	-	-	-	-	-	2	0.1
Activities non-eligible	22	0.1	-	-	22	0.5	-	-
Structure and Services and adjustments	(178)	(0.9)	(1)	(0.3)	18	0.4	32	1.5
TOTAL	20,899	100.0	378	100.0	4,278	100.0	2,176 ⁽²⁾	100.0

(1) Costs that are part of the heading "Other fixed operating expenses", considered to be classifiable among the categories of activities according to the European Union (EU) Taxonomy Regulation.

(2) Does not include additions for rights of use amounting to euros 213 million.

Eligible and aligned activities are economic activities that contribute to the objective of Climate Change mitigation without causing damage to other environmental objectives and respecting minimum social safeguards.

12. Climate change and environmental balance.

ENDESA promotes a reporting model based on transparency, to make it clear to stakeholders that its commitment and ambition in the fight against Climate Change and in favour of environmental sustainability is firm, decisive and realistic.

12.1 Climate change.

Key performance indicators (KPIs) related to Climate Change.

In 2021 and 2020, the key performance indicators (KPIs) related to Climate Change have varied as follows:

Key performance indicators (KPIs) (1)	Unit	Description	2021	2020
CO ₂ emissions, Scope 1 greenhouse gasses (GHG)	Tonnes (t)	Emissions of greenhouse gases (GHG) in Scope 1 of the carbon footprint, which includes direct emissions of greenhouse gases (GHG) from sources controlled by the Company (including emissions from fuel consumption for electricity generation at thermal power plants, the use of sulphur hexafluoride (SF ₆), methane leaks generated at hydropower plant reservoirs, the air conditioning of offices and its in-house vehicle fleet).	10,702,129	10,298,310
CO ₂ emissions, Scope 2 greenhouse gasses (GHG) – location based	Tonnes (t)	Emission of Scope 2 greenhouse gases (GHG) of the carbon footprint, which include the technical losses that occurred during electricity distribution not generated by the Company.	470,773	457,184
Indirect greenhouse gas (GHG) emissions - Scope 2 - Acquisition of energy from the grid	Tonnes (t)	Greenhouse Gas (GHG) emissions associated with the generation of electricity at office buildings and port terminals.	5,516	na
Indirect greenhouse gas (GHG) emissions - Scope 2 - Losses from the distribution grid	Tonnes (t)	Emissions of greenhouse gases (GHG) corresponding to the technical losses produced during the distribution of electricity not generated by the Company.	465,257	na
CO ₂ emissions, scope 3 greenhouse gasses (GHG)	Tonnes (t)	Emissions of greenhouse gases (GHG) in Scope 3 of the carbon footprint, which include emissions resulting from the Company's activities but which are not produced by sources controlled by it.	21,737,472	21,213,651
CO ₂ emissions, Scope 3 greenhouse gasses (GHG) attributable to gas sales	Tonnes (t)	Emissions of greenhouse gases (GHG) associated with the extraction, production, transport and use by the end user of the natural gas supplied.	15,157,936	14,627,425
CO ₂ emissions	g/kWh	Specific emissions of CO ₂ "Emissions Trading System" (ETS).	182	180
Percentage represented by non-emitting technologies in the generation mix	(%)	Percentage represented by non-emitting, nuclear and renewable technologies in the generation mix.	-	69.8
Carbon dioxide (CO ₂) reference price	(€)		53.2	24.7

(1) Source: In-house.

Note: . At the date of preparation of this Consolidated Management Report the calculation of ENDESA's Carbon Footprint results for 2021 is in the process of verification. ENDESA calculates and verifies its emissions according to the guidelines contained in the GHG Protocol, with the location-based approach.

12.1.1. Metrics and objectives.

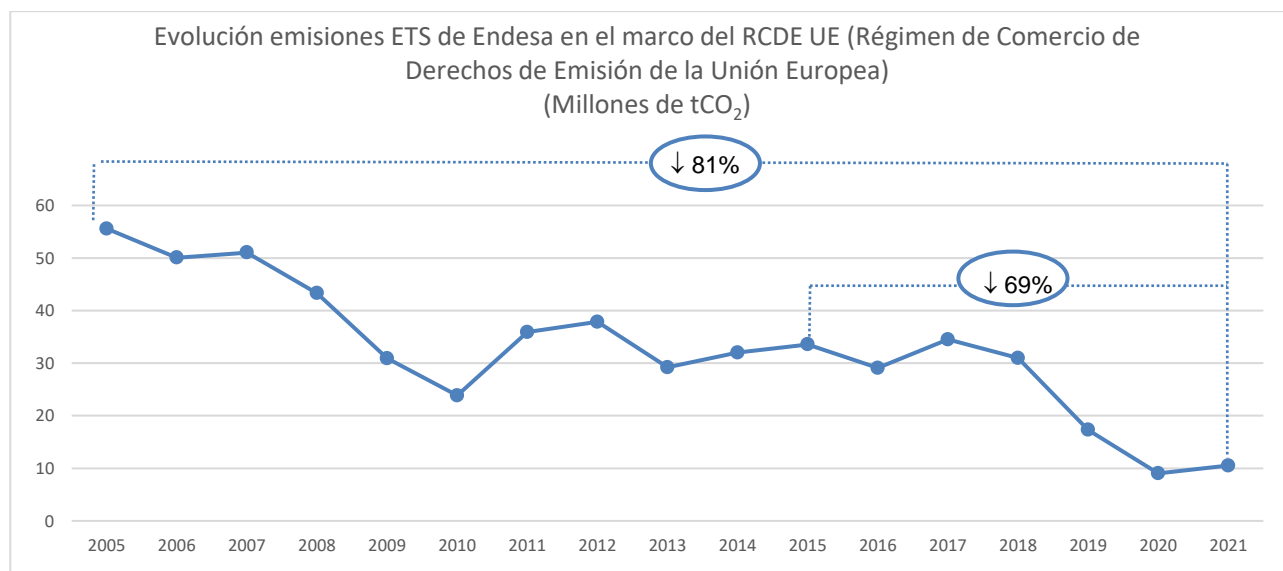
Carbon footprint.

In the current critical moment, the scientific evidence and ambition in the new climate objectives are provoking an integral update of legislation which, undoubtedly, affects all the economic sectors. Companies must be up to the circumstances and make significant changes to their operations, boosting sustainable transformation plans.

ENDESA, as an electricity company, plays a crucial role in the energy transformation and is prepared to address the climate challenges that arise. Hence, it has launched the new 2022-2024 Strategic Plan, which updates its Energy Transition pledge to become a company totally free from emissions in its generation in 2040. The Plan places decarbonisation at the centre of ENDESA's strategy and defines an important acceleration in the reduction of emissions, thereby permitting its alignment with the 1.5°C scenario of "Science Based Target Initiative" (SBTi) for the electricity sector.

ENDESA wants to maintain its leadership in the fight against Climate Change, with a renewed vision at 2030 and a new key milestone, such as the complete decarbonisation in 2040. Each year, ENDESA works on increasing the ambition of its objectives, wishing to provide a response to the needs of society and the planet.

ENDESA ended 2021 consolidating its cumulative trend of reducing emissions. Six years after the adoption of the Paris Agreement in 2015, emissions have been reduced by 69% and by 81% since 2005, the year in which the Kyoto Protocol entered into force.



ENDESA has calculated and verified the carbon footprint voluntarily since 2009. This process includes the development of a calculation methodology, a proprietary IT tool, the implementation of a management system and the determination of a company-wide inventory of GHG emissions and removals.

ENDESA has registered its carbon footprint since 2013, demonstrating that it is on track to reduce its emissions, according to the criteria established by the Spanish Climate Change Office.

During 2021, ENDESA verified its Carbon Footprint for 2020 and published the corresponding report (<https://www.endesa.com/content/dam/endesa-com/home/prensa/publicaciones/otraspublicaciones/documentos/huella-de-carbono-2020-es.pdf>).

The Ministry of Ecological Transition and Demographic Challenge (MITECO) has once again recognised the efforts and results already attained by ENDESA in its Carbon Footprint 2020. In this way, it has become the only company in the energy sector in Spain to attain, for the fourth year running, the triple seal of the Carbon Footprint Register awarded by the Spanish Office for Climate Change to those organisations committed to calculating, reducing and offsetting their emissions.



Direct and indirect CO₂ emissions.

ENDESA is working steadily to complete its conversion to a fully decarbonised company by 2040, thereby frequently intensifying the action needed to attain this purpose as quickly as possible. An indication of this is the reduction in ENDESA's greenhouse gas (GHG) emissions in recent years (53% reduction with respect to 2017), even exceeding the objectives committed in the different strategic plans.

	CO ₂ (t) Scope 1	CO ₂ (t) Scope 2	CO ₂ (t) Scope 3
2019	17,474,762	460,890	25,359,022
2020	10,298,310	457,184	21,213,651
2021	10,702,129	470,773	21,737,472

ENDESA calculates and verifies its emissions according to the guidelines contained in the "GHG Protocol". This international standard provides standards and guidelines for companies and other organisations regarding the development of the greenhouse gas (GHG) emission inventory.

The slight increase in direct emissions in 2021 is due to the reactivation of activity after the COVID-19 pandemic, together with the international energy situation. It should be noted that despite experiencing a slight increase with respect to direct emissions in 2020, the decarbonisation pathway is progressing as committed to in the targets.

The detail of the Carbon Footprint in 2021 is shown below:

	Discontinued	CO ₂ eq(t)
Scope 1	Emissions of carbon dioxide (CO ₂), methane (CH ₄) and nitrous oxide (N ₂ O) derived from fuel consumption (coal, fuel/diesel, natural gas, biogas) to produce electricity at generation plants.	10,537,446
Scope 1	Fugitive emissions of methane (CH ₄) in hydroelectric generation reservoirs owned by ENDESA.	49,020
Scope 1	Emissions of carbon dioxide (CO ₂), methane (CH ₄) and nitrous oxide (N ₂ O) derived from fuel consumption in the vehicle fleet itself.	3,409
Scope 1	Emissions of carbon dioxide (CO ₂), methane (CH ₄) and nitrous oxide (N ₂ O) , derived from fuel consumption in vessels fleeted by ENDESA to transport liquefied natural gas (LNG).	58,619
Scope 2	Emissions related to the generation of the electricity necessary to offset the technical losses caused during the distribution of electricity not generated by ENDESA (location based).	465,257
Scope 2	Emissions related to the generation of the electricity necessary to offset the technical losses caused during the distribution of electricity not generated by ENDESA (market based).	778,231
Scope 2	Emissions generated due to electricity consumption at non-generator centres (location based).	5,516
Scope 2	Emissions generated due to electricity consumption at non-generator centres (market based).	8,677
Scope 3	Emissions associated with the extraction, production and transport of fuels consumed at the company's thermal generation plants.	2,684,787
Scope 3	Emissions associated with the extraction, production, transport and use of marketed natural gas by the end user.	15,157,936
Scope 3	Emissions associated with the portion of marketed electricity that has not been generated at plants owned by ENDESA.	3,669,216

The intensity of CO₂ emissions is calculated from the certified direct emissions of the Emissions Trading System (ETS) of the thermal generation facilities, divided by the net production of electricity.

The following table shows the variations in emission intensity.

	Absolute _(t) (Tons)	Specific _(t) (kgCO ₂ /kWh)
2019	17,287,446	0,282
2020	10,127,975	0,180
2021	10,512,071	0,182

(1) The intensity of carbon dioxide (CO₂) emissions is calculated from certified "Emissions Trading System" (ETS) direct emissions from thermal generation facilities, divided by net electricity production.

To evidence ENDESA's path of emission reductions in accordance with the target set in the 2021-2023 Strategic Plan to reduce specific Scope 1 carbon dioxide (CO₂) emissions equivalent to 150gCO₂eq/kWh in 2023 and below 95 gCO₂eq/kWh in 2030, a level of emissions aligned with the "Science Based Targets initiative" (SBTi) criteria to limit the increase in temperature to 1.5°C, the intensity of Scope 1 emissions was calculated which, in 2021, stood at 186 gCO₂eq/kWh.

Carbon dioxide (CO₂) reduction targets.

Time horizon	Year	Greenhouse Gas (GHG) emission reduction target.
Current	2024	Specific Scope 1 greenhouse gas emissions: 145 (g/CO ₂ e/kWh). (~67% with respect to 2017).
At medium term	2030	Specific Scope 1 greenhouse gas emissions: <95 (g/CO ₂ e/kWh). (~80% with respect to 2017).
Non-current	2040	Total decarbonisation of the energy mix without using carbon dioxide (CO ₂) offset instruments (alignment with net zero objectives in 2040).

The 2022-2024 Strategic Plan updates ENDESA's pledge for Energy Transition to become a company totally free from emissions in 2040.

Gross Investment in renewable energy contemplated in this Plan amounted to Euro 3,100 million to ensure that 92% of peninsula production is free from carbon dioxide (CO₂) emissions at the end of 2024.

Together with the update of this Strategic Plan, ENDESA has reviewed with more ambitious criteria the vision of its main business objective on the 2030 horizon, including as a target the obtainment of specific Scope 1 emission of less than 95 gCO₂e/kWh (which represents a reduction of 80% with respect to 2017).

The ambitious objective of bringing forward to 2040 the complete decarbonisation of ENDESA's activities will be attained on the basis of four procedural axes included in its Strategic Plan:

1. The deployment of new renewable capacity making all generation activities 100% free from emissions (inside and outside of the Iberian Peninsula), from 40% in 2021 and 70% estimated in 2030;
2. The hybridisation of renewable facilities with storage technologies and green hydrogen production.
3. Exit from the coal business in 2027; and
4. Exit from the retail gas marketing business in 2040; and

12.1.2. Climate change initiatives.

CDP.

In 2021, many institutional investors and major clients have urged companies to disclose their performance on environmental impacts, risks and opportunities through the CDP platform on Climate Change, water security and forests. Earlier this year, a large number of companies and cities, states and regions responded to the proposed questionnaires by disclosing their environmental impacts.

Since 2006, ENDESA has participated in the "CDP Climate Change" initiative, the most prestigious Climate Change index, which provides global information on the management of the risks and opportunities identified by the largest companies worldwide.

In 2021, ENDESA renewed its "Leadership" rating for the third year running.

Climate projects.

ENDESA continues to participate in the Climate Projects led by the Spanish Climate Change Office and, for the third year running, it obtained the "Certificate of Recognition of Verified Emission Reductions" from the Ministry of Ecological Transition and Demographic Challenge (MITECO), after a thorough process of verifying its projects in 2021.

Climate Projects are projects promoted by the Ministry of Ecological Transition and Demographic Challenge (MITECO) through the Carbon Fund for Sustainable Economy (FES-CO₂), with the primary objective of reducing greenhouse gas (GHG) emissions in the so-called "non-ETS sectors" and of marking a path of transformation of the production system towards a low carbon model.

In 2021, ENDESA was recognised for its verified emission reductions thanks to seven activities focused on the areas of mobility and sustainable engineering.

Within the field of Sustainable Mobility is the Electric Mobility Plan through Car-Sharing (Canary Islands, Zaragoza, Madrid and Malaga), which aims to promote a modal change in the use of employee transport,

encouraging the utilisation of electric vehicles instead of taxis for commuting to work, with the consequent reduction of emissions that this entails.

Furthermore, the 2017, 2018 and 2019 Employee Electric Mobility Plans are in place, once again offering employees the possibility of obtaining an electric vehicle at a lower cost for an extendable period of three years. Lastly, the Electric Mobility Plan for construction vehicles aims to replace combustion vehicles used in the displacements of construction works of new renewable plants, with 100% electric vehicles, thus reducing carbon dioxide (CO₂) emissions.

Lastly, the Sustainable Engineering programme includes on-site sustainable engineering activities using solar energy. This project involves the installation of photovoltaic plates in construction works of new renewable plants to generate electricity, thus reducing the consumption of fossil fuels in generator sets.

Through participation in Climate Projects, ENDESA achieved recognition for the reduction of more than 300 tons of carbon dioxide (CO₂) in 2021, totalling over 2,000 tons of carbon dioxide (CO₂) avoided since the commencement of recognition of the Climate Projects.

12.2. Environmental protection.

Key performance indicators (KPIs) in environmental matters.

In 2021 and 2020, the key performance indicators (KPIs) in environmental matters evolved as follows:

Key performance indicators (KPIs) ⁽¹⁾	Unit	Description	2021	2020
Specific emissions of sulphur dioxide (SO ₂).	gSO ₂ /kWh	Specific emissions of sulphur dioxide (SO ₂).	0.13	0.17
Specific nitrogen oxide (NOx) emissions	gNOx/kWh	Specific nitrogen oxide (NO _x) emissions.	0.75	0.77
Specific particle emissions	g/kWh	Specific particle emissions.	0.01	0.01
Total fuel consumption	(Mtep)	Total fuel consumed in millions of equivalent oil tonnes.	10.25	10.06
Average returns of the thermal power plant	(%)	Average returns of the thermal power plant.	44.88	43.41
Specific withdrawal of water in generation	l/MWh	The specific withdrawal of water for industrial use in the electricity generation process.	79	91
Area covered by facilities within any natural space	km ²	Area covered by facilities in any protected natural spaces.	789	874

(1) Source: In-house

12.2.1. ENDESA's Environmental Policy.

ENDESA considers environmental excellence to be an essential value of its business culture, and formalises its commitment through the Environmental Policy, which was revised and approved again by the Board of Directors of ENDESA, S.A. in 2021, to adapt it to the current context and to the requirements entailed by its commitment to combating global warming. ENDESA carries on its activities respecting the environment and in accordance with the Sustainable Development Goals (SDGs), and is firmly committed to the conservation and sustainable use of resources in line with the principles of the circular economy, always applying criteria of excellence.

In fulfilling its environmental commitments, ENDESA identifies, evaluates and manages the environmental aspects and impacts of its activities, striving to minimise the negative and maximise the positive effects, as indicated in its Environmental Policy:

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

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

12.2.2. Environmental investments and expenditure.

ENDESA's gross investment and expenditure in environmental management activities in 2021 and 2020 were as follows (see Note 20.3 to the consolidated financial statements for the year ended 31 December 2021):

Millions of Euros

	Annual gross environmental investment			Cumulative gross environmental investment			Annual environmental expenditure		
	2021	2020	% Var.	2021	2020	% Var.	2021	2020	% Var.
Generation and Supply 	23	51	(54.9)	1,550	1,527	1.5	61	207	(70.5)
Distribution 	18	10	80.0	388	370	4.9	27	31	(12.9)
Structure, services and others ⁽¹⁾ 	-	-	N/A	-	-	N/A	-	-	N/A
TOTAL ⁽²⁾	41	61	(32.8)	1,938	1,897	2.2	88	238	(63.0)

(1) Structure, services and adjustments.

(2) Of the environmental expenditure, Euro 24 million in 2021 and Euro 180 million in 2020 related to the depreciation and amortisation, and impairment losses on investments. In 2020, it included impairment losses at the As Pontes (A Coruña) and Litoral (Almería) thermal power plants.

12.2.3. Advanced environmental management.

Environmental management system.

The commitments acquired under the Environmental Policy are reflected in the Environmental Management Systems of ENDESA's different businesses. These systems make it possible to align the environmental aspects of ENDESA's Sustainability model, including the Sustainable Development Goals (SDGs), coordinating the mechanisms to measure and assess environmental performance through a series of indicators that take the life cycle into consideration and thus integrate the concepts of the circular economy and natural capital into management.

The indicators include the facilities' impact on all aspects of the environment and enable compliance with all existing legal obligations regarding environmental matters in relation to the business operations to be verified, as well as alignment with the path laid out by ENDESA to evaluate the degree to which the strategic objectives and goals defined.

ENDESA, committed to achieving excellence in the environmental management of its business activities throughout the chain of value, once again established in the ENDESA Sustainability Plan (PES) 2021-2023, the objective of maintaining 100% of its generation and distribution facilities certified by the International Standard (ISO 14001). The target was met in 2021 and, to maintain the commitment, it is included in the new ENDESA Sustainability Plan (PES) 2022-2024.

ENDESA's environmental management systems are supported by international standards and procedures that are audited by independent institutions of recognised prestige, and ensure periodic and systematic identification, evaluation and control of the environmental impacts that could be generated by its facilities and operations. At the date of authorisation for issue of this consolidated management report, ENDESA had the following environmental certificates:

Activity	Standard	certified in 2021
Electricity generation (thermal, hydraulic and renewable)	ISO14001:2015	100%
	9001	100%
	50001	3 Thermal power plants
Electricity distribution	EMAS	12 Thermal power plants (74% of the net installed capacity)
	14001, 9001, 50001	100%
	Zero Waste	100% of the activity performed in Aragon, Castile and León and Galicia.
Port terminals	14001, 9001, EMAS, Zero Waste	100%
Corporate headquarters and office buildings	14001, 50001, UNE-EN 171,330-3	5 main offices
ENDESA Energía	9001, 14001	100% of its activity
ENDESA X	9001, 14001	100% of its activity

As regards the most recent certifications obtained by ENDESA in 2021, worthy of mention is the AENOR "Zero Waste" certificate in the Distribution business for the activities performed in Aragon, Castile and Leon and Galicia. This is the first time that an electricity distributor in Spain has received this certification, which recognises organisations that are committed to Sustainability when undertaking their activity, and which recover and document the traceability of more than 90% of the waste they generate, from its production to its final destination.

Managing environmental risks and liabilities

ENDESA is subject to environmental regulations which affect both the normal course of its operations, as well as the development of its projects, leading to increased risks and costs. Furthermore, ENDESA is exposed to environmental risks that are inherent in its business, including those relating to the management of waste, spillages and emissions generated by all its activities and, therefore, for which it can be declared to be responsible for environmental damage.

To comply with the obligations deriving from the Spanish Environmental Responsibility Law, ENDESA has developed the MIRAT Project, based on a methodology developed at sector level and approved by the current Ministry of Ecological Transition and the Demographic Challenge (MITECO), the objective of which was to establish the mandatory financial guarantee required by this Law for conventional thermal and combined cycle power plants with a thermal capacity of more than 50 MW through an environmental risk analysis. In view of the results of the environmental risk analyses of all conventional thermal and combined cycle power plants, the corresponding formal statements were submitted to the Administration.

Likewise, ENDESA has taken out a third-party liability and environmental responsibility policy that covers personal injury and/or property damage vis-à-vis third parties, and also covers damage to biodiversity according to EU Directive 35/2004, of 21 April 2004, and equivalent National Legislation (Law 26/2007, of 23 October, on Environmental Responsibility).

In 2021, ENDESA implemented a tool to analyse environmental aspects, impacts and risks, known as ERA, which collates and analyses the risks associated with the Group's different businesses. In addition to the results of the assessment and the significance of the environmental aspects identified, the methodology includes organisational, strategic, economic and reputational aspects associated with the businesses' different activities and infrastructures. The ERA tool also assesses legal compliance, and the effectiveness of the operational controls implemented, to obtain a "residual risk" assessment inherent to each facility. Depending on the results returned, specific action plans may be required to mitigate the environmental risks associated with the activity. The results of the assessments performed in ERA make it possible to compare the environmental risk associated with the different facilities and technologies.

Furthermore, as part of its commitment to protecting the environment, ENDESA feels obliged to eliminate environmental liabilities, and, therefore, each facility identifies these liabilities and addresses them within the framework of their environmental management programmes, which may be reflected in their elimination, disposal or reuse.

Environmental Footprint.

ENDESA calculates its Environmental Footprint using a methodology based on the most relevant international references, including the guidelines developed by the European Union (EU) to calculate the Environmental Footprint of its organisations and products.

Air quality.

In 2021, work continued to decrease pollutant emissions, to a large extent, due to the reduced operations at thermal power plants, with the closure of coal-fired power stations being the most significant, although also due to the implementation and roll-out of different environmental protection and efficiency measures at ENDESA's facilities.

ENDESA has an exhaustive control system in place for all its emissions to monitor them in real time, making it possible to ensure compliance with the emission thresholds of each of its facilities at all times, in addition to environmental air quality. To this end, it carries out an exhaustive control and maintenance of chimney measurement equipment, and subjects them to annual inspections carried out by accredited external laboratories. ENDESA meets the parameters required by the applicable regulations, implements technology

to minimise emissions and designs and applies corrective measures to the impacts generated. ENDESA has protocols corresponding to access to the facilities by external entities that adopt work procedures to ensure the safety of both external and internal personnel which, in 2021, made it possible to continue with the inspection and quality assurance processes of the facilities' environmental control equipment and with the taking of samples to ensure compliance with the environmental requirements in force.

In 2021, ENDESA performed a variety of actions and procedures at different thermal power plants with a view to ensuring compliance with the legal limits set out in Directive 2010/75/EU of the European Parliament and of the Council, of 23 October 2010, on industrial emissions and the "Best Available Techniques Reference Document" (BREF). These include the servicing of SCR denitrification systems at the Granadilla (Tenerife) and Barranco de Tirajana (Gran Canaria) facilities to reduce nitrogen oxide (NOx) emissions or water injection in the turbines at the Mao facility (Menorca), harnessing the wastewater from the water treatment plant in the neighbouring city of Mao, thus promoting water savings.

Furthermore, ENDESA continues to make progress and perform actions to achieve the total decarbonisation of its generation mix in 2040, such as obtaining authorisation to close the Litoral coal-fired power station, awaiting the decision regarding the request to close the coal-fired power station in As Pontes, the study for the use of biofuel in electricity generation in the Non-mainland Territories (TNP) or the study to replace liquid fuel with natural gas in these systems.

In 2021, modifications have continued to be made within the on-going improvement process to optimise and reduce emission control systems. In the field of automatic measurement systems, work has continued with the constant renewal of fleet analysers, replacing older ones with more modern ones or installing them to continuously monitor emissions in areas not legally required, such as at the Ceuta Thermal Power Plant.

The success of the implementation of all the mentioned measures is observed in the results obtained for the environmental indicators related to air pollution in 2021.

Water resources

ENDESA has identified water as a critical resource that will be affected by Climate Change and the integrated management of water is one of its major concerns. The main tasks in this area entail improvements to consumption efficiency, water quality by controlling dumping and wastewater and reservoir management, with an assessment of ecological potential for birdlife, control of invasive species and preventing dry-up in regulated rivers.

ENDESA has procedures to control and reduce water dumping and to boost quality, mainly by means of wastewater treatment facilities, and conducts regular analyses to pinpoint instances of water stress at its facilities.

99% of the water collected by ENDESA for use at its plants is returned to the environment. In 2021, the capture of water by facilities located in areas with a scant water supply stood at 155,971 m³ (155,000 m³ in 2020).

	Units	Water resource management		
		2021	2020	% Var.
Total Water Withdrawals for Industrial Use	millions of m ³	4.6	5.1	(9.8)
Extraction of water for industrial use in areas of water stress	%	18	14	-
Specific withdrawal of water for industrial use in the electricity generation process.	l/kWh	79	91	(13.2)
Total water consumption	millions of m ³	1.9	5.9	(67.8)
Consumption of water in areas of water stress	%	0.88	2.7	-
TOTAL		4.6	5.1	(9.8)

Source: In-house

Waste

ENDESA has environmental management systems in place that include specific operational procedures on the management of waste generated as part of all its activities, which are continuously reviewed to detect and boost improvements and to encompass the legislative developments that arise in this regard. Waste is managed according to the waste hierarchy (prevention, preparation for reuse, recycling, other types of recovery, including energy, and lastly, disposal), always starting from prevention, and when that is not possible, prioritising the recovery and recycling treatments for the waste it generates, especially inert waste, and the preparation for the reuse of those hazardous wastes that admit it, for example, used oils or cleaning solvents.

Of the total waste recovered by ENDESA in 2021, a significant portion was recycled at its external facilities, representing 94% and 74% of total non-hazardous waste and hazardous waste in Spain and Portugal, respectively (84% and 71%, respectively in 2020).

12.2.4. Conservation of biodiversity

ENDESA's Biodiversity Policy.

ENDESA is aware of the importance of conserving and preserving biodiversity, natural capital and ecosystem services for the well-being and progress of society; to this end, it works every day to analyse and assess its dependencies and impacts in this regard, thus orienting all its activities performed on the mainland towards its ultimate objective of "no net loss of biodiversity".

Furthermore, the result of applying all these principles is directly reflected in ENDESA's strategy, bearing them in mind as part of the decision-making process in relation to new projects and the management and operation of existing assets. This is reflected in ENDESA's Biodiversity Policy, approved by ENDESA's Board of Directors in 2020, that reflects the Company's commitment to mitigating the potential impacts on biodiversity and ecosystem services throughout the life cycle of its activities. This Policy may be consulted on ENDESA's website: (<https://www.endesa.com/content/dam/endesa-com/home/Sostenibilidad/medioambiente/documentos/politica-de-biodiversidad-endesa.pdf>)

Finally, the important work performed by ENDESA's Biodiversity Committee is also worth mention. Set up in 2020, this corporate body is responsible for transferring the objectives of said policy to ENDESA's strategy and decision-making process. It meets every two months and is attended by representatives of all ENDESA's business lines. At the sessions, the members review the status of the ongoing projects of the Biodiversity Conservation Plan, present the results of recently completed projects, and propose and evaluate new project proposals. Additionally, current affairs in terms of regulation, agreements and standards in relation to biodiversity, natural capital and ecosystem services affecting ENDESA are presented and analysed.

Biodiversity Conservation Plan.

ENDESA's Biodiversity Conservation Plan is the instrument that implements all biodiversity projects and actions performed by ENDESA in the biodiversity area. All actions included in ENDESA's Biodiversity Conservation Plan are voluntary and often aim to go beyond the mandatory environmental requirements.

The main lines of action of the Plan are:

- Restoring the physical environment on the land and at our facilities to increase their capacity for hosting biodiversity.
- Managing the factors in the natural environment surrounding our facilities that contribute to improving the habitats of certain species.
- Recognising natural capital, the natural ecosystems housing it, their value and state of conservation.
- Preserving native species and controlling invasive species at ENDESA facilities and in the surrounding area.

ENDESA's Biodiversity Conservation Plan ended 2021 with a total of 29 operational actions with the following details: 25 actions were started up in previous years (6 of these were completed in 2021 and 19 are on-going) and 4 more actions commenced in 2021.

In 2021, the actions in which ENDESA participated that most stood out are as follows:

Type	Description
Studies and Research	<ul style="list-style-type: none"> Design of a model to prioritise corrective measures aimed at preventing birdlife accidents on ENDESA's overhead power line supports. Environmental impact study at photovoltaic solar facilities, in the project planning, construction and operation processes. Environmental and ecological impact study of invasive algae in the Bay of Cadiz. National inventory of damage to holm oaks and cork oaks caused by "La Seca" syndrome.
Birdlife protection actions	<ul style="list-style-type: none"> Red kite conservation measures through participation in the Life eurokite project. Search for the use of telemetry technology to identify the use of the spatial habitat by the target species and to quantify the key reasons for the mortality of birds of prey species in the European Union (EU). Eagle owl conservation project. Conservation measures for the population of Osprey (<i>Pandion haliaetus</i>) reintroduced in Cadiz. Project for the recovery of lesser kestrel populations in Aragón. Project to tag and monitor the black vulture in the International Tagus Natural Park, on the border between Spain and Portugal.
Projects with a socio-environmental component	<ul style="list-style-type: none"> ENDESA Forest Initiative. An example in the Sustainability area
Publications, training and outreach days	<ul style="list-style-type: none"> Virtual working breakfast on the natural capital of the Spanish Green Growth Group (GECV) and the Spanish Business and Biodiversity Initiative (IEEB). 15th National Environmental Conference (CONAMA 2020): ENDESA organised two discussion panels related to biodiversity: "Birdlife and overhead power lines" and "Environment and renewable energy". ENDESA also presented its experience at Technical Session 20: Forest management. Woodland and Climate Change. PodCast on the environmental website "PodCastidae": Interview in which ENDESA explained its commitment to biodiversity from the perspective of a power company. Cadena Ser Cataluña and Onda Cero Aragón (La Brújula de Aragón): Endesabats: Project for bat biodiversity at ENDESA's hydraulic generation facilities and the surrounding area. Workshops on ENDESA's Participation in the red kite cross-border protection project in Europe by reducing the manmade causes of mortality. Presentation ceremony of Bosque ENDESA Doñana to the Administration. Emission Offsetting System Workshops organised by the Andalusian System for Emission Offsetting (SACE). Awareness-raising and training imparted as part of ENDESA's "Support for the Osprey population" project. Ornithology and Conservation course for Birds in Cádiz (online format). 20 hours taught to a total of 150 students.
Other initiatives	<ul style="list-style-type: none"> Working Group on the Natural Capital of the Energy Sector in Spain. Development of a participatory process to analyse natural capital in the energy sector to create a road map to integrate natural capital into the Spanish energy sector. Spanish Company and Biodiversity Initiative (IEEB) of the Biodiversity Foundation, in cooperation with the business sector, to promote economic development compatible with the preservation of biodiversity, setting up a solid framework of cooperation between major companies, non-government organisations (NGOs), associations and the Administration, combining efforts to improve and maintain natural capital in Spain Natural Capital and Biodiversity Work Group. (Spanish Green Growth Group), which pursues the integration of natural capital and biodiversity in the activities and decision-making processes of Spanish companies, in addition to establishing a meeting point between the National Administration and the Spanish business sector to this end. Biodiversity Standardisation Committee. UNE-CTN 328. UNE, as the Spanish standardisation organisation recognised by the Ministry of Industry, Trade and Tourism and the Spanish representative at international standardisation bodies, has promoted the creation of this new Technical Committee, which serves a dual purpose: the establishment of a new standardisation area at <i>International Organization for Standardization</i> ISO with the new <i>International Organization for Standardization/Technical Committee</i> ISO/TC 331 biodiversity and the increasingly important presence of biodiversity in European standardisation forums. The Technical Committee for Standardisation CTN has been created to facilitate the representation of the vision and interests of Spanish institutions in international and European standardisation and to accommodate international initiatives that may arise.

Environmental restoration

ENDESA's activities, whether voluntary or required to ensure compliance with the regulations, have always been connected to environmental restoration. But this activity became particularly relevant from 2016 onwards, when the ENDESA Forest Initiative was first launched, which aims to contribute to recovering lost ecosystems. The initiative consists of forest restoration of degraded land that has been burned at the national level through planting and seeding techniques of native forest species, as they are best adapted to the environment (forests are capable of absorbing and storing greenhouse gases in the atmosphere and are also a niche of biodiversity).

At present, ENDESA several projects under way in Spain, two of them registered in the carbon dioxide (CO₂) sinks section of the National Registry of Carbon Footprint, Compensation and Absorption Projects of the Spanish Office for Climate Change (OECC) under the Ministry for the Ecological Transition and Demographic

Challenge (MITECO), becoming a pioneering initiative in the Energy Sector. These projects are located in Sierra de Madrid (Bosque ENDESA La Atalaya) Doñana Natural Park, Huelva (Bosque ENDESA Doñana) and the surrounding area of the former thermal power plant in Andorra, Aragón (Bosque ENDESA Teruel). The rest of the initiative's projects are in the execution and registration phase in the aforementioned registry; these are the Bosque ENDESA Baleares and Bosque ENDESA Pirineo (Catalonia).

The exemplary nature of the sustainability initiative is also worth particular mention, as beyond its positive environmental impacts, it is capable of generating a positive impact on economic and social factors, such as:

- Environmentally: contributes to generating a positive environmental impact by promoting the adaptation to Climate Change, promoting the recovery of biodiversity, developing natural capital and ecosystem services, combatting desertification, protecting the water cycle, and curbing soil degradation against runoff, among others.
- Economically: by restoring woodland, natural capital and the associated ecosystem services in which populations in the surrounding area of the project often lift (nature tourism, picking fruit, wild mushrooms, hunting, etc.). Therefore, it helps to invigorate the nearby rural environment.
- Socially: in the recruitment of staff to carry out forest restoration and maintenance work, priority is given to hiring unemployed people, young people, women, people over 45 years of age or people at risk of social exclusion in the project environment. It also has great potential as a tool to develop environmental awareness, training, dissemination and volunteering activities.

13. Innovation and digitalisation.

ENDESA is firmly committed to innovation and digitalisation, elements that it considers strategic, to address present and future challenges across all areas of the company. ENDESA's digital transformation encompasses its assets, customers and employees. The pandemic has significantly accelerated innovation and digital transformation, so invests considerably in improving platforms, processes, systems and tools, paying as much attention as needed to cybersecurity, the protection of personal data, and of course, raising the standards of security, business continuity and operational efficiency.

New technologies such as robotics, "blockchain", "speech analytics", "machine learning", robotic process automation (RPA), virtual assistants, biometrics or "Big Data" and new work approaches such as "agile" methodologies, telecommuting or "data-driven" approaches are already part of the DNA of ENDESA, since they are a key part of the day-to-day life of all employees. Data management is a core pillar of business management and, for ENDESA, plays a key role in the decision-making process, both for the preparation of in-depth analysis and for discovering operational improvements within the company's lines of business .

Digitalisation is one of the key elements of the 2022-2024 Strategic Plan as a mainstay of business development. The digital strategy is geared towards maximising margins and reducing operating costs, with a view to enhanced efficiency in order to support the Energy Transition, thus allowing new uses of energy and new ways of managing it by making it increasingly accessible to more people.

13.1. Innovation model.

ENDESA has an open innovation model for the purpose of finding quality ideas for the development of innovative solutions to transform the current energy model. Open innovation is a new model used by companies to relate to external players (universities, startups, research centres, other companies in the same or a different sector, etc.) to promote collaboration and the sharing of ideas and expertise.

ENDESA's innovation activities are carried out in close collaboration and cooperation with the rest of the ENEL Group, taking advantage both of the Group's own labs and the best research centres, universities, suppliers and emerging national and international companies.

The following is a summary of ENDESA's innovation model:

- **Identification of technological challenges:** In close collaboration with the Business Units and after an analysis of all the business and technology trends available on the market.
- **Generation of ideas:** To resolve challenges, we work on two levels:
 - Internal ideas:
 - (i) “Open Innovability”: an ENEL Group platform for launching innovation and sustainability challenges, for both employees and the global innovation community.
 - (ii) “Innovation Academy”: specific programme with the aim of training employees in methodologies and work skills, which enable them to support the innovation culture in their field.
 - (iii) “Open Power Space”. space created as a benchmark collaborative meeting point at the various ENDESA work centres. In this unique environment, the creative processes that emerge from employees, partners and external collaborators are shared, disseminated and launched.
 - (iv) “Make it Happen”: global entrepreneurship programme within the ENEL Group, which offers ENDESA employees the opportunity to become entrepreneurs within the Company.
 - (v) “Challenge Driven Sessions”: workshops on the application of innovative methodologies (“Creative Problem Solving”, “Design Thinking”, “Lean Startup”) to find innovative solutions and approaches to the Company's challenges.
 - (vi) “Innovation Ambassadors” network: made up of Company employees who voluntarily receive specific training to become innovation drivers within their field.
 - (vii) Involvement in “ENEL Innovation Communities”; each of these communities is dedicated to a key innovation theme: artificial intelligence, robotics, drones, the blockchain, circular economy, etc. In total, there are ten communities in which employees of different business areas engage by sharing their projects, experiences and points of view. In addition, they regularly host open events to which experts are invited to present their initiatives.
 - External ideas: With channels open to:
 - (i) Entrepreneurs:
 - “ENEL Innovation Hub Europe”: located in Madrid and in coordination with “ENEL Innovation Holding”, this unit is responsible for developing the relationship with the key European entrepreneurial ecosystems for the ENEL Group, including the ecosystems of Spain and Portugal, as well as prospecting European startups that can contribute to the achievement of goals and the resolution of innovation challenges identified by the business areas and Group companies. “ENEL Innovation Hub Europe” forms part of the network of ten “Innovation Hubs” deployed by the ENEL Group at key enterprise centres and strategic markets for the Group around the world: Brazil, Chile, Spain, Israel, Italy

(Milan, Pisa and Catania), Russia and the United States (Boston and Silicon Valley). Throughout 2021, activity with entrepreneurial ecosystems was maintained, leveraging digital communication channels. Physical presence and direct contact with the ecosystems have also been resumed as far as the situation resulting from the pandemic has allowed.

- Sponsorship and promotion of key events that are emerging as meeting points among companies, entrepreneurs and investors. ENDESA thus aims to strengthen, encourage and support the entrepreneurial ecosystem and promote innovation and the creation of real business opportunities.
- (ii) Associations and working groups: cooperation with various technology platforms and working groups promoted by various administrations to share experiences in different areas and technologies.
- (iii) Suppliers: ENDESA actively works with its suppliers with the aim of developing and incorporating new disruptive solutions emerging from the range of projects. The “Innovation by Vendors” programme is a highlight: specific challenges are set for suppliers in order to validate innovative solutions in a shared manner and through full mutual cooperation.
- (iv) Communities of experts: through innovation challenges launched on the “Open Innovability” platform.
- (v) Other industries: ENDESA participates in innovation forums with other industries.
- **International “Best Practice Sharing”:** through working groups in which different companies from all countries of the ENEL Group are involved. Success stories are shared, which enables us to stay at the forefront of the various activities and technologies worldwide.
- **Project launches:** after they have been assessed by ENDESA's experts (according to a common methodology based on the initiative's value creation), if the evaluation is positive the ideas are converted into projects which then embark upon a structured management and monitoring process.
- **Capturing value:** once the projects have been successfully completed, they move on to production in order to create value for ENDESA. Furthermore, ENDESA follows a prudent policy regarding the protection of intellectual property.

13.2. Patents and licences.

During 2021, ENDESA renewed and strengthened its commitment to the development and enhancement of its IP assets as a competitive edge for the Company.

The value of ENDESA materialises not only in the investments in innovation activities, but also in the expertise and skills acquired on a daily basis in a cutting-edge technological and digital workplace context. This leads to developing an ability to generate concepts according to an open innovation model, aligned with the sustainable approach that is encapsulated in the Open Innovability® formula.

The increase in investment in intangible assets, especially computer and digital applications, is especially significant. These investments were made in all lines of business. They mainly involved internal development of computer software and customisation of software acquired from third parties. These include:

- Investment in networks for management of smart meters, remote control and communication software;
- Investment in electricity production for predictive maintenance systems; and
- Internal adaptation of information and enterprise resource planning (ERP) systems

ENDESA owns various patents registered in Spain and/or the European Union (EU) and/or in other non-European countries. If appropriate, certain patents are transferred to ENEL Group companies with a licence for their use and, occasionally, they are sub-licensed to third parties.

At 31 December 2021 and 2020, ENDESA had 10 patents in Spain.

13.3. Context and objectives of the Research, Development and Innovation activities (R&D+i).

The energy sector is in the midst of important changes, which will intensify in the future due to the growing environmental awareness of governments and customers. ENDESA is aware that the objectives for reducing emissions and increasing efficiency are necessary, requiring an additional effort on its part in order to achieve them.

In this context, the goal of ENDESA's research, development and innovation (R+D+i) activities is to create a new, more sustainable energy model based on efficient electrification of energy demand thanks to the development, testing and application of new technologies and new business models.

ENDESA's research, development and innovation (R&D+i) activities, are developed in coordination with the rest of the ENEL Group, with joint research activities being undertaken in the areas of shared interest and in the markets in which both operate.

13.4. Investment in research, development and innovation activities (R&D+i).

Gross direct investment in Research, Development and Innovation (R&D+i) during 2021 and 2020 amounted to Euro 7 million and Euro 13 million, respectively, according to the following detail:

Millions of Euros		
	Gross direct investment in R+D+i	
	2021	2020
Generation and Supply 	6	6
Distribution 	1	7
TOTAL	7	13
Gross direct investment in R&D+i / EBITDA (%) (1)	0.16	0.34
Gross direct investment in R&D+i / EBIT (1)(%)	0.36	0.69

(1) See the definition in Section 7. of this Consolidated Management Report.

13.5. Main areas of activity

ENDESA's research, development and innovation (R&D+i) activities are based on a commitment to sustainability, and therefore technology projects are developed aimed at creating value, fostering a culture of innovation and building a competitive edge in the area of sustainability.

ENDESA develops innovation projects across all its business lines. The following details the areas of activity, their future guidelines, and certain of the most relevant projects currently under way.

Generation

Guidelines: decarbonisation, improvement in the construction processes of new renewable plants, increase in the level of digitalisation of plants, reduction of environmental impact, increase in efficiency and greater flexibility of conventional and renewable plants to optimise operation, energy storage and improvement of the safety of people and facilities (see Note 5.2 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2021).

Areas of activity: during 2021, the main Generation innovation projects were:

Projects	Description
Energy storage	<ul style="list-style-type: none"> Validation of new technologies to reduce energy storage costs, as well as improve their environmental impact by reducing the use of toxic or flammable elements, and performance assessment. In this area, several pioneering projects in Spain were highlights: the "Second Life" project at the Melilla thermal power plant for the use of second-life batteries from electric vehicles as stationary storage, the flow battery demonstration projects of Vanadium and solid-state batteries developed at two sites in Mallorca, the demonstration projects for iron-flow redox batteries and hybrid cathode in the Canary Islands and the feasibility studies for energy storage technology in compressed liquid air in Tenerife. In addition, a highlight was the important launch of new initiatives and projects in the area of green hydrogen generation, as a key tool for the decarbonisation of the industrial sector.
Introduction of robotic solutions	<ul style="list-style-type: none"> Introduction of new robotic solutions for inspection of assets and in operations. Improvement of inspection activities in maintenance tasks for generation plants, both in technical capacities, so as to inspect areas that were not accessible, and in reduction of risks to people, by restricting access to intrinsically dangerous areas, such as underwater tasks, confined spaces, or work at height. This line has continued with the deployment of drone- and underwater robot-based solutions for both conventional power plants and hydraulic, solar and wind plants, with the creation of new pilots to demonstrate solutions. The project also involved the validation of solutions based on ground robots and autonomous drones for the inspection of ducts and channels in hydraulic power plants. Finally, the company worked with several start-ups on the development of specific solutions for the on-site inspection of wind farm components, such as wind towers and the detection of problems on blades, as well as photovoltaic modules using thermography from autonomous robots and piloted drones. With regard to the development of operational support robots, specific projects have been developed for the validation of automatic photovoltaic module cleaning solutions and for the automatic clearing and stripping of plants in solar photovoltaic plants.
Construction Process of New Renewable Generation Plants	<ul style="list-style-type: none"> Implementation of projects focused on: <ul style="list-style-type: none"> Enhanced efficiency of the process, allowing a reduction of development costs and minimising the environmental impact of the processes; Reduction of the time required to perform works, a key aspect in the accelerated decarbonisation process promoted by ENDESA; and Improved safety aspects for workers on site, reducing existing risks, with validation of machine vision systems. In this field, activities continued for the implementation of "Building Information Modelling" (BIM) technology in power plant development and in the implementation of software tools combined with drones to improve monitoring of the construction process.
Innovation projects to improve end-of-life of equipment and systems, with a circular economy approach	<ul style="list-style-type: none"> Focusing on the development of end-of-life solutions for wind assets, with a special focus on the recycling of the composites that make up the blades of wind turbines, and for electrochemical energy storage systems, with a second project focused on the recycling process of lithium-ion batteries.
Improvement of environmental impacts	<ul style="list-style-type: none"> In this area, development of agrivoltaic pilot projects continued at 5 plants in Andalusia, Extremadura and Murcia. Also activities focused on the validation of new processes for the treatment of contaminated soils and environmentally more sustainable solutions for use in landfills in closing processes. Specific activities were started for the validation of new systems to improve bird protection in the vicinity of wind farms, using cameras and artificial intelligence.
Reduction of Occupational Risks in New Plant Construction and Operation Activities	<ul style="list-style-type: none"> Use of artificial intelligence technologies and camera images to monitor unsafe behaviour in the construction of new plants and for the operation of active conventional plants.

Distribution

Guidelines: strengthen security of supply, improve service quality and respond to future customer demands through the development of smart grids, remote management and grid automation.

Areas of activity: during 2021, the main Distribution innovation projects were:

Projects	Description
Digitalisation of distribution grids	<ul style="list-style-type: none"> Network Digital Twin (NDT): highly computerised digital replication of physical assets and their management, development and maintenance processes. Based on a large, constantly updated, real-time data set of information captured in various forms from the ground. Grid Blue Sky (GBS): developing technology solutions for more efficient process execution. These solutions are organised into 3 pillars: "Asset Owner", "Asset Operator" and "Customer Engagement".
"Smart Grids" / "SmartCities"	<ul style="list-style-type: none"> ENDESA is developing its "Smart Grid" concepts on its "SmartCity" programmes, where it is a leader in the sector with various active projects. It has now been ten years since the "SmartCity" project was introduced in Málaga. ENDESA is implementing initiatives for the digitalisation of the network, validating technological solutions in "Living Labs" and real environments under normal operating conditions, with the presence of end users, where products and services of a smart grid are tested and evaluated. Project for the Preventive Analysis of Smart grids with real-Time Operation and integration of Renewable Assets (PASTORA): Complementary project as part of the monitoring and advanced control project for medium and low-voltage distribution networks (MONICA). In 2021, this "Living Lab" has become part of the ENET "Flexibility Lab". Together with Barcelona, in addition to Milan and Bari in Italy, the initiative will be part of a pilot whose goal is to develop and test, in different scenarios, flexibility mechanisms, products and services for the distribution network. The labs will support advanced testing of flexibility solutions within a simulated or emulated power grid or in a controlled environment. Potential pilot participants will thus be able to validate their products prior to real-life testing.
Flexibility projects	<ul style="list-style-type: none"> "Coordinet" Project: creation of a European energy platform to open up new markets to consumers, leveraging the flexibility of small and large generators, in addition to demand, so that they can provide new services to managers of the distribution network, system operators and transport network managers in order to improve network stability. The development of the flexibility platform started in 2021, which, together with the installation of low-voltage sensor system tools, will allow the first demos in real scenarios in Malaga and Cádiz. "Microgrid Blue" project: smart microgrids for the mass integration of distributed renewable energies in the power systems of the Canary Islands and West Africa, developing tools to help manage power grids and the operation of island systems in scenarios of mass penetration of low-power renewable sources.
Grid Innovation Projects and Proofs of Concept	<ul style="list-style-type: none"> "Aerial-Core" project: development of an integrated aerial cognitive robotic system (a drone) that will have capabilities in the range of operation, handling of grid elements with a robotic arm and safety in interaction with people. "Smart5Grid" project: the Spanish demo project is in the HV/MV substation of the Garraf Natural Park in Barcelona. The aim is to establish a safe area in volumetric terms, so that field technicians will be monitored by a real-time tracking system that will use a private 5G network. The project uses alarm signals to warn and make sure that no operators are near energised elements of the substation. "Risk Map (NENERGIX)" Project: creation of an app to measure risks in overhead lines, combining the data and functionalities of the NENERGIX "Sentinel" app and vegetation risk maps. "Delimitation of Areas in Transformation Centres (Holoach)" project: a high-precision monitoring system that helps prevent access to risk areas within enclosed spaces, such as transformation sites (medium voltage/low voltage). "Cable Reel Monitoring (Alesea)" project: validation of smart monitoring devices for cable reels to detect the amount of cable used and the location of reels and their use. "Noise Reduction of High Voltage/Medium Voltage Transformers (Sonobex)" project: noise reduction through use of specialised materials. "Reconstruction of the Grid Topology (Odit-e)" project: development of a meter mapping algorithm to identify the configuration of the power grid and the customers connected to each distribution transformer, line and phase. "Advanced Monitoring of High Voltage Lines" project: In forest environments, and high and medium voltage networks, the "Living Lab" at Garraf, Barcelona province, is becoming the testing ground for sensor technologies to calculate the maximum date of the line and its structural integrity. "Predictive Maintenance of High Voltage Substations" project: the aim of the project is predictive maintenance of substations through temperature measurement. "Reset" project: development of a low-voltage four-branch Statcom converter. the aim is reduction of neutral currents and minimisation of technical losses from the grid.
Grid innovation professorship	<ul style="list-style-type: none"> The aim is to partner with universities in holding seminars, conferences, final-year projects and doctoral theses, research in the electricity sector, safety and efficiency studies, storage systems, energy recovery, etc. Professorships have been set up at the Polytechnic University of Catalonia, the University of Seville, the University of Las Palmas de Gran Canaria, the University of the Balearic Islands and the University of Zaragoza.

Innovation in supply.

Guidelines: execute proofs of concept and pilot projects with the validation of basic ideas to new technology tests in real environments, new work approaches looking for areas of improvement and the optimisation of processes, focusing on the improvement of the value proposition to our customers.

Areas of activity: during 2021, the main innovation projects in the supply area were:

Projects	Description
"Confia"	<ul style="list-style-type: none"> Project aimed at improving vulnerable customer management using blockchain technology. This is an example of open innovation developed with the "agile" methodology in which ENDESA, the Malaga City Council, the University of Malaga and several collaborators have developed a pioneering project in the world that allows improving the exchange of information between the Public Administrations, social services and energy companies. Blockchain technology allows the creation of a shared, reliable, immutable, traceable and secure grid that prevents power cuts to vulnerable customers. This project combines ENDESA's social commitment, technological innovation and the constant search for efficient processes.
"Única": First energy subscription model	<ul style="list-style-type: none"> In a context of high volatility in energy prices, Project Única has become ENDESA's firm commitment to offer energy to its customers at stable prices in the long term. Thanks to digitisation and big data, ENDESA offers a personalised individual price to each customer, without penalties, with 100% renewable electricity and neutral gas emissions, 100% digital, and it also includes a challenge plan that rewards efficient consumption. With this proposal, ENDESA also offers additional services that can be included in Project "Única", such as annual maintenance inspections, repairs or third-party services at discounted prices (for example: Netflix). It seeks to make life easier at homes, thanks to the use of new technologies.
GEA	<ul style="list-style-type: none"> Social and environmental innovation project for ENDESA's customers, allowing them to choose the initiatives that they would like the company to support. Some of the initiatives promoted include the support for families with members suffering from Jacobsen Syndrome, Food Banks, support for the ENDESA Forest and training for the employment of people at a risk of social exclusion.
Valuable500	<ul style="list-style-type: none"> By joining the Valuable 500 initiative, ENDESA will conduct an in-depth review of the accessibility of all its processes and service channels. In particular, the company is working on improving the face-to-face service channels, the telephone and digital service channels, in collaboration with Fundación Ilunion, as well as improving the products and services offered to its customers so that they are accessible to the largest possible number of people and especially to those groups of persons with disabilities.
RC4ALL	<ul style="list-style-type: none"> The RC4ALL (Responsible Consumption 4 ALL) project uses Artificial Intelligence and Big Data techniques to generate personalised recommendations for Customers, with the aim of improving consumption efficiency, promoting responsible and efficient consumption, reducing energy consumed and unused, contributing to the decarbonisation of society and meeting the UN's Sustainable Development Goals (GDS). This project is funded by the Ministry of Science and Innovation and is carried out jointly by ENDESA and Comillas-IIT (Institute of Technological Research).
Voice biometrics at Call Centres	<ul style="list-style-type: none"> Pilot project that uses voice biometrics for customer authentication purposes at call centres, facilitating the validation of security policies in their interactions with ENDESA, through a two-step process: <ul style="list-style-type: none"> 1. Enrolment. Customer request, after completing a transaction via Watson (AI) to create the customer's voiceprint after recording the conversation with an agent. 2. Authentication. Identification of the telephone number used by the customer to call us and check the customer's voice (if enrolled) against the voiceprint assigned to this number.
Sales certification over WhatsApp	<ul style="list-style-type: none"> Use of WhatsApp by ENDESA's customers for the certification of the energy products for which they sign up, eliminating the barriers to sign up for new products and services with a new user-friendly channel, with the legal guarantees that protect both the customer and ENDESA against potential fraud.
Analysis of delays in claims with graph databases	<ul style="list-style-type: none"> With the analysis of the life cycle of a claim, from its registration to its resolution, a solution based on graph database technology has been implemented, which has allowed the company to identify those points in which the flow of the claim creates bottlenecks, as well as other additional findings in which problems are found.

Efficiency in end usage of energy

Guidelines: test the latest technologies in the field, define performance, identify areas of improvement and define operating processes.

Areas of activity: during 2021, the main efficiency innovation projects were:

Projects	Description
Homix	<ul style="list-style-type: none"> "Smart home" device developed by the e-Home business line alongside Amazon, with an ecosystem of smart accessories that are continually being added to the catalogue of smart devices. The technological solution learns the habits of home use to autonomously offer responses to people's needs. It simplifies family life thanks to the integrated management of home heating, security and lighting.
Photovoltaic Simulator	<ul style="list-style-type: none"> Extensive solar catalogue, which includes a web-based simulator that immediately calculates the preliminary sizing and potential savings of a self-consumption photovoltaic installation for our domestic, business and industrial customers, based on variables such as their available roof space, contract rate, estimated consumption, geographical location, etc. In just over a minute, the simulator shows the customer the technical and economic details of a self-consumption photovoltaic installation.

City transformation. ✕

Guidelines: in the urban context, ENDESA X Servicios, S.L.U. handles the technological alignment driven by digitalisation leading to the creation of cities equipped with smart systems and more energy-efficient equipment capable of ensuring more sustainable, cheaper and more customised services in response to the demands of the public.

Areas of activity: during 2021, the main city transformation projects were:

Projects	Description
City Analytics	<ul style="list-style-type: none"> ENDESA X Servicios, S.L.U. is aware of the need to manage huge volumes of information related to mobility in local cities, so authorities can adopt smart measures. To this end, it has developed City Analytics, a solution that displays data and monitors pedestrian and vehicular mobility flows from the anonymised data of mobile phone users on Spanish streets and roads. In 2021 ENDESA X Servicios, S.L.U., partnered with HERE Technologies, adapted the "City Analytics" solution to the current circumstances of COVID-19, creating the "City Analytics" - Mobility Map, in order to help public administrations and companies in decision-making, for example, in a crisis as serious as the pandemic we are now seeing. This mobility map is a software tool that enables all actors involved in containing the epidemic to visualise movements flows. City Analytics - Mobility Map not only provides the still photo in real time, updated every day by Autonomous Communities and provinces, but also allows users to compare the routes with those of the same day of the previous week, and with those of the weeks leading up to the state of emergency. It also provides data on the variation of the average distance travelled between periods, as well as the arrival and departure flows of vehicles in a reference area, also at the Autonomous Community and provincial level. This project was designed for Public Administrations, rescue services and police forces, and is part of ENDESA X Servicios, S.L.U.'s commitment to the Smart City model.

Electric vehicles. ✕

Guidelines: for ENDESA, which has a firm commitment to the Energy Transition and decarbonisation, electric mobility represents one of the mainstays. In this regard, ENDESA promotes the development of electric vehicles as one of the main means of combatting Climate Change and promotes electric mobility as an instrument for facilitating a zero-emission energy model.

Areas of activity: ENDESA, through ENDESA X Servicios, SLU, leveraging the track record in electric mobility that ENDESA had already been developing and its experience in this business, promotes new opportunities, such as advanced energy solutions, flexibility services and demand management.

In 2021, the main electric mobility projects were:

Projects	Description
Public Charging	
Electric vehicle charging stations	<ul style="list-style-type: none"> In 2021, work continued with reaching the goal of having 11,000 electric vehicle charging stations installed, facilitating the movement of electric vehicles anywhere in Spain. According to the 2022-2024 Strategic Plan, new charging stations will be installed, bringing the total to 46,000 private and public charging stations at shopping centres, car parks, hotel chains, service areas or on public roads to accompany the growth of the electric vehicle market, providing greater coverage in the charging infrastructure to urban areas and major strategic communication hubs, both on the mainland and on Spanish islands.
"JuicePass" app:	<ul style="list-style-type: none"> The "JuicePass" app allows customers to locate charging stations via GPS, and manage electric vehicle charging directly from their mobile phone, providing access to detailed information on charging stations, prices, charging powers and access times. It is also possible to book time at a charging station, monitor charging details in real time and access past information on charging sessions and invoices.
Private recharging	
"Juice" device family	<ul style="list-style-type: none"> ENDESA X Servicios, S.L.U. continues to market end-to-end value proposals for the roll-out of private electric vehicle charging, providing electric mobility solutions to customers in the residential, business and commercial sectors, in addition to the public administration, using the advanced technology included in the "Juice" family of devices, as in the AC charging devices "JuiceBox" and "JuicePole" and DC charging devices "JuicePump" and "JuicePump UltraFast".
Home charging facilities	<ul style="list-style-type: none"> ENDESA X Servicios, SLU has developed charging facilities for home use designed for private owners of electric vehicles and introduced the "JuiceMeter" technology to allow power balancing with the home so as not to overshoot contract power in any scenario. The year saw the launch of Open Charge, an electric mobility solution in collaboration with ENDESA that covers the energy and charging needs of electric vehicle users, combining the following all in a single bill: domestic energy as part of the ENDESA Única Tariff; energy used to charge vehicles in the private garage; the supply and installation of a 7.4 kW domestic JuiceBox charger; and 80 kWh per month to charge across the network of ENDESA X Servicios, S.L.U. public charging stations.
Solutions for companies	<ul style="list-style-type: none"> For companies, ENDESA X Servicios, S.L.U. offers a comprehensive solution that includes the installation, supply and maintenance of facilities in addition to the remote management of all information on the use of the charging infrastructure. Moreover, with the aim of making it easier for companies to switch to electric mobility, ENDESA has partnered with leasing companies such as Athlon to create the first "All in One" electric leasing for companies through their "OneElectric" product, which includes the electric vehicle plus the charging point and its installation in a single fee.

Electrification of public transport. X

Guidelines: Through its e-City division, ENDESA X Servicios, S.L.U. has a comprehensive proposition to the government to meet its public transport electrification targets. Its solutions range from providing advice, installing and maintaining recharging infrastructure to supplying electric buses using both traditional and innovative "charging as a service" and "eBus as a service" models.

Areas of activity: the main public transport electrification projects carried out in 2021 were as follows:

Projects	Description
Transports Metropolitans de Barcelona (TMB)	<ul style="list-style-type: none"> Tender for the supply and installation of 23 e-bus charging stations in the Triángulo Ferroviario (railway triangle) carried out by the e-City division for the Transports Metropolitans de Barcelona (TMB) bus network. This project outlines the works required to electrify the remaining 15 space of the first phase plus another eight spaces up to a total of 30, and tray section to the exterior of the workshop where plans are to install a test charger.
	<ul style="list-style-type: none"> Electrification project for the H12 and V15 lines, carried out by the e-City division for the Transports Metropolitans de Barcelona (TMB) business network. In 2021, ENDESA X Servicios, S.L.U. was awarded the tender for the installation seven chargers on public streets, which will be put into service in 2022, and for the comprehensive of those seven chargers and the four existing chargers on the H16 line.
Avanza – Transporte Urbano de Zaragoza	<ul style="list-style-type: none"> Project carried out by the e-City division for Transporte Urbano de Zaragoza (Zaragoza urban transport) network owned by Avanza Group, whereby in 2021 ENDESA X Servicios, S.L.U. was awarded the contract to install 76 chargers in the garages and a 20 MW subscriber substation, which come on stream in 2022.

Protection of intellectual property. X

Guidelines: patents protect inventions that meet utility, novelty and non-obviousness requirements. A patent right grants the owner the right to exclude others from making, selling or using the invention. ENDESA X Servicios, S.L.U. works continuously to protect the company's designs and trademarks: 124 patents granted and 65 pending registration to 24 ENEL X Group trademarks and 26 of its designs. These numbers are increasingly constantly in line with growth in the business portfolio.

Areas of activity: the main ENDESA X intellectual protection projects carried out in 2021 were as follows:

Projects	Description
X-MINDS	<ul style="list-style-type: none"> Project to foster and improve an intellectual property mentality within ENEL X. The ideas and work of every ENDESA X Servicios, S.L.U. employee each day create value that requires protection. Several awareness-raising videos were recorded as part of this project, so that we are all realise how important our ideas are in the organisation and how they build and improve it day by day, and to ensure that this key asset is leveraged to develop the company and prevent it from being wasted.

Occupational health and safety.

The main research, development and innovation actions carried out in 2021 centred on pinpointing areas for improvement in occupational health and safety (OHS), in work teams, and in facilities:

Projects	Description
Projects related to particularly hazardous jobs	<ul style="list-style-type: none"> Assurance of compliance with basic occupational health and safety guidelines. Key projects in the Distribution business line included "APP5RO", which entails verifying compliance with the five golden rules for working with electricity, and "5PPA", related to working at height.
Projects related to plant safety	<ul style="list-style-type: none"> The "Intrinsic Safety" project
Projects related to individual and collective protection, and protective clothing	<ul style="list-style-type: none"> Optimisation of personal protective equipment (PPE) with preventive and ergonomic IT innovations that afford greater protection, comfort and resistance. Assessment of the PPE management solution (SPRINGTER).
Projected related to emergency management	<ul style="list-style-type: none"> Notification and resolution of emergencies at plants. "Emergency App", implemented at thermal generation plants and currently being extended to all other areas.
Projects related to safety inspections	<ul style="list-style-type: none"> Use of interconnected software (e.g. "HSEQ4u") to report safety incidents and require action plans to address them.

Projects	Description
Projects related to safety leadership and workplace risk prevention (WRP)	<ul style="list-style-type: none"> "Reskilling" project: worker retraining due to technological change. "E-worker" projects: APP that allows users to transfer information on work permits, search for materials, open maintenance tickets, close-notify maintenance orders, book shifts, note field work, obtain plant information and plant-related documents. "E-PTW" project: digitalise the complete Permit to Work ("PTW") and release (creation, placement, verification and standardisation of the release) process for each participant on a job via mobile phone with Near Field Communication ("NFC") technology; creation, risk information and decision-making by the executing companies, delivery from the work area, change of participants, suspension and recommencement of work, PTW return, and pre-linking with eWorker and post-handover of the PTW with InCheck. Synchronised with the "WCM2" in-plant release management tool, equipped with its own digital signature process. It allows for off-line work and eliminates printed paper.
Projects related coordinating business activities and management contractors	<ul style="list-style-type: none"> "Hercules" tool for the Ferrol port terminal (TP), entailing the use of 3D technology to digitalise business activity coordination processes in maintenance work. "Dynamo" tool: enhancements in communication of contractors work and in efficiency of information exchange between stakeholders in the various processes: Organisational Unit and different Technical Areas of the Joint Prevention Service (JPS).

14. People

14.1. Workforce.

At 31 December 2021, ENDESA had a total of 9,258 employees, 3.5% fewer than a year earlier.

The average number of employees in 2021 was 9,271 (-4.6%).

Information on ENDESA's workforce is provided in Note 52 to the consolidated financial statements for the year ended 31 December 2021.

Key performance indicators (KPIs) related to the workforce.

KPIs related to the workforce at 31 December 2021 and 2020 were as follows:

Key performance indicators (KPIs)	31 December 2021	31 December 2020	% Chg.
New hires	678	253	168.0
Hiring rate (%) (1)	7.3	2.6	-
Contract terminations (n.º)	934	596	56.7
Turnover rate (%) (2)	10.1	6.2	-

(1) New hires as a % of final workforce.

(2) Contract terminations as a % of final workforce.

14.2. Occupational Health and Safety (OHS).

ENDESA considers occupational health and safety (OHS) a priority and a core value to be preserved at all times for everyone, without distinguishing between its own staff and its partner companies. This goal is integrated into ENDESA's strategy through implementation of the occupational health and safety (OHS) policy at all companies in the ENDESA Group.

In 2021, the Joint Prevention Service, in coordination and working together with the rest of the Health & Safety, Environment and Quality units of the various business lines, focused on the six basic pillars or main areas of its preventive initiatives:

Preventive Activity	Description
Concienciación en Salud y Seguridad Laboral (SSL)	<ul style="list-style-type: none"> This chapter discusses the dissemination of COVID-19-related health and tips on healthy habits for safety in the workplace (including ergonomic recommendations to prevent musculoskeletal disorders) Along these lines we continued to carry out seasonal campaigns (e.g. prevention of high temperatures, safe driving, disconnecting for holiday wellbeing, flu shots) and distribute informative material (e.g. newsletters, videos, infographics).
Observing and controlling activity.	<ul style="list-style-type: none"> Efforts were geared toward verifying the overall situation of occupational safety through planned inspections and audits, including review of compliance with standards, procedures and processes and their implementation at operational level (e.g. inspections, safety walks, Extra Checking on Site (ECoS)). We also targeted improving and adapting facilities to the situation caused by COVID-19 (e.g. new spaces, new working and personnel organisation models, building signage and signposting, establishing maximum capacities, disinfection and sanitisation standards and protocols, relations with contractors, review of fire detection and automatic fire extinguishing systems).

Preventive Activity	Description
Partner companies.	<ul style="list-style-type: none"> Criteria were established, in a coordinated manner, again during the year for regular verification, monitoring and control of compliance by contractors with certain legal requirements. Suppliers were also subject to safety evaluations to identify critical areas, while contractors underwent audits or assessments. Health and Safety Coordinators were issued instructions for implementing COVID-19 action plans at construction sites, and COVID-19 instructions and signage were developed for ENDESA service points.
Occupational health and safety management system.	<ul style="list-style-type: none"> ENDESA is making continual improvement to its OHS management system, as required by the ISO 45001 standard, enabling it to identify and help control occupational health and safety (OHS) risks, reduce incidents, help control compliance with laws and enhance performance in general, promoting a safe and healthy workplace.
Innovation, improvements in equipment and technologies.	<ul style="list-style-type: none"> In line with the digital transformation and technological innovation process, the various business lines' Health & Safety, Environment and Quality teams and the Joint Prevention Service worked on implementing digital tools for each scope.
Workplace risk prevention, training and inspections.	<ul style="list-style-type: none"> To ensure that all operations are performed safely, ENDESA had a company-wide safety inspection programme in place for several years now. Inspections are performed partly by the company's own personnel and partly through partner companies that have previously been informed about ENDESA's work procedures and the actions or behaviours that are considered unacceptable from the standpoint of workplace risk prevention (WRP). The WRP management system requires that any incident occurring to be investigated. For serious, fatal or significant incidents (including incidents involving electricity or working at height) an investigation committee must be set up to analyse the event in detail, using the "Root Cause Analysis" methodology. Further, for significant incidents, once the causes have been clarified and the preventive measures to be implemented for preventing recurrence of this type of incident have been specified, a "Lessons Learned" report is prepared to raise awareness across the rest of the organisation about the measures undertaken to prevent the incidents. As part of working risk prevention training, for all employees to have sufficient and appropriate theoretical and practical training, both when they are hired, irrespective of the type or duration of their employment, and when there are changes in their duties or working conditions or when new technologies are introduced that present new risks or significant changes in existing risks at ENDESA, the Company: <ul style="list-style-type: none"> Identifies training needs in workplace risk prevention; Determines the content and recipients of workplace risk prevention training; Plans actions, frequency/recycling; and Controls the quality and the implementation of the training.
Workplace risk prevention, training and inspections	<ul style="list-style-type: none"> Because of the situation caused by COVID-19, staff continue to receive OHS training courses of ENDESA's catalogue through online and virtual classes. The same goes for training programmes focused on healthy behaviours and habits for personal and environmental protection. Noteworthy courses included risk prevention in the Work Outside the Office initiative and ENDESA's Occupational Health and Safety Management System in accordance with the ISO 45001 standard.

Key performance indicators (KPIs) related to occupational health and safety (OHS).

The main OHS indicators In 2021 and 2020 were as follows:

Key performance indicators (KPIs)	2021		2020	
	In-house personnel	Subcontracted personnel	In-house personnel	Subcontracted personnel
Employee training on OHS (number of hours)	47,888	-	59,186	-
Attendance at OHS training ⁽¹⁾	5,824	-	5,755	-
Safety inspections ⁽²⁾	462	109,835	829	72,218
Safety Walks ⁽³⁾	83	-	386	-
Extra Checking On Site (ECoS) ⁽⁴⁾	34	-	13	-
Number of hours worked	15,155,924	35,080,804	16,114,256	35,194,357
Number of accidents ⁽⁵⁾	2	28	3	16
Frequency index ⁽⁶⁾	0.12	0.76	0.18	0.44
Number of serious accidents ⁽⁷⁾	-	2	1	3
Frequency of serious accidents index	-	0.06	0.06	0.09
Number of fatal accidents	-	1	-	1
Frequency of fatal accidents index	-	0.02	-	0.03
Degree of severity ⁽⁸⁾	0.02	0.07	0.08	0.06

(1) Employees attending training courses on risk prevention in the year (number).

(2) Safety inspections of works and/or projects related to own employees and contractors (number).

(3) Safety visits by management and prevention technicians to facilities and workplaces to verify the state of the facilities, compliance with OHS regulations and the adoption by works of safe and healthy behaviours (number).

(4) Safety visits to workplaces by experts from different countries to share preventive improvement practices (number).

(5) Includes accidents eligible for calculation under ENEL Group Policy 106.

(6) Frequency index = (Number of accidents or Number of serious accidents or Number of fatal accidents / Number of hours worked) x 10⁶.

(7) Includes: accidents that resulted in more than six months off work as at 31 December 2021 and 2020; accidents that are ongoing and considered serious (initial prognosis >30 days) as at 31 December 2021 and 2020; accidents classified as "Life Changing Accidents" (LCA), irrespective of the resulting number of days off work.

(8) Severity rate = (Number of lost days / Number of hours worked) x 10³.

14.3. Responsible people management.

ENDESA is committed to sustainable people management, fostering best practices in hiring, compensation, employment relations, training and selection, etc. and pursuing initiatives that foster a safe and healthy working environment, well-being, work-life balance, equality of opportunities, diversity and inclusion.

ENDESA believes in diversity among its employees as an enriching factor. ENDESA's respect for the approaches in its Diversity and Inclusion Policy (age, gender, culture and disability) is reflected in the ongoing increase in the number of women in the workforce, the incorporation of people of other nationalities and young people to rejuvenate the workforce, recognition of people with the most experience and the integration of people with disabilities.

In 2021, ENDESA worked on each of the following dimensions by carrying out various initiatives, as described below:

Diversity and equal opportunities

Under the framework of the Policy of Diversity and Inclusion, ENDESA rejects all manner of discrimination and undertakes to guarantee and promote diversity, inclusion and equal opportunities in all dimensions covered by that policy (gender, age, disability and nationality):

a) Gender.

ENDESA promotes gender equality in all areas of the Company, focusing in particular on internal and external objectives relating to gender as set out in the 2022-2024 Sustainability Plan.

	2021	2022-2024 Targets		
		2022	2023	2024
Increase the presence of women in positions of responsibility (% women)				
Management positions	20.8	20.0	20.0	20.5
Middle management positions	33.8	32.5	32.8	33.0
Promotion of gender diversity in selection processes (% women)	53.0	50.0	50.0	50.0
Promotion of gender diversity in hiring (women as % of total hires)	37.0	38.0	40.0	42.0
Female students involved in initiatives of vocational guidance in STEM ⁽¹⁾ area	>7,000 women involved in the 2022-2024 period			

(1) "Science", "Technology", "Engineering", "Mathematics".

Data and results of gender diversity initiatives carried out are released monthly and performance is assessed against the targets set for 2021. The number of women on staff increased by 1% from the year before, the number of women in management positions by 0.5%, and the number of women in middle management positions by 1%. Meanwhile, the number of women on ENDESA, S.A.'s Board of Directors increased by 5.7%.

In 2021, women represented 37% of all new hires (5% higher than the year before).

Women as a % of the total workforce

	2021	2020
Board of Directors	36.4	30.7
Executive positions		
Management positions	20.8	19.7
Middle management positions	33.8	32.6
Selection processes		
Short list ⁽¹⁾	53.0	36.1
Hires	37.0	32.2

(1) List of final candidates in selection processes.

ENDESA has an equality plan that provides a framework for action to promote effective equality, equity, development, work-life balance and co-responsibility among all staff and is part of the ENDESA V Framework Collective Agreement.

We also defined a Gender Diversity Action Plan, in line with our Diversity and Inclusion Policy, aimed at achieving three main targets: increasing the presence of women in the Company, increasingly their presence in positions of responsibility, and ensuring quality in wages and salaries. Several initiatives are being developed to achieve these goals structured around four pillars:

Initiatives	Description
Attracting talent:	<ul style="list-style-type: none"> Incorporating inclusive language and equality in selection processes through STEM ("Science", "Technology", "Engineering", "Mathematics") programmes; e.g. Orienta-T and Dismantling Stereotypes.
Awareness-raising:	<ul style="list-style-type: none"> Actions including "HER Training Pill", "Conscious Decisions" and "ceos for diversity: Action map".
Work-life balance	<ul style="list-style-type: none"> Reflected in the equality plan and 68 measures included in the "V ENDESA Framework Collective Agreement". The "Parental Program" was also carried out.
Women leadership	<ul style="list-style-type: none"> Through programmes such as "Woman Mentoring".

Moreover, complementary communication initiatives were carried out (e.g. Diversity Days) while external commitments were undertaken with public administrations, including the Ministry of Equality (Equality Badge) and with other entities, such as "Ceos for diversity" and the Sustainable Development Goals (SDGs).

The actions and their impact are followed and monitored by the Equality Committee and tracked by external indices, e.g. Bloomberg and MERCO.

b) Age.

ENDESA works to recognise and manage generational differences, guaranteeing integration, motivation and knowledge transfer. In 2021, ENDESA carried out onboarding actions targeting young people who have just joined the company and programmes aimed at leveraging the value of senior talent via knowledge transfer initiatives and recognition of their experience, such as: the "Our Best Values" initiative for employees over 55 who made an exceptional contribution during their professional careers and receive recognition from the organisation, their direct managers and their colleagues in the form of participation in experiential or business activities.

c) Disability.

ENDESA carries out initiatives to foster the integration of people with disabilities in conjunction with foundations specialising in this area. The main ones are:

Initiatives	Description
"Valuable 500"	<ul style="list-style-type: none"> ENDESA was the first Spanish energy company to sign up for the "Valuable 500" global disability inclusion initiative, carrying out more than 20 initiatives in 2021.
Adecco Foundation Family Plan	<ul style="list-style-type: none"> Counselling and health therapies for family members with disabilities. This plan provided personalised counselling and health therapies to 72 relatives of employees with a disability in 2021
Randstad Foundation:	<ul style="list-style-type: none"> Provision of specialist disability consulting and advisory services.
Prevent Foundation and Universia Foundation	<ul style="list-style-type: none"> Support for a variety of scholarship programmes for students with disabilities.

These actions take the form of projects that promote inclusion of people with disabilities in the labour market and support services for employees with disabilities (76 employees with a disability as at 31 December 2021, 0.8% of total headcount at that date).

In addition to partnering with foundations, ENDESA has an officer tasked with centralising all issues and providing service to both managers and employees in this area.

ENDESA complies with current disability regulations, set out in Spain's General Law on Disability (Ley General de Discapacidad).

d) Nationality.

ENDESA is committed to the acknowledgment, respect and integration of persons of different nationalities working at the Company. In line with this commitment, it assigns expats a tutor from the country of destination to help them with their personal and professional integration.

To lend visibility to these initiatives, we held the "Diversity Days" again in 2021. Because of the pandemic, it was done virtually via a global platform for all ENEL Group countries of operation.

Work-life balance and flexibility

ENDESA continued to carry out a variety of initiatives to foster its flexible working environment and help employees achieve a balance between their personal, family and professional lives. The measures taken by ENDESA to promote work-life balance are divided into five large groups: job quality (open-ended contracts, pension plans, health and well-being, support for expats, etc.), personal and work time flexibility (reduced working days, leaves, paid work leaves, etc.), family support (leaves, work leaves and work schedule flexibility to care for relatives, aid to dependant elderly persons, etc.), professional development (professional, technical, skill, language training, volunteer programmes, coaching, etc.) and equal opportunities (professional assistance for victims of gender violence, medical advice, etc.).

ENDESA employees benefitting from initiatives to promote work-life in 2021 and 2020:

Number of employees		
Conciliation Action Lines	2021	2020
Women	2,203	2,218
Men	5,104	5,365
TOTAL	7,307	7,583

Among these initiatives, ENDESA continued to promote the "Work Outside the Office" project. Employees were allowed to continue working remotely in 2021 where possible to keep them safe from the spread of the virus. We accompanied them to maintain their motivation and performance.

The "Days without School" programmes and camps continued to offer employees' children a leisure alternative to provide solutions on days or holidays when employees have to work and need to balance their professional, personal and family life.

In the Madrid, Barcelona and Seville offices, in order to favour women who have been mothers, the breastfeeding room service has continued to be offered.

As a company firmly committed to employees' health, ENDESA has been promoting the Train Yourself Programme since 2011. The Company encourages employees to practice sport through this programme with a monthly subsidy. During the years 2021 and 2020, the number of employees benefitting from these programmes is as follows:

Total number of people by type of work-like balance initiative	2021	2020
Work Outside the Office	6,407	6,180
Train Yourself	4,052	4,650
Flexible timetable	2,858	2,152

ENDESA makes a specific Offers Channel available to all its people as employees on the corporate intranet. This channel includes a wide variety of products and services at competitive prices, ranging from leisure offers to others related to personal well-being and training. It is also open to solidarity, with a section for donations to different social institutions aimed to improving the living conditions of those most in need.

In 2021, ENDESA continued to make its "To Do" room available to employees at the Madrid headquarters. Working around the clock and through on-line payment, this room brings together services that help make employees' lives easier; e.g. clothing and footwear repair, dry cleaning, laundry, financial advice, and mobile phone, tablet and computer repair.

There is also an app that allows people to enjoy services such as private car pooling, the *e-sharing car* service with a fleet of electric vehicles for professional use, cleaning and car repairs, yoga classes, pilates and maintenance gymnastics, nutritionist and travel agency.

14.4. Employment climate.

Given the ongoing health crisis in 2021, ENDESA had to continue promoting its new work model, with some workers returning to the office. A variety of surveys, interviews, focus groups and initiatives were carried out at different levels within the organisation to gauge how employees felt and how they were adapting to the remote working and the partial return to on-site work, adding questions about workload, leadership, and their motivation and commitment to ENDESA.

An enterprise-wide Wellbeing and Welfare unit was created as part of the People and Organisation Unit. Its mission is to stimulate and sustain employees' personal wellbeing at work and in their private lives, giving them greater peace of mind and reinforcing their sense of belonging. To build a Global Wellbeing Plan, employees' needs were heard through the "Wellbeing" survey launched in October 2021; the level of employee satisfaction was 3.6 out of 5.

The initiatives rolled out in 2021 remained focused on leveraging ENDESA's strengths and values to address the areas of improvement identified. A large number of these were aimed at further improving management skills in increasingly digital, flexible and diverse environments. Another group of measures is aimed at encouraging employee participation in decision-making activities in projects and processes, to help develop the values of trust, proactivity, responsibility and innovation underpinning ENDESA's management model.

Notable examples of actions included in these employee climate action plans: employee companionship actions (the "We're Still Together" snacks started back up in early 2021), actions related to leadership, time management and emotional management, and projects to increase pride in belonging (the Cambiamos project continued in 2021), which reinforced the company's values. Alongside the partial return of employees to offices there were communications and a "Wellcome Pack" to welcome the return. A pilot test was also carried out to gauge employees' wellbeing, with a cutting-edge initiative, "Stop and Feel", employees were asked each day how they felt. They could answer using a physical device in the office or online. The test elicited over 7,000 responses (with 68% participation online and 32% via a physical device), with 52% satisfaction index.

All climate action plans carried out in 2021 were monitored regularly to ensure that they conformed to the planning and targets set.

14.5. Leadership and personal development

ENDESA's leadership model is based on the Group's vision, mission, values and conduct. Open Power values (responsibility, innovation, trust and proactiveness) are present in all people management processes through 15 competencies linked to those values. This enables not just leaders, but everyone within the organisation to have clear guidelines regarding a management style and behaviours that are firmly committed to people and their potential. ENDESA has been committed to the coaching culture in the company for many years now. It reinforced this commitment over the past year by embedding this philosophy into key people management processes, emphasising the importance of skills such as feedback and listening.

ENDESA is committed to talent development, and personal and professional growth as part of its business strategy focused on the sustainability of human capital:

Programs	Description
Skills Workshops	<ul style="list-style-type: none"> ENDESA remains strongly committed to coaching via individual of team initiatives carried out through the in-house coaching network in which over 50 in-house coaches - more than 25 are also team coaches - assist ENDESA's professionals. The coaching team is one area where ENDESA is considered a benchmark among IBEX 35 companies. ENDESA was awarded the third place prize in the "2021 Coaching Culture in the Company" awards by the Spanish Association of Executive and Organisational Coaching (AECOP). It came after ENDESA was awarded first prize in this category in 2019. In 2020, it won first place in the Expocoaching "Best Practice" in the workplace award.
Skills Workshops	<ul style="list-style-type: none"> The catalogue of coaching-related workshops was enriched in 2021 by adding the challenge of bringing coaching closer to ENDESA. This gave rise to the "Growing with Coaching" initiative, aimed at raising awareness about coaching and bringing it closer to all employees. In the same vein, the "Coaching Tools for your Development" workshop was held internally by the In-house Coaching Network. It was for any employee wishing to learn how to implement coaching skills in their daily job. These workshops are in addition to the "Coach Manager" and "Coach Manager+" courses for people managers. In line with the commitment to instilling a feedback culture, coaching tools contribute positively to managing teams amid highly efficient environments.
"Mentoring"	<ul style="list-style-type: none"> Extending the action started a few years ago, during the year ENDESA continued this knowledge transfer project in which leading professionals in a specific area of expertise tutor and mentor other colleagues for a period of 3-6 months. In 2021, a new edition of "Women Mentoring" was begun aimed at giving visibility to and empowering the Company's female talent.
"Job Shadowing"	<ul style="list-style-type: none"> This development action is geared towards teaching participants about another area within the Company. Participants choose a colleague to shadow for a specific period of time, accompanying them in their daily work, and sharing experiences and viewpoints. Anyone in the organisation interested in the programme was given the change to participate in 2021.
Reinforcing the role of the "People Business Partner" (PBP)	<ul style="list-style-type: none"> As part of the "MEWE transformation" project aimed at supporting People Business Partners (PBP) in their transformation towards a role that is more focused on being closer to people and fostering key coaching skills, e.g. listening, empathy and feedback. All PBPs underwent a coaching tool-based development process during the year.
People and Organisation Consulting	<ul style="list-style-type: none"> one of the great achievements in talent management is implementing tailored solutions for businesses that need it. During 2021, ENDESA further reinforced a line of internal consultancy that provides ad hoc solutions to business needs expressed by businesses.
Succession Plans	<ul style="list-style-type: none"> in 2021 ENDESA continued with the identification of successors for the positions of greatest managerial responsibility. Identification is governed by specific criteria, including the requirement that women account for at least half of successors as a means of achieving gender diversity goals, to which ENDESA is firmly committed.

In 2021, the existing annual evaluation system evolved into a process centred on developing people and promoting the feedback culture. The "Open Feedback Evaluation" (OFE) is based on 15 competencies organised into three areas:

- **Talent:** designed for each person to identify up to three competencies in which they believe they excel.
- **Generosity:** aimed at each person giving and asking for feedback from colleagues to recognise and drive their development.
- **Action:** the leader assigns professional goals to their team members.

The OFE has become a 360° feedback process, available to the entire organisation to foster the culture of exchanging feedback at all levels.

Likewise, at 31 December 2021, 36.6% of ENDESA's employees receive variable remuneration based on objectives, representing a total of 3,384 employees. During the financial year 2021, 3,505 evaluations of the objectives for the financial year 2020 have been carried out.

Key performance indicators (KPIs) related to performance appraisal and evaluation of objectives.

In 2021 and 2020, the key performance indicators (KPIs) related to the performance appraisal and evaluation of objectives were as follows:

Percentage (%)		
Key performance indicators (KPIs)	2021	2020
Employees with variable remuneration linked to evaluation of objectives ⁽¹⁾	36.6	36.5
Employees included in performance appraisal ⁽²⁾	84.4	86.6

(1) Employees with a component of their variable salary linked to the achievement of ENDESA's objectives.

(2) Employees taking part in the evaluation of behaviours and/or values of the company using the Open Feedback Evaluation (OFE) tool as a % of the final workforce.

14.6. Training.

As part of its commitment to people, ENDESA's learning strategy is people-focused, offering a comprehensive catalogue of training activities to equip them with and improve the technical skills they need to perform their duties and enhance their personal development. A fully up-to-date catalogue with courses on the skills and techniques that are in greatest demand and will help to spark employees' inquisitiveness for cutting-edge issues, while caring for and reinforcing their overall well-being, not to mention provide learning experiences to work and lead a new, more flexible organisational model.

Training actions in 2021 addressed the needs uncovered from the various processes carried out to ascertain training needs to ensure continuous and updated learning in the different types defined and classified as "upskilling" and "reskilling": Skills, Technical, Safety and Prescribed.

We held 5,387 training sessions in 2021, in which 8,876 workers took part.

To undertake this activity, ENDESA invested €34 million, of which €13 million were for direct training costs.

ENDESA's responsibility for complying with current legislation in relation to each and every area in which it carries out its activities implying including a large number of training activities, in topics such as occupational health and safety (OHS), energy sustainability, the environment, and digitalisation, as explained below.

Type of training	Description	Programmes
Occupational health and safety (OHS) training	<ul style="list-style-type: none"> With regard to occupational health and safety (OHS), the workplace risk prevention courses are compulsory for all employees, and consist of online, virtual and classroom sessions depending on the content and target audience. Specific courses of action are carried out for positions with specific levels of responsibility in relation to prevention, such as: prevention officers, prevention resources and members of emergency teams. Courses and refresher workshops are given to update knowledge of regulations and also of ENDESA's own procedures. 	<ul style="list-style-type: none"> ➤ First aid. ➤ ISO 45001.
Energy sustainability training	<ul style="list-style-type: none"> Commitment to sustainable development is an essential part of ENDESA's activity. Therefore, training in this area is important, with the design, development and implementation of courses aimed at ensuring ENDESA employees take aboard the sustainability principles in their private and professional activities, and by changing their energy behaviour become examples for society to follow. 	<ul style="list-style-type: none"> ➤ ENDESA Circular Economy School. ➤ Circular Economy: General concept and business application.
Environmental training	<ul style="list-style-type: none"> Environmental training was further strengthened in 2021 with around 1,540 hours of training provided to ENDESA employees. With this training, ENDESA complied with requirements for renewal of its different ISO 14001, energy efficiency and Integrated Environmental, Energy Efficiency and Indoor Air Quality Management System certificates. 	<ul style="list-style-type: none"> ➤ ISO 14001 ➤ Environmental awareness-raising
Digitalisation training	<ul style="list-style-type: none"> Training in digital transformation was a major focus in 2021, with more than 36,251 hours of training provided. ENDESA's digital skills training programmes allow students to expand their technical knowledge in IT to include the change management skills shaping the new paradigm of the digital era and the new working model. This aim is have a more systemic vision and achieving a sustainable, positive impact. 	<ul style="list-style-type: none"> ➤ Digital Routines in 21 days (R21D). ➤ EnData.
Other training activities	<ul style="list-style-type: none"> Courses in management, social and leadership skills to provide employees with tools to ensure their personal and professional development. These courses are managed transversally among different Business Lines and Support Areas. Empowerment and transformation programmes. 	<ul style="list-style-type: none"> ➤ Agile methodology programmes: "Let's talk about agile", "Scrum Master", "Product owner". ➤ New work methodologies: "Design Thinking", "Visual Thinking", "Lean Startup" and "Creative Problem-solving". ➤ Rebirth in relationships.
	<ul style="list-style-type: none"> Technical skills training for employees to continue their professional development and give them the qualifications needed to go about their tasks. 	
	<ul style="list-style-type: none"> Diversity and inclusion training. 	<ul style="list-style-type: none"> ➤ "Valuable 500": "Let's talk about disabilities".
	<ul style="list-style-type: none"> Language training, by belonging to ENEL Group. ENDESA promotes language classes, chiefly English and Italian, with a wide range of programmes in different formats. Specific onboarding training programmes for new hires to they can acquire the knowledge and skills necessary to perform their tasks. 	

Key performance indicators (KPIs) relating to training activity.

In 2021 and 2020, the key performance indicators (KPIs) related to training activity were as follows:

Number of hours		
Key performance indicators (KPIs)	2021	2020
Training ⁽¹⁾	406,917	348,700
Digital skills training ⁽¹⁾	36,251	33,174
Promotion of training for employees ⁽²⁾	43.95	36.40
By category:		
Executives	32.69	32.81
Middle management	41.31	34.45
Administration and management personnel	45.20	32.59
Operators	50.30	56.24
By gender:		
Male	39.24	38.03
Female	33.36	31.14

(1) Training provided to employees.

(2) Average training given per employee (average number of hours of training).

14.7. Attracting and retaining talent

In order to attract the best talent, ENDESA focuses on Employer Branding to promote the company in the job market and be considered an attractive place to work. Over the past few years, the focus has been on attracting young talent, particularly with STEM (Science, Technology, Engineering, Mathematics) profiles to drive ENDESA's digital transformation.

Actualitions	Description
Attracting and retaining talent	<ul style="list-style-type: none"> In this regard, the "Flow Your Talent" aims to enhance skills and develop young talent. Within this framework of action, we highlight initiatives such as virtual job fairs, with events specialising in digital profiles such as "Big Data Talent Virtual" or "Speed Dating IT". Some dozen or so workshops were held for secondary school and university students to spark interest in STEM (Science, Technology, Engineering, Mathematics) training and to promote the ENDESA brand. Also during the year, approximately 200 young talents took part in "Recruiting Day" actions. At these, young people take part in individual and group activities to showcase their skills, passions and career interests in a natural and fluid manner. The candidates themselves appreciate these activities immensely from the viewpoint of selection and employer branding.
International mobility.	<ul style="list-style-type: none"> In 2021, ENDESA continued to roll out international mobility programmes for employees to contribute to their development in international arenas, widen their global business vision and enhance their technical knowledge. The international mobility programme were efficiently managed and foster a global career, thus enhancing a multinational culture. In 2021, ENDESA managed 49 processes for expatriate employees and 10 for returnees. Within the framework of compliance with the Diversity Policy, special attention is paid to the integration expatriates at destination, by assigning them a tutor/mentor during the expatriation period.
Personnel selection	<ul style="list-style-type: none"> To cover vacancies, ENDESA promotes participation of employees in selection processes and prioritises internal mobility and giving opportunities to employees to develop and learn. In cases where ENDESA is unable to make use of internal mobility, it seeks to hire people directly linked to the company's activities through internships, grants or specific temporary contracts. Job vacancies are also posted on ENDESA's and specific job websites. ENDESA has corporate-wide guidelines and the "V ENDESA Framework Collective Agreement" sets out the specific features of the process for filling vacancies. The candidates chosen must not only meeting the required technical profile, but also have the risk profile of skills and values promoted by the "Open Power" corporate culture. In 2021, there were more than 300 internal hirings and over 700 external hirings to fill vacancies in Spain and Portugal.
Grants programme.	<ul style="list-style-type: none"> In 2021, 228 young graduates were included in the ENDESA Grants Programme, 25% more than the year before. Through the training projects associated with the grants, students to maximise their development and raise their level of employability to continue on their career path. ENDESA is committed to trying to hire as many grant recipients as it can. Meanwhile, interns at ENDESA are given the opportunity to learn and gain experience about professional life that will be useful in helping them find their first job.
Remuneration policy.	<ul style="list-style-type: none"> ENDESA's remuneration policy is aligned with Spanish and international regulatory recommendations in the area of corporate governance. The company's main objective is to draw, retain and motivate the best professionals, ensuring that internal equality and external competition are maintained, and establishing remuneration according to best market practices. ENDESA's remuneration policy therefore seeks to ensure competitive and equal compensation among its employees. Remuneration is determined according to an external competition analysis based on market wage surveys, using a valuation methodology that assesses similar posts in companies with a similar number of employees and turnover. ENDESA's remuneration policy is also merit-based. In 2021, as in previous years, the individual salary review process was carried out for all employees in all professional categories. The objective of these processes is to recognise the efforts of personnel and their commitment to the Company, adjusting remuneration on a case by case basis, while ensuring that the minimums established in the V ENDESA Framework Collective Agreement are observed. This policy also strengthens the manager's role in recognising employees' achievements. In 2021, an exercise in transparency in communication to personnel of the salary review process was carried out, with special emphasis on the gender perspective..

Key performance indicators (KPIs) related to the gender wage gap.

In 2021 and 2020, the key performance indicators (KPIs) related to the wage gap were as follows:

Percentage (%)						
Gender wage gap	Average fixed remuneration ⁽¹⁾			Average fixed remuneration, variable remuneration and employee benefits ⁽²⁾		
	2021	2020	% Var.	2021	2020	% Var.
Executives	11.8	11.2	5.4	15.4	14.7	4.8
Middle management	8.7	8.9	(2.2)	10	10.6	(5.7)
Administration and management personnel	11	10.8	1.9	12.2	11.5	6.1
Operators	(1.2)	(0.6)	100.0	0.8	0.5	60.0
AVERAGE	7.2	7.3	(1.4)	8.1	7.8	3.8

(1) Difference between average fixed remuneration of men and women as a % of average fixed remuneration of men (%).

(2) Difference between average fixed remuneration of men and women as a % of average fixed remuneration, variable remuneration and employee benefits of men (%).

14.8. Social dialogue.

As at 31 December 2021, the "V ENDESA Framework Collective Agreement", in different legal terms, covered 8,255 employees; i.e. 89% of total staff.

Pursuant to Spanish and ENDESA labour regulations in 2021, the criteria to be followed in the event of business reorganisation and corporate restructuring were established, whereby Union representatives will be informed at least 30 days before any such corporate restructuring and reorganisation is actually implemented.

The most important actions regarding collective bargaining in 2021 were as follows:

- Agreement to pool together the "Power Generation" hydraulic production units' agreements.
- Agreement to amend working conditions for the procedure for managing relocation of surplus workers: CT Ibiza and unification of Gran Canaria and Tenerife flexible control and operation centres.
- Agreement on the Rules of Operation of the Occupational Health and Safety (OHS) Committees included in the V ENDESA Framework Collective Agreement.
- Agreement on transferring workers to ENEL Iberia, S.L.U. or ENDESA Medios y Sistemas, S.L.U.
- Agreement on transferring workers to EDistribución Redes Digitales, S.L.U.
- Agreement on transferring workers from EDistribución Redes Digitales, S.L.U. to ENEL Iberia, S.L.U.
- Agreement for assigning works from the B2C Unit to different companies or Organisational Units following the organisational development of ENDESA X Servicios, S.L.U.

14.9. Responsible relationship with communities.

ENDESA's commitment to the development of the communities in which it operates is part of the Company's Shared Value Creation (SVC) policy, which establishes the general principles and the methodology for implementing actions that maximise the value that business assets and projects can contribute to local communities.

This policy is designed with the ultimate aim of fostering progress for both ENDESA and society, with the understanding that this progress arises from ideas and joint creation, driven by values such as trust, responsibility, proactivity and resilient innovation.

We therefore build an integrated business model where Sustainability enables us to address the issues that shape our roadmap, with an equity-oriented approach, to pursue sustainable progress, creating cost-effective solutions, solving social needs, generating mutually beneficial relationships with stakeholders, leaving no one behind, and creating long-term value for all stakeholders to contribute to resilient and equitable development.

Detailed information on ENDESA's responsible relationship with communities can be found in the Statement of Non-Financial Information and Sustainability (see Section 24 of this Consolidated Management Report).

The Creating Shared Value (CSV) approach.

ENDESA, since 2016, has been in a process of integrating sustainability into business operations under the "Creating Shared Value" (CSV) approach. To this end, an exhaustive and rigorous accompanying methodology is applied to the Company's assets and projects in all phases of the value chain.

The implementation of the "Creating Shared Value (CSV) Process" has 4 phases, as detailed in the following diagram:



The implementation of the Creating Shared Value (CSV) model is underway in the Distribution business line and implemented in 100% of the thermal and renewable generation facilities throughout the value chain, with varying degrees of progress. Progress has also been made in the deployment of the model in the retailers, which will be developed throughout the financial year 2022.

Since 2016, there have been 342 applications of the "Creating Shared Value (CSV)" model at 351 ENDESA facilities at different stages of the value chain. Of which, 98 were carried out in 2021.

ENDESA's 2022-2024 Strategic Plan sets out a route towards decarbonisation, with a complete restructuring of the generation mix in the coming years. This change of energy model is being carried out in a responsible manner with the Local Communities. In line with the above, a special focus is being placed on Local Communities in all projects being addressed by the generation business. Each renewable construction project is accompanied by a specific Creating Shared Value (CSV) plan. And all thermal power plants in operation have an accompanying Creating Shared Value (CSV) process. For the remaining assets, a progressive implementation plan with a timetable has been defined. Lastly, the projects for the total closure of coal-fired plants currently submitted by ENDESA are accompanied by a Future Plan which is submitted to the relevant Ministry on a voluntary basis in order to mitigate their negative impact on the local community.

Sustainability Projects:

Sustainability projects are initiatives that are promoted, supported, managed and/or subsidised by the Company voluntarily and aligned with the needs of the environment that generate a benefit for the society in which it operates beyond the normal management of the business, or that promote efficiency or improvements in the management of the company internally.

At 31 December 2021, the categorisation of ENDESA's sustainability projects is as follows:

Sustainability Projects: Projects/initiatives categorisation

Social projects focused on communities				Domestic projects
1 Access to energy	2 Socio-economic development	3 Education	4 Support for communities	5 Domestic sustainability projects
Projects related to the energy they provide: <ul style="list-style-type: none"> Minimisation of economic barriers to vulnerable groups. Training and qualification on energy. Technological or infrastructure accessibility. Promoting energy efficiency. Promotion of knowledge on energy. 	Projects that promote the economic development of communities such as: <ul style="list-style-type: none"> Improvement of employability. Development of infrastructures. Transfer of skills and knowledge to communities. Support for local business activities. Community network. 	Activities involving children, schools, institutes, universities, research and development centres, etc. (Not related to energy).	Activities unrelated to energy or economic development that help communities and promote their well-being: <ul style="list-style-type: none"> Support for the family and social services. Investment in local events and initiatives. Promotion of culture. Promotion of sports. Promotion of health and safety. Protection of the environment and biodiversity. 	Projects unrelated to normal business operations, but to initiatives that provide internal efficiency under a sustainable approach, having defined its scope, measurement, result and value created: <ul style="list-style-type: none"> Efficient use of energy. Efficient use of information technologies. Efficient use of water resources. Disability and inclusion. Corporate life (conciliation, diversity, etc.).

Key performance indicators (KPIs) related to socio-economic activities.

In the 2021 financial year, and according to the "London Benchmarking Group" (LBG) methodology, which enables measuring, managing, evaluating and communicating the contributions, achievements and impacts of the Company's investment in social development in the Company, ENDESA has contributed 14 million euros in investment in social development aimed at the Communities in the environments in which it operates, of which 11 million are contributions in cash or in kind (see Section 9.3 of this Consolidated Management Report).

The distribution of this investment, calculated in accordance with the London Benchmarking Group (LBG) methodology, in ENDESA's sustainability projects was as follows:

Percentage of Social Development Investments in each Sustainable project

	2021	2020
Investments in Social Development ⁽¹⁾	14	34
Investments in Social Development in each Sustainable project:		
Access to energy ⁽²⁾	18.0	7.0
Socio-economic development ⁽³⁾	19.0	29.0
Education ⁽⁴⁾	13.0	13.0
Support for local communities ⁽⁵⁾	50.0	50.0

(1) Corresponds to the total contribution: cash, in kind, time and management costs.

(2) Includes projects to minimise economic barriers preventing access to energy; the promotion of technical training in the energy area; promotion of energy efficiency; awareness-raising in the use of energy; and technological development and development of infrastructures to facilitate access, and access to electricity for vulnerable groups.

(3) Includes projects to promote employment and generate economic activity in the community, the transfer of knowledge and training and support for local business activities.

(4) Includes projects supporting training activities involving students, families, schools and universities, and fostering academic training, in general, not related to energy, through grants, professorships, etc.

(5) Includes projects aimed at improving the well-being of people and their communities, maintaining their cultural identity, preserving their heritage, improving the environment and local biodiversity, promoting sport, encouraging healthy habits and helping to meet basic needs.

14.10. Sustainable supply chain.

ENDESA observes sustainability best practices throughout the value chain. To promote responsible management in the supply chain, ENDESA has a comprehensive procurement process in place requiring a rating of all suppliers (assessing compliance with economic, legal, environmental, social and ethical aspects), not just of suppliers to it intends to engage, but also those invited to participate tenders.

During supplier selection, ENDESA includes certain sustainability indicators ("k" for sustainability) when evaluating bids. Moreover, all supplier contracts include specific clauses in General Terms and Conditions related to the counterparties' commitment to human rights, people's safety, the environment and corruption.

To manage suppliers and supplier contracts in accordance with the established requirements, ENDESA monitors supplier performance both when they execute contracts and after completion (i.e. Consequence Management).

Each month, data recorded are used to calculate six category indicators (Safety, Environment, Quality, Punctuality, Human Rights and Correction, Innovation and Collaboration) and a Supplier Performance Index (SPI) derived from the weighted average of the category indicators according to percentages that depend on the risk associated with the individual category in the group of products or services being evaluated.

Based on the score obtained, a consequence management process applicable to the supplier or the contract is initiated, which includes, among others, actions aimed at promoting excellent behaviour.

ESG management of the supply chain

	Description
Integrity and the fight against corruption	ENDESA adheres to the Global Compact and, in compliance with its tenth principle, intends to continue its commitment to fight corruption in all its forms. Therefore, contractors declare that they recognise the commitments assumed by ENDESA and undertake not to make use of any offer or request for illegal payments in executing the contract in the interest of ENDESA and/or for the benefit of its employees.
Compliance with Human Rights	To obtain formal commitment by partners and suppliers, all contracts include clauses on human rights relating to the Global Compact and Ethical Regulations (clauses 26 and 27). Moreover, it applies either the conventions of the "International Labor Organization" or prevailing legislation in the country where operations are to be carried out, whichever is more restrictive.
Environmental management	The Group's contractual regulations, set out in the "General Contracting Terms and Conditions (GCTC)", includes clauses requiring compliance with environmental regulations. ENDESA reserves the right to monitor contractors' activities to ensure compliance with environmental requirements and constantly monitor the status of compliance with their obligations.
Occupational health and safety	ENDESA has adopted an operating instruction on repeated breaches of occupational safety and purchasing processes, which specifically regulate the way in which accidents or incidents ("near misses") are assessed and the limits to be placed on the allocation of new contracts after these events. Additionally, within the supplier qualification process, four parameters are evaluated in relation to occupational health and safety of suppliers.

Detailed information on ENDESA's supply chain can be found in the Statement of Non-Financial Information and Sustainability (see Section 24 of this Consolidated Management Report).

14.11. Circular economy.

The firm commitment to the generation of energy from renewable sources, the development of an intelligent and flexible grid that facilitates the penetration of distributed generation, and the electrification of end uses, describe ENDESA's process towards the decarbonisation of the economy and society. Recent studies show that the circular economy makes up nearly half of the worldwide effort to deliver decarbonisation targets.

Accordingly, the circular economy provides an opportunity for complementing the decarbonisation process and tackling the current environmental alert more effectively.

To implement the circular economy, ENDESA reassesses business all across the value chain by applying innovative thinking and considering both energy flow and materials, from the design and procurement phases to end customers, including energy generation, and infrastructures and networks. All this is being applied with specific approaches in the different units within the company.



Circular approach.

The transition towards a circular economy requires a complete systemic change. It a new relationship model, since the circular economy is transversal to all areas of the Company. This means a governance model must be put in place that facilitates the transversality required by the circular economy. As a result, ENDESA has set up a specific circular economy unit, with a lean structure to drive the Company's positioning with transversal actions. It provides support to the rest of the Company's areas and paves the way for embracing the principles of the circular economy.

Circular economy projects.

ENDESA is also rolling out several circular economy initiatives, including the following projects:

	Descripción
Circular cities	<p>The circular city is a development of the concept of smart city or intelligent city. It is all about a change in perception: From an outlook focussed on new technologies and energy services we move on to a holistic approach that takes into account all the resources consumed by a city: energy, raw materials, water, etc., while generating emissions and waste due to the corporate and economic activity that takes place in it. Technology will continue to play a pivotal role in this new vision. For instance, infrastructures are transversal to other areas of operations; e.g. the increasingly digitalised electricity grid or lighting.</p> <p>In 2021, we launched the "eCityMalaga" initiative, which will be developed in the Malaga TechPark, applying to this space the benefits of applying the principles of the circular economy, such as sustainability and competitiveness. The objective is to create an urban benchmark in construction, transport and the management of resources (e.g. energy, water and materials), supported by digital technology. The project will be carried out over the coming years through a public-private partnership between the Málaga TechPark, Málaga City Council, ENDESA and other entities and companies located in the park.</p>
A new circular culture	<p>ENDESA is working actively on promoting both an internal and external circular culture. Within the company, ENDESA is raising awareness about the circular economy among employees through a variety of initiatives; e.g. online courses, ad hoc training sessions for specific functions that play a role in key activities related to the circular economy, podcasts or internal communications.</p> <p>In line with this objective, it created the "ENDESA Circular Economic Academy", an internal school for training employees on the circular economy. In 2021, a total of 63 students took part in the two editions of 37 hours of training given by four universities, with internal and external speakers. The training programme was designed taking into account inclusion of cross-cutting issues (e.g. finance and procurement) and participation by all business units with the aim of sparking discussion on technological, process and business model aspects, and contractual, regulatory and institutional matters, etc.</p> <p>ENDESA also challenges children in the circular economy and innovation through two programmes, "PlayEnergy" and "We are Energy", aimed at developing and promoting young talents.</p>

Information on ENDESA's actions in the Circular Economy can be found in the Statement of Non-Financial Information and Sustainability (see Section 24 of this Consolidated Management Report).

15. Sustainability policy.

15.1. ENDESA's sustainability commitment.

ENDESA considers sustainability as an essential element of its corporate culture that allows the Company to main a leadership position and strengthen it for the future. To this end, it integrates sustainability into its strategy and contributes to sustainable development through the creation of long-term value.

To successfully overcome the challenges in terms of sustainability that society faces, ENDESA has defined a series of principles and transversal commitments based on the Company's corporate values, which govern both management and actions in economic, social, ethical and environmental matters and relations with all its stakeholders.

These principles and commitments are included in the Sustainability Policy, that guide sustainability management and the future commitments that constitute ENDESA's framework of action with Sustainable Development, as manifested in the Vision, Mission and Values of the Company (see Section 2.3.2. of this Consolidated Management Report).

The Board of Directors, through the Sustainability and Corporate Governance Committee, is in charge of overseeing compliance and control of the sustainability policy and the sustainability and corporate governance strategy in accordance with the functions and powers established in the Regulations of the Sustainability and Corporate Governance Committee. Reference to the Sustainability Policy is available for consultation on the website: https://www.endesa.com/content/dam/enel/es/home/inversores/gobiernocorporativo/politicascorporativas/documentos/Politica-Sostenibilidad-ENDESA-21_12_2020.pdf

The details of this information can be consulted in the Statement of Non-Financial Information and Sustainability of this Consolidated Management Report (see Section 24. of this Consolidated Management Report).

15.2. ENDESA's contribution to the United Nations Sustainable Development Goals (SDGs).

ENDESA wishes to be an active agent of the transforming vision presented by the Sustainable Development Goals (SDGs) and therefore maintains a commitment to contribute to goal 13 of climate action, to which it also contributes with specific objectives in Sustainable Development Goals (SDG)s 7, 9 and 11:

- SDG 13: (Climate Action): Advancing the decarbonisation of the energy mix by 2040.
- SDG 9 (Industry, Innovation and Infrastructure and SDG 11 (Sustainable Cities and Communities): Investment of approximately 1,500 million euros in Digitalisation in the 2022-2024 Strategic Plan and a plan to deploy 46,000 electric recharging points by 2024.
- SDG 7 (Affordable and Clean Energy): More than 4.0 GW of growth in renewable energy in the period 2022-2024. In addition, ENDESA indirectly contributes through energy training and capacity-building programmes, accessibility and promotion of energy efficiency, which will reach 4.1 million beneficiaries in the accumulated period 2015-2030.

ENDESA also contributes indirectly to SDG 4 (Quality education) to which it has set a public commitment to reach 0.8 million beneficiaries in the 2015-2030 period and to SDG 8 (Decent work and economic growth) where the Company has set a public commitment to reach 1.9 million beneficiaries in 2030 in the 2015-2030 period, 9 million beneficiaries in 2030 in the same period through the social initiatives carried out by the Company and recognises the relevance that SDG 12 (Responsible Consumption and Production) is acquiring in its strategy and the growing importance of partnerships as stated in SDG 17 (Partnerships to achieve the goals).

These are the priority Sustainable Development Goals (SDGs) for ENDESA and, therefore, those on which it places greater emphasis, but it also acts decisively on all the Sustainable Development Goals (SDGs), on which it has been setting targets and reporting on them since their appearance. To this end, ENDESA's Sustainability Plan 2022-2024 determines the roadmap for the next three years to contribute to the 2030 Agenda, thus aligning its Sustainability strategy with this universal framework.

16. Regulatory Framework

Information on the regulatory framework is provided in Note 5.3 to the consolidated financial statements for the year ended 31 December 2021.

The main changes in the regulatory framework either approved in 2021 or with a material impact on the 2021 consolidated financial statements are described below.

16.1. Regulatory framework in Spain.

Electricity tariff for 2021.

On 29 December 2020, Order TEC/1271/2020, of 22 December 2020, was published in the Official State Gazette (BOE), establishing various costs for the electricity system for the 2021 financial year, and extending electricity access tariffs until the entry into force of tariffs set by the Spanish Markets and Competition Commission (CNMC).

On 23 March 2021, the Resolution of 18 March 2021 of the Spanish Markets and Competition Commission (CNMC) was published in the Official State Gazette, approving the prices of the access tariffs for energy transmission and distribution networks applicable from 1 June 2021.

On 22 April 2021, Order TED/371/2021, of 19 April, approving the electricity system charges that will apply from 1 June 2021, was published in the Official State Gazette.

Lastly, on 15 September 2021, Royal Decree Law 17/2021, of 14 September 2021, was published, reducing electricity charges by around 96% from its effective date until 31 December 2021.

2022 electricity tariff.

On 22 December 2021, the Resolution of 16 December 2021 of the Spanish Markets and Competition Commission ("CNMC") was published in the Official State Gazette ("BOE"), approving the prices of the access tariffs for energy transmission and distribution networks applicable as of 1 January 2022; i.e. an average reduction of 5.4% from the prices as at 1 June 2021.

On 30 December 2021, Order TED/1484/2021, of 28 December 2021, was published in the Official State Gazette ("BOE"), approving the electricity system charges that will apply from 1 January 2022 and certain regulated costs of the electricity system that will apply for 2022. On average, the new charges for 2022 are 31% less than those approved for 1 June 2021.

Natural gas tariff for 2021.

Spanish Markets and Competition Commission ("CNMC") Circular 6/2020, of 22 July 2020, approved the methodology for the calculation of transmission tariffs, local networks and natural gas regasification and, among other aspects, established that the "CNMC" must set the values of the access tariffs for regasification facilities and, where appropriate, the billing terms of the conduction terminal of the transmission and distribution tariffs, applicable from 1 October 2020.

On 29 December 2020, the Official State Gazette published the Resolution of 21 December of the Directorate-General for Energy Policy and Mines, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 January 2021, resulting in an average increase of 4.6% and 6.3%, depending on whether Last Resort Tariff 1 (LRT1) or Last Resort Tariff 2 (LRT2) was applied, due to the increase in the cost of the raw material. These values remained valid during the whole of the first semester of 2021, since they did not meet the necessary condition that the cost of the raw material varies by less than +/- 2% to be updated.

On 30 June 2021, the Official State Gazette published the Resolution of 24 June 2021 of the Directorate-General for Energy Policy and Mines, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 July 2021, resulting in an increase of 2.9% and 3.9%, depending on whether Last Resort Tariff 1 (LRT1) or Last Resort Tariff 2 (LRT2) was applied, due to the increase in the cost of the raw material.

Lastly, on 29 September 2021, the Resolution of 26 September 2021, of the Directorate-General for Energy Policy and Mines was published, which establishes the Natural Gas Last Resort Tariff (LRT) to be applied from 1 October 2021 which, pursuant to Royal Decree Law 17/2021, of 14 September, results in an increase of 0.9%, 4.6% and 11.2%, depending on whether the Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) or Last Resort Tariff 3 (LRT3) applies, respectively.

Natural gas tariff for 2022.

On 25 December 2021, the Resolution of the Directorate-General for Energy Policy and Mines of 22 December 2021, establishing the Last Resort Tariff (LRT) for natural gas to be applied in the first quarter of 2022, was published, and, pursuant to Royal Decree Law 17/2021, of 14 September 2021, resulted in increases of approximately 5.4%, 6.8% and 7.5%, respectively, for the Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) and the Last Resort Tariff 3 (LRT3).

Energy efficiency.

On 25 March 2021, Order TED/275/2021, of 18 March 2021, was published in the Official State Gazette ("BOE"), establishing the contribution to the Energy Efficiency National Fund for 2021, with the percentage applicable to ENDESA amounting to Euro 28 million.

In December 2021, the Ministry of Ecological Transition and Demographic Challenge (MITECO) began processing a proposed Order establishing the contribution to the Energy Efficiency National Fund for 2022, of which the proposed amount for ENDESA is Euro 26 million.

Social Bonus.

On 16 October 2021, Order TED/1124/2021 of 8 October 2021, was published in the Official State Gazette ("BOE"), establishing the distribution of financing for the 2021 Social Bonus, with the percentage for ENDESA, S.A. being 34.72%.

In January 2022, the Ministry of Ecological Transition and Demographic Challenge (MITECO) commenced processing of the draft Order establishing the distribution of financing of the 2022 Social Bonus, with the proposed percentage for ENDESA, S.A. being 33.53%.

Strategic Energy and Climate Framework.

On 31 March 2021, the joint Resolution of the Directorate-General for Energy Policy and Mines and the Spanish Climate Change Office, of 25 March 2021, was published in the Official State Gazette ("BOE"), setting forth the Agreement of the Council of Ministers of 16 March 2021, adopting the final version of the National Integrated Energy and Climate Plan 2021-2030 ("PNIEC"), once the consultations and preliminary proceedings had been completed and approved by the European Commission.

Likewise, on 21 May 2021, Law 7/2021, of 20 May 2021, on Climate Change and the Energy Transition, was published in the Official State Gazette ("BOE"), after completing its passage through parliament.

Plan for the Recovery, Transformation and Resilience of the Economy.

On 7 October 2020, the Government presented the Plan for the Recovery, Transformation and Resilience of the Economy to respond to the challenges of the next decade, focusing on four transformations needed to modernise and boost Spain's economy: ecological transition, digital transformation, gender equality and social and territorial cohesion.

The Plan for the Recovery, Transformation and Resilience of the Economy will involve a significant volume of public and private investment in the coming years, which will be financed with funds from the European Union Recovery Plan (EU) ("Next Generation EU"), enabling Spain to obtain up to Euros 140,000 million, of which Euros 69,500 million will be non-refundable and the rest loans. In order to expedite the timetable to implement this Plan, the Government included Euros 27,000 million as an advance on these funds pursuant to Law 11/2020, of 30 December 2020, on the General State Budgets for 2021 (a similar amount was included in Law 22/2021, of 28 December, on the General State Budgets for 2022).

On 27 April 2021, the Council of Ministers approved the final wording of the aforementioned Plan, which was ultimately approved by the European Council on 13 July 2021. Approval by the European Council will enable the release of Euro 9,000 million to Spain as pre-financing, representing 13% of the total assigned to it.

Likewise, on 30 September 2021, Order HFP/1030/2021, of 29 September 2021, was published in the Official State Gazette ("BOE") to set up the system to manage the Recovery, Transformation and Resilience Plan, which includes the necessary guidelines to guarantee the coordinated compliance with the execution of the Plan, as well as Order HFP/1031/2021, of 29 September 2021, which establishes the procedure and format of the information to be provided by the State, Autonomous and Local Public Sector Entities for monitoring compliance with milestones and objectives and budgetary and accounting execution of the measures of the components of the Recovery, Transformation and Resilience Plan.

As a result, several ministries held calls for the presentation of specific projects dealing with certain areas of action under the Plan.

Royal Decree 148/2021, of 9 March 2021, establishing the methodology to calculate electricity system charges.

On 18 March 2021, Royal Decree 148/2021, of 9 March 2021, was published in the Official State Gazette ("BOE"), establishing the methodology to calculate electricity system charges.

This Royal Decree complements the electricity transmission and distribution tariffs, which are set by the Spanish Markets and Competition Commission ("CNMC").

In this regard, on 22 April 2021, Order TED/371/2021, of 19 April 2021, approving the electricity system charges that will apply from 1 June 2021, was published in the Official State Gazette.

Energy Storage Strategy.

On 9 February 2021, the Council of Ministers approved the Energy Storage Strategy, an element considered to be crucial for the transition to an emissions-neutral economy and the effective integration of renewable energies into the electricity system.

The Energy Storage Strategy quantifies storage needs in line with those envisaged in the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) and the target for climate neutrality before 2050, from the 8.3 GW currently available to around 20 GW in 2030 and 30 GW in 2050. Furthermore, all the technologies forming energy storage are classified according to the applicable method and system, the actions for their effective deployment are identified, together with the regulatory challenges for the participation of storage in electricity markets, taking into account the market access procedures and their role in the price structure and signals. In addition, the economic challenges they represent are analysed, in conjunction with the need for industrial policies that encourage their financing.

Draft law on the remuneration of carbon dioxide (CO₂) not emitted.

On 1 June 2021, the Council of Ministers began to process a Draft Law on the remuneration of CO₂ not emitted on the electricity market. After completing the preliminary consultation phase, on 3 August 2021, the Council of Ministers agreed its approval as a Draft Law, which was submitted to the Congress of Deputies to be processed, currently under way.

This draft law establishes an obligation to remunerate mainland production facilities that do not emit greenhouse gases (GHG) that were in operation before 25 October 2003, in proportion to the higher revenue obtained by adding the value of the CO₂ emission rights that exceed €20.67/tCO₂ for marginal emission technologies to the wholesale market price. This excludes plants equal to or below 10 MW, whenever they came on-stream, and those with a remuneration regime regulated under article 14 of Law 24/2013, of 26 December 2013, on the Electricity Sector.

The amounts collected will be used to finance capacity mechanisms and the remaining rate charges (mainly renewable energies and timing mismatches), except for 10% which will be used, with respect to the public administrations, to jointly finance the cost of supplying highly vulnerable customers at risk of social exclusion.

Royal Decree Law 12/2021, of 24 June 2021, adopting urgent measures on energy taxation.

On 25 June 2021, Royal Decree Law 12/2021, of 24 June 2021, was published in the Official State Gazette, establishing urgent tax measures to mitigate the effects of the increase in electricity prices for consumers. This Royal Decree Law includes the following measures:

- Reduction of value added tax (VAT) from 21% to 10%, until 31 December 2021, for contracted electricity supplies of equal to or less than 10 kW, provided that the arithmetic average price in the daily market over the last calendar month before the month of the last day of the billing period exceeds Euro 45/MWh, and the customers are recipients of the Social Bonus that are highly vulnerable or at risk of social exclusion. This reduction in Value Added Tax ("VAT") was subsequently extended until 30 April 2022 by Royal Decree Law 29/2021, of 21 December 2021, adopting urgent measures in energy to promote electric mobility, self-consumption and the deployment of renewable energies.
- Temporary suspension of the tax on the value of electricity production during the third quarter of 2021, which was extended until 31 December 2021 by Royal Decree Law 17/2021, of 14 September 2021, and until 31 March 2022 by Royal Decree Law 29/2021, of 21 December 2021.

The Royal Decree Law also establishes that if there is a surplus of revenue in the electricity sector in 2020, this will be applied in full to cover the timing mismatches in 2021.

Proposed market capacity Order.

The Ministry of Ecological Transition and Demographic Challenge (MITECO) has initiated the processing of a proposed order creating a capacity market in the mainland electricity system. This proposal is based on an auction system ("pay as bid"), which would be used to contract the final capacity (MW) requirements detected in the demand coverage analyses performed by the System Operator, Red Eléctrica de España, S.A.U. (REE).

The auction system is open to existing and new generating, storage and demand management facilities, setting down certain requirements for the maximum emissions of CO₂ emission rights for the participating facilities.

The draft Order regulates aspects related to the various types of auctions planned, the rights and obligations of capacity service providers, including their remuneration regime or penalty system in the event of non-compliance by the providers.

Proposed Royal Decree on closed electricity distribution grids.

On 11 June 2021 the Ministry of Ecological Transition and Demographic Challenge (MITECO), implementing the provisions of Royal Decree-Law 20/2018, of 7 December 2018, initiated the processing of a Royal Decree regulating the specific conditions and requirements of closed electricity distribution grids and their owners, and the administrative authorisation procedure and circumstances for their revocation.

Renewable energy auctions.

Based on Order TED/1161/2020, of 4 December 2020, regulating the first auction mechanism for the granting of the economic renewable energy regime and establishing the indicative timetable for the 2020-2025 period, on 9 September 2021, the Resolution of 8 September 2021, of the Secretary of State for Energy was published in the Official State Gazette ("BOE"), convening the second auction for the granting of the renewable energy economic regime under the above-mentioned Order. This auction envisaged an allocation of 3,300 MW and was held on 19 October 2021, with a total of 3,124 MW allocated.

In addition, a third auction, scheduled for 6 April 2022, was held on 30 December 2021. An amount of 500 MW was allocated for solar thermal, biomass, solar photovoltaic and other technologies, and an additional 140 MW for small-scale photovoltaic projects with local participation.

Royal Decree Law 16/2021, of 3 August 2021, adopting social protection measures to address situations of social and economic vulnerability.

On 4 August 2021, Royal Decree-Law 16/2021 of 3 August 2021, was published in the Official State Gazette ("BOE"), setting forth social protection measures to address situations of social and economic vulnerability. Among other matters, in the area of energy, the prohibition on the suspension of the supply of electricity, water and natural gas and access to the Social Bonus by certain groups in a situation of economic vulnerability was extended until 31 October 2021 because of the health crisis. These measures were extended to 28 February 2022 by Royal Decree Law 21/2021 of 26 October 2021, which was published in the Official State Gazette ("BOE") on 27 October 2021, extending the social protection measures to address situations of social and economic vulnerability.

Urgent measures to mitigate the impact of the escalation of natural gas prices in gas and electricity retail markets, consumer protection and introduction of transparency in the wholesale and retail electricity and natural gas markets.

On 15 September 2021, Royal Decree Law 17/2021, of 14 September 2021, was published in the Official State Gazette ("BOE"), establishing urgent measures to mitigate the impact of the escalation of natural gas prices on gas and electricity retail markets, which has been validated by the Congress of Deputies on 14 October 2021. Additionally, this provision has been complemented with the publication on 27 October 2021 of Royal Decree Law 23/2021, dated 26 October 2021, on urgent energy measures for the protection of consumers and the introduction of transparency in the wholesale and retail electricity and natural gas markets, validated by Congress on 25 November 2021. Likewise, on the same date, Royal Decree Law 21/2021, of 26 October 2021, extending social protection measures to address situations of social and economic vulnerability, was published.

The main aspects deriving from these provisions are as follows:

- Since it entered into force, on 16 September 2021, and until 31 March 2022, a payment obligation was established for the non-emitting generation facilities in a proportional amount to the supposed increased earnings obtained as a result of the inclusion in wholesale electricity prices of the value of natural gas prices. This excludes plants with a remuneration regime regulated under article 14 of Electricity Sector Law 24/2013, of 26 December 2013, and those with power of 10 MW or less. The amount resulting from this revenue reduction will be earmarked to reduce the System charges. Likewise, the scope of the payment obligation will not apply to the energy covered by fixed price and term contracts prior to Royal Decree Law 17/2021, of 14 September 2021, or to the energy covered by new fixed price contracts with coverage for a period equal to or greater than one year. In the event that in these forward contracts part of the energy is partially indexed to the market price, only the proportional non-indexed part will be excluded. Producers will submit monthly a responsible statement and supporting documentation of the energy covered by forward instruments. In addition, it is established that producers and marketers must periodically inform the Spanish Markets and Competition Commission ("CNMC") of the forward

contracting instruments, both physical and financial, between companies of the same business group or with third parties.

- Market mechanisms are established to encourage long-term contracts, through long-term power purchase contract auctions, to which up to a maximum of 25% of the lowest value in 10 years of manageable inframarginal non-emitting production is linked that does not have specific remuneration nor is the successful bidder at renewable energy auctions. Sellers will be those electricity producers that are deemed to be dominant operators in electricity generation. And buyers may be suppliers (except those of the groups that are leading electricity operators) and direct consumers, together with benchmark suppliers in the terms set by the resolution of the announcement.
- A minimum vital supply is established for vulnerable consumers, that are in default four months after the first payment request, establishing limited power by law that guarantees minimum comfort, which cannot be exceeded during the period of six months in which the supply cannot be cut off.
- The minimum amount of aid to the beneficiaries of the thermal Social Bonus is increased from Euros 25 to 35, with immediate application, and also, the budget allocated for the same in 2021 is increased by Euros 100 million, up to a total of Euros 203 million.
- The discounts of the electricity Social Bonus until 31 March 2022 are increased from 25% to 60% for vulnerable consumers, and from 40% to 70% for severely vulnerable consumers. This measure was extended by Royal Decree Law 29/2021, of 21 December 2021, until 30 April 2022.
- Suppliers will have to inform customers of any intention to modify the contract one month in advance, including a price comparison and an estimate of the annual cost, before and after such modification. They must also publish and send to the Spanish Markets and Competition Commission ("CNMC") transparent, comparable and updated information on the prices of the available offers at all times, including the conditions on contract termination and additional services required by the contract.
- Tax and budgetary measures are established, specifically to extend the temporary suspension of the tax on the price of electricity production and the reduction of the excise tax on electricity from 5.1% to 0.5% to 31 December 2021 (later extended until 30 April and 31 March 2022, respectively, by Royal Decree Law 29/2021, of 21 December 2021), and the increase by Euros 900 million, up to a maximum of Euros 2,000 million, of the revenue to be earmarked in 2021 to the electricity system in relation to the CO₂ emission rights auctions.
- In the area of natural gas, it is limited to the effect of the Last Resort Tariff (LRT) of the increased cost of the raw material, which will be passed on in a deferred manner.
- Lastly, the Water Law was amended to avoid sudden withdrawals of reservoirs over 50 hm³, hence a minimum and maximum system of monthly withdrawals and a monthly reserve system were established.

Preliminary public consultation to modify the Small Consumer Voluntary Price (SCVP)

On 1 October 2021, the Ministry of Ecological Transition and Demographic Challenge (MITECO) launched a preliminary public consultation to analyse the amendment of the Small Consumer Voluntary Price (SCVP) regulations, and to collect proposals that enable their volatility to be reduced and their design to be optimised with a view to the Energy Transition process.

Measures to promote residential refurbishment activities.

Within the framework of the Recovery, Transformation and Resilience Plan, on 6 October 2021, Royal Decree Law 19/2021, of 5 October 2021, was published in the Official State Gazette ("BOE"), establishing urgent measures to boost building refurbishment activities. This Royal Decree Law establishes, among other aspects, new personal income tax credits, which will be applied to the amounts invested in refurbishment works that contribute to improve the energy efficiency of the main home and at residential buildings, accredited through the energy efficiency certificate and, furthermore, it establishes the creation of a guarantee facility by the Official Credit Institute (ICO) to partially cover the financing of refurbishment works that contribute to improve energy efficiency.

Likewise, on 6 October 2021, Royal Decree Law 853/2021, of 5 October 2021, was published in the Official State Gazette ("BOE"), regulating aid programmes in the area of residential refurbishment and social housing within the Recovery, Transformation and Resilience Plan. This Royal Decree, among other aspects, regulates six aid programmes: from one to five, linked to refurbishment and improved energy efficiency at homes, and six, to the promotion of the building of subsidised housing. The programmes will be organised through the direct transfer of funds to the Autonomous Communities and the cities of Ceuta and Melilla, and these will apply through the announcement of aid in their respective territorial areas.

Proposed remuneration of the electricity distribution activity for 2017 to 2019.

In November 2021, processing of a proposal for an Order approving the incentive or penalty for the reduction of losses in the electricity distribution network for 2016 commenced, modifying the base remuneration for 2016 for several distributors and approving the remuneration for electricity distributors for 2017, 2018 and 2019. This proposal does not initially include certain investment items for which additional information has been requested. In this regard, the Company considers that these investments, which are included in the multi-year investment plans approved by the National Markets and Competition Commission (CNMC) and the Secretary of State for Energy and have been adequately justified during the processing before both institutions, will be included in the final Order.

Proposed ministerial order for natural gas prices in the Canary Islands and Melilla.

In November 2021, processing commenced on a proposal for an Order approving natural gas and natural gas prices for electricity generation in the Canary Islands and Melilla, establishing reference unit values for the additional remuneration scheme and revising other technical issues. This Order allows natural gas to be used in the non-mainland territories of the Canary Islands and Melilla and establishes the price recognised for generation groups in those territories fuelled by natural gas.

Royal Decree Law 29/2021, of 21 December 2021, adopting urgent measures in energy to promote electric mobility, self-consumption and the deployment of renewable energies.

On 22 December 2021, Royal Decree Law 29/2021, of 21 December 2021, adopting urgent measures in energy to promote electric mobility, self-consumption and the deployment of renewable energies, was published in the Official State Gazette ("BOE"). The key features of this Royal Decree Law are as follows:

- Regarding taxation, and explained previous the reduction of the excise tax on electricity and value added tax (VAT) is extended until 30 April 2022, and the suspension of the tax on the value of electricity production is extended until 31 March 2022.
- The increase in coverage of consumers receiving the Social Bonus (60% for vulnerable and 70% for severely vulnerable consumers) is extended until 30 April 2022.
- To promote self-consumption, the Royal Decree Law includes amendments to current regulation to speed up process and to link these networks to both consumers connected to the internal grid and other consumers close to the grid and connected through the distribution and transmission networks.
- In electric mobility, to promote the installation of public e-vehicle charging infrastructure it sets out the system for authorising charging stations on land adjacent to roads, under certain conditions and provided that road safety is guaranteed, and adds new requirements for non-residential private buildings. It also introduces discounts in local taxes.

- Lastly, it introduces certain amendments to the regime for grant access and connection permits, extending the periods included in Royal Decree Law 23/2021, of 26 October 2021, to facilitate the development of projects, and includes the possibility of voluntary waiver of access and connection permits obtained or in the process of being obtained before the Royal Decree Law comes into effect, with reimbursement of the guarantees provided.

Royal Decree 1125/2021, of 21 December 2021, regulating the grant of direct subsidies to electricity distribution companies for investments in the digitalisation of distribution grids and electric vehicle charging infrastructure.

On 22 December 2021, Royal Decree 1125/2021, of 21 December 2021, was published in the Official State Gazette ("BOE"), promoting the digitalisation of distribution networks and on-street charging infrastructure using European funds from the Recovery, Transformation and Resilience Plan.

The amount of aid will be Euros 525 million for the 2021-2023 period, divided up among distributors in accordance with their share of remuneration. Distribution companies must present such initiatives, 50% of the investment they will co-finance, as part of their annual investment plans, as well as additional information regarding the impact on employment, the industrial value chain and renewable penetration, and digital programmes for enhancing the quality of customer service.

Resolution on the adjustment to the incentive to reduce losses set out in Circular 6/2019, of 5 December 2019.

On 1 December 2021, the Resolution of 30 November 2021 of the Spanish Markets and Competition Commission ("CNMC") was published in the Official State Gazette ("BOE"), establishing the adjustment to the incentive for the reduction of losses provided in additional provision eight of Circular 6/2019 setting the methodology for calculating the remuneration of electricity distribution. The scheme approved for calculating the incentive to reduce losses is applicable from 2022, inclusive.

Public tender for granting renewable generation facilities at the Justa Mudéjar 400 Kv transition hub evacuation access capacity to the electricity transmission grid.

On 3 November 2021, Order TED/1182/2021, of 2 November 2021, was published in the Official State Gazette ("BOE"), subsequently corrected by Order TED/1198/2021, of 3 November 2021, regulating the procedure and requirements applicable to public tender for granting the renewable generation facilities at the Justa Mudéjar 400 kV transition hub evacuation access capacity to the electricity transmission network and calls for tenders. This Order establishes the specific regulatory bases for granting access capacity to the Justa Mudéjar transition hub affected by the closure of the Teruel thermal power plant to bring out new renewable power and optimise its potential by generating socio-economic benefits for this area.

16.2. Regulatory framework in Europe.

Energy and environment in Europe.

Regulation (EU) 2021/1119 of the European Parliament and of the Commission of 30 June 2021 establishing the framework for achieving climate neutrality and amending climate Regulations sets a European-wide target of reducing net greenhouse gas emissions (GHG) by at least 55% by 2030 compared to 1990 levels.

In addition, on 14 July 2021, the European Commission adopted a package of proposals to help achieve this target. The main proposals were as follows:

- The review of the EU Emissions Trading Scheme (ETS)), lowering the overall emission cap by increasing its annual rate of reduction. Other key proposals include: phasing out the free emission allowances for aviation and including shipping emissions in the ETS; create a new emissions scheme for road transport and buildings.
- Strengthening the Regulation on binding annual greenhouse gas emission (GHG) reductions by Member States (i.e. the "Effort Sharing Regulation") through emission reduction targets to each Member State for buildings, road and domestic maritime transport, agriculture, waste and small industries.
- The revision of the Renewables Energy Directive, which sets a target to produce of 40% of energy from renewable sources by 2030. Specific targets are proposed for renewable energy use in transport, heating and cooling, buildings and industry, and sustainability criteria for the use of bioenergy is strengthened.
- The revision of the Energy Efficiency Directive, which proposes setting a more ambitious binding annual target for reducing energy use at EU level. The public sector will be required to renovate 3% of its buildings each year.
- Stronger CO₂ emissions standards are proposed for cars and vans, so that all new cars registered as of 2035 will be zero-emission. To ensure drivers are able to charge or fuel their vehicles, the Regulation of the European Parliament and of the Council on the deployment of alternative fuels infrastructure will require Member States to expand charging capacity in line zero-emission car sales, and to install charging and fuelling points at regular intervals on major highways: every 60 km for electric charging and every 150 km for hydrogen refuelling.
- The aviation and maritime sectors must have access to clean electricity supply in major ports and airports.
- The revision of the Energy Taxation Directive, which proposes aligning the taxation of energy products with EU energy and climate policies.
- A new carbon border adjustment mechanism is proposed that will put a carbon (CO₂) price on imports of a targeted selection of products, including electricity.

With the same objective, on 15 December 2021, the European Commission adopted a package of proposals for renewable and low carbon gases, which sets the regulatory framework for hydrogen and the revision of the Energy Performance of Buildings Directive.

Sustainable financing.

Pursuant to the adoption by the United Nations (UN) of Agenda 2030 for Sustainable Development and the Paris Agreement on Climate Change, the European Commission published its Action Plan "Financing Sustainable Growth", one of the objectives of which is to reorient capital flows towards sustainable investments.

As part of the Action Plan, Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment was published in 2020 (Taxonomy Regulation).

To be considered environmentally sustainable, an economic activity must make a substantial contribution to one or more of the six environmental targets set out in the Regulation, including the mitigation of and adaptation to Climate Change and refraining from causing any significant damage to any of the other environmental targets.

Furthermore, the technical criteria that must be met for an economic activity to be considered as making a substantial contribution to Climate Change mitigation and adaptation have been defined in Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021. Generally speaking, the taxonomy covers electricity production activities using renewable sources and excludes generation using fossil fuels. The technical criteria to be met by nuclear energy and natural gas-fired power generation in order to be covered by the taxonomy have yet to be defined.

Lastly, on 10 December 2021, the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 was published in the Official Journal of the European Union (OJEU), detailing the information and calculations to be carried out in order to comply with the obligations contained in the Taxonomy Regulation.

Financial regulation.

In the area of financial regulation as a consequence of the UK's exit from the European Union (EU) (known as Brexit) and the COVID-19 pandemic, Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (Markets in Financial Instruments Directive" (MiFID II)) has been revised.) The aspects simplified included but were not limited to the calculation formulas employed to request exemption from the Directive, in addition to the procedure, for companies for which self-trading with commodity derivatives or with emission allowances or the provision of investment services on these products represents a non-core activity.

Network codes and markets.

During the year 2021, progress continued to be made in regulatory developments related to so-called network codes.

In Spain, the price limits for daily and intraday market bids have been adapted to the technical limits harmonised at European level.

In relation to the daily market, a major milestone has been reached with the coupling of several Eastern European countries (including Romania, Czech Republic, Hungary, etc.).

As for the intraday continuous market, the Italian market has been coupled.

State aid.

At the end of 2021, the European Commission adopted the new Guidelines on State aid for climate, environmental protection and energy (CEEAG). The new Guidelines allow for more support and processing assistance for renewable energies and for projects that achieve the objectives of the European Green Deal, including measures to support the development of hydrogen.

In November 2021, the European Commission also adopted revised rules on state aid for Important Projects of Common European Interest (IPCEIs) that serve to eliminate market failures and facilitate breakthrough innovation in key sectors and technologies and infrastructure investments, with positive spill-over effects for the EU economy as a whole.

Finally, it should be noted that a proposal to amend the General Block Exemption Regulation (GBER) is also in the pipeline, extending the possibilities for Member States to support various types of green projects without the need for notification of the European Commission.

17. Treasury shares

Information relating to treasury shares is provided in Note 35.1.8 to the consolidated financial statements for the year ended 31 December 2021.

18. Stock market information.

The changes in the share price of ENDESA, S.A. and the major benchmark indexes in 2021 and 2020 were as follows:

Percentage (%)			
Share price performance ⁽¹⁾		2021	2020
ENDESA, S.A.		(9.6)	(6.1)
Ibex-35		7.9	(15.5)
Euros Stoxx 50		21.0	(5.1)
Euros Stoxx Utilities		3.6	9.8

(1) Source: Madrid Stock Exchange.

Stock market information		31 December 2021	31 December 2020	% Var.
Market cap ⁽¹⁾	Millions of Euros	21,387	23,663	(9.62)
Number of shares		1,058,752,117	1,058,752,117	-
Nominal share value	Euros	1.2	1.2	-
Cash ⁽²⁾	Millions of Euros	8,501	9,696	(12.32)
Continuous market				
Trading volume ⁽³⁾		406,350,969	430,957,400	(5.71)
Average daily trading volume ⁽⁴⁾		1,587,308	1,676,877	(5.34)
Price to Earnings Ratio (P.E.R.) Ordinary ⁽¹⁾		11.24	11.10	-
Price to earnings ratio (PER) ⁽¹⁾		14.91	16.97	-
Price / Carrying amount ⁽¹⁾		3.98	3.23	-
Returns for shareholders ⁽¹⁾		(0.61)	0.15	-

(1) See definition in Appendix 7. of this Consolidated Management Report.

(2) Cash = Sum of all the transactions performed on the shares during the reference period (Source: Madrid Stock Exchange).

(3) Trading Volume = Total volume of ENDESA, S.A. securities traded in the period (Source: Madrid Stock Exchange).

(4) Average Daily Trading Volume = Arithmetic mean of stock in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).

Euros

ENDESA share price ⁽¹⁾		2021	2020	% Var.
Maximum		23,650	26,120	(9.46)
Minimum		17,420	15,500	12.39
Average in the period		20,936	22,677	(7.68)
End of the reporting period		20,200	22,350	(9.62)

(1) Source: Madrid Stock Exchange.

After a very positive first half of the year, characterised by optimism about the vaccination process and signs of economic recovery after the 2020 pandemic, the major world stock markets slowed their rises in the second half of the year in the face of the threat of growing inflation and the rebound of COVID-19 through the rapid expansion of new variants, which caused some governments to reapply restrictions to economic activity and mobility.

Despite the setbacks of the last quarter, the key markets managed to close the year with significant gains, as detailed below.

Stock exchange index	Country / Region	Performance	change (%)
IBEX-35	Spain	Positive	7.9
FTSE 100	United Kingdom	Positive	14.3
CAC 40	France	Positive	28.9
FTSE MIB	Italy	Positive	23
EUROSTOXX 50	Europe	Positive	21
EURO STOXX UTILITIES	Europe	Positive	3.6
DAX	Germany	Positive	15.5
Dow Jones Industrial Average	United States	Positive	18.7
Nikkei	Japan	Positive	7.2
S&P 500	United States	Positive	26.9
Nasdaq	United States	Positive	26.6

The Spanish IBEX-35 index stood at 8,713.8 points (+7.9%) at year-end, quite far from the maximum annual level of 9,281 points reached in mid-June. Hence the Spanish stock market failed to recover all the ground it lost in 2020, 15.5%, in a year especially affected by the pandemic.

Most of the stocks within the index, 26 in total (74%), closed positive. A highlight were the companies in the financial and industrial sectors, which are most exposed to the economic cycle and benefited in 2021 from the reopening of the economies.

At the opposite extreme were stocks related to tourism, which were penalised by the possibility of new lockdown restrictions due to the advance of the Omicron variant of COVID-19, and stocks related to the electricity sector, a more defensive sector that was especially affected this year by the rebound in commodity prices, problems in the supply chain and the regulatory insecurity caused by the measures approved and proposed by the government to try to contain the rise in electricity prices in the country.

In this context, ENDESA shares, which had reached their maximum annual level on 28 May 2021 at 23.65 euros, 5.8% above the closing price of the previous year, on 30 September 2021 hit an annual closing low of 17.42 euros per share, 22% below the reference level. This sharp decrease occurred after the adoption of Royal Decree Law 17/2021, of 14 September, which entered into force on 16 September 2021. The Royal Decree Law sets a payment obligation for the non-emitting generation facilities in a proportional amount to the supposed increased earnings obtained as a result of the inclusion in wholesale electricity prices of the value of natural gas prices.

The high economic impact of this measure, together with the bill, which acts on the remuneration of carbon dioxide (CO₂) not emitted, which established a similar reduction in income justified by the inclusion of the price in the electricity price of emission rights, caused a sharp correction in all the stocks in the sector.

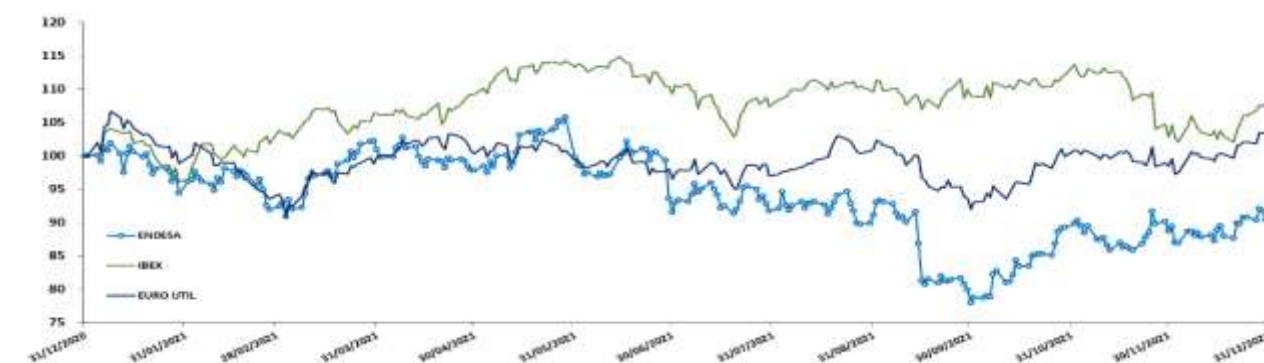
The publication on 27 October 2021 of Royal Decree Law 23/2021, of 26 October, on urgent measures in the field of energy for the protection of consumers and the introduction of transparency in the wholesale and retail electricity and natural gas markets, in which the cases in which the deduction of income would occur due to the inclusion of international natural gas prices in the electricity price were clarified, favoured recovery of the stocks in the sector in the closing stretch of the year.

ENDESA shares, also supported by the warm reception for the 2022-2024 Strategic Plan presented by the company on 25 November 2021, managed to close the year at 20.2 euros per share (-9.6%).

With this result, ENDESA's shares ranked fifth in the IBEX-35 Energy sector index, made up of 7 stocks, and twenty-ninth within the IBEX-35.

On the Eurozone's Eurostoxx Utilities index, which ended the year up by 3.6%, ENDESA, S.A. shares closed in eighteenth position.

Evolution of the ENDESA share, the IBEX-35 and the EURO STOXX Utilities index during 2021.



Source: Bloomberg

The high volatility of the market in 2021, characterised by sudden movements in share price, occurred with a cumulative trading volume that was somewhat lower than in the previous year. For ENDESA, a total of 406.4 million shares were traded, corresponding to accumulated cash of Euro 8,501.5 million. The figures were 5.7% and 12.3% lower than those of 2020, respectively. The average volume of shares traded during each session was 1.59 million, 5.3% down year on year.

During 2021, total returns to ENDESA shareholders, calculated as the sum of the stock market return and the dividend return, was -0.61%. The cumulative negative stock market return of 9.62% must be added to the Euro 2,0136 per share that the Company distributed in the form of the 2020 dividend, providing an additional dividend return of 9.01%.

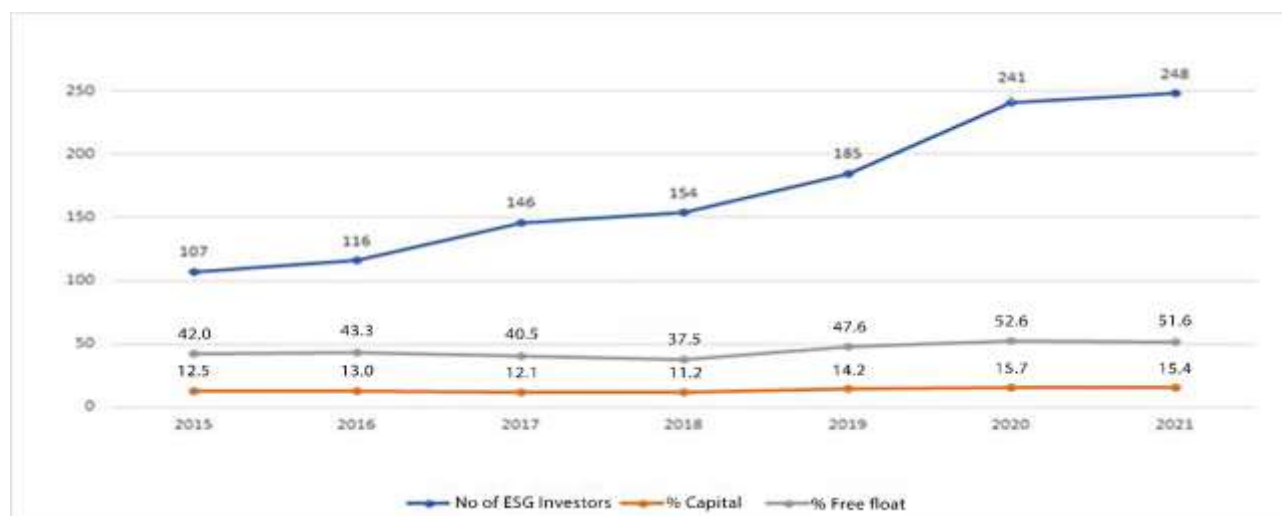
At the end of the reporting period, ENDESA's market cap stood at Euro 21,387 million, making it the security with the tenth highest capitalisation in the IBEX-35.

ENDESA proactively works to be a benchmark company for investors who take into account environmental, social and corporate governance considerations in their investment policies, with the aim of forming a long-term relationship with them.

Since 2015, ENDESA has been carrying out an annual study to identify this type of shareholder. The analysis corresponding to financial year 2021 has determined that ENDESA has at least 248 Socially Responsible Investors (of which 199 are foreign and 49 are domestic), which represent in aggregate 15.4% of the share capital and 51.6% of the free float.

In compliance with Spanish legislation regarding identification of shareholders, the analysis was conducted at the level of "investment advisor". It is not permitted to delve down to the level of the investment fund.

Presence of Socially Responsible Investors in ENDESA's shareholder structure ⁽¹⁾



(1) Source: Internal data

19. Other information

19.1. Management of credit ratings.

During 2021, rating agencies kept the sovereign rating of the Kingdom of Spain unchanged. Standard & Poor's rating was kept at level A, with a Negative outlook, Moody's rating at Baa1 and Fitch's rating at A-, the latter two with a stable outlook.

The latest reports on the sector focused on assessing the regulatory measures that were adopted in September 2021 to contain the impact of high electricity prices on consumers. The three agencies stressed that the measures significantly weakened companies' financial metrics and seriously affected investor confidence, but they were confident that the ratings would not ultimately be affected if it were confirmed that the measures were temporary and the companies were able to mitigate the impacts with other extraordinary

effects and by being able to benefit from the bullish context of market prices. Fitch, however, warned in its report of 1 October 2021 that some financial profiles were already very stressed and the companies could have limited leeway to maintain the ratings, and would be forced in some cases to reduce planned investments.

With regard to ENDESA, the year began with an upward review of the credit rating by Moody's, going from Baa2 to Baa1 with a stable outlook on 14 January 2021, a level which has remained unchanged until the end of the reporting period. In its statement, Moody's placed an emphasis on the Company's strong business and financial profile and its position within the ENEL Group. In this sense, consideration has been given to the high rate of regulated activities within the business mix, helping to secure a stable income, as well as their reduced leverage.

On 21 December 2021, Standard and Poor's published a report confirming ENDESA's rating at BBB+, with a stable outlook, which includes for the first time the assessment of the "stand alone" credit profile (SACP) of the Company, which resulted in an assignment of an "a-" rating.

In its report, the agency highlighted that the assigned profile reflected ENDESA's high market share in the regulated electricity distribution business, which provides it with a stable and predictable cash flow, and its low leverage, with leeway to accelerate investment.

Finally, after confirming its "A-"/ stable outlook rating on 17 February 2021, Fitch announced on 4 February 2022 the downward revision of Endesa's rating to "BBB+"/ stable outlook, to align it with the downgrade of its parent company ENEL's rating in view of the expectation of greater financial leverage in the medium term.

In the same report, Fitch reaffirmed ENDESA's "senior unsecured" rating at "A-", noting that more than 50% of revenues come from regulated activities, and the "Standalone credit profile" (SCP) at "a-", highlighting that in the latest Strategic Plan presented until 2024, the Company's medium-term net debt/EBITDA target remains at 2.3x, consistent with the maximum debt capacity that Fitch considers for that rating level. It cautions, however, that the vision presented to 2030 includes an increase in capital expenditure at a much higher rate (on average) than has been the case historically, suggesting potential pressure on the standalone credit profile (SCP) in the future.

In summary, the evolution of ENDESA's credit rating in 2021 was as follows:

	Credit rating						
	31 December 2021 ⁽¹⁾				31 December 2020 ⁽¹⁾		
	Non-current	Current	Outlook	Date of Last Report	Long term	Short term	Outlook
Standard & Poor's	BBB+	A-2	Stable	21 December 2021	BBB+	A-2	Stable
Moody's	Baa1	P-2	Stable	14 January 2021	Baa1	P-2	Stable
Fitch	BBB+	F2	Stable	4 February 2022	A-	F2	Stable

(1) At the respective dates of authorisation of the Consolidated Management Report.

ENDESA's credit rating is conditioned by the rating of its parent company ENEL, based on the methods employed by rating agencies, and, as of 31 December 2021, has been classified as "investment grade" by all the rating agencies.

ENDESA works to maintain its investment grade credit rating in order to efficiently access money markets and bank financing, and to obtain preferential terms from its main suppliers.

19.2. Dividend policy.

The Board of Directors of ENDESA, S.A. operates an economic-financial strategy to generate a significant amount of cash to maintain Company debt levels and maximise shareholder remuneration. This also achieves the objective of ensuring the sustainability of the business project undertaken.

As a result of this economic-financial strategy, unless any exceptional circumstances arise, which will be duly announced, at a meeting on 24 November 2021 the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2021-2024.

- For 2021, the Board of Directors will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 80% of the net ordinary income attributable to the Parent as per the Group's Consolidated Financial Statements.

- For the 2022, 2023 and 2024 financial years, the Board of Directors of ENDESA, S.A. will attempt to ensure that the ordinary dividend per share that is agreed to be distributed for the year is equivalent to 70% of the ordinary net profit attributable to the Parent as per the Group's Consolidated Financial Statements.

The intention of the Board of Directors is that the ordinary dividend should be paid solely in cash in two instalments (January and July) on a given date to be determined in each case, which will be duly notified.

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

In respect of 2021, at its meeting held on 24 November 2021, ENDESA, S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2021 income of Euro 0.50 per share, which gave rise to a pay-out of Euro 529 million on 3 January 2022.

The proposed distribution of profit in 2018 to be presented for approval at the General Shareholders' Meeting by ENDESA's Board of Directors will be a total gross dividend of Euros 1.4372 per share (see Section 25. of the Consolidated Management Report).

Details of ENDESA, S.A.'s per-share dividends in 2021 and 2020 are as follows:

		2021	2020	% Var.
Share capital	Millions of Euros	1,270.5	1,270.5	-
Number of shares		1,058,752,117	1,058,752,117	-
Consolidated net ordinary income	Millions of Euros	1,902	2,132	(10.8)
Consolidated net income	Millions of Euros	1,435	1,394	2.9
Individual net income	Millions of Euros	581	2,330	(75.1)
Ordinary net earnings per share ⁽¹⁾	Euros	1.7965	2.0136	(10.8)
Net earnings per share ⁽¹⁾	Euros	1.355	1.317	2.9
Gross dividend per share	Euros	1.4372	2.0136	-
Consolidated ordinary pay-out ⁽¹⁾	%	80.0	100.0	-
Consolidated pay-out ⁽¹⁾	%	106.0	152.9	-
Individual pay-out ⁽¹⁾	%	261.9	91.5	-

(1) See definition in Section 7. of this Consolidated Management Report.

20. Disclosures on financial instruments

Information on financial instruments at 31 December 2021 and 2020 is provided in Note 43 to the consolidated financial statements of ENDESA S.A. for the year ended 31 December 2021.

21. Events after the Reporting Period

Information concerning events after the end of the reporting period is provided in Note 55 to the Consolidated Financial Statements for the year ended 31 December 2021.

22. Information on the average payment period to suppliers.

Information regarding the average payment period to suppliers in 2021 is provided in Note 41.1 to the consolidated financial statements for the year ended on 31 December 2021.

23. Annual Corporate Governance Report.

The 2021 Annual Corporate Governance Report, as required by Article 538 of Royal Decree-Law 1/2010, of 2 July, approving the Consolidated Corporate Enterprises Act, forms an integral part of this Consolidated Management Report, and its contents are available on the website of the Spanish Securities Market Commission (CNMV) at the following address: <https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430>, and on the ENDESA website, www.endesa.com.

24. Statement of Non-Financial Information and Sustainability

The Statement of Non-Financial Information and Sustainability required by Law 11/2018, of 28 December, which amends the Commercial Code, the Consolidated Text of the Corporate Enterprises Act approved by Royal Decree Law 1/ 2010, of 2 July, and Law 22/2015, of 20 July, on Audit of Accounts, on Non-Financial Information and diversity, forms part of this Consolidated Management Report, and is subject to the same criteria of approval, deposit and publication as the Consolidated Management Report (see Appendix I: Statement of Non-Financial Information and Sustainability of this Consolidated Management Report). Its content is available on the website of the Spanish Securities Market Commission (CNMV): www.cnmv.es in the "Other relevant information" section, as well as on the ENDESA website, www.endesa.com.

25. Proposed distribution of net income.

The profit for 2021 of the Parent Company ENDESA, S.A. was Euro 581,311,022.93, which together with the surplus, amounting to Euro 4,795,389,430.94, makes a total of Euro 5,376,700,453.87. The Company's Board of Directors will propose to the shareholders at the General Shareholders' Meeting that this amount be used to make a gross dividend payment of Euros 1.4372 per share, with the rest being allocated to retained earnings.

Euros

	Proposed Distribution
Dividends ⁽¹⁾	1,521,638,542.55
To retained earnings	3,855,061,911.32
TOTAL	5,376,700,453.87

(1) Maximum amount to be distributed based on Euros 1.4372 /share gross for all shares (1,058,752,117).

5

OUTLOOK

26. Forecast performance

On 25 November 2021, ENDESA presented to the investment community an update of its Strategic Plan for the 2022-2024 period, and a vision of what the company will be at the end of the decade, in 2030, and the bringing forward of full decarbonisation by 2040 (see Section 4.1 of this Consolidated Management Report).

Long-term planning and vision for 2030:

With regard to the commitment to decarbonisation, ENDESA is aligned with its parent company ENEL in the objective of bringing forward the complete decarbonisation of its activities to 2040, which will be achieved on the basis of four main lines of action:

- The deployment of new renewable capacity making all generation activities 100% free from emissions (inside and outside of the Iberian Peninsula).
- The hybridisation of renewable facilities with storage technologies and green hydrogen production
- Exit from the coal business by 2027 and the production of electricity using gas by 2040
- Exiting the retail gas trading business by offering a wide range of new products and services that incentivise the electrification of gas usage

To this end, ENDESA estimates gross investments of Euro 31,000 million between 2021 and 2030, as follows:

- Euro 12,000 million earmarked to increase renewable generation capacity to 24 GW.
- Euro 12,000 million for the distribution grid to further improve security and quality of supply, as well as to make the grid more efficient and flexible to meet the needs of planned new renewable generation and new customer demand. The number of end users of ENDESA's grid will grow to 13.1 million.
- Euro 4,000 million in the supply business and ENDESA X. As a result, the number of customers in the free market is expected to grow by 23% to around 6.9 million in 2030. Electrification of demand will also be boosted to reach around 400,000 electric vehicle charging points by the end of this decade, and a base of up to 2.6 GW in demand management facilities is expected.

2022-2024 Strategic Plan

In the short term, for the next three years, ENDESA has announced a continuous pathway in terms of the volume of scheduled investment, allocating Euro 7,500 million gross in the next three years, based on the following lines of action:

- Speeding up fulfilment of the decarbonisation commitments for generating facilities, by further boosting renewable energies and closure of mainland coal-fired plants.
- Electrification of demand, consolidating its current leadership position and leveraging the use of new platforms.
- Progress with the development and operation of more efficient grids that enable integration of increased renewable-energy capacity and electrification of transport.

a) Acceleration of decarbonisation commitments at generation facilities.

The strategic lines in the three-year plan are:

1. Investments for the development of wind and solar energy for a gross amount of 3,100 million euros, which will enable the commissioning of 4 GW of new clean power; 90% of which will be solar plants and the rest wind farms. In this way, the company will reach 12.3 GW solar, wind and hydro at the end of the plan and 63% of the peninsular generation capacity will be of renewable origin.
2. This growth in renewable energies will enable 92% of energy production in the Spanish mainland to be free of CO₂ emissions by the end of 2024.

b) Electrification of demand.

The gross investment planned for growth in marketing, such as for ENDESA X, amounts to Euro 700 million. Most of this will be invested in the energy marketing business up to Euro 500 million, and as a result of this and the gradual recovery in demand, total electricity sales will grow to 93 TWh in 2024.

In the free market in particular, the number of customers is expected to increase to 5.8 million, with 58% of the total portfolio corresponding to deregulated customers by the end of 2024. Likewise, the focus will be on customer loyalty, based on an offer of personalised services adapted to their needs.

ENDESA X Servicios, S.L.U.'s gross investment will also grow to Euro 200 million. Of this, around Euro 100 million will be allocated to developing the electric mobility business. As a result, the number of charging points for electric cars will exceed 46,000 by the end of 2024, and the number of charging points for electric buses will reach 125 by the end of the Plan. Similarly, the number of e-home contracts for electricity and gas maintenance is expected to rise sharply to 2.7 million.

c) Grid development as an enabler and integrator

The Strategic Plan contemplates allocating 2,900 million euros gross in the 2022-2024 period to the development, automation and modernization of the network.

Around Euro 1,300 million will be invested in digitalisation plans, helping to further improve network reliability and service quality, achieving operating excellence.

Financial objectives.

The business and financial objectives on which ENDESA's 2022-2024 Strategic Plan is based are:

Millions of euros

Financial objectives	Unit	2022	2023	2024
Gross operating profit (EBITDA) ⁽¹⁾	Millions of euros	4,100	4,500	4,700
Net ordinary income ⁽¹⁾	Millions of euros	1,800	1,900	2,000
Gross dividend per share	Euros	1.2	1.3	1.3

(1) See definition in Section 7. of this Consolidated Management Report.

Appendix I

Statement of Non-Financial Information and Sustainability

This document forms part of the Consolidated Management Report, is subject to the same approval, deposit and publication criteria as that Report, is sent separately to the Spanish Securities Market Commission (CNMV), and can be read on the website www.cnmv.es in the “Other relevant information” section as well as on the ENDESA website (www.endesa.com).

Formulation Signatures
ENDESA, S.A. and Subsidiaries
Consolidated Management Report
for the year ended 31 December 2021

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

The Consolidated Management Report of ENDESA, Sociedad Anónima and its SUBSIDIARY COMPANIES for fiscal year ending 31 December 2021 was drafted in electronic format by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on 21 February 2022, following the format requirements established in the Delegated Regulation EU 2019/815 of the European Commission, and is hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*).

Mr. Juan Sánchez-Calero Guilarte Chairman	Mr. Francesco Starace Vice Chairman
Mr. José Damián Bogas Gálvez Chief Executive Officer	Ms. Eugenia Bieto Caubet Director
Mr. Antonio Cammisecra Director	Mr. Ignacio Garralda Ruiz de Velasco Director
Ms. Pilar González de Frutos Director	Ms. Maria Patrizia Grieco Director
Ms. Alicia Koplowitz y Romero de Juseu Director	Mr. Francisco de Lacerda Director
Mr. Alberto de Paoli Director	

Madrid, 21 February 2022

IV. Consolidated Financial Statements

ENDESA, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2021

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

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

Millions of Euros

	Notes	2021	2020 ⁽¹⁾
REVENUE	9	20,899	17,050
Revenue from sales and services rendered	9.1	20,527	16,717
Other operating income	9.2	372	333
PROCUREMENTS AND SERVICES		(15,364)	(11,069)
Power purchases	10.1	(7,603)	(3,322)
Fuel consumption	10.2	(1,607)	(1,100)
Transmission expenses		(4,425)	(5,000)
Other variable procurements and services	10.3	(1,729)	(1,647)
INCOME AND EXPENSES FROM ENERGY DERIVATIVES	11	543	25
CONTRIBUTION MARGIN		6,078	6,006
Self-constructed assets	3.2b.1 and 3.2e.3	320	275
Personnel expenses	12	(916)	(1,147)
Other fixed operating expenses	13	(1,239)	(1,351)
Other gains and losses	14	35	26
GROSS OPERATING INCOME (EBITDA)		4,278	3,809
Depreciation and amortisation, and impairment losses on non-financial assets (2)	15.1	(2,197)	(1,787)
Impairment losses on financial assets.	15.2	(125)	(110)
PROFIT (LOSS) FROM OPERATIONS		1,956	1,912
FINANCIAL PROFIT/(LOSS)		(31)	(158)
Financial income	16.1	163	25
Financial expense	16.1	(177)	(191)
Income and expenses on derivative financial instruments	16.2	(11)	(4)
Net exchange differences	16.1	(6)	12
Net profit/(loss) of companies accounted for using the equity method	17	(1)	34
PROFIT BEFORE TAX		1,924	1,788
Income tax expense	18	(467)	(388)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		1,457	1,400
PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE PERIOD		1,457	1,400
Parent		1,435	1,394
Non-controlling interests	35.2	22	6
BASIC NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS (Euros)	19	1.36	1.32
DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS (Euros)	19	1.36	1.32
BASIC NET EARNINGS PER SHARE (Euros)	19	1.36	1.32
DILUTED NET EARNINGS PER SHARE (Euros)	19	1.36	1.32

(1) See Note 2.2.

The accompanying notes 1 to 56 to the consolidated financial statements are an integral part of the consolidated income statements for the years ended 31 December 2021 and 2020.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 December 2021 AND 2020

Millions of Euros

	Notes	2021	2020 ⁽¹⁾
CONSOLIDATED PROFIT FOR THE PERIOD		1,457	1,400
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT AND LOSS		32	(70)
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-
Actuarial gains and losses	35.1.11 and 38.1	35	(86)
Share of Other Comprehensive Income Recognised on Investments in Joint Ventures and Associates		-	-
Equity Instruments through Other Comprehensive Income		-	-
Other Income and Expenses not Reclassified to Profit for the Period		-	-
Tax effect	35.1.11 and 18	(3)	16
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		(1,483)	(133)
Hedging transactions	35.1.6 and 35.1.11	(1,983)	(193)
Valuation gains/(losses)		(1,400)	(431)
Amounts Transferred to Income Statement		(583)	238
Other Reclassifications		-	-
Translation differences	35.1.11	-	-
Valuation gains/(losses)		-	-
Amounts Transferred to Income Statement		-	-
Other Reclassifications		-	-
Share of Other Comprehensive Income Recognised on Investments in Joint Ventures and Associates	35.1.6 and 35.1.11	7	-
Valuation gains/(losses)		7	-
Amounts Transferred to Income Statement		-	-
Other Reclassifications		-	-
Equity Instruments at Fair Value through Other Comprehensive Income		-	-
Valuation gains/(losses)		-	-
Amounts Transferred to Income Statement		-	-
Other Reclassifications		-	-
Other Income and Expenses that May Be Reclassified to Profit for the Period		-	-
Valuation gains/(losses)		-	-
Amounts Transferred to Income Statement		-	-
Other Reclassifications		-	-
Tax effect	35.1.11 and 18	493	60
TOTAL COMPREHENSIVE INCOME		6	1,197
Of the Parent		(16)	1,191
Of non-controlling interests		22	6

(1) See Note 2.2.

The accompanying notes 1 to 56 to the consolidated financial statements are an integral part of the consolidated statement of other comprehensive income for the years ended 31 December 2021 and 2020.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2021 AND 2020

Millions of Euros

	Notes	31 December 2021	31 December 2020 ⁽¹⁾
ASSETS			
NON-CURRENT ASSETS		28,316	25,828
Property, plant and equipment	20	22,097	21,354
Investment property	22	55	58
Intangible assets	23	1,542	1,399
Goodwill	24	462	462
Investments accounted for using the equity method	26	180	217
Non-current Assets of Contracts with Customers	27	-	-
Other non-current financial assets	28	580	534
Non-current derivative financial instruments	29	774	169
Other non-current assets	30	264	244
Deferred tax assets	25	2,362	1,391
CURRENT ASSETS		11,652	6,234
Inventories	32	1,343	1,077
Trade and other receivables	33	5,382	3,346
Trade receivables for sales and services and other receivables		5,024	2,808
Current income tax assets		76	426
Other tax assets		282	112
Current Assets of Contracts with Customers	27	6	10
Other current financial assets	31	1,817	931
Current derivative financial instruments	29	2,401	467
Cash and cash equivalents	34	703	403
Non-current assets held for sale and discontinued operations		-	-
TOTAL ASSETS		39,968	32,062
EQUITY AND LIABILITIES			
EQUITY	35	5,544	7,465
Of the Parent	35.1	5,380	7,315
Share capital		1,271	1,271
Share premium and reserves		4,761	5,467
(Own shares and own equity instruments)		(3)	(2)
Profit for the period attributed to the Parent		1,435	1,394
Interim dividend		(529)	(741)
Other equity instruments		2	-
Adjustments due to changes in value		(1,557)	(74)
Of non-controlling interests	35.2	164	150
NON-CURRENT LIABILITIES		18,602	16,042
Grants	36	254	261
Non-current liabilities of contracts with customers	27	4,284	4,256
Non-current provisions	38	3,984	3,704
Provisions for employee benefits	38.1	659	757
Other non-current provisions		3,325	2,947
Non-current borrowings	37	7,211	5,901
Non-current derivative financial instruments	29	573	236
Other non-current financial liabilities	40	120	1
Other non-current liabilities	39	690	630
Deferred tax liabilities	25	1,486	1,053
CURRENT LIABILITIES		15,822	8,555
Current Liability Contracts with Customers	27	270	274
Current provisions	38	611	477
Provisions for employee benefits		-	-
Other current provisions		611	477
Current borrowings	37	3,167	1,372
Current derivative financial instruments	29	4,884	404
Other current financial liabilities	40	34	25
Trade and other payables	41	6,856	6,003
Suppliers and other payables		6,071	5,024
Current income tax liabilities		333	512
Other tax liabilities		452	467
Liabilities associated with non-current assets classified as held for sale and discontinued operations		-	-
TOTAL EQUITY AND LIABILITIES		39,968	32,062

(1) See Note 2.2.

The accompanying notes 1 to 56 to the consolidated financial statements are an integral part of the consolidated statements of financial position for the years ended 31 December 2021 and 2020.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Millions of Euros

		Equity attributable to the Parent (Note 35.1)						Non-Controlling Interests (Note 35.2)	Total Equity
Notes	Capital and reserves					Adjustments due to changes in value			
	Capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit for the period	Other equity instruments				
Beginning balance at 1 January 2021		1,271	4,726	(2)	1,394	-	(74)	150	7,465
Adjustments due to changes in accounting policies		-	-	-	-	-	-	-	-
Corrections of errors		-	-	-	-	-	-	-	-
Adjusted beginning balance		1,271	4,726	(2)	1,394	-	(74)	150	7,465
Total comprehensive income		-	32	-	1,435	-	(1,483)	22	6
Transactions with shareholders or owners		-	(1,920)	(1)	-	-	-	(8)	(1,929)
Capital increases/(decreases)		-	-	-	-	-	-	(2)	(2)
Conversion of liabilities into equity		-	-	-	-	-	-	-	-
Dividends paid 35.1.10		-	(1,920)	-	-	-	-	(5)	(1,925)
Transactions with own equity instruments (net) 35.1.8		-	-	(1)	-	-	-	-	(1)
Increases/(decreases) due to business combinations		-	-	-	-	-	-	-	-
Other transactions with shareholders or owners		-	-	-	-	-	-	(1)	(1)
Other changes in equity		-	1,394	-	(1,394)	2	-	-	2
Share-based payments		-	-	-	-	2	-	-	2
Transfers between equity items		-	1,394	-	(1,394)	-	-	-	-
Other changes		-	-	-	-	-	-	-	-
Balance at 31 December 2021		1,271	4,232	(3)	1,435	2	(1,557)	164	5,544

The accompanying notes 1 to 56 to the consolidated financial statements are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2021.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Millions of Euros

		Equity attributable to the Parent (Note 35.1)							
		Capital and reserves							
Notes	Capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit for the period	Other equity instruments	Adjustment s due to changes in value	Non-Controlling Interests (Note 35.2)	Total equity	
Beginning balance at 1 January 2020		1,271	6,187	-	171	-	59	149	7,837
Adjustments due to changes in accounting policies		-	-	-	-	-	-	-	-
Corrections of errors		-	-	-	-	-	-	-	-
Adjusted beginning balance		1,271	6,187	-	171	-	59	149	7,837
Total comprehensive income		-	(70)	-	1,394	-	(133)	6	1,197
Transactions with shareholders or owners		-	(1,562)	(2)	-	-	-	(5)	(1,569)
Capital increases/(decreases)		-	-	-	-	-	-	3	3
Conversion of liabilities into equity		-	-	-	-	-	-	-	-
Dividends paid 35.1.10		-	(1,562)	-	-	-	-	(8)	(1,570)
Transactions with own equity instruments (net) 35.1.8		-	-	(2)	-	-	-	-	(2)
Increases/(decreases) due to business combinations		-	-	-	-	-	-	-	-
Other transactions with shareholders or owners		-	-	-	-	-	-	-	-
Other changes in equity		-	171	-	(171)	-	-	-	-
Share-based payments		-	-	-	-	-	-	-	-
Transfers between equity items		-	171	-	(171)	-	-	-	-
Other changes		-	-	-	-	-	-	-	-
Balance at 31 December 2020		1,271	4,726	(2)	1,394	-	(74)	150	7,465

The accompanying notes 1 to 56 to the consolidated financial statements are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2020.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

Millions of Euros

	Notes	2021	2020 ⁽¹⁾
Gross profit before tax		1,924	1,788
Adjustments for:		2,410	2,153
Depreciation and amortisation and impairment losses	15	2,322	1,897
Other adjustments (net)		88	256
Changes in working capital:	48.1	(1,000)	(413)
Trade and other receivables		(2,291)	31
Inventories		(457)	(225)
Current financial assets		80	28
Trade payables and other current liabilities		1,668	(247)
Other cash flows from operating activities:	48.1	(713)	(577)
Interest received		77	34
Dividends received		38	28
Interest paid		(152)	(152)
Corporate income tax paid		(346)	(229)
Other receipts from and payments for operating activities		(330)	(258)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48	2,621	2,951
Payments for investments	48.2	(3,302)	(1,990)
Acquisitions of property, plant and equipment and intangible assets		(2,082)	(1,704)
Investments in Group companies		(96)	(17)
Purchase of other investments		(1,124)	(269)
Proceeds from sale of investments	48.2	122	158
Proceeds from sale of property, plant and equipment and intangible assets		84	49
Disposals of investments in Group companies		-	21
Proceeds from sale of other investments		38	88
Other cash flows from investing activities	48.2	107	106
Other receipts from and payments for investing activities		107	106
NET CASH FLOWS FROM INVESTING ACTIVITIES	48	(3,073)	(1,726)
Cash flows from equity instruments	35.2 and 48.3	2	4
Drawdowns of non-current borrowings	37 and 48.3	1,425	843
Repayment of borrowings, non-current	37 and 48.3	(22)	(575)
Net cash flows from current borrowings	37 and 48.3	1,488	255
Dividends of the Parent paid	35.1.10, 35.1.12 and 48.3	(2,132)	(1,562)
Dividends paid to non-controlling interests	35.2 and 48.3	(9)	(10)
NET CASH FLOWS FROM FINANCING ACTIVITIES	48	752	(1,045)
TOTAL NET CASH FLOWS		300	180
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		300	180
BEGINNING CASH AND CASH EQUIVALENTS	34	403	223
Cash in hand and at banks		403	223
Cash equivalents		-	-
END CASH AND CASH EQUIVALENTS	34	703	403
Cash in hand and at banks		703	403
Other cash equivalents		-	-

(1) See Note 2.2.

The accompanying notes 1 to 56 to the consolidated financial statements are an integral part of the consolidated statement of cash flows for the years ended 31 December 2021 and 2020.

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

ENDESA, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2021

Contents

1. Group activity and financial statements	12
2. Basis of preparation	12
2.1. Applicable accounting standards	12
2.2. Comparative information	13
3. Accounting principles and policies and measurement standards.	17
3.1. Key accounting estimates made.	17
3.2. Measurement criteria	18
4. New accounting standards, amendments and interpretations	52
5. Information on non-financial matters	52
5.1. COVID-19 health crisis	52
5.2. Climate change	53
6. Industry regulation	54
6.1. Regulatory framework in Spain.	54
6.2. Regulatory framework in Europe	82
7. Changes in consolidation scope	84
7.1. Subsidiaries	84
7.2. Associates	86
7.3. Joint arrangements	87
8. Segment information	88
8.1. Basis of segmentation	88
8.2. Segment information.	89
8.3. Information by geographical area	94
9. Revenue.	94
9.1. Revenue from sales and services.	95
9.2. Other operating income	95
10. Procurements and services	96
10.1. Power purchases	96
10.2. Fuel consumption.	96
10.3. Other variable procurements and services	96
11. Income and expenses from energy derivatives.	96
12. Personnel expenses	97
13. Other fixed operating expenses	97
14. Other gains/losses	97
15. Depreciation and amortisation, and impairment losses	98
15.1. Depreciation and amortisation, and impairment losses on non-financial assets.	98
15.2. Impairment losses on financial assets.	98

16. Financial profit/(loss).....	98
16.1. Financial gains/(losses) with no derivative financial instruments	98
16.2. Revenue and financial expenses on derivative financial instruments	99
17. Net profit/(loss) of companies accounted for using the equity method.	99
18. Income tax.	99
19. Basic and diluted earnings per share.	101
20. Property, plant and equipment	102
20.1. Main investments and divestments.	105
20.2. Acquisition commitments.....	106
20.3. Other information.....	106
21. Right of use.....	109
21.1. Rights of use as lessee.	110
21.2. Rights of use as lessor.	111
22. Investment property	111
22.1. Other information.....	111
23. Intangible assets.....	112
23.1. Main investments and divestments.	113
23.2. Acquisition commitments.....	113
23.3. Other information.....	114
24. Goodwill	114
24.1. Other information.....	114
25. Deferred tax assets and liabilities	115
25.1. Deferred tax assets and liabilities.....	115
25.2. Other information.....	116
26. Investments accounted for using the equity method and jointly-controlled entities	116
26.1. Investments accounted for using the equity method.....	116
26.2. Jointly-controlled entities	120
27. Assets and liabilities from contracts with customers..	121
27.1. Current and non-current assets of contracts with customers.....	121
27.2. Current and non-current liabilities of contracts with customers.	121
28. Other non-current financial assets.....	122
28.1 Loans and receivables.	123
28.2. Equity instruments	123
29. Derivative financial instruments.	124
30. Other current financial assets.....	124
31. Other non-current assets	124
32. Inventories	124
32.1. Carbon dioxide (CO ₂) emission rights.	125
32.2. Acquisition commitments.....	125
32.3. Other information.....	125
33. Trade and other receivables	126
33.1. Other information.....	126
34. Cash and cash equivalents	127
35. Equity	127

35.1. Equity: of the Parent.	128
35.2. Equity: of non-controlling interests.	134
36. Grants.	136
37. Current and non-current interest-bearing loans and borrowings.....	136
38. Provisions	136
38.1. Provisions for pensions and similar obligations.	137
38.2. Provisions for workforce restructuring costs	141
38.3. Other provisions	144
39. Other non-current liabilities.....	145
40. Other non-current and current financial liabilities.	145
41. Trade and other payables.....	145
41.1. Information on the average payment period to suppliers. Additional provision three. "Duty of disclosure" in Law 15/2010 of 5 July.	146
42. Net financial debt.	146
43. Financial instruments.....	147
43.1. Classification of non-current and current financial assets.....	147
43.2. Classification of non-current and current financial liabilities	150
43.3 Borrowings.....	150
43.4. Other matters.....	154
43.5. Net gains and losses on financial assets and liabilities by category	157
44. General risk control and management policy.	158
44.1. Interest rate risk.....	159
44.2. Currency risk	160
44.3. Energy stock price risk	161
44.4. Liquidity risk.....	162
44.5. Credit risk	163
44.6. Customer concentration risk.....	165
44.7. Risks of commitments to purchase energy stocks.	166
45. Offsetting of non-current and current financial assets and liabilities	166
46. Derivative financial instruments.	168
46.1. Derivative instruments designated as hedging instruments.....	168
46.2. Derivative instruments not designated as hedging instruments.....	175
47. Fair value measurement.....	176
47.1. Fair value measurement of categories of financial assets	176
47.2. Fair value measurement of categories of assets not measured at fair value	177
47.3. Fair value measurement of categories of financial liabilities	177
47.4. Fair value measurement of categories of financial liabilities not measured at fair value	178
47.5. Other matters.....	178
48. Statement of cash flows	179
48.1. Net cash flows from operating activities.	179
48.2. Net cash flows from investing activities.....	180
48.3. Net Cash used in Financing Activities.	181
49. Related-party balances and transactions	182
49.1. Expenses and income and other transactions	182
49.2. Associates, joint ventures and jointly controlled entities.	185
49.3. Directors and senior management.	185
50. Acquisition commitments and guarantees to third parties and other commitments	194
51. Audit fees	195

52. Personnel.....	195
52.1. Final headcount.....	195
52.2. Average headcount.	196
53. Contingent assets and liabilities.	196
54. Accounting standards applicable in the future.....	204
55. Events after the reporting period	204
56. Explanation added for translation to English	205
APPENDIX I: ENDESA's companies and material shareholdings	206

ENDESA, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Group activity and financial statements

ENDESA, S.A. (hereinafter, "the Parent" or the "Company") and its subsidiaries make up the ENDESA Group (hereinafter, "ENDESA"). The Company's registered, tax and head offices are at calle Ribera del Loira, 60, Madrid, Spain.

The Company was incorporated as a company limited by shares under Spanish law in 1944 under the name Empresa Nacional de Electricidad, S.A. and changed its name to ENDESA, S.A. pursuant to a resolution passed by the shareholders at the General Meeting of shareholders on 25 June 1997. Since that date there has been no subsequent change in its corporate name.

Its corporate purpose is the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or supplementary to the Group's corporate purpose, and the management of the corporate Group, comprising investments in other companies. ENDESA carries out the activities forming its corporate object, either directly or through its equity holdings in other companies, at the national and international level, mainly in Spain and Portugal, as well as through branches in several other European countries.

ENDESA's Consolidated Financial Statements for the year ended 31 December 2020 were approved by the shareholders at the General Meeting of Shareholders held on 30 April 2021 and filed with the Madrid companies register.

The ENDESA consolidated financial statements for the year ended 31 December 2021, and those of all the companies comprising ENDESA for 2021, which were used in the preparation of these consolidated financial statements, are pending approval by shareholders at their respective general meetings of shareholders. However, the directors of the Parent Company consider that these consolidated financial statements will be approved as presented without modification.

The presentation currency of the Parent Company is the euro and the figures shown herein (unless stated otherwise) are in millions of Euros.

The Company forms part of the ENEL Group, whose ultimate parent company is ENEL, S.p.A., which is governed by Italian legislation. Its registered office is at Viale Regina Margherita, 137, Rome, Italy. In Spain, the ENEL Group is headed by ENEL Iberia, S.L.U., with registered office at Calle Ribera del Loira, 60, Madrid. The ENEL Group, through ENEL Iberia, S.L.U., holds 70.1% of ENDESA, S.A.'s share capital. (see Notes 35.1.1 and 35.1.8)

The ENEL Group's Consolidated Financial Statements for the year ended 31 December 2020 were approved by the General Shareholders' Meeting held on 20 May 2021 and filed with the Rome and Madrid Companies Registers.

2. Basis of preparation

2.1. Applicable accounting standards.

ENDESA's Consolidated Financial Statements for the year ended 31 December 2021, which were approved by the directors of the Parent at the Board meeting held on 21 February 2022, were prepared in accordance with the International Financial Reporting Standards ("IFRS") and the interpretations of the IFRS Interpretations Committee ("IFRIC") as adopted by the European Union (EU) at the reporting date, pursuant to Regulation (EC) No. 1606/2002, of 19 July, of the European Parliament and of the Council and other provisions of the financial reporting regulatory framework applicable to ENDESA and will be submitted to the

General Meeting of Shareholders for approval, and it is expected that they will be approved without amendment.

These consolidated financial statements present fairly the equity and financial position of ENDESA at 31 December 2021, as well as the consolidated comprehensive income, consolidated operating performance, changes in consolidated equity and changes in consolidated cash flows for the year then ended.

The Consolidated Financial Statements have been prepared following the same Accounting Policies, Presentation Basis and Valuation Rules applied in the Consolidated Financial Statements for the year ended 31 December 2020, with the exception of the new International Financial Reporting Standards (IFRS) and Interpretations of the IFRS Interpretations Committee (IFRIC) published in the Official Journal of the European Union which was first applied by ENDESA in the Consolidated Financial Statements for the year ended 31 December 2021 (see Note 4), and following the operating company principle by applying the cost method, with the exception of the items that, in accordance with the International Financial Reporting Standards (IFRS), are recorded at fair value, as indicated in the Valuation Standards for each item. Items in the Consolidated Income Statement are classified by cost type.

ENDESA's consolidated financial statements for the years ended 31 December 2021 and 2020 have been prepared from the accounting records of the Company and those of the rest of the companies comprising ENDESA.

Each subsidiary prepares its financial statements in accordance with the accounting principles and standards prevailing in the country in which it operates. When necessary, in the consolidation process adjustments and reclassifications have been made to the financial statements of subsidiaries to bring their accounting principles and standards into line with IFRSs and IFRIC interpretations.

The changes in accounting policies that have occurred at the time of preparation of these Consolidated Financial Statements are described in Note 4.

2.2. Comparability of information.

At 31 December 2021, in order to provide information in line with market practice, ENDESA has adapted the presentation of the Consolidated Financial Statements. This adaptation has also been applied retroactively, which has implied the modification of the Consolidated Financial Statements for the year ended 31 December 2020 in such a way that the comparative figures do not coincide with those published in the Notes to ENDESA's Consolidated Financial Statements for the year ended 31 December 2020, which were approved by the General Shareholders' Meeting held on 30 April 2021.

For each financial statement, the main changes made to the presentation are described below:

Consolidated income statement

Millions of Euros

Consolidated financial statement 2020 Consolidated Income Statement	2020	Reclassification Gains or losses Sale of Non- Financial and Financial Assets ⁽¹⁾	Reclassification of Revenues and Expenses from Energy Derivatives Energy ⁽²⁾	Breakdown Depreciation and Impairment Losses	Derivative Financial Instruments	Consolidated financial statement 2021 Consolidated Income Statement	2020 Re- expressed
REVENUE	17,579	-	(529)	-	-	REVENUE	17,050
Sales	16,644	-	73	-	-	Income from sales and services rendered	16,717
Other operating income	935	-	(602)	-	-	Other operating income	333
SUPPLIES AND SERVICES	(11,573)	-	504	-	-	SUPPLIES AND SERVICES	(11,069)
Energy Purchases	(3,631)	-	309	-	-	Energy Purchases	(3,322)
Other Variable Procurements and Services	(1,842)	-	195	-	-	Other Variable Procurements and Services	(1,647)
-	-	-	25	-	-	INCOME AND EXPENSES FROM ENERGY DERIVATIVES	25
CONTRIBUTION MARGIN	6,006	-	-	-	-	CONTRIBUTION MARGIN	6,006
-	-	26	-	-	-	Other Results	26
GROSS OPERATING PROFIT	3,783	26	-	-	-	GROSS OPERATING PROFIT	3,809
Depreciation, amortisation and impairment losses	(1,897)	-	-	110	-	Depreciation, amortisation and impairment losses on non-financial assets	(1,787)
-	-	-	-	(110)	-	Impairment losses on financial assets	(110)
OPERATING PROFIT	1,886	26	-	-	-	OPERATING PROFIT	1,912
FINANCIAL RESULT	(134)	(24)	-	-	-	FINANCIAL RESULT	(158)
Financial Income	28	-	-	-	(3)	Financial Income	25
Financial Expense	(174)	(24)	-	-	7	Financial Expense	(191)
-	-	-	-	-	(4)	Income and Expense from Derivative Financial Instruments	(4)
Net Exchange Differences	12	-	-	-	-	Net Exchange Differences	12
Net Result of Equity Method Companies	34	-	-	-	-	Net Result of Equity Method Companies	34
Profit from other investments	-	-	-	-	-	-	-
Profit or Loss on Sales of Assets	2	(2)	-	-	-	-	-
PROFIT BEFORE TAX	1,788	-	-	-	-	PROFIT BEFORE TAX	1,788

(1) The heading "Profit on sale of assets", which mainly included gross capital gains or losses from the sale of non-financial assets or the sale of financial assets, has been eliminated. The items that made up this heading are now classified either under "Other results" as part of "EBITDA" or under "Financial result", depending on their nature.

(2) Changes in fair value and settlements of commodity derivative financial instruments not designated as hedges are reclassified to "Income and Expenses from Energy Derivatives" and settled at the net amount, previously recognised in "Other Operating Income" and "Other Variable Procurements and Services" as well as the cumulative gain or loss on cash flow hedges as the underlying has an impact on the Consolidated Income Statement for the hedged risk, including the ineffective portion of such hedges, previously recognised in "Sales" and "Energy Purchases".

Consolidated statement of other comprehensive income.

Millions of Euros

Consolidated Financial Statements 2020 Statement of Other Comprehensive Income	2020	Reclassifications ⁽¹⁾		Consolidated Financial Statements 2021 Statement of Other Comprehensive Income	2020 Re-expressed
		Gross	Tax		
Items Eligible for Reclassification to the Income Statement:	(315)	-	-	-	
Cash flow hedges	(431)	431	-	-	
Tax effect	116	-	(116)	-	
TRANSFERS TO THE INCOME STATEMENT AND/OR INVESTMENTS	182	-	-	-	
For cash flow hedges	238	(238)	-	-	
Tax effect	(56)	-	56	-	
-		-	-	ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD	(133)
-		-	-	Hedging transactions	(193)
-		(431)	-	Valuation Gains/(Losses)	(431)
-		238	-	Amounts Transferred to Income Statement	238
-		-	60	Tax Effect	60

(1) The presentation of these items of the Consolidated Statement of Other Comprehensive Income has been adapted to the models of the Periodic Public Information in accordance with Circular 3/2018, of 28 June, of the Spanish National Securities Market Commission (CNMV).

Consolidated Statement of Financial Position.

Millions of Euros

Consolidated Financial Statements 2020 Consolidated Statement of Financial Position	2020	Breakdown Financial Instruments Derivatives ⁽¹⁾	Breakdown		Consolidated Financial Statements 2021 Consolidated Statement of Financial Position	2020 Re-expressed
			Assets and Liabilities Financial ⁽²⁾	Assets and Liabilities from Contracts with Customers ⁽³⁾		
Non-Current Assets	947	-	-	-	Non-Current Assets	947
-	-	-	-	-	Non-Current Assets from Contracts with Customers	-
Non-Current Financial Assets	947	(169)	(244)	-	Other Non-Current Financial Assets	534
-	-	169	-	-	Non-Current Derivative Financial Instruments	169
-	-	-	244	-	Other Non-Current Assets	244
Current Assets	4,754	-	-	-	Current Assets	4,754
Trade and other receivables	3,577	(467)	246	(10)	Trade and other Receivables	3,346
-	-	-	-	10	Current Assets from Contracts with Customers	10
Current Financial Assets	1,177	-	(246)	-	Other Current Financial Assets	931
-	-	467	-	-	Current Derivative Financial Instruments	467
Non-Current Liabilities	11,285	-	-	-	Non-Current Liabilities	11,285
Deferred Income	4,517	-	-	(4,256)	Grants	261
-	-	-	-	4,256	Non-Current Liabilities under Contracts with Customers	4,256
Non-Current Financial Debt	5,937	(36)	-	-	Non-Current Financial Debt	5,901
-	-	236	-	-	Non-Current Derivative Financial Instruments	236
-	-	-	1	-	Other Non-Current Financial Liabilities	1
Other Non-Current Liabilities	831	(200)	(1)	-	Other Non-Current Liabilities	630
Current Liabilities	6,706	-	-	-	Current Liabilities	6,706
-	-	-	-	274	Current Liabilities under Contracts with Customers	274
-	-	404	-	-	Current Derivative Financial Instruments	404
-	-	-	25	-	Other Current Financial Liabilities	25
Trade and Other Current Liabilities	6,706	(404)	(25)	(274)	Trade and other accounts payable	6,003

(1) "Non-Current Derivative Financial Instruments" and "Current Derivative Financial Instruments" have been disclosed in the Consolidated Statement of Financial Position under both assets and liabilities as detailed in Note 18 to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) "Other Non-Current Assets" and "Other Non-Current Financial Liabilities" and "Other Current Financial Liabilities" detailed in Notes 18, 20 and 22 to the Consolidated Financial Statements for the year ended 31 December 2020 have been disclosed in the Consolidated Statement of Financial Position.

(3) "Non-Current Assets under Customer Contracts", "Current Assets under Customer Contracts", "Non-Current Liabilities under Customer Contracts" and "Current Liabilities under Customer Contracts", as detailed in Notes 12, 15 and 22 to the Consolidated Financial Statements for the year ended 31 December 2020, have been disclosed in the Consolidated Statement of Financial Position. As a result, the heading "Deferred income" has been eliminated and the items comprising it, in accordance with their nature, have been classified under "Non-current liabilities with customers" and "Grants", also newly created.

Consolidated statement of cash flows

Millions of Euros

Consolidated Financial Statements 2020 Consolidated Statement of Cash Flows	2020	Reclassifications ⁽¹⁾		Consolidated Financial Statements 2021 Consolidated Statement of Cash Flows	2020 Re-Expressed
		Investment Payments	Proceeds from Divestments		
Acquisitions of Tangible Fixed Assets and Intangible Assets	(1,704)	1.704	-	-	-
Disposals of property, plant and equipment and intangible assets	49	-	(49)	-	-
Investments in Group companies	(17)	17	-	-	-
Disposals of investments in Group companies	21	-	(21)	-	-
Acquisitions of other investments	(269)	269	-	-	-
Disposals of other investments	88	-	(88)	-	-
Cash flows from changes in scope of	-	-	-	-	-
-	-	-	-	Payments for Investments	(1,990)
-	-	(1.704)	-	Acquisitions of Property, Plant and Equipment and Intangible Assets	(1.704)
-	-	(17)	-	Investments in Group companies	(17)
-	-	(269)	-	Acquisitions of other investments	(269)
-	-	-	-	Proceeds from divestments	158
-	-	-	49	Disposals of Property, Plant and Equipment and Intangible Assets	49
-	-	-	21	Disposals of investments in Group companies	21
-	-	-	88	Disposals of other investments	88
Cash flows due to changes in the scope of consolidation	-	-	-	-	-
-	-	-	-	Other Cash Flows from Investing Activities	106
Grants and other deferred income	106	-	-	Other Receipts and Payments from Investing Activities	106
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,726)	-	-	NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,726)

(1) The presentation of these items of the Consolidated Cash Flow Statement has been adapted to the models of the Periodic Public Information in accordance with Circular 3/2018, of 28 June, of the National Securities Market Commission (CNMV).

Additionally, and as a consequence of the operation and evolution of the quotations in the commodity and energy derivatives markets, at 31 December 2021 ENDESA has also modified the definition of the Alternative Performance Measure (APM) "Net Financial Debt" including in the same the financial guarantees recorded in assets as it considers that the magnitude of the amounts recorded in such items reflects in a more appropriate way the net amount of ENDESA's financial debt.

This modification in the definition of the Alternative Performance Measure (APM) has also been made retroactively to 31 December 2020, so that the comparative figures do not coincide with those published in the Notes to ENDESA's Consolidated Annual Accounts for the year ended 31 December 2020, which were approved by the General Shareholders' Meeting held on 30 April 2021.

The evolution of this Alternative Performance Measure (APM) at 31 December 2021 and 2020 is shown below (see Note 42):

Millions of Euros

	Notes	Medida Alternativa de Rendimiento (APM)		
		31 December 2021	31 December 2020 Re-Expressed	31 December 2020
Non-Current Financial Debt	37 and 43.3	7,211	5,901	5,901
Current Financial Debt	37 and 43.3	3,167	1,372	1,372
Gross Financial Debt		10,378	7,273	7,273
Debt Derivatives Recorded in Liabilities	46	14	36	36
Cash and Cash Equivalents	34	(703)	(403)	(403)
Debt Derivatives Recorded in Assets	46	(7)	(7)	(7)
Financial Guarantees Recorded in Assets	28.1 y 31	(876)	(46)	
Net Financial Debt		8,806	6,853	6,899

ENDESA's Directors consider that the above modifications provide information that is consistent with market practice.

3. Accounting principles and policies and measurement standards.

3.1. Key accounting estimates made.

The Company's directors are responsible for the information contained in these consolidated Financial Statements, which were approved at the Board of Directors' Meeting held on 21 February 2022, and expressly states that all IFRS policies and criteria have been applied.

In preparing these consolidated financial statements, ENDESA's directors made estimates to measure certain assets, liabilities, income, expenses and commitments included therein. These estimates were essentially as follows:

- Measurement of non-financial assets to determine any impairment losses (see Note 3.2f).
- Assumptions used in the actuarial calculation of liabilities and provisions for employees and the leaving dates and conditions for employees involved in collective redundancy procedures and agreements to suspend employment contracts (see Notes 3.2m.1, 3.2m.2, 38.1 and 38.2).
- Useful lives of property, plant and equipment and intangible assets (see Notes 3.2b and 3.2e).
- Assumptions used to calculate the fair value of financial instruments (see Notes 3.2h and 47).
- Interpretation of existing or new electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of authorisation of these consolidated financial statements (see Note 6).
- Power supplied to customers pending billing (see Notes 3.2p and 33).
- Accrual of the remuneration of the electricity production activity in the Non-Mainland Territories (NPT) with additional remuneration regime (see Note 6).
- Accruals for the electricity distribution activity for assets commissioned after 1 January 2017, as well as incentives for the distribution activity (see Note 6).
- Accruals for the renewable energy production activity with specific remuneration regime and adjustment for deviations in the market price ("Vadjm") in accordance with article 22 of Royal Decree 413/2014 of 6 June, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste (see Note 6).
- Cost of the Social Bonus in accordance with the mechanism for financing this cost (see Note 6).
- Likelihood and amount of undetermined or contingent liabilities (see Notes 3.2m and 38.3). In particular, for uncertainties about uncertain tax treatments, it applies the most likely amount method to reflect the effect of the uncertainty (see Notes 3.2o, 18, 25 and 41).
- Future costs for decommissioning and restoration of land (see Notes 3.2b, 3.2c, 3.2e, 3.2m and 38.3).
- Assumptions used to measure deferred tax assets and tax credits (see Notes 3.2o and 25.1).

With regard to the impact of Climate Change issues, ENDESA considers that Climate Change represents an implicit element in the application of the methodologies and models used in the estimates made by ENDESA management to quantify some of the assets, liabilities, income, expenses and commitments.

For this purpose, the estimates on which Climate Change may have the most significant impact relate, inter alia, to the useful lives of property, plant and equipment and intangible assets, the obligations associated with the energy transition process relating to affected employees and future costs for the closure of facilities, and the valuation of non-financial assets to determine the existence of impairment losses (see Note 5.2).

Although these estimates have been based on the best information available at the date of preparation of the consolidated financial statements, future events could require the estimates to be increased or decreased in subsequent years. Changes in estimates are made prospectively and the effects recognised in the corresponding consolidated financial statements for future years.

3.2. Measurement criteria

The main measurement criteria used in preparing the accompanying consolidated financial statements were as follows:

(a) Basis of consolidation and business combinations

Subsidiaries are fully consolidated from the date of acquisition, being the date on which ENDESA obtains control, and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after the adjustment and elimination of intragroup transactions.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Jointly-controlled entities are consolidated using proportionate consolidation. ENDESA recognises a proportionate share of each of the assets, liabilities, income, expenses and cash flows in its consolidated financial statements, after the adjustment and elimination of intragroup transactions.

The operations of the Parent Company and its subsidiaries are consolidated in accordance with the following basic principles:

- At the acquisition date, the assets, liabilities and contingent liabilities of the subsidiary that constitute a business are measured at fair value, except for certain assets and liabilities that are measured in accordance with the valuation principles set out in the Standards. If this fair value is determined provisionally, the value of the business combination is recognised at its provisional values. Any adjustments arising from the completion of the valuation process, which must not exceed 12 months after the business combination, are made, where appropriate, with a consequential restatement of comparative figures. If there is a positive difference between the acquisition cost of the subsidiary and the fair value of the assets and liabilities of the subsidiary, including contingent liabilities, corresponding to the parent company's interest, this difference is recorded as goodwill. If the difference is negative, and after reviewing the fair values of the net assets and liabilities acquired, it is credited to the Consolidated Income Statement. Acquisition-related costs are recognised as an expense as incurred.
- Any contingent consideration arising from a business combination is recognised at fair value at the acquisition date. Payment obligations arising from a contingent consideration are recognised as liabilities or equity in the consolidated statement of financial position, as per the definition of these items in IAS 32 Financial Instruments: Presentation. Collection rights in connection with a contingent consideration arising from the return of considerations previously transferred are recognised as asset in the consolidated statement of financial position.

- Non-controlling interests in the fair value of the net assets acquired and the profit or loss of fully consolidated subsidiaries are recognised in equity: of non-controlling interests in the consolidated statement of financial position and non-controlling interests in the consolidated statement of other comprehensive income, respectively.
- If, at the acquisition date, the assets and liabilities acquired from a subsidiary do not constitute a business, ENDESA identifies and recognises the individually identifiable assets acquired and the liabilities assumed, so that the cost is allocated to the individually identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. This transaction will not give rise to goodwill.
- The financial statements of foreign companies with a functional currency other than the euro are translated to Euros as follows:
 - Assets and liabilities at the rate of exchange prevailing at the reporting date.
 - Income and expenses at the average exchange rate for the year.
 - Equity at the historical rate at the acquisition date and retained earnings and contributions at the average exchange rate for the year, as appropriate.

Exchange differences arising on the retranslation of financial statements are shown net of the related tax effect under "Translation differences" in the consolidated statement of other comprehensive income: "Other Comprehensive Income".

Translation differences arising prior to 1 January 2004 were reclassified to reserves as on first-time adoption of IFRSs, the Company applied the exemption provided for the conversion of financial statements prepared under Spanish GAAP to IFRS.

- All balances and transactions between fully consolidated companies, or the related portion in the case of proportionately consolidated companies, were eliminated on consolidation.
- When a transaction results in the loss of control of a subsidiary, any investment retained in the company is measured at its fair value at the date when control is lost. The difference between the fair value of the consideration received plus the fair value of the investment retained and the carrying amounts of the non-controlling interests in the former subsidiary, and the assets and liabilities derecognised from the consolidated statement of financial position following the loss of control of the previously controlled subsidiary is recognised under Other Results in the consolidated income statement. Amounts recognised in the Statement of other comprehensive income are booked as if the assets and liabilities concerned had been disposed of.
- When a transaction results in control being acquired over a company in which a stake was previously held (phased acquisition), the previous investment is registered at its fair value at the date when control is gained. The difference between the fair value and the carrying amount of the previously-held investment is recorded under the heading "Net result of companies accounted for using the equity method" in the consolidated income statement. Amounts recognised in the statement of other comprehensive income are accounted for if the assets and liabilities concerned had been disposed of.

Changes in investments in subsidiaries that do not result in the Parent gaining or losing control of the subsidiary are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity of the parent.

a.1. Subsidiaries

Subsidiaries are the investees which the Parent Company controls, directly or indirectly, through power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect those returns. In this respect, a company is exposed to variable returns from its involvement with the investee when the returns from its involvement have the potential to vary as a result of the investee's performance, and the company has the ability to use its power to affect the variable returns.

Control arises from substantive rights over the investee, whereby ENDESA applies its own judgement to assess whether these substantive rights give it the power to govern the investee's main activities in order to affect its returns. To this end, consideration is taken of all the facts and circumstances involved to assess whether or not it controls an investee, analysing factors such as contracts with third parties, rights arising from other contractual agreements, and real and potential voting rights, considered for such purposes to be the potential voting rights held by ENDESA or third parties that are exercisable or convertible at the accounting close.

When events occur that affect the control of the investee, exposure to variable returns due to continued involvement, or the ability to use control of the investee to influence its returns, the existence of control of the investee is reassessed.

At 31 December 2021 and 2020 ENDESA had no Structured Entities as defined in IFRS 12 Disclosure of Interests in Other Entities, designed in such a way that voting rights and similar rights do not constitute the main factor for the purposes of defining control.

Appendix I to these consolidated financial statements lists ENDESA's subsidiaries at 31 December 2021 and 2020.

a.1.1. Companies not consolidated by full consolidation with an ownership interest of more than 50%.

Although ENDESA owns more than 50% of Asociación Nuclear Ascó-Vandellós II, A.I.E., this share is considered to be a jointly-controlled entity because, through shareholder pacts or agreements, ENDESA exercises joint control with the other party and has rights to its assets and has obligations in respect of its liabilities (see Note 3.2a3).

Likewise, ENDESA owns more than 50% of Front Marítim del Besòs, SL, although this share is considered a "Joint Venture" since ENDESA, under the shareholders' agreement entered into, exercises joint control with the other partner and is entitled to the net assets thereof (see Notes 3.2a.3 and 26).

a.2. Associates

Associates are entities in which the Parent has significant influence, directly or indirectly. Significant influence is the power to participate in the financial and operating decisions of the investee without having the control or joint control over such decisions.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by ENDESA or other entities, are also taken into account when assessing whether it has significant influence.

In general, when ENDESA holds a stake exceeding 20%, it is presumed to have significant influence.

ENDESA holds an ownership interest of less than 20% in Toro Renovables 400 KV, S.L., although this ownership interest is considered to be an associate since, by virtue of the shareholders' agreement entered into, ENDESA has significant influence over the company (see Note 26.1).

Associates are accounted for in these consolidated financial statements using the equity method, as described in Note 3.2i.

Appendix I to these consolidated financial statements lists ENDESA's associates at 31 December 2021 and 2020.

a.3. Joint arrangements

A Joint Arrangement is an agreement that gives two or more parties joint control, whereby the unanimous consent of all parties sharing control is required for decisions to be taken with respect to major activities.

Joint arrangements may be joint operations or joint ventures, depending on the rights and obligations of the parties to the agreement.

In order to determine the type of joint arrangement from a contractual arrangement at the accounting close, management assesses the legal contents and structure of the arrangement, the terms agreed by the parties and other relevant factors and issues. If any changes are made to the contractual features of a joint arrangement, these factors and issues are reassessed.

a.3.1. Joint operations

Joint operations are entities governed by a joint arrangement whereby ENDESA and the other parties have rights to their assets and obligations with respect to the liabilities.

The assets and liabilities concerned by joint operations are consolidated proportionately, as described in Note 3.2a.

Appendix I to these consolidated financial statements lists ENDESA's joint operations at 31 December 2021 and 2020.

a.3.2. Joint ventures

Joint ventures are companies governed by a joint arrangement whereby ENDESA and the other parties have rights over the net assets.

Joint ventures are accounted for in these consolidated financial statements using the equity method, as described in Note 3.2i.

Appendix I to these consolidated financial statements lists ENDESA's joint ventures at 31 December 2021 and 2020.

a.4. Other investments

The impact of the financial indicators of ENDESA's investees that are not considered subsidiaries, joint operations, joint ventures or associates on the fair presentation required of the consolidated financial statements is minimal.

(b) Property, plant and equipment.

b.1. Cost of acquisition

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. In addition to the price paid for the acquisition of each item, cost also includes, where appropriate, the following items:

- Borrowing costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use; e.g. electricity generating and distribution facilities. The interest rate used is that applicable to the specific purpose financing or, in the absence of such a rate, the average financing rate of the company making the investment. The average lending rate

in 2021 was 1.5% (1.7% in 2020) (see Note 43.3) Euros 4 million were capitalised in this respect in 2021 (Euros 3 million in 2020) (see Note 16).

- Personnel expenses relating directly to work in progress. The amounts capitalised are recognised under personnel expenses in the consolidated income statement and self-constructed assets in the consolidated statement of financial position. In 2021, the amount capitalised in this respect amounted to Euros 126 million (Euros 117 million in 2020).
- ENDESA recognises the costs it will incur in the future to decommission its facilities in the cost of the asset, at present value, and recognises the related provision. ENDESA reviews its estimate of these future costs annually, increasing or decreasing the value of the related asset based on the outcome of the review. For nuclear power plants, this provision includes the amount that ENDESA estimates it will have to pay until the government-owned company Empresa Nacional de Residuos Radioactivos, S.A. (ENRESA) undertakes responsibility for decommissioning these plants (see Note 38.3).

The acquisition cost of assets acquired before 31 December 2003 includes any asset revaluations permitted in the various countries to adjust the value of the property, plant and equipment for the effect of inflation until that date.

Assets under construction are transferred to property, plant and equipment in use once the trial period has ended and they are available for use, at which time depreciation begins.

Costs of expansion, modernisation or improvements which increase the productivity, capacity or efficiency or lengthen the useful lives of assets are capitalised as an increase in the cost of the related assets.

Replacements or renewals of complete items that extend the useful life or increase the economic benefits of the assets are recognised as increases in the value of property, plant and equipment and the items replaced or renewed are derecognised.

Regular maintenance, upkeep and repair expenses are recognised in the income statement are expensed as incurred (see Note 13).

Indivisible assets shared by ENDESA with other owners are recognised in proportion to ENDESA's ownership of those assets (see Note 20.3).

Based on the results of the impairment test described in Note 3e, the Parent Company's Directors consider that the carrying amount of the assets does not exceed their recoverable amount, with the exception of the cash generating units (CGUs) of the non-mainland territories (TNP) of the Balearic Islands, the Canary Islands, Ceuta and Melilla (see Notes 3.2.f.4 and 20.3).

b.2. Depreciation

Property, plant and equipment, less their residual value where appropriate, are depreciated when they are available for use on a straight-line basis over their estimated useful lives, which are the periods of expected use. Useful lives are reviewed regularly when there are indications of possible variations, and adjusted prospectively, as appropriate.

The useful life of assets for the purposes of calculating depreciation in 2021 and 2020 was as follows:

	Years of estimated useful life	
	2021	2020
Generating facilities:		
Hydroelectric Power Plants		
Civil engineering works	100	100
Electromechanical equipment	50	50
Coal-fired power plants	25-48	25-48
Nuclear power plants	44-50	44-50
Combined cycle plants	40	40
Renewable energy plants		
Photovoltaic	30	30
Wind	30	30
Transmission and distribution facilities:		
Low and medium-voltage network	40	40
Measuring and remote control equipment	6-15	6-15
other facilities	25	25

Land has an unlimited useful life and is therefore not depreciated.

ENDESA changed the useful life of Generator I of the Ascó Nuclear Power Plant, with effect from 1 April 2020, to 46 years and 9 months, as a result of the application for renewal of the operating permit of that plant, from 30 September 2021, for a period of 9 years, as this application period is less than the usual 10 years, in anticipation of the assumptions of the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) being met for this generation facility.

The effect of this change on the Consolidated Income Statement for the year ended 31 December 2020 was a year-on-year increase in the depreciation expense of Euros 11 million.

b.3. Other matters

Pursuant to Law 29/1985 of 2 August 1985, partially amended by Law 46/1999 of 13 December 1999, all Spanish hydroelectric power plants are operated under temporary service concession arrangements. The terms and conditions of these arrangements require that the plants revert to State ownership in good working order when the concessions expire; at 31 December, 2020, the reversal period falls between 2021 and 2067 (see Note 38.3) These facilities are depreciated during the concession period or their economic lifespan, whichever of these 2 periods is shorter.

ENDESA assessed the specific situations of these concessions, and concluded that the decisive factors for application of IFRIC 12: Service Concession Arrangements (see Note 3.2e.1) did not emerge in any of these cases.

Items under property, plant and equipment are derecognised when they are sold or otherwise disposed of, or when no further economic benefits are expected to be obtained when they are used, sold or otherwise disposed of.

Any gains or losses arising on the disposal or retirement of property, plant and equipment are recognised in profit or loss and are calculated as the difference between the net disposal proceeds and the carrying amount of the assets.

c) Investment property

The "Investment property" section of the Consolidated Statement of Financial Position comprises the land and buildings not expected to be recovered in the ordinary course of ENDESA's statutory activity.

Investment properties are measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

The market values of investment property were calculated based on external appraisals carried out during the last quarter of 2021 (see Notes 22.1 and 47.2).

To determine the fair market value of real estate investments, appraisals from officially renowned independent experts were requested, to include their best estimate of value based on a greater/lesser use of the property in question with regard to its urban location and current state, in the case of construction.

Investment property (excluding land) is depreciated on a straight-line basis over the useful lives of the assets, which are estimated using the same criteria as for property, plant and equipment.

Investment property is derecognised when it is sold or otherwise disposed of, or when no further economic benefits are expected to be obtained when it is used, sold or otherwise disposed of.

Any gains or losses arising on the disposal or retirement of investment property are recognised in profit or loss and are calculated as the difference between the net disposal proceeds and the carrying amount of the assets.

d) Goodwill

Goodwill on consolidation represents the excess of the acquisition cost over (under) the acquisition-date fair value of ENDESA's interest in the identifiable assets acquired and liabilities assumed, including contingent liabilities, of a subsidiary or jointly-controlled entity.

The assets and liabilities acquired are measured provisionally at the date on which control of the company is obtained, and reviewed within a maximum period of one year from the acquisition date. The difference between the acquisition cost and the carrying amount of the acquiree is recognised provisionally as goodwill, until the actual fair value of the assets and liabilities is determined.

When the actual amount of goodwill is determined in the consolidated financial statements for the year following that of the acquisition of the interest, the previous year's financial statements presented for comparison purposes are adjusted to include the value of the assets and liabilities acquired and the definitive goodwill from the date of acquisition of that interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and translated to Euros at the exchange rate prevailing at the reporting date.

Goodwill is not amortised, but allocated to each cash-generating unit ("CGUs") or groups of cash-generating units. At the end of each reporting period, CGUs are tested for impairment and written down if recoverable amount has been reduced below carrying amount (see Note 3.2f).

At 31 December 2021 the goodwill recognised in the consolidated statement of financial position was generated as a result of the acquisition of systems and telecommunications activity (ICT), and the acquisition of control over ENEL Green Power España, S.L.U. (EGPE), Eléctrica del Ebro, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta, S.A. (see Note 24).

Based on the results of the impairment test described in Note 3.2f, the Parent Company's directors consider that the carrying amount of the assets does not exceed their recoverable amount.

e) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful lives, except for those with indefinite useful lives, which are not amortised.

At 31 December 2021 and 2020, there were no intangible assets with indefinite useful lives.

The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are described in section f) of this note.

Intangible assets are derecognised when they are sold or otherwise disposed of, or when no further economic benefits are expected to be obtained when they are used, sold or otherwise disposed of.

Any gains or losses arising on the disposal or retirement of intangible assets are recognised in profit or loss and are calculated as the difference between the net disposal proceeds and the carrying amount of the assets.

e.1. Concessions

IFRIC 12 Service Concession Arrangements gives guidance on the accounting by operators for public-to-private service concession arrangements. This accounting interpretation applies to concessions in which:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where both the above conditions are met simultaneously, the consideration received by ENDESA for the construction of infrastructure is recognised as an intangible asset as set out in Note 3.2p.1, to the extent that the operator has received a right to charge users for the public service, contingent on the extent that the public uses the service, or as a financial asset, to the extent that it has an unconditional contractual right to receive cash or another financial asset from the grantor or a third party. ENDESA's contractual obligations for maintenance of the infrastructure while it is in operation or for its return to the grantor at the end of the concession arrangement in the conditions specified therein, provided that these activities do not generate income, are recognised applying the accounting policy for provisions (see Note 3.2m).

At 31 December 2021 and 2020, ENDESA had no intangible assets or financial assets in relation to its concession arrangements as a result of applying IFRIC 12 Service Concession Arrangements.

Borrowing costs are capitalised using the criteria specified in Note 3.2b, provided that the concession operator has a contractual right to receive an intangible asset. No borrowing costs were capitalised in 2021 and 2020.

No personnel expenses were capitalised in 2021 and 2020.

Concessions are amortised over the term of the concession.

Concession contracts that are not subject to IFRIC 12 Service Concession Arrangement are recognised using general criteria. ENDESA depreciates any assets recognised as property, plant and equipment (see Note 3.2b) on a straight-line basis over the shorter of the asset's economic life or the concession term. When calculating asset impairment, ENDESA's contractual obligations to invest in, improve or replace assets are considered to produce the future cash outflows required to generate cash inflows. Assets whose right to use has been conveyed by ENDESA in exchange for consideration are accounted for using the criteria specified in Note 3.2g.

e.2. Research and development costs

Development expenditures on projects are recognised as an intangible asset when ENDESA is reasonably assured of the technical feasibility of completing the project and that the project will generate future economic benefits.

Development expenditures are amortised over their useful life in accordance with a systematic plan which, in most cases, has been estimated at five years.

Research costs are recognised as expenses in the consolidated income statement. Research costs in the consolidated income statement amounted to Euros 7 million in 2021 (2020: Euros 13 million).

e.3. Other intangible assets

These assets chiefly correspond to:

- software, which is initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised over its useful life which, in most cases, has been estimated at five years. During 2021 and 2020, respective personnel expenses amounting to Euros 35 and 25 million were capitalised.
- Customer portfolios acquired through business combinations as a result of the merger of GEM Suministro Gas 3, S.L.U. and Madrileña Suministro de Gas, S.L.U., carried out in 2015 and 2012, respectively, which are initially recognised at fair value at the acquisition date. Subsequently, these assets are recognised at cost less accumulated amortisation and impairment losses, where applicable. The depreciation of these portfolios takes place over their useful lives and, at 31 December 2021, ranges from 15 to 25 years, based on the expected gradual decrease in these portfolios.

e.4. Incremental costs of obtaining a contract with a customer.

The incremental costs of obtaining a contract are the costs incurred to obtain a contract with a customer and that it would not have been incurred if the contract had not been obtained.

ENDESA recognises the incremental costs of obtaining contracts with customers as an intangible asset, insofar as they are directly related to a contract or a future contract that can be specifically identified and from which these costs are expected to be recovered.

This asset is depreciated systematically depending on the average expected useful life of the contracts with customers associated with these costs, which, at 31 December 2021, varies anywhere between 1 year to 15 years.

The costs of obtaining a contract that ENDESA would have incurred, regardless of whether the contract is obtained or not, are recognised as an expense in the Consolidated Income State when they occur.

f) Impairment of non-financial assets

ENDESA assesses throughout the year and, in any case, at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount to determine the extent of any impairment loss. For identifiable assets that do not generate cash inflows that are largely independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs, i.e. the smallest identifiable group of assets that generates independent cash inflows.

It estimates the recoverable amount of the CGUs to which goodwill or intangible assets with indefinite useful lives have been allocated systematically at each reporting date.

If the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised for the difference under depreciation and amortisation, and impairment losses on non-financial assets in the consolidated income statement. The impairment loss is first allocated to reduce the goodwill allocated to the CGU and then to the CGU's remaining assets in proportion to the carry amount of each up to their fair value less selling costs, their value in use, or zero, whichever is greater.

A previously recognised impairment is reversed if there has been a change in the estimate of the asset's recoverable amount. A reversal of an impairment loss is recognised by increasing the carrying amount of the asset with a credit to income. The reversal is limited to the carrying amount of the asset had no impairment loss been recognised. Impairment losses relating to goodwill cannot be reversed.

f.1. Cash-Generating Units (CGUs)

ENDESA considers that the assets of electricity generation business belonging to a single interconnected system and the assets of electricity distribution that receive joint remuneration represent a CGU.

The major CGUs at 31 December 2021 were as follows:

- Generation:
 - Iberian Peninsula generation CGU: Iberian Peninsula generation assets are managed through an integrated portfolio approach, whose ultimate objective is to maximise the integrated margin of electricity generation and marketing. The main features of this management approach are as follows:
 - All assets are managed on a joint basis, irrespective of the type of technology used (combined cycle, fuel, nuclear and renewable energy, including hydroelectricity), depending on the availability of the facilities, weather conditions and demand, and on the need to cover the System's technical restrictions, among other aspects.
 - The joint management and diversification of the generation portfolio enables ENDESA to respond in a flexible way to the demand requirements through offers on different markets, coordinated by a single representative and liquidating party, thereby guaranteeing a secure supply.
 - Decision-making on operations is based on the installed capacity of the entire generation park, with an integrated margin management approach trying to optimise power purchases and sales.
 - Cash-Generating Units (CGUs) of generation each of the Non-mainland Territories (TNP) of Balearic Islands, Canary Islands, Ceuta and Melilla: Each of these geographical areas form a Cash Generating Unit (CGU), when joint management of assets is carried out within each of them, as they are isolated or scantily connected territories, in which there is regulated remuneration that compensates the specificities of each geographical area and differentiated criteria of activity management at the level of each Autonomous Community or City.
- Distribution: The assets of the distribution network in Spain constitute a single Cash Generating Unit (CGU), since said distribution network consists of a set of interrelated and dependent assets whose development, operation and maintenance are jointly managed.

f.2. Calculation of recoverable amount

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows.

In estimating value in use, ENDESA prepares pre-tax cash flow projections based on the latest budgets available. These budgets include ENDESA management's best estimates of the income and expenditure of the CGUs according to industry projections, past experience and future expectations.

These projections cover the next three years, while future cash flows until the end of the useful life of the assets, taking into account the residual value, if any, and applying reasonable growth rates that do not, in any case, increase or exceed growth rates for the industry.

The estimated future cash flows are discounted to present value using a pre-tax rate that reflects the cost of capital of the business and its geographical area. It considers the current time value of money and the risk premiums generally used by analysts for the business and the geographical area.

f.3. Main hypotheses used in determining the value in use.

The models used by ENDESA to determine the market variables used in determining value in use handle different scenarios with different probabilities, and the scenario considered most likely is used. In any event, throughout the year ENDESA monitors, among other aspects, the evolution of the main assumptions used to determine value in use in order to assess whether any asset might have suffered an impairment loss since the previous year-end.

The pre-tax discount rates applied in 2021 and 2020 to the main CGUs fall within the following ranges:

	Currency	31 December 2021		31 December 2020	
		Minimum	Maximum	Minimum	Maximum
Iberian Peninsula Generation	Euro	4.5	5.5	3.5	5.6
Non-mainland Territories generation (TNP)	Euro				
Baleares	Euro	4.1	4.1	4.9	4.9
Canarias	Euro	2.7	2.7	2.9	2.9
Ceuta	Euro	3.8	3.8	4.6	4.6
Melilla	Euro	2.5	2.5	2.9	2.9
Distribution	Euro	3.2	4.9	3.2	5.2

An analysis of the parameters comprising the 2021 discount rates reveals that the risk-free rate decreased significantly from 0.25% in 2020 to 0.09% in 2021, and the business' risk premium, which constitutes the specific risk of the assets and is based on deleveraged betas considered for companies with similar activities, remained stable for both regulated and deregulated businesses.

The average growth rates used in 2021 and 2020 (g rate) to extrapolate the cash flow projections were as follows:

	2021	2020
Iberian Peninsula Generation	0.0 - 1.7	0.0 - 2.1
Non-mainland Territories generation (TNP)		
Baleares	0.0	0.0
Canarias	0.0	0.0
Ceuta	0.0	0.0
Melilla	0.0	0.0
Distribution	1.7	1.6

These growth rates, which do not surpass the average growth rate of the sector and markets in which ENDESA operates are in line with Spain's long-term inflation as well as market estimates.

ENDESA is fully committed to developing a sustainable business model in line with the objectives of the Paris Agreement Climate Change (see Note 5.2).

The 2022-2024 Strategic Plan presented on 25 November 2021 follows this line and is based on ENDESA's intention to lead the energy transition, which it will achieve by accelerating the decarbonisation of its generation mix and encouraging the adoption of behaviour that will result in the electrification of its customers' consumption.

In terms of long-term planning, the 2022-2024 Strategic Plan has set a long-term goal to achieve emissions neutrality throughout the value chain by 2040, both in direct emissions (Scope 1), achieving complete decarbonization of its generation mix, and indirect emissions (Scope 2 and 3), including the abandonment of natural gas trading. All this together with scientific targets in all relevant areas and in accordance with the criteria and recommendations of the Science Based Targets initiative (SBTi).

Vision	Greenhouse Gas (GHG) Target	Area	Main Factors and Actions to Achieve the Objective
Current (2024)	145 gCO _{2eq} /kWh in 2024	100% of Scope 1 Greenhouse Gas (GHG) Emissions	<ul style="list-style-type: none"> Phase-out of 90% of coal-fired capacity in the period 2022-2024 (percentage weight of consolidated coal-fired capacity from 10% in 2020 to approximately 1% in 2024 with planned closure in 2027). Euros 3.1 billion investment to accelerate the development of renewable energy by installing 4 GW of new renewable capacity in the 2022-2024 period, reaching 12.3 GW of consolidated renewable capacity in 2024.
Medium-Long-term (2030)	<95 gCO _{2eq} /kWh in 2030 (80% reduction compared to the baseline year 2017)	100% of Scope 1 Greenhouse Gas (GHG) Emissions	<ul style="list-style-type: none"> Bringing forward of coal phase-out to 2027 instead of 2030 (coal capacity phase-out in the period 2017-2027). Euros 12.4 billion investment to accelerate the development of renewable energy by installing 16 GW of new renewable capacity in the 2021-2030 period, reaching 24 GW of consolidated renewable capacity by 2030 (1.7 GW in the baseline year of 2017).
	6.6 MtCO _{2eq} (55% reduction compared to the baseline year 2017)	100% of Scope 3 emissions related to the sale of natural gas in the end market (Scope 3, "Category of Use of Products Sold")	<ul style="list-style-type: none"> Promoting transition of customers from gas to electricity (mainly residential customers). Optimisation of customers' gas portfolio (especially industrial customers).
Non-current (2040)	~0 gCO _{2eq} /kWh in 2040	100% of Scope 1 Greenhouse Gas (GHG) Emissions	<ul style="list-style-type: none"> Commitment to the gradual elimination of thermal capacity and the achievement of a 100% renewable energy mix.
	0 MtCO _{2eq} (100% reduction with respect to the 2017 baseline year)	100% of Scope 3 emissions ^{(1) (2)}	<ul style="list-style-type: none"> Cessation of the gas trading business on the basis of electrification of consumption, bringing forward full electrification from 2050 to 2040.

- (1) In accordance with the ENEL Group's commitment to neutrality in emissions, which includes both direct and indirect emissions, ENDESA assumes the commitment to Scope 2 and Scope 3 emissions in accordance with the "Net-Zero Standard" that the Science Based Targets initiative (SBTi) is developing.
- (2) A target of 100% reduction of Scope 3 emissions by 2040 related to gas commercialization is established, as well as neutrality in the rest of indirect emissions.

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

- Trend of demand for electricity and gas: estimated growth was calculated on the basis of the growth forecast for Gross Domestic Product (GDP) and other assumptions used by ENDESA with respect to trends in consumption of electricity and gas in these markets.
- Regulatory measures: a substantial part of ENDESA's business is regulated and subject to wide-ranging complex regulations, which may be amended by the introduction of new laws, by amendments to existing laws in such a way that forecasts contemplate proper application of current regulations, and any other laws now in process that may come into force during the projected period.
- Average rainfall and wind potential levels: forecasts are drawn up on the basis of the average weather conditions in a year, taking account of historical conditions series. However, the actual rainfall and wind potential levels of the preceding year were used for the first year of the projection, adjusting the average year accordingly.
- Installed capacity: The generation activity takes into account the investment required to maintain installed capacity in proper operating conditions; distribution activity considers investment in grid maintenance, improvement and enhancement and the investment required to implement the remote metering plan, and marketing activity takes into account the investment required to perform activities involving other products and services.

- The production mix was determined using complex specifically-developed internal forecast models that consider factors such as prices and availability of energy stocks (e.g. Brent, gas, coal), forecast demand, planned construction or the commissioning of new capacity in the various technologies. These models are constantly changing, factoring in changes in variables such as availability of the production base, availability of fuels or start-up of operation of new plants. They provide signals on prices in the system and estimates of production costs, on which output forecasts for generation facilities are based.
- The assumptions for power sales and purchase prices are based on complex internal projection models developed specifically for this purpose. The forecast pool price is estimated taking into account different scenarios regarding the expected evolution of a number of determining factors such as costs and productions of the different technologies, electricity demand, commodity prices and other market and macroeconomic variables, and, as a result of these models, the most likely scenario is considered. To this end, the evolution of the electricity pool price has an impact mainly on the Iberian Peninsula Cash Generating Unit (CGU).
- The prices at which electricity and gas are sold are determined on the basis of the prices established in sales contracts and future energy prices.
- Fuel costs are estimated taking into consideration existing supply contracts, and long-term forecasts are made for oil, gas or coal prices based on forward markets and estimates available from analysts.
- Fixed costs are projected considering estimated levels of activity for each company in terms of trends in personnel, as well as other operating and maintenance costs, forecast inflation and long-term maintenance contracts or other types of contracts.
- For the determination of the value in use of cash-generating units (CGUs) incorporating rights of use, the fixed lease payments included in the lease liability have been excluded.
- External sources (e.g. analysts, domestic and international official bodies, etc) are always used to compare macroeconomic assumptions, such as price trends, growth in gross domestic product (GDP) variations in demand, inflation, variations in interest rates and exchange rates.
- The key assumptions used for the determination of the value in use of non-financial assets impairment tests as at 31 December 2021 (Strategic Plan 2022-2024) are detailed below:

	2022	2023	2024
Brent price (\$ / bbl)	66	63	62
Carbon Dioxide (CO ₂) (€ / t)	65	69	74
Gas Price TTF (€ / MWh)	27	23	19
Gas Price PVB (€ / MWh)	30	25	20
Electricity Demand Iberian Peninsula (TWh)	251	256	259
Consumer Price Index (CPI) (average) (%)	1.4	1.5	1.6
Gross Domestic Product Growth (GDP) Spain (%)	6.2	2.6	1.9
Arithmetic Average Daily Electricity Market Price (€ / MWh)	83	69	59

f.4. Impairment test.

- Cash-Generating Units (CGUs) for each of the Non-mainland Territories (TNP) of Balearic Islands, Canary Islands, Ceuta and Melilla.

At 31 December 2021, the recoverable value of the assets of the Non-Peninsular Territories (NPT) of the Balearic Islands, Canary Islands, Ceuta and Melilla has been re-estimated, taking into account, among others, the expected situation of the commodities markets (fuel and carbon dioxide (CO₂) emission rights) and the costs expected to be recovered for these items under the planned regulation, as well as the estimated changes in the structure of future generation and its effects on thermal generation. As a result of this re-estimation, an impairment of the Cash Generating Units (CGUs) has been recorded for each of the Non-Peninsular Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of Euros 652 million (see Notes 15 and 20.3).

At 31 December 2020, the recoverable value of the assets of the Non-mainland Territories (TNPs) of the Balearic Islands, the Canary Islands, Ceuta and Melilla was re-estimated, taking into account, inter alia, the publication dated 7 August 2020 in the Official State Gazette of Order TED/776/2020, 4 August, which reviewed the product and logistics prices to be used in the determination of the fuel price and set a cap value for the standard installation clearance start-up time applicable to production facilities located in the Non-mainland Territories (TNP) with additional remuneration (see Note 6). As a result of this re-estimation, an impairment of the cash generating units (CGUs) was recorded for each of the Non-mainland Territories (NPT) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of Euros 338 million (see Notes 15 and 20.3).

- Peninsular coal-fired thermal power plants.

In 2021 the updating of the provision for impairment of the peninsular coal-fired thermal power plants in accordance with the decision adopted on September 27, 2019 to discontinue their activity has led to the recording of a net provision of 4 million euros (17 million euros of net reversal in 2020) (see Notes 15 and 20.3).

f.5. Sensitivity analysis

At 31 December 2021 ENDESA has performed a sensitivity analysis on the results of the impairment tests described above, through the reasonable variations of the main key assumptions, keeping the rest of the variables constant, according to the following detail by Cash Generating Units (CGUs):

Millones de Euros	31 December 2021					
	Iberian Peninsula Generation		Non-Peninsular Territories Generation (NPT)		Distribution	
	Increase	Disminución	Increase	Disminución	Increase	Disminución
50 b.p. increase in Discount Rate	(3,388)	-	(6)	-	(19,750)	-
100 b.p. increase in Discount Rate	(6,106)	-	(11)	-	(30,682)	-
Decrease of 50 b.p. in the Growth Rate	-	(3,011)	-	(6)	-	(19,280)
Decrease of 5% in the Pool Price	-	(765)	-	Na	-	Na
5% increase in Operation and Maintenance Costs	(596)	-	(73)	-	(1,427)	-
5% increase in Maintenance Investments	(440)	-	(11)	-	(778)	-
1% Decrease in Electricity Demand	-	(1,611)	-	(7)	-	Na

At 31 December 2021, as a result of this sensitivity analysis, it was concluded that an unfavourable change in the key assumptions used within the ranges considered, maintaining the remaining variables unchanged, would not result in an impairment of assets, except in the assets of the Cash Generating Units (CGU) of the Non-mainland Territories of Balearic Islands, Canary Islands, Ceuta and Melilla, whose carrying amount was adjusted to its value in use.

In particular, given the current economic uncertainty and difficulty estimating the reasonable changes in these assumptions, following the recommendations of the European Securities and Markets Authority (ESMA), ENDESA has decided to stress the sensitivity analysis of the discount rate with respect to the sensitivity analysis of previous years. To do this, it has stressed the sensitivity analysis considering an increase in the discount rate of 100 bp concluding that, keeping the other variables unchanged, it would not result in an impairment of assets, except for the assets of the Cash Generating Units (CGUs) of Generation of the Non-mainland Territories (TNP) of Balearic Islands, Canary Islands, Ceuta and Melilla, whose carrying amount has been adjusted to the value in use (see Note 5.1).

g) Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception of a contract ENDESA assesses whether it is, or contains, a lease, and analyses whether various components are included in order to account separately for the lease from the other components that do not constitute a lease.

g.1. Lessee

Where the contract contains a lease component and one or more additional components, ENDESA allocates the contract consideration to each lease component based on the relative individual price of the lease component, and the aggregate individual price of the non-lease components.

Leases in which ENDESA acts as lessee are recognised at the inception of the lease by recognising in the Consolidated Statement of Financial Position a right-of-use asset representing the right to use the leased asset and a liability for the present value of the obligation to make lease payments over the lease term.

The initial value of the lease asset shall comprise the amount of the initial measurement of the lease liability and any lease payments made on or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and dispose of the underlying asset, rehabilitate the site on which it is located or return the asset to the condition required by the lease.

To determine the term of the leases, ENDESA has considered the non-cancellable period of the contract, except for those contracts in which it has a unilateral option to extend or terminate, in which case the extended or early termination period has been considered, if there is reasonable certainty that this option will be exercised. In this respect, ENDESA has taken into consideration the time horizon used in the budget process.

Subsequent to initial recognition, ENDESA measures the right-of-use asset at cost less accumulated depreciation and impairment losses, and adjusts for any changes in the measurement of the associated lease liabilities. Use rights are depreciated in the same way as the other similar depreciable assets if there is reasonable certainty that the lessee will acquire title to the asset at the end of the lease term. If no such certainty exists, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The initial value of the lease liability is calculated at the start date of the lease as the value of future lease payments that are not paid at that date, generally discounted at the lease's implicit interest rate. If the implicit interest rate of the lease is not available, ENDESA uses the incremental rate of its borrowings according to the term of the contract and the type of underlying asset. These payments will comprise fixed or substantially fixed payments, less any lease incentives to be received by ENDESA, as well as variable payments that depend on an index or rate, amounts that ENDESA expects to pay for guarantees of the residual value of the underlying asset, the exercise price of the call option if ENDESA is reasonably certain to exercise it and lease termination penalty payments if the lease term reflects ENDESA's exercise of the early termination option.

Subsequently, the lease liability is increased to reflect the accrual of interest and reduced by the lease payments made. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised as an expense and allocated to income over the lease term so as to obtain a constant interest rate each year applicable to the remaining balance of the liability.

The lease liability shall be remeasured when certain changes in payments occur, such as changes in the lease term or changes in future payments. In such cases, the amount of the revaluation of the lease liability should generally be recognised as an adjustment to the right-of-use asset.

Variable lease payments, as well as contingent lease payments when it is probable that they will be incurred, are recorded as an expense in the Consolidated Income Statement.

ENDESA has opted not to apply the above requirements to short-term leases and leases where the underlying asset is of low value (less than USD 5,000). For these cases, the accrued amounts are recognised as an expense on a straight-line basis over the lease term.

g.2. Lessor

For a contract that contains a lease component and one or more additional lease or non-lease components, ENDESA allocates the contract consideration in the same way as it does for revenue from contracts with customers (see Note 3.2p.1).

Leases in which ENDESA transfers substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases. All other leases are classified as operating leases.

Finance leases are recognised at the beginning of the lease term, recognising a financial asset at the present value of the minimum lease payments receivable, plus the residual value of the asset, even if it is not guaranteed, discounted at the interest rate implicit in the lease. The difference between the financial asset recognised and the amount to be received, which relates to unearned finance income, is allocated to the Consolidated Income Statement in the year in which this interest is earned using the effective interest method.

ENDESA recognises lease payments under operating leases as revenue on a straight-line basis.

g.3. Sale and leaseback transactions.

ENDESA applies recognition criteria for revenue from contracts with customers to assess whether the sale of the asset should be recognised (see Note 3.2p.1).

If the sale recognition criteria are met, ENDESA recognises the right-of-use asset arising from the leaseback as a proportion of the previous carrying amount of the asset related to the part held, recognising only the amount of any gain or loss that relates to the rights transferred to the buyer.

If the criteria for recognition of the sale are not met, ENDESA continues to recognise the asset and recognises a financial liability for the consideration received (see Note 3.2h.4).

h) Financial instruments

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

h.1. Financial assets except derivative financial instruments.

For valuation purposes, ENDESA classifies its financial assets at the date of their initial recognition, taking into account both their business model and the characteristics of the contractual cash flows of financial assets, whether permanent or temporary, excluding investments accounted for using the equity method (see Notes 3.2.i and 26) and investments held for sale, in the following categories:

- Financial assets at amortised cost: they are recorded at amortised cost, if they are managed with a business model whose objective is to hold financial assets to receive contractual cash flows and the contractual conditions give rise, on specified dates, to cash flows that are only payments of principal and interests on the outstanding principal amount. In the initial recognition, the amortised cost corresponds to the initial fair value, less the refunds of the principal paid, plus accrued uncollected interest calculated using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

- Financial assets at fair value with changes in the consolidated statement of other comprehensive income they are initially recorded at fair value if they are managed with a business model whose objective is to obtain contractual cash flows and sell financial assets, and the contractual conditions give rise, on specific dates, to cash flows that are only payments of principal and interests on the outstanding principal amount. The initial recognition at fair value includes the transaction costs directly attributable to the acquisition. In subsequent periods, these assets are measured at fair value, recognising the loss or gain in the consolidated statement of other comprehensive income, although the accrued interest will be recognised in the Income Statement. The amounts recognised in the consolidated statement of other comprehensive income, except in the case of equity instruments allocated on initial recognition in this category, are recognised in the Income Statement at the time of the derecognition of the financial assets.
- Financial assets that must be at fair value with changes in the Income Statement: it includes financial assets held for trading, which are originated or acquired for the purpose of realising them in the short term or are part of a portfolio of identified financial instruments, which are managed jointly and there is evidence of actions to obtain short-term gains or there are derivative financial instruments that do not meet the definition of a financial guarantee contract or that have been designated as hedging instruments. They are initially recorded at fair value plus the transaction costs directly attributable to the transaction. In subsequent periods, these assets are measured at fair value, recognising the loss or gain in the consolidated income statement.

ENDESA has designated equity instruments in this category.

Purchases and sales of financial assets are recognised on the trade date.

The criteria for recognising impairment of financial assets is described in Note 3.2h.3.

h.2. Cash and cash equivalents

Cash and cash equivalents on the consolidated statement of financial position includes cash in hand, demand deposits and other short-term highly liquid investments with contractual maturity that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are recognised on the consolidated statement of financial position as bank borrowings.

h.3. Impairment of financial assets

In order to determine the need to recognise impairment in the value of financial assets, ENDESA applies the expected credit loss method, in accordance with the following procedure:

- In the case of financial assets that have a commercial origin, accounts receivable for leases and contractual assets derived from contracts with customers included in the "Financial assets measured at amortised cost" category, the expected credit losses during the life of the financial assets are determined collectively, grouped by type of customer and market.

The non-payment percentages are calculated separately for each of the groups identified, grouped by maturity, type of customer and market, based on the historical experience of non-payment for the last 36 months and taking into account the probability that an account receivable will pass on to the following scenarios until collection or write-off.

- The following aspects are taken into consideration for the other financial assets:
 - For financial assets in which there is an individualised identification of the counterparty, an individual assessment is made of both the probability of non-payment and the loss in case of non-payment. The expected loss is calculated by multiplying both factors by the net exposure in case of non-payment.

- Large-volume assets of similar characteristics are grouped by nature and the expected total loss will be estimated.

However, the foregoing individually determines the expected credit losses on the assets for which there is objective evidence that ENDESA will not be able to recover all the amounts according to the original terms of the contracts.

When evaluating whether the risk has increased significantly for a financial asset or group of financial assets, ENDESA uses the modification in the non-payment risk that will occur during the expected life of the instrument.

ENDESA recognises impairment losses on financial assets at amortised cost through use of an allowance account. The carrying amount is eliminated against the allowance account when the impairment is deemed to be irreversible. Impairment losses on trade receivables on leases and contractual assets arising from contracts with customers are recognised as an expense under "Impairment losses on financial assets" in the Consolidated Income Statement and on other financial assets are recognised as an expense under "Financial Expense" in the Consolidated Income Statement (see Notes 15 and 16, respectively). Reversals in future periods of impairment losses are limited to what the amortised cost of the assets would have been had no impairment loss been recognised. If the impairment is irreversible, the carrying amount of the financial asset is eliminated from the allowance account.

At the date of authorisation for issue of the consolidated financial statements all material past-due financial assets are of a trading nature (Note 44.5).

h.4. Financial liabilities except derivative financial instruments.

For valuation purposes, ENDESA classifies its financial liabilities at the date of initial recognition:

- Financial liabilities at amortised cost: which include interest-bearing loans and borrowings and trade and other payables, and are initially recognised at the amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method (see Note 3.2h.1).
- Financial liabilities at fair value: they are initially recorded at fair value, which is the price of the transaction. The cost incurred in the transaction are recorded as an expense as they are incurred. After their initial recognition, they are recognised at fair value, recording the changes in the Income Statement.

As an exception, in specific cases where liabilities are the underlying of a fair value hedge, the portion of the hedged risk is measured at fair value.

To calculate the fair value of the debt, for the purpose of recognition in the consolidated statement of financial position and for disclosure of fair value included in Note 37, debt has been divided into liabilities bearing interest at a fixed rate and liabilities bearing interest at floating rates:

- Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term.
- Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. All these liabilities are measured by discounting the expected future cash flows using the market interest rate curve associated with the payment currency.

ENDESA has confirming transaction arrangements with a number of financial entities (see Note 41). ENDESA applies the criteria set forth in Note 3.2h.7 regarding whether it should derecognise the original liabilities with trade payables and recognise a new liability with financial entities. Trade payables whose payment is managed by financial entities are recognised under "Trade payables and other current liabilities" on the consolidated statement of financial position to the degree that only ENDESA has granted the management of payment to financial entities; debts must be paid prior to trade payables.

h.5. Derivative financial instruments and hedge accounting.

The derivatives held by ENDESA relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or energy commodities price risk (electricity, fuel, CO₂ emission rights), the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are measured at their fair value at the end of the reporting period. When their fair value is positive, they are carried under derivative financial instruments, current or non-current depending on their maturity and the intention of holding the derivative until maturity if they are financial derivatives, or if they are energy stock derivatives. When their fair value is negative, they are carried under derivative financial instruments of current or non-current liabilities depending on their maturity and the intention of holding the derivative until maturity if they are financial derivatives, or if they are energy stock derivatives.

Any gains or losses arising from changes in the fair value of derivatives are recognised in the consolidated income statement, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting under IFRS have been met. In this case, recognition depends on the type of hedge as follows:

- Fair value hedges: The portion of the underlying for which the risk is being hedged and the hedging instrument are measured at fair value, with gains or losses arising from changes in the fair values of both items recognised in the consolidated income statement.
- Cash flow hedges: The effective portion of the gain or loss on the derivative is recognised in other comprehensive income in the consolidated statement of "Other comprehensive income" (see Note 35.1.6). The cumulative gain or loss recognised in this account is transferred to the consolidated income statement as the underlying hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedges is recognised directly in the consolidated income statement.

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

ENDESA, at inception and over the term of the hedge, assesses whether hedging relationship meets effectiveness requirements prospectively. The Company also assesses effectiveness at every reporting date or when there are significant changes that affect effectiveness requirements.

ENDESA carries out a qualitative assessment of effectiveness when the fundamental terms of the instrument and the hedged item match. When the fundamental terms do not match, ENDESA uses a hypothetical derivative with fundamental terms that match the terms of the hedged item to assess and measure ineffectiveness.

ENDESA discontinues prospectively the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedging accounting. For these purposes, the replacement or renewal of the hedging instrument is not an expiry or termination, provided that the transaction is consistent with ENDESA's risk objective.

When hedge accounting is discontinued in a cash flow hedge, the amounts accumulated "Other comprehensive income" in the Consolidated Statement of Other Comprehensive Income are not recognised in the Consolidated Income Statement until the future cash flows on the hedged item materialise (see Note 35.1.6). Conversely, amounts accumulated in "Other comprehensive income" in the Consolidated Statement of Other Comprehensive Income are recognised in the Consolidated Income Statement when the hedged future cash flows are no longer expected to occur.

At ENDESA, risk management is carried out at the comprehensive margin level, which means that the risk and positions of the different business activities are dealt with through a single consolidated view of risk and a single hedging decision process. This decision process is supported by risk and market analysis, resulting in market mandates. In this aspect, a representation of the industrial assets and the exposures to which the company's results are subject is made and on this basis different strategies are proposed with the motivation to cancel or partially reduce the risk of the assets in the industrial portfolio. These mandates have a clear relationship with the underlying and arise from hedging decisions taken solely on the basis of business criteria. For this reason, ENDESA may choose to designate a hedging relationship between a hedging instrument and a hedged item and not apply its classification as an accounting hedge, although its objective is to manage risk. In the case of these transactions:

- There is always a fully traceable Hedging Committee mandate, which gives full meaning and explanation to the hedging purpose; and
- They are classified in European Markets Infrastructure Regulation (EMIR), Markets in Financial Instruments Directive (MiFID II) and Market in Financial Instruments Regulation (MiFIR) as "Risk Reducing" or "Hedge", following the standards of this regulation on Over The Counter (OTC) derivatives and trade repository.

Changes in the fair value of these hedging financial instruments that are not classified as accounting hedges are recognised under "Income and Expenses from Energy Derivatives" in the Consolidated Income Statement.

ENDESA has entered into forward contracts for the purchase or sale of energy materials, mainly electricity, fuels and carbon dioxide (CO₂) emission rights with physical delivery. As mentioned above, these contracts are measured in the Consolidated Statement of Financial Position at their market value at the closing date, with differences in value recognised in the Consolidated Income Statement as "Revenue" or "Procurements and Services", except when all the conditions mentioned below are met:

- The sole purpose of the contract is for own use, i.e. to generate electricity in fuel contracts, and for retail sale in electricity and gas purchase and sale contracts.
- ENDESA's projections support the purpose of these contracts as for own use.
- Past experience of the contracts indicates that contracts have been for own use, except on rare occasions where another use has been necessary as a result of exceptional circumstances or due to logistics management that ENDESA cannot control or predict.
- The contract does not provide for net settlement and there has not been past practice of net settling similar contracts.
- In these cases forward sales or purchases are accounted for as contracts pending execution and are recorded when executed in the corresponding sales or purchase items.

ENDESA evaluates whether derivatives are embedded in its contracts and financial instruments to determine if their characteristics and risks are closely related to those of the host contracts provided that the overall contract is not recognised at fair value. If their characteristics and risks are not closely related, the derivatives are separated, with changes in value recognised in the consolidated income statement.

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

- For derivatives quoted on an organised market, their quoted value at the end of the period.
- In the case of derivatives not quoted on an organised market, ENDESA carries out valuations using internal tools and calculates the fair value of financial derivatives in due consideration of observable market variables, by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each close, translated to euros at the exchange rate prevailing on the last working day of each close. When the gross market value has been obtained, a "Debt Valuation Adjustment (DVA)" is made in respect of credit risk, or a "Credit Valuation Adjustment (CVA)" in respect of counterparty risk. The measurement of CVA/DVA is based on potential future exposure of the instrument (creditor or debtor position) and the risk profile of the counterparties and of ENDESA's own risk profile. In 2021 and 2020, the value of the adjustments made due to the Credit Valuation Adjustment (CVA) counterparty risk and the Debt Valuation Adjustment (DVA) credit risk were not significant.

In accordance with the procedures described above, ENDESA classifies financial instruments in accordance with the levels stipulated in Note 3.2q (see Note 47).

h.6. Financial guarantee contracts

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

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

- The amount of the liability determined according to the accounting principles for provisions see (Note 3.2m).
- The amount of the initially recognised asset, less the portion taken to the consolidated income statement on an accruals basis.

h.7. Derecognition of financial assets and financial liabilities

Financial assets are derecognised from the Statement of Financial Position when:

- The contractual rights to the cash flows from the financial asset have expired or been transferred or ENDESA has assumed a contractual obligation to pay the received cash flows to one or more beneficiaries; and
- ENDESA has substantially transferred the risks and rewards of ownership or, if it has not substantially transferred or retained them, when it does not retain control of the asset.

In 2021 and 2020, ENDESA entered into receivables transfer agreements considered factoring without recourse as it transferred the risks and rewards of ownership of the financial assets transferred (see Notes 16 and 33).

For transactions in which ENDESA retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised in liabilities. Transaction costs are recognised on the consolidated income statement using the effective interest rate method.

Financial liabilities are derecognised from the Statement of Financial Position when they are extinguished, that is, when the obligation deriving from the liability has been settled or cancelled or has expired.

h.8. Offsetting financial assets and financial liabilities

A financial asset and a financial liability will be offset when the Company has a legally enforceable right to set off the recognised amounts and has the intention to simultaneously realise the asset and settle the liability on a net basis (see Note 45).

These rights will only be legally enforceable in the course of normal company operations, or in the event of non-compliance, insolvency or bankruptcy of the counterparty.

h.9. Reclassification of financial assets and liabilities.

Financial assets are subject to reclassification when the business model is amended for its management and the effect in the Income Statement and in the statement of other comprehensive income is detailed below:

- Reclassification from amortised cost to fair value through profit or loss: The difference between the fair value and the carrying amount is recorded in the income statement. As of that date, the interest of the financial asset are not recorded separately.
- Reclassification from amortised cost to fair value through profit or loss to the category of amortised cost: the fair value at the reclassification date is considered the new gross carrying amount for the purpose of applying the effective interest rate method and for recording credit losses.
- Reclassification from amortised cost to fair value through the Statement of Other Comprehensive Income: The difference between the fair value and the carrying amount is recorded in other comprehensive income. The effective interest rate and the recording of expected credit losses are not adjusted by the reclassification. However, the accumulated amount of the expected credit losses is recorded in the statement of other comprehensive income.
- Reclassification from fair value through the Statement of Other Comprehensive Income to amortised cost: recognised at fair value. The deferred amount in the Other Comprehensive Income Statement is adjusted to the carrying amount of the asset. The effective interest rate and the recording of expected credit losses are not adjusted by the reclassification.
- Reclassification from fair value through the Income Statement to fair value through the Statement of Other Comprehensive Income: The effective interest rate and expected credit losses are determined at the classification date by the fair value at that date.
- Reclassification from fair value through the Income Statement to fair value through the Statement of Other Comprehensive Income to fair value through the Income Statement: the amount deferred in equity is reclassified to the Consolidated Income Statement. As of that date, the interest of the financial asset are not recorded separately.

Financial liabilities are not subject to reclassification.

i) Investments accounted for using the equity method

Investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate is carried on the statement of financial position at ENDESA's share of the net assets of the associate, adjusted, where applicable, to eliminate intragroup transactions, plus unrealised gains relating to the goodwill paid on acquisition of the company.

If the resulting amount is negative, the investment is carried at zero in the consolidated statement of financial position, unless ENDESA is required to redress the company's equity, in which case the corresponding provision for liabilities and charges is recognised (see Note 26).

Dividends received from these companies are deducted from the value of the investment, while ENDESA's share of the profit or loss of these companies based on its percentage of ownership is recognised in the consolidated income statement under net profit of companies accounted for using the equity method.

After the equity method has been applied, for investments the value of which includes unrealised gains relating to the goodwill paid on acquisition of the company, or those that may otherwise show signs of impairment, the recoverable value of the investment is calculated and, if this is less than the carrying amount, impairment is

recognised for the difference between the recoverable value of the associate or the joint venture, and the carrying amount.

To calculate the recoverable amount, the higher of the fair value less costs to sell of ENDESA's interest in the investee and the discount of the future cash flows the company is expected to generate is calculated, less ENDESA's proportional share of debt at the reporting date of the financial statements.

If, as a result of legal or implicit obligations, when the value of the investee has been reduced any additional losses are incurred, they will be booked by recognition of a liability.

Appendix I to these consolidated financial statements lists ENDESA's associates and joint ventures at 31 December 2021 and 2020.

j) Inventories

In general, inventories are measured at the lower of weighted average cost and net realisable value.

j.1. Nuclear fuel

The cost for acquiring nuclear fuel includes the borrowing costs on the financing while in process. Finance costs of Euros 1 million in 2021 and Euros 1 million in 2020 were capitalised in this respect (see Note 16). Nuclear fuel in process is transferred to operating expenses when introduced in the reactor and recognised in profit and loss based on the power capacity consumed in the period.

j.2. Carbon dioxide (CO₂) emission rights, Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

ENDESA companies that emit carbon dioxide (CO₂) in their electricity generation activity must deliver carbon dioxide (CO₂) emission rights (allowances), specifically European Union Allowances (EUAs) equal to their emissions during the year in the first few months of the following year.

They can also use Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) for other purposes, such as voluntary emission compensation.

Therefore, the criteria for recognising CO₂ emission rights, Certified Emission Reductions (CERs) and Emission Reductions Unit (ERUs) will be to recognise them as inventories, as follows:

- CO₂ emissions rights held as hedges on emissions are valued at the average weighted acquisition price, or the net realisable value, if the latter is lower.
- CO₂ emissions rights held for trading represent a trading portfolio, and are recognised at their fair value less cost to sell, with changes to the consolidated statement of other comprehensive income.

k) Grants related to assets.

They are recognised when reasonable certainty exists that their associated conditions will be met. These amounts are recognised under "Grants" in the consolidated statement of financial position and taken to the consolidated income statement under other operating income over the useful lives of the assets.

l) Liabilities from contracts with customers.

l.1. Extension rights and Facilities transferred by customers.

ENDESA receives legally established compensation for the amounts paid for the construction or acquisition of certain facilities or, in some cases, is assigned the facilities directly in accordance with prevailing legislation. The concepts included under this heading are:

- Facilities ceded from customers corresponds to the valuation of distribution facilities ceded by customers and the revenue received from third parties other than official bodies, and income from extension and connection rights necessary to handle requests for new services, or to extend existing ones.
- It also includes Connections extension rights related to new installation extensions which the distributor must make in accordance with requested voltage and power, within legally-established limits, which are necessary to allow for new supply and extensions to the existing grid. These are regulated up to and including 2000 by Royal Decree 2949/1982, of 15 October, since 2001 by Royal Decree 1955/2000, of 1 December, and since 2013, by Royal Decree 1048/2013, of 27 December 2013.

Assets and liabilities from contracts with customers are recognised at the fair value of the asset on the date the assets are transferred and taken to profit and loss under other operating income in the consolidated income statement over the useful life of the asset, thereby offsetting the related depreciation charge.

1.2. Other liabilities from contracts with customers.

ENDESA presents contracts with customers as a contract liability for recognition in the Consolidated Statement of Financial Position of the obligation to transfer goods or services for which it has received consideration from the customer (or for which consideration is receivable from the customer).

m) Provisions

Liabilities existing at the consolidated statement of financial position date that arise as a result of past events and could have a negative impact on ENDESA's equity, materialisation of which is considered probable, and the amount and settlement date of which are uncertain, are recognised as provisions in the consolidated statement of financial position at the present value of the most probable amount ENDESA will need to disburse to settle the liability.

ENDESA also recognises provisions for liabilities arising from ongoing lawsuits and termination benefits, deposits and similar guarantees and to hedge risks.

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

m.1. Provisions for employee benefits.

For defined benefit plans, the companies recognise the expenditure relating to these provisions on an accruals basis over the working life of the employees by performing actuarial studies at the reporting date, calculated using the projected unit credit method. Provisions for defined benefit plan represent the present value of the accrued provisions after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising from the measurement of plan liabilities and assets are recognised directly, net of the related tax effect, in other comprehensive income in the consolidated statement of other comprehensive income (see Note 35.1.7).

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised as provisions financial assets – loans and receivables under non-current assets in the consolidated statement of financial position, provided that this negative difference is recoverable by ENDESA, usually through a reduction in future contributions taking into consideration the limits set by paragraph 57 (b) of IAS 19 Employee Benefits and IFRIC 14 IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The effect of application of this limit is recognised under other comprehensive income in the consolidated statement of other comprehensive income (see Notes 35.1.7 and 38.1).

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

The post-employment plans that have been fully insured and for which ENDESA has therefore transferred all the risk are considered to be defined contribution plans. Consequently, as in the case of defined contribution plans, no actuarial liabilities or plan assets are considered.

m.2. Provisions for workforce restructuring costs.

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

ENDESA has restructuring plans which arose as part of the corresponding workforce reduction plans approved by the government, or in agreements drawn up with employee representatives. The plans guarantee payment of an indemnity or maintenance of regular payments during the period of early retirement or suspension of the employment contract.

ENDESA recognises the full amount of the expenditure relating to these plans when the obligation is accrued, understood as the time at which the company is unable to prevent the disbursement, depending on the commitments undertaken with the employee or the employee's representatives. These sums are determined, where appropriate, from actuarial surveys conducted to calculate the actuarial obligation at period-end. The actuarial gains and losses disclosed are recognised in the consolidated income statement.

m.3. Provision to cover the cost of carbon dioxide emission allowances (CO₂).

ENDESA's companies that generate CO₂ emissions in their electricity generation activity must deliver CO₂ emission allowances equal to their emissions during the year in the first few months of the following year. Companies can also use Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) for voluntary compensation.

The obligation to deliver emission allowances for the CO₂ emitted during the year is recognised as a current provision under Other current provisions in the consolidated statement of financial position. The related cost is recognised under other variable procurements and services in the consolidated income statement (see Notes 10.3 and 38.3, respectively). This obligation is recognised at the same amount as the CO₂ emission allowances to be delivered to cover this obligation in the "Inventories" section in the consolidated statement of financial position (see Note 3.2.j.2).

If at the reporting date of the consolidated statement of financial position ENDESA does not hold all the CO₂ emission allowances, CERs, or ERUs required, the cost and the corresponding provision are recognised on the basis of a best estimate of the price that ENDESA will have to pay to acquire them. When a more appropriate estimate does not exist, ENDESA estimates the acquisition price for the allowances not held by it as the market price at the reporting date.

m.4. Provisions for decommissioning costs

ENDESA recognises a provision for the expected cost to dismantle some of its plants and certain electricity distribution facilities (see Notes 3.2.b, 3.2c and 38.3). Provision adjustments are recognised with a charge to financial expenses in the consolidated income statement (see Note 16).

The interest rates applied for the corresponding update, depending on the remaining useful life of the associated asset, have been placed in the following ranges:

%		
	2021	2020
Financial discounting rate	0.0 – 0.5	0.0 – 1.1

m.5. Onerous contracts

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), ENDESA recognises a provision for the present value of the difference between the costs and foreseen benefits of the contract.

At 31 December 2021 and 2020, no provisions for onerous contracts were made.

n) Translation of foreign currency balances

Transactions in currencies other than the functional currency of each company are recognised in the functional currency by applying the exchange rates prevailing at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recorded as financial income or financial expenses in the consolidated income statement (see Note 16).

Balances receivable or payable at year-end denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to euros at year-end exchange rates. The resulting valuation differences are recognised as financial profit or loss in the consolidated income statement (see Note 16).

o) Current/non-current classification

In the accompanying consolidated statement of financial position, balances due to be settled within 12 months are classified as current and those due to be settled in a period of more than 12 months are classified as non-current.

In the case of those obligations that mature at short term but with respect to which the expectation and power, at ENDESA's discretion, exists of long-term refinancing through credit facilities available immediately on an unconditional basis, in accordance with the existing financing conditions, and whose claimability exceeds 12 months from the closing date of the consolidated financial statements, are classified as non-current liabilities. These balances amount to Euros 33 million as at 31 December 2021 (Euros 33 million as at 31 December 2020) (see Note 43.4.1).

p) Income tax expense

In 2021, there are two Tax Consolidation Groups in ENDESA:

- All companies with respect to which ENEL, S.p.A. (the Italian company that heads the ENEL Group) holds an interest of at least 75% or 70% (in the case of listed investees or subsidiaries), and which meet requirements provided for in Spanish legislation on taxation of the consolidated profits of corporate groups, have been integrated into a consolidated tax group, the head of which is ENEL, S.p.A. and its representative in Spain is ENEL Iberia, S.L.U.

The number of companies forming the Consolidated Tax Group with number 572/10 at 31 December 2021 is 66 (67 companies at 31 December 2020), and which are detailed below:

ENEL Iberia, S.L.U.	ENDESA Generación, S.A.U.	Guadarranque Solar 4, S.L.U.
ENDESA, S.A.	ENDESA Generación II, S.A.U.	Hidroeléctrica de Catalunya, S.L.U.
Aragonesa de Actividades Energéticas, S.A.U.	ENDESA Generación Nuclear, S.A.U.	Navalvillar Solar, S.L.U.
Aranort Desarrollos, S.L.U.	ENDESA Ingeniería, S.L.U.	Olivum PV Farm 01, S.L.U.
Baikal Enterprise, S.L.U.	ENDESA Medios y Sistemas, S.L.U.	Pampinus PV Farm 01, S.L.U.
Baleares Energy, S.L.U.	ENDESA Operaciones y Servicios Comerciales, S.L.U.	Parque Eólico A Capelada, S.L.U.
Baylio Solar, S.L.U.	ENDESA Red, S.A.U.	Parque Eólico Muniesa, S.L.U.
Bogaris PV1, S.L.U.	ENDESA X Servicios, S.L.U.	Parque Eólico Tico, S.L.U.
Castiblanco Solar, S.L.U.	ENEL Green Power España, S.L.U. (EGPE)	Promociones Energéticas del Bierzo, S.L.U.
Dehesa de los Guadalupe Solar, S.L.U.	Energía Eólica Alto del Llano, S.L.U.	Renovables Andorra, S.L.U.
Dehesa PV Farm 03, S.L.U.	Energía Neta Sa Caseta Lluçmajor, S.L.U.	Renovables La Pedrera, S.L.U.
Dehesa PV Farm 04, S.L.U.	Energía XXI Comercializadora de Referencia, S.L.U.	Renovables Mediavilla, S.L.U.
Distribuidora de Energía Eléctrica del Bages, S.A.	Energías de Aragón I, S.L.U.	Renovables Teruel, S.L.U.
Distribuidora Eléctrica del Puerto de la Cruz, S.A.U.	Energías Especiales del Alto Ulla, S.A.U.	Seguidores Solares Planta 2, S.L.U.
Edistribución Redes Digitales, S.L.U.	Envatios Promoción I, S.L.U.	Tico Solar 1, S.L.U.
Eléctrica de Jafre, S.A.	Envatios Promoción II, S.L.U.	Tico Solar 2, S.L.U.
Eléctrica del Ebro, S.A.U.	Envatios Promoción III, S.L.U.	Torre Palma Energy 1, S.L.U.
Emintegral Cycle, S.L.U.	Envatios Promoción XX, S.L.U.	Unión Eléctrica de Canarias Generación, S.A.U.
Empresa Carbonífera del Sur, S.A.U.	Eólica del Cierzo, S.L.U.	Valdecaballero Solar, S.L.U.
ENDESA Capital, S.A.U.	Eólica del Principado, S.A.U.	Xaloc Solar, S.L.U.
ENDESA Energía, S.A.U.	Fotovoltaica Yuncillos, S.L.U.	
ENDESA Energía Renovable, S.L.U.	Furatena Solar 1, S.L.U.	
ENDESA Financiación Filiales, S.A.U.	Gas y Electricidad Generación, S.A.U.	

- Following the taking of control by ENDESA of Empresa de Alumbrado Eléctrico de Ceuta, S.A., with respect to which, at 31 December 2021, it held a stake of 96.42% of the share capital, the Consolidated Tax Group no. 21/02 was incorporated, comprising the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as Parent and representative of the Consolidated Tax Group) Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. and Energía Ceuta XXI Comercializadora de Referencia, S.A.U.

ENDESA's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

In 2021, ENDESA acquired the holdings detailed in Note 7.1. At 1 January 2022, the companies meeting the requirements provided for in legislation on taxation of the consolidated profits of corporate groups have been included in the consolidated tax group to which ENDESA belongs.

The income tax expense for the year is calculated as the sum of the current tax of the different companies resulting from applying the tax rate to the taxable income (tax loss) for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities, and tax credits for loss carryforwards and deductions. The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are measured at the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

Income tax and changes in deferred tax assets and liabilities not arising from business combinations are recognised in the consolidated income statement or in equity accounts in the consolidated statement of financial position, depending on where the profits or losses giving rise to them have been recognised.

Deferred tax assets and tax credits are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which the related temporary differences can be recovered or the related tax assets can be utilised.

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

In addition, ENDESA reflects the effect of uncertainty in uncertain tax treatments when determining taxable profit or loss, tax bases, unused tax losses or tax credits or the related tax rates. It does this by assessing whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, to determine which approach best predicts the resolution of uncertainty. When it is concluded that it is not probable that the tax authority will accept an uncertain tax treatment, ENDESA reflects the effect of the uncertainty by generally using the most likely amount method, i.e. the single most likely amount within a range of possible outcomes.

The presentation of liabilities or assets related to uncertain tax treatments are presented as current or deferred tax assets or liabilities (see Notes 25.1 and 41).

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

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed.

As at 31 December 2021, the following years are open to tax inspection:

	31 December 2021
Consolidated Tax Group for Income Tax (no 572/10)	2006, 2019 and subsequent years
Consolidated Tax Group for Income Tax (no 21/02)	2017 and onwards
Other ENDESA subsidiaries	2017 and onwards

During the fiscal year 2021, the Tax Agency has concluded the general verification and investigation process, initiated in the fiscal year 2019, of the Tax Consolidation Group with number 572/10 for Corporate Income Tax for the fiscal years 2015 to 2017 (extended to the fiscal year 2018 during the fiscal year 2020) and of the Tax Consolidation Group with number 45/10 for Value Added Tax (VAT) and Withholdings for the fiscal years 2015 to 2018 (see Note 53).

q) Income and expense recognition

q.1. Revenue from contracts with customers.

I. General income recognition criteria.

As general criteria, ENDESA recognises the income from its ordinary activities as the delivery of the goods or the rendering of the services contractually agreed to with its customers occurs during the life of the contract and for the amount of the consideration to which it expects to be entitled in exchange for said goods or services.

In particular, ENDESA follows the following stages for the recognition of revenue from contracts with customers:

- Identifying the contract with the customer: To identify a contract, ENDESA ensures that the parties have approved the contract and undertake to comply with their respective obligations, identifying the rights of each of the parties, the payment terms in relation to the goods or services to be transferred, and ensuring that the contract has a commercial nature and it is probable that the consideration to which it is entitled will be collected in exchange for the goods or services that will be transferred to the customer.
- Identify the obligations for executing the contract: At the beginning of the contract, ENDESA assesses the goods or services promised in a contract with a customer and identifies each promise to transfer to the customer as an execution obligation:
 - a) A good, service or a group of differentiated goods or services; or
 - b) A series of differentiated goods or services that are practically the same and that follow the same pattern of transfer to the customer.

A good or service promised to a customer is differentiated if the following two criteria are met:

- 1) The customer can use the good or service on its own or together with other resources that can be made easily available; and
- 2) ENDESA's commitment to transfer the good or service to the customer is identifiable separately from other commitments contained in the contract.

- Determine the price of the transaction: this is determined as the amount of the consideration to which it expects to be entitled in exchange for transferring the goods or services committed to with the customer, excluding the amounts charged on behalf of third parties, which could include fixed or variable amounts, such as discounts, refunds, subscriptions, incentives, bonuses and other similar concepts.
- When the transaction price includes a variable consideration, ENDESA initially estimates the amount of the consideration to which it will be entitled, using the expected value method or the most probable amount, and only including all or part of the amount of the variable consideration to the extent to which it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when, subsequently, the uncertainty over the variable consideration is resolved.
- When estimating the transaction price, the temporary value of money is also taken into account if it is considered that there is a significant financing component, as well as considerations other than cash and other considerations to be paid to the customer.
- Allocate the transaction price between the contract execution obligations: ENDESA distributes the price of the transaction in such a way that each execution obligation identified in the contract is assigned an amount that represents the consideration it will obtain in exchange for transferring the good or service committed in said execution obligation to the customer. This allocation is made proportionally and based on the corresponding independent sales prices of the goods and services included of each execution obligation. The best evidence of independent selling prices is their observable price, when these goods or services are sold separately under similar circumstances. When this price is not available, ENDESA estimates the amount using an approach that maximises the use of observable data, such as an adjusted valuation based on a market price, an expected cost plus a margin or using a residual approach.
- When the contract includes more than one good or differentiated service and a discount is granted on the total price, unless there is more observable evidence that the discount is fully applicable to an execution obligation, the discount is distributed proportionally among all execution obligations.
- Recognition of income as compliance with execution obligations is met: ENDESA recognises income as the amount of the transaction price assigned to an execution obligation if it satisfies this obligation by transferring the committed goods or services to the customer. To this end, ENDESA determines whether the execution obligation is satisfied over time or at a specific time:

a) An obligation is satisfied over time if the following criteria are met:

- The client receives and simultaneously consumes the benefits provided by ENDESA's activity as it carries it out.
- ENDESA produces or improves an asset that the customer controls as the asset is produced or improved.
- ENDESA produces a specific asset for the customer, which can not be given an alternative use, and has an enforceable right to collect the activity carried out so far.

If the execution obligation is complied with over time, ENDESA recognises the corresponding income as it satisfies it, for which it measures the degree of progress of execution of each identified obligation.

- b) If an obligation does not meet the conditions to be fulfilled over time, the following indicators are assessed to determine that control of the asset has been transferred to the customer:
- ENDESA has transmitted the physical possession of the asset;
 - ENDESA is entitled to demand payment for the asset;
 - The customer has accepted the asset;
 - The customer has the significant risks and benefits inherent to the ownership of the asset; and
 - The customer has the legal ownership of the asset.

If the execution obligation is fulfilled at a specific date, ENDESA recognises the corresponding income.

If the parties agree amend the contract, ENDESA accounts for this amendment as a separate contract if the following two conditions are met:

- The scope of the contract increases due to the incorporation of different committed goods or services; and
- The contract price is increased by an amount of the consideration that reflects the independent sale prices of the promised additional goods or services.

Otherwise, the contractual amendment is treated as an adjustment to the original contract, so that, when the amendment consists of new goods or services that are different and not at their usual selling price, the previous contract is cancelled and a new contract will be created, but if the amendment consists of new goods or services that are not different, the existing contract is re-assessed.

ENDESA presents the contracts with customers in the Statement of Financial Position as an asset or a liability of the contract, depending on the relationship between ENDESA's performance and the payment made by the customer:

- The contract with the customer is presented as a liability of the contract when the customer has paid a consideration before the goods or services have been transferred to the customer, in such a way that there is an obligation on the part of ENDESA to transfer the goods or services to the customer from which it has already received a consideration.
- The contract with the customer is presented as an asset of the contract when ENDESA has transferred goods or services to the customer before the customer has delivered the consideration, so ENDESA has the right to the consideration in exchange for the goods or services that it has transferred to the customer. ENDESA excludes from this amount the amounts presented as accounts receivable.

II. Specific criteria for income recognition by segments.

- Generation and Supply Segment.
 - Electricity and gas sales: They are recorded as income at the date they are supplied to the customer, depending on the quantities supplied during the period, even when they have not been invoiced and according to the unit price established in the contract. Revenue income includes an estimate of the energy supplied before customers' meters have been read (see Note 33).

In electricity and gas sales contracts with customers, the committed assets are identified as a single performance obligation as they correspond to a series of distinct assets that are substantially the same and whose pattern of transfer is the same. This performance obligation is satisfied and recognised as revenue over time. The revenue recognition method applied to such transactions is the product-based method, namely the units-delivered method, because it is the best method of measuring the customer value of the goods transferred. The consideration to be received for the supply of energy is measured

on the basis of the price set in the contract with the customer for the energy supplied at each point in time.

Where customer contracts have multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling price of each performance obligation determined at the inception of the contract.

The stand-alone selling price is estimated based on observable prices in sales transactions for the asset when sold separately in similar circumstances and to similar customers.

The methodology used to estimate the energy supplied to customers pending billing is as follows:

- The revenue from the energy supplied not yet read in the customer's meters is based on estimates of the amount of energy supplied and all the usual price components for each customer type.
- The amount of power supplied (GWh) is estimated on the basis of the following parameters:
 - i. The power purchases made from the market during that period of time, in busbars (bc), where this data becomes known through the orders placed;
 - ii. The estimation of transmission and distribution energy losses based on established parameters that are continuously updated with the latest available actual information;
 - iii. The actual volume of energy billed to customers.

The difference between the estimated total power supplied (i) - (ii) and the power already billed (iii) corresponds to the amount of power still to be billed..

- The price (€/GWh) is estimated on the basis of the following components:
 - i. The cost of power, which corresponds to the purchases made from the market in that time period, including all components, plus an estimate of the deviations due to customer consumption profiling;
 - ii. Transmission and distribution costs based on access charges and
 - iii. The margin associated with each of the different products contracted by customers according to the parameters defined in their contract and for the different products in the catalogue.
- Electricity sales on the wholesale market. They are recognised as income at the date they are supplied, depending on the electricity supplied and the ancillary services provided.

For electricity sales in the wholesale market, the committed assets are identified as a single performance obligation, as they correspond to a series of distinct assets that are substantially the same and whose pattern of transfer is the same. This performance obligation is satisfied and recognised as revenue from ordinary activities over time.

- The activity of generation from renewable sources, cogeneration and waste has a special remuneration regime established by Royal Decree 413/2014, of 6 June, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste, allowing it to receive income in addition to the average mainland price to guarantee it a reasonable return and to be able to compete with other technologies on an equal footing (see Note 6). This revenue is recorded as energy sales are transferred to the market, as this additional remuneration supplements the revenue from the electricity market to reach the reasonable profitability that has been set.

Article 22 of the Royal Decree also includes a mechanism called "Value of Adjustments for Deviations in Market Price", which adjusts the electricity sales prices estimated by the regulator at the start of the regulatory half-period, and which have been taken into account in determining the specific remuneration, against the real market prices resulting in each half-period. Hence, a positive or negative balance is generated each year, which is included in the next review of the remuneration parameters for the following regulatory half-period, and which will be compensated during the rest of the useful life of the facility through a higher or lower specific remuneration.

Pursuant to the provisions of article 22 of the same Royal Decree, ENDESA generally records each of the positive and negative market deviations arising, in accordance with Royal Decree 413/2014, of 6 June.

- Non-mainland Territories generation (TNP): Its remuneration is regulated (see Note 6), essentially based on the operation and availability of the facilities, with part of said remuneration being received with the valuation of the energy sold at the average mainland price, and the rest, up to the remuneration established, through the settlements made by the Spanish Markets and Competition Commission (CNMC). This income is recognised at the date when electricity sales are made.
- Distribution.
 - Income regulated by the electricity distribution activity: It is recorded pursuant to the regulatory framework of the Electricity Sector in Spain, which establishes the remuneration by Ministerial Order once per year (see Note 6) and is recognised over time. The Spanish Markets and Competition Commission (CNMC) makes arrangements for payment of the acknowledged remuneration to electricity distribution companies.

III. Principal vs. Agent.

When a third party is involved in providing goods or services to a customer, ENDESA analyses whether the nature of its commitment is an execution obligation consisting of providing the goods or services itself to the customer (ENDESA acts as principal) or whether its commitment is to organise the supply of those goods or services for the third party (ENDESA acts as agent).

When ENDESA acts as principal, it recognises the revenue for the gross amount of the consideration to which it expects to be entitled in exchange for the goods or services transferred, but when it acts as an agent, it recognises the revenue for the amount of any payment or commission to which it expects to have the right in exchange for arranging the provision of its goods or services for the other party.

q.2. Other income and expenses.

Interest income and expenses are recognised by applying the effective interest rate method applicable to the outstanding principal over the related repayment period.

Dividends received from equity instruments are recognised as income at the date the right to receive them arises in the Consolidated Income State.

ENDESA recognises non-financial asset purchase or sale contracts settled net in cash or another financial instrument at their net amount. Contracts entered into and maintained for the purpose of receiving or delivering these non-financial assets are recognised on the basis of the contractual terms of the purchase, sale or usage requirements expected by the entity.

Expenses are recognised on an accruals basis. Disbursements that will not generate future economic benefits or which do not qualify for recognition as an asset are recognised immediately.

r) Fair value measurement

Fair value is defined as the price that would be collected for the sale of an asset or that would be paid for the transfer of a liability, in an orderly transaction between market players at the valuation date.

The valuation is calculated on the premise that the transaction is carried out on the main market, i.e. the market with the largest volume or activity of the asset or liability. In the absence of a main market, it is assumed that the transaction is carried out on the most advantageous market, i.e. that which maximises the amount received from selling the asset or that which minimises the amount paid to transfer the liability.

The fair value of the asset or the liability is determined by applying the assumptions that would be made by the market players at the time the price of the asset or liability is set, on the understanding that the market players are acting in their best economic interests. The market players are independent of each other, they are well informed, they can carry out a transaction with the asset or liability, and are motivated to carry out the transaction but are not in any way obliged or forced to do so.

Assets and liabilities measured at fair value may be classified on the following levels (see Note 47):

- Level 1: Fair value is calculated from quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine fair value within Level 2 by class of assets or liabilities take into account the estimate of future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each closing, translated to Euros at the exchange rate prevailing on the last working day of each closing. All these measurements are made using internal tools.
- Level 3: The fair value is calculated from inputs for assets or liabilities that are not based on observable market data.

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

s) Earnings (loss) per share

Basic net earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares of the Parent Company owned by ENDESA.

The basic earnings per share of continuing and discontinued operations are calculated by dividing profit after tax of continuing and discontinued operations, respectively, minus the portion corresponding to non-controlling interests, by the weighted average number of ordinary shares of the Parent Company outstanding during the period, excluding the average number of shares of the Parent Company owned by ENDESA.

In 2021 and 2020, ENDESA did not perform any potentially dilutive transactions that could cause diluted earnings per share to differ from basic earnings per share (See Notes 19. 35.1.8, 35.1.12).

t) Dividends

Dividends to be received are recognised when the right to collect them is generated.

Dividends to be paid are recognised as a reduction in equity on the date on which they are approved by the competent body, which is usually the board of directors in the case of interim dividends and the shareholders at their general meeting of shareholders in the case of dividends charged against reserves or final dividends (see Note 35.1.10).

u) Share-based payment plans.

ENDESA, S.A. has granted certain employees of its business group that occupy positions of greater responsibility remuneration plans based on equity instruments, in which, in exchange for the services they provide, ENDESA settles them with equity instruments. These plans are also combined with cash settlements, whose amount is based on the value of equity instruments (see Note 49.3.5).

ENDESA recognises the services received from in-house employees as "Personnel Expenses" in the Consolidated Income Statement, at the time of obtaining them and, by contrast, it posts the corresponding increase in Equity under the heading "Other equity instruments" of the Consolidated Statement of Changes in Equity when the transaction is settled with equity instruments or the corresponding liability under the heading "Non-current provisions" of the Statement of Financial Position if the transaction is settled in cash with an amount that is based on the value of the equity instruments.

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

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

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

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

Fair value is determined by reference to the market value of the shares at the grant date, net of estimated dividends to which the employee is not entitled, during the performance period (see Note 49.3.5).

v) Shares in own equity instruments.

Own shares acquired by ENDESA in the year are recognised at the value of the consideration delivered in exchange, directly as a reduction of Equity under "Shares and investments in equity" of the consolidated statement of financial position (see Note 35.1.8).

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

w) Statement of cash flows

The statement of cash flows reflects the changes in cash occurring during the year in relation to both continuing and discontinued operations, calculated using the indirect method (see Note 48). The following terms are used in the statements of cash flows with the meanings specified:

- Cash flows: Inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value (see Note 3.2.h.2).
- Operating activities: The principal revenue-producing activities of ENDESA, as well as other activities that are not investing or financing activities. They include dividends received as well as the collection and payment of interest.
- Investing activities: The acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents. Net flows from investment activities include those corresponding to losing and gaining control over Group companies.
- Financing activities: Activities that result in changes in the amount and composition of equity and financial liabilities. Net cash flows from financing activities include dividends paid.

4. New accounting standards, amendments and interpretations

At the date of preparation of these Consolidated Financial Statements, the following standards, amendments to standards and interpretations have been adopted by the European Union (EU) and have been applied for the first time in the Consolidated Financial Statements for the year ended 31 December 2021:

Standards, amendments and interpretations	Mandatory application: Years beginning on
Amendments to IFRS 4 "Insurance Contracts" – Deferral of IFRS 9 "Financial Instruments".	1 January 2021
Interest Rate Benchmark Reform – Phase 2 - Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosure Initiative", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases".	1 January 2021
Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions beyond 30 June 2021.	1 April 2021

The adoption of these amendments and this reform did not have a material impact on the Consolidated Financial Statements for the year ended 31 December 2021.

For more information on accounting standards applicable in the future, see Note 54.

5. Information on non-financial matters

5.1. COVID-19 health crisis.

ENDESA is constantly monitoring the evolution of the COVID-19 pandemic, together with the changes in macroeconomic, financial and trade variables, as well as the regulatory measures in force, to update the estimate of the possible effects on the Consolidated Financial Statements, in line with the recommendations of the European Securities and Markets Authority (ESMA) and the Spanish Securities Market Commission (CNMV).

In the current context, the activities aimed at the supply of electricity by ENDESA companies have been ratified as essential activities and are carried out under specific frameworks. Therefore, despite the situation caused by the COVID-19 pandemic, ENDESA has continued to carry out its activity, without any significant events affecting the going concern principle.

These impacts are detailed in the following Notes to the Consolidated Financial Statements for the year ended 31 December 2021:

Matters	Notes	Contents
Going concern	44.4	Impact of the health crisis on the activities performed by the Group companies.
Impairment test	3.2.f.5	Sensitivity analysis
Leases	21	Effect of the health crisis on the lease arrangements signed.
Investments	20.1 and 23.1	Impact of the health crisis on the implementation of the investment plan.
Insurance	20.3, 22.1 and 32.3	Effect of the health crisis on the insurance contracts signed.
Inventories	32.2	Effect of the economic context on the contracts with "take or pay" clauses.
Credit risk	15.2, 43.1.3 and 44.5	Impact of the health crisis.
Provisions	38.1 and 38.2	Actuarial assumptions used.
Borrowings	43.4.2	Refinancing of borrowings.
Liquidity risk	44.4	Financial transactions arranged.
Classification of financial assets	43.1	Modification of the business model and of the contractual characteristics of the cash flows from financial assets, and reclassification among the categories of such assets.
Derivatives and hedge transactions	46	Compliance with the criteria established by the regulations to apply hedges.
Fair value measurement	47	Changes in the measurement bases used to determine the fair value.
Concentration risk	44.6	Effect of the health crisis on concentration risk.
Income tax	25.1	Recovery of deferred tax assets.

Taken together, the effects of the health crisis in 2021 did not have a significant impact on gross operating profit (EBITDA) or operating profit (EBIT) (approximately negative Euros 120 million and negative Euros 170 million, respectively, in 2020, in addition to the costs accruing from the Public Accountability Plan, in the amount of Euros 25 million).

5.2. Climate change.

ENDESA has developed a sustainable business model, recognising that it must focus its business strategy on meeting the major challenges facing the society in which it performs its activities. Climate change is the main challenge for all of ENDESA's stakeholders. ENDESA, therefore, recognises that it must play a leading role in fighting this challenge. To this end, it is pursuing a business model that aims to lead the energy transition, in line with the United Nation's Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement to meet the challenge of decarbonisation and so limit the average increase in global temperatures to below 2°C, with the aim of not exceeding 1.5°C compared with the pre-industrial period, creating shared value for all stakeholders and spreading its sustainability principles and commitments throughout the value chain.

The 2022-2024 Strategic Plan presented on 25 November 2021 follows this line and is based on ENDESA's intention to lead the energy transition, which it will achieve by accelerating the decarbonisation of its generation mix and encouraging the adoption of behaviour that will result in the electrification of its customers' consumption. The main lines of action of our Plan are summarised below:

- Speeding up fulfilment of the decarbonisation commitments for generating facilities, by further boosting renewable energies and closure of mainland coal-fired plants.
- Electrification of demand, consolidating its current leadership position and leveraging the use of new platforms, which provides a competitive advantage by enabling management based on customer value and the development of new personalised services and products that meet new needs.
- Progress with the development and operation of more efficient grids that enable integration of increased renewable-energy capacity and electrification of transport.

This is another step in ENDESA's firm commitment to continue contributing to the development of an efficient and sustainable energy model, based on renewable electrification, a customer-centric approach and development of smart networks as an integrative element.

To achieve these objectives, the planned gross investment volume amounts to Euros 7,500 million gross over the next three years. 89% of the planned investment is oriented towards Sustainable Development Goal (SDG) 13 (Climate Action) to which it contributes with specific actions in Sustainable Development Goal (SDG) 7 (Affordable and Clean Energy) through the growth of renewable energy capacity, Sustainable Development Goal (SDG) 9 (Industry, Innovation and Infrastructure) through the digitalisation of distribution, and Sustainable Development Goal (SDG) 11 (Sustainable Communities and Cities) by promoting the electrification of energy consumption through the sale of products and the deployment of charging points for electric vehicles, which demonstrates the extent to which sustainability is integrated into ENDESA's business model.

On this basis and in line with the recommendations of the European Securities and Markets Authority (ESMA) and the document "Effects of climate-related matters on financial statements" published by the International Accounting Standards Board (IASB), ENDESA includes disclosures related to Climate Change in the following Notes to the Consolidated Financial Statements for the year ended 31 December 2021:

Matters	Notes	Contents
Estimates related to Climate Change.	3.1	Impact of Climate Change issues on accounting estimates
Regulatory Framework	6.1 and 6.2	European regulation related to energy and environment, and sustainable finance.
Sustainable Investments	7.1, 20.1, 20.2 and 23.1	Investment plan in non-emitting technologies and digitalisation strategy.
Impairment of non-financial assets.	3.2.f.4 and 3.2.f.5	Impact of Climate Change commitment on the measurement of non-financial assets in order to determine any impairment losses.
Provisions	38	Obligations associated with the energy transition process relating to the affected employees and future costs for the closure of the facilities.
Sustainable financing	43.3	Financial debt with sustainability clauses
Share-based Payment	49.3.5	Variable remuneration linked to sustainability targets.

6. Industry regulation

6.1. Regulatory framework in Spain.

Law 24/2013 of 26 December on the Electricity Sector, which repeals and replaces Law 54/1997 of 27 November, which included the basic regulation of the Electricity Sector, established the new general framework for the operation of the sector and the regime of activities and agents. The most significant aspects of this scheme are as follows:

- The new law introduces the basic principle of the economic and financial sustainability of the electricity system in such a way that revenues are sufficient to cover all system costs. System costs will be financed by access tariffs for transmission and distribution networks (to cover remuneration of both activities), charges established for the payment of other costs, items from the General State Budget and any other revenue or financial mechanism established. Also:
 - Any increase in costs or reduction in revenues must be accompanied by an equivalent reduction of other costs or a revenue increase. Simultaneously, no downward reviews of charges are possible for as long as there are cost items used to pay debt from previous years.
 - From 2014 onwards, temporary imbalances that may arise will be limited to a maximum annual amount of 2% of the estimated system revenue (or 5% in cumulative terms). Any transitory imbalance will be financed by all players taking part of the settlement system, in proportion to their remuneration. If these limits are exceeded, access fees or charges will be reviewed in an equivalent amount. Within these limits, any imbalance will entitle the financing parties to recover those funds in the five following years, at an equivalent market interest rate.
 - The General State Budget for each year will finance 50% of the compensation for the Electricity Systems of Non-mainland Electricity Systems (TNP) for that year.
- Concerning remuneration for activities, the law stipulates that remuneration for transmission, distribution and production in non-mainland systems and production from renewable energy sources, high-efficiency cogeneration and waste will take into account the costs of an efficient and well-managed company. Remuneration parameters will be established in due consideration of the cyclical situation of the economy, demand for electricity and an adequate return on these activities over six-year regulatory periods. The law establishes the remuneration of assets for the first regulatory period (which ended on 31 December 2019) as the average yield on 10Y treasury bills on the secondary market for the three months prior to entry into force of Royal Decree Law 9/2013 of 12 July, plus 200 basis points for transmission, distribution and production in Non-mainland territories (TNP), plus 300 basis points for production from renewable energy sources, high-efficiency cogeneration and waste. For the second regulatory period, initiated on 1 January 2020, the value of the financial remuneration rate for electricity transmission and distribution activities has been established by Circular 2/2019, 20 November, of the Spanish Markets and Competition Commission (CNMC), and for production activities in the Non-mainland Territories (TNP) with additional remuneration, and production from renewable energy sources, cogeneration and waste with a specific remuneration system has been established by Royal Decree Law 17/2019 of 22 November.
- Ordinary regime and special regime electricity generation is not differentiated, without prejudice to specific considerations for certain technologies.
- The Last Resort Tariff (LRT), which applies to most domestic consumers, will be renamed as Small Consumer Voluntary Price (SCVP), and the Last Resort Tariff will be maintained for vulnerable consumers and those that do not meet the requirements to be eligible for the Small Consumer Voluntary Price tariff and temporarily do not have a current contract with a free-market supplier.

In addition to the basic regulation, a number of provisions were also approved since 2012 to reduce the deficit of regulated activities and guarantee the financial stability of the System. These include Royal Decree Law 9/2013, of 12 July, adopting urgent measures to guarantee the financial stability of the electricity system and modifying, inter alia, the remuneration system for generating facilities using renewable energies, cogeneration and waste, and electricity transmission and distribution activities.

Additionally, Law 15/2012, of 27 December, on fiscal measures for energy sustainability, which came into force on 1 January 2013, introduced new taxes (or amendments to existing taxes) affecting generating facilities. The following taxes were introduced:

- General tax on production, equivalent to 7% of the total income received.
- Tax on nuclear fuel spent and radioactive waste and storage at centralised facilities.
- Levy on hydroelectric generation, equivalent to 22% of revenues. This levy will be reduced by 90% for plants with installed capacity equal to or less than 50 MW and for pumped-storage hydro plants of over 50 MW. This reduction will also apply to any output or facilities defined by regulations that have to be supported to fulfil general energy policy. The tax rate has increased by 25.5% pursuant to Royal Decree Law 10/2017 of 9 June establishing specific urgent measures to mitigate the effects of drought in certain river basins, amending the current Water Law. In the case of installations of less than 50 MW, the percentage reduction has been adjusted in order to compensate for the above-mentioned increase.
- A "green cent" tax on consumption of electricity generated using natural gas, coal, fuel-oil or diesel.

The provisions of this law stipulate that the taxes collected, along with other sums from the auction of greenhouse gas emission rights, will be used to finance the costs of the electricity system.

Along with the general provisions, several regulatory implementations were approved regarding the various activities associated with the supply of electricity.

Additionally, as a result of the energy transition process, as well as the adaptation of the functions of the Spanish Markets and Competition Commission (CNMC) to community regulations, the government approved certain amendments of the current regime, which are detailed in greater depth further on.

Royal Decree Law 1/2019, of 11 January, on urgent measures to adjust the duties of the Spanish Markets and Competition Commission (CNMC) to the requirements of EU law in relation to Directives 2009/72/CE and 2009/73/CE of the European Parliament and Council, of 13 July 2009, concerning common rules for the internal market in electricity and natural gas.

This Royal Decree Law was published in the Spanish Official State Gazette on 12 January 2019, for the purpose of amending the duties of the Spanish Markets and Competition Commission (CNMC) to comply with EU legislation, following requests filed by EU authorities.

According to this Royal Decree Law, the Spanish Markets and Competition Commission (CNMC) will be responsible for approving, via circulars, aspects such as the structure, methodology and specific values of access tariffs for natural gas and electricity transmission and distribution networks, and for liquefied natural gas (LNG) plants; the methodology and parameters for establishing remuneration for the transmission and distribution of gas and electricity, liquefied natural gas plants (LNG), the Gas System operator or technical manager or the remuneration rate on transmission and distribution activities within the maximum limit established by the Government.

The Ministry for Ecological Transition and the Demographic Challenge is responsible for approving a series of energy policy guidelines that must be taken into consideration by the National Commission for Markets and Competition (CNMC), covering aspects such as security of supply, economic and financial sustainability of the system, supply independence, air quality, efforts to combat Climate Change, demand management, selection of future technologies or rational use of energy. The Ministry of Ecological Transition and Demographic Challenge will have one month to approve the circulars of the Spanish Markets and Competition Commission (CNMC) concerning energy policy, or that have an impact on tariffs, remuneration on regulated activities, access and connection conditions and the rules for operating the electricity and gas system. In the event of any discrepancy, a Cooperation Committee will work to reach an understanding.

In any case, the new duties of the Spanish Markets and Competition Commission (CNMC) are applicable from 1 January 2020. Furthermore, any procedures begun prior to this Royal Decree Law coming into force, as well as any procedure that, regardless of when it was initiated, refer to years prior to 2019, will be substantiated pursuant to previous regulations.

The Royal Decree Law likewise amends certain aspects of Law 24/2013, of 26 December, on the Electricity Sector. Regarding the financial rate of remuneration on transmission and distribution, which by virtue of the Royal Decree Law will be established by the Spanish Markets and Competition Commission (CNMC), the government will set in law a maximum threshold for this rate, linked to 10-year treasury bonds in the 24 months prior to the month of May in the year preceding the start of each new regulatory period, plus a spread to be established for each regulatory period. If at the start of the new period said maximum threshold has not been established, the maximum threshold corresponding to the previous period will be extended, or failing this, the rate of remuneration from the previous period will be used.

As for generation operations adhering to the additional remuneration system in Non-mainland Territories (TNP), the rate of financial remuneration will be set by the Government. This rate may be modified before the start of each regulatory period, linked to 10-year treasury bonds in the 24 months prior to the month of May in the year preceding the start of each new regulatory period, plus a spread to be established under law for each regulatory period. If at the start of a new regulatory period this rate of financial remuneration has not been established, that of the previous regulatory period will be deemed to be extended.

Lastly, regarding facilities producing electricity from renewable energy sources, high efficiency cogeneration and waste using specific remuneration systems, in the review corresponding to each regulatory period, the value on which the reasonable rate of return is based over the remaining regulatory life of standard facilities may be amended, and will be established by law.

Pursuant to Royal Decree Law 1/2019, of 11 January, the Spanish Markets and Competition Commission (CNMC) has an area of responsibility that includes approving and setting certain regulatory aspects via circulars.

- Circular 2/2019, of 12 November, on the financial remuneration rate for electricity and gas: Circular on the financial remuneration rate for the second regulatory period (2020-2025), which establishes a value of 5,580% (6,003% by 2020) for electricity transmission and distribution activities.
- Circular 3/2019, of 20 November, on the functioning of the wholesale electricity market and the operation of the System: Circular on the methodologies regulating the operation of the wholesale electricity generation market and the management of the System, in order to establish energy market regulations for different time horizons (forward, day-ahead, intraday markets, balancing and alleviation of congestion in the Electricity System) and set the methodologies for technical aspects of system operations to ensure the progressive harmonisation and convergence of the European electricity markets.
- Circular 6/2019, of 5 December, on the methodology for remunerating electrical distribution: Circular on the remuneration methodology for the electricity distribution activity to establish the parameters, criteria and remuneration method for this activity in the next regulatory period. The draft circular contains a new remuneration formula that regroups certain items included in Royal Decree 1048/2013, of 27 December, and creates new ones. Certain aspects of loss, quality and fraud incentives are also amended.
- Circular 3/2020, of 15 January, on the methodology to calculate access tariffs for electricity transmission and distribution networks.

- Circular 1/2021, of 20 January, on the methodology and access conditions, in addition to the connection to the transmission and distribution grids of electricity production facilities, with the goal of regulating the procedures, periods and criteria for evaluating access capacity and grant permits, improve the transparency of the process, and other aspects to control the percentage of completion of the projects to ensure that they are properly culminated.
- Communication 23/2019 of 23 October 2019, which defines a set of financial ratios to assess the level of indebtedness and economic and financial capacity of regulated companies, proposing recommended values for said ratios, and creating an overall rate of key figures that would have an impact on remuneration below certain values. The scope covers the transmission and distribution activities of the electricity and gas sectors. In addition, to analyse holding operations, it could also apply to companies operating in Non-mainland Territories (TNPs) in the Electricity Sector, and to companies operating in the hydrocarbons sector.

Remuneration of the electricity distribution activity

Royal Decree 1048/2013 of 27 December was published on 30 December 2013, establishing the methodology for calculating remuneration for power distribution, extending from Royal Decree Law 9/2013 of 12 July and Law 24/2013 of 26 December. These aim to provide a stable predictable methodology to guarantee, under homogeneous criteria nationwide, appropriate return at the lowest possible cost to the system. The chief aspects of this methodology follow:

- Investment in non-amortised assets in service will be remunerated in due consideration of the net value of the assets and a financial remuneration rate based on 10Y treasury bills plus 200 basis points, in addition to the operation and maintenance of the assets.
- There will be remuneration for the costs required to carry out distribution activities, such as meter reading, supply contract process, billing access charges and management of non-payments, customer phone service, charges for occupancy of public areas and structural costs.
- There are incentives and penalties in connection with improvements to supply quality, reducing losses on distribution networks, and a new fraud reduction incentive.
- The extra costs of specific regulations introduced by regional or local authorities will not be borne by the electricity tariff.
- Collection of the payment of remuneration for facilities commissioned in year n will start from 1 January of the year $n+2$, and a financial cost will be recognised.
- Mechanisms have been established to control investment. For the whole sector, the maximum volume of authorised investment has been limited to a total of 0.13% of Gross Domestic Product (GDP). Distributors will submit to the Ministry of Ecological Transition and the Demographic Challenge their yearly and pluri-annual investment plans for approval, and will also require a favourable report from the regional authorities concerned. Limits are also established for deviations from the standard, just recognising part of the extra costs, which must be duly justified and audited. Volumes of investment will also be reduced in the event of non-compliance with the plans established, and the possibility is established of early construction of a facility, provided it is already envisaged and its cost is not met by the system.

The format established in the Royal Decree will apply when the first regulatory period commences, and until that time the transitory system established in Royal Decree-Law 9/2013 of 12 July will be applicable.

On 28 November 2015, the Official State Gazette published Royal Decree 1073/2015, of 27 November 2015, which modifies certain provisions in the Royal Decrees on the remuneration of electricity networks (Royal Decree 1047/2013, of 27 December 2013, for transmission, and Royal Decree 1048/2013, of 27 December 2013, for distribution). Among other aspects, Royal Decree 1073/2015, of 27 November, eliminates the yearly update of unitary values based on the CPI, in accordance with Law 2/2015, of 30 March 2015, on de-indexing the economy.

On 12 December, 2015, Ministerial Order IET/2660/2015, of 11 December 2015, was published, establishing the types of installations and unitary value to be used in calculating distribution remuneration. This Order set the beginning of the first regulatory period as at 1 January 2016.

On 17 June 2016, Order IET/980/2016, of 10 June, was published in the Official State Gazette (BOE), which establishes the remuneration of the distribution activity for 2016, assigning ENDESA a remuneration for the development of this activity of Euros 2,032 million (Euros 2,040 million considering the incentives), of which Euros 2,014 million and Euros 2,023 million, respectively, corresponded to ENDESA Redes Digitales, S.L.U. On 15 September 2017, the announcement of the Deputy Head of Resources, Claims and Relations with the Ministry of Justice was published in the Official State Gazette (BOE), informing of the hearing procedures for the order issued by the Ministry of Energy, Tourism and Digital Agenda, initiating the procedure to file a declaration of adverse effect on the public interest of Ministerial Order IET/980/2016, of 10 June. Following the initiation of this procedure, the Supreme Court subsequently handed down a partially upholding judgement, by virtue of which the Ministry for Ecological Transition and the Demographic Challenge has initiated the processing of a proposal for an Order implementing this judgement.

In accordance with Royal Decree Law 1/2019 of 11 January, the remuneration methodology from 2020 is established by the Spanish Markets and Competition Commission (CNMC).

By virtue of this, the Commission has approved Circular 6/2019, of 5 December, on the remuneration methodology for electricity distribution, which aims to establish the parameters, criteria and methodology for the remuneration of this activity in the following regulatory period. It contains a new remuneration formula that regroups certain items included in Royal Decree 1048/2013, of 27 December, and creates new ones. Certain aspects of loss, quality and fraud incentives are also amended.

In relation to the financial remuneration rate for the second regulatory period, the Spanish Markets and Competition Commission (CNMC) has approved Circular 2/2019 of 12 November, which establishes a value of 5,580% (6,003% for 2020) for electricity transmission and distribution activities.

In November 2021, processing of a proposal for an Order approving the incentive or penalty for the reduction of losses in the electricity distribution network for 2016 commenced, modifying the base remuneration for 2016 for several distributors and approving the remuneration for electricity distributors for 2017, 2018 and 2019. This proposal does not initially include certain investment items for which additional information has been requested. In this regard, the Company considers that these investments, which are included in the multi-year investment plans approved by the National Markets and Competition Commission (CNMC) and the Secretary of State for Energy and have been adequately justified during the processing before both institutions, will be included in the final order.

In addition, on 13 December 2021, the Resolution of 30 November 2021 of the Spanish Markets and Competition Commission was published in the Official State Gazette ("BOE"), establishing the adjustment to the incentive for the reduction of losses provided in additional provision eight of Circular 6/2019, of 5 December setting the methodology for calculating the remuneration of electricity distribution. The scheme approved for calculating the incentive to reduce losses is applicable from 2022, inclusive.

The amounts recognised under this regulation at 31 December 2021 are described in Notes 9 and 43.1.1.

Non-mainland electricity systems

Electricity supply activities in non-mainland territories are subject to a specific regulation addressing the particular nature of their geographic locations. This special regulation was developed by Royal Decree 1747/2003 of 19 December 2003 and the Ministerial Orders of 30 March 2006 which implemented this Royal Decree.

The main element of the non-mainland regulatory system was that electricity production was remunerated under the feed-in tariff system, unlike in mainland Spain, in view of the specific features of these systems.

On 30 October 2013, Law 17/2013 of 29 October was published in the Official State Gazette. Its aim is to provide a better guarantee of supply and increase competition in non-mainland systems, and the main aspects are as follows:

- For reasons of safety or technical and economic efficiency, additional remuneration to the mainland spot market price may be given for new generation facilities in non-mainland electricity systems, even if power output required to cover demand is exceeded.
- The additional or bonus regime will not be applied to new facilities in the Electricity Systems of the Non-mainland Territories (TNP), owned by a company or business group that holds more than 40% of generating power in that System. An exception is made in the case of facilities awarded through capacity tenders for the deployment of renewable energy sources that have administrative authorisation or have been registered in the remuneration pre-assignment register. Another exception is made for investment in upgrading and improving efficiency at plants already in operation which do not entail an increase in capacity or where there are no other agents interested in developing facilities.
- The System Operator will be the owner of pumped-storage hydro plants intended to guarantee security of supply, or the integration of renewable sources. In all other cases an award procedure will be carried out. Notwithstanding the above, any company holding a hydroelectric operating concession granted before 1 March 2013, or which had been granted administrative authorisation but had not been granted authorisation to bring the plant on stream, will retain ownership but will be liable for a guarantee amounting to 10% of the total investment and must comply with an execution timetable.
- Regasification plants will be exclusively owned by the Technical System Operator, and the facilities concerned must be transferred within 6 months at market price. If the facility does not have administrative authorisation, the price will be limited to the total costs actually incurred up to 1 March 2013.
- Remuneration associated with fuel costs will be established by a mechanism taking account of the principles of competition, transparency, objectivity and non-discrimination.
- A compatibility ruling by the Department of Energy Policy and Mines will be necessary for the approval of new groups, to ascertain that the facility is compatible with the technical criteria stipulated by the System Operator and economic cost-reduction criteria.
- There is a possibility of reducing remuneration at facilities in island and non-mainland electricity systems in the event of a substantial decrease in their availability, the guarantee of supply or the supply quality indexes attributed to generating facilities. It is also possible that the government will take action in the electricity sector to guarantee supply in situations of risk.

On 1 August 2015, the Official State Gazette published the Royal Decree 738/2015, of 31 July, on Non-Mainland Territories ("TNP") generation. This Royal Decree established a scheme similar to the current scheme, made up of remuneration for fixed costs, which includes fixed investment and fixed operations and maintenance costs, and for variable costs, including fuel and variable operations and maintenance costs, and takes into account, within the costs of these systems, the taxes arising from Law 15/2012, of 27 December 2012, on fiscal measures for energy sustainability. Certain aspects of the methodology are changed in order to improve the efficiency of the system. The Royal Decree also implements matters already contained in Law 17/2013 of 29 October, to guarantee supply and increase competition in these systems.

The Royal Decree was set to enter into force from 1 September 2015, considering a transitory period as from 1 January 2012 for certain measures. In accordance with Additional Provision Eleven, its full and definitive effectiveness is subordinated to the non-existence of objections by the European Commission with respect to its compatibility with the EU regulations in question. In this regard, on 28 May 2020, the European Commission approved the scheme laid down in the Royal Decree, concluding that it complies with the criteria of the Services of General Economic Interest and that it is compatible with the internal market. The scheme is initially approved until 31 December 2025 in the case of the Balearic Islands, and until 31 December 2029 in the case of the Canary Islands, Ceuta and Melilla, and the Kingdom of Spain may request that it be maintained prior to those dates.

In accordance with Electricity Sector Law 24/2013, of 26 December, the financial remuneration rate of the net investment recognised will be tied to the return on the 10-year treasury bills on the secondary market plus the appropriate spread. For the first regulatory period, which runs until 31 December 2019, this rate will correspond to the average return of the price on the secondary market of the 10-year treasury bills for April, May and June 2013, plus 200 basis points. At 1 January 2020, and in accordance with Royal Decree Law 17/2019, of 22 November, on urgent measures for the necessary adaptation of remuneration parameters affecting the Electricity System and to respond to the cessation of activity of thermal generation power plants, the remuneration rate has been set in the 2020-2025 period at a value of 5,580%, with the value corresponding to 2020 being 6,003%.

On 28 December 2019, Order TEC/1260/2019, of 26 December, was published in the Official State Gazette, reviewing the technical and economic remuneration parameters of the Non-mainland Territories (TNP) generation groups for the next regulatory period 2020-2025. This order sets out the new values that will apply in the second regulatory period 2020-2025 for the different technical and economic parameters that determine the remuneration of the generation groups of the Non-Peninsular Territories (TNP), applying the methodology already contained in Royal Decree 738/2015, of 31 July.

In relation to fuel prices, on 7 August 2020, Order TED/776/2020 of 4 August was published in the Official State Gazette (BOE), revising the product and logistics prices to be used in the determination of fuel prices, with effect from 1 January 2020. It should be noted that on 16 November 2021, the Supreme Court handed down Ruling no 1337/2021 in relation to the appeal lodged by ENDESA against this Order, ordering the State Authorities (Ministry for Ecological Transition and the Demographic Challenge) to issue, within six months, a new ministerial order regulating fuel auctions.

Also, and in accordance with the authorisation of Law 6/2018, of 3 July, on the General State Budget (PGE), Order TEC/1158/2018, of 29 October, has contemplated the granting of the additional remuneration regime for certain installations in Gran Canaria, Minorca and Tenerife, in relation to the investments that must be undertaken to comply with the applicable environmental regulations.

Lastly, in November 2021, the Ministry of Ecological Transition and the Demographic Challenge commenced processing of a proposal for an Order approving natural gas and natural gas prices for electricity generation in the Canary Islands and Melilla, establishing reference unit values for the additional remuneration scheme and revising other technical issues. This order allows natural gas to be used in the non-mainland territories of the Canary Islands and Melilla and establishes the price recognised for generation groups in those territories fuelled by natural gas.

Production from renewable energy sources, combined heat and power, and waste

Royal Decree 413/2014 of 6 June approved a new remuneration framework for facilities producing electricity from renewable energy sources, combined heat and power, and waste, following Royal Decree Law 9/2013, of 12 July, adopting urgent measures to ensure the financial stability of the electricity system, and Electricity Industry Law 24/2013, of 26 December.

The new methodology replaces the previous regulated tariff structure with a new framework which applies the concept of reasonable return, guaranteeing a profit before tax based on the average yield of 10-year treasury bills plus 300 basis points. Under this new framework, in addition to remuneration for the sale of electricity valued at market price, facilities will be eligible to receive a specific remuneration consisting of a term per unit of installed capacity which covers, where appropriate, the investment costs for a standard facility that cannot be recovered through electricity sales on the market, which is known as return on investment, and an operating term which covers, where applicable, the difference between the operating costs and the income from the investment on the production market for this standard facility, which is known as return on operations.

The new remuneration system is applied equally to facilities already in operation and new installations. For new facilities, adherence to the specific remuneration regime will be established through a series of competitive procedures.

In non-mainland systems, an incentive is established for investment when generation costs are reduced.

The regulation also establishes the terms under which remuneration parameters should be reviewed. These may be only be modified, as applicable, every six years, every three years or every year. The standard value of the initial investment and the regulatory useful life of the asset will remain unchanged once they have been recognised for each standard facility.

Ministerial Order IET/1045/2014, of 16 June, approving the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, combined heat and power, and waste, and establishing specific values for the standard costs for each of the standard facilities defined, was published in the Official State Gazette on 20 June 2014.

Lastly, Ministerial Order IET/1459/2014, of 1 August, approving the remuneration parameters and establishing a mechanism for allocating remuneration for new wind and photovoltaic facilities in electrical systems of non-mainland electricity systems, was published in the Spanish Official State Gazette on 5 August 2014.

Ministerial Order ETU/130/2017 of 17 February was published on 22 February 2017, updating the remuneration parameters of the standard installations, for the purposes of their application to the regulatory semi-period commencing 1 January 2017.

On 28 February 2020, Order TED/171/2020, 24 February, was published in the Official State Gazette, which updates the remuneration parameters of model installations applicable to certain electricity production facilities from renewable energy sources, cogeneration and waste, to apply them to the regulatory period beginning on 1 January 2020. This Order updates the values that will apply in the second regulatory period 2020-2025 for the different parameters that determine the remuneration of these facilities, in accordance with the methodology established in their general regulations, and without prejudice to the periodic updating mechanisms contemplated therein. The values of the different parameters have been applicable since 1 January 2020, in accordance with the provisions of Royal Decree Law 17/2019, of 22 November. The Order also approves the expected market price for each year of the semi-period 2020-2022.

At the same time, through Royal Decree Law 17/2019, 22 November, the reasonable rate of return of renewable installations, cogeneration and waste has been set since 1 January 2020, establishing a value of 7,090%, with those facilities prior to Royal Decree Law 9/2013, of 12 July 2013, maintaining the current rate (7,398%) until 2031 if they have not filed arbitration proceedings, or waived them.

On 24 June 2020, Royal Decree Law 23/2020, of 23 June, was published, approving measures in energy mining and other areas for economic revival, which will be developed later on. Among other aspects, this Royal Decree Law introduces a new auction model for future renewable energy developments, based on the long-term recognition of a fixed price for energy, being able to distinguish between different technologies.

On 5 August 2020, Order TED/765/2020 and Order TED/766/2020 were published in the Official State Gazette, both of 3 August, laying down the regulatory bases for investment aid auctions in renewable thermal energy production facilities and renewable electricity generation facilities, respectively, all of which can be co-financed with European Union (EU) funds. The aid shall be granted by means of non-refundable grants through tender processes in the whole of Spain, specifying the geographical scope of application in each call. The proceedings must be completed by 30 June 2023, unless a more restrictive period is expressly established in the announcements. The Institute for Energy Diversification and Savings (IDAE) has already launched several calls for investment aid in facilities through tender processes for different regions in Spain.

Subsequently, on 4 November 2020, Royal Decree 960/2020, of 3 November 2020, was published in the Official State Gazette, regulating the development of the new remuneration scheme for future renewable energy developments, known as the Economic Renewable Energy Regime (REER). This economic regime shall be granted by auctions regulated by Ministerial Order, which shall fix a maximum quota of energy and/or power to be auctioned, which may distinguish between different technologies according to their technical characteristics, size, manageability, location or technological maturity; the product to be auctioned will be the installed capacity, electricity or a combination of both, and the price per unit of electricity will be offered in Euro/MWh.

As regards energy remuneration, the price to be received for each unit sold on the daily or intraday market will be the offered price (for adjustment and balance sheet services, it will be the price of the respective markets). Alternatively, incentives for market participation or exposure may be established, by means of a percentage of market adjustment to be applied to the daily market price, whose correction percentage on the price set in the auction shall be defined in each call.

All facilities of this regime will participate in the market and the Iberian Energy Market Operator - Polo Español (OMIE) will settle the differences between the daily or intraday market prices and the award price of the facilities.

Similarly, an auction schedule shall be set by Ministerial Order for a minimum period of five years, updated at least annually, which may include deadlines, frequency, capacity and technologies. This schedule was published on 5 December 2020, through Order TED/1161/2020, of 4 December, regulating the first auction mechanism for the granting of the economic renewable energy regime and establishing the indicative timetable for the 2020-2025 period. This timetable will be updated annually and will be geared towards achieving the renewable production targets set out in the National Integrated Energy and Climate Plan 2021-2030 (PNIEC). Auctions shall be convened by means of a Resolution by the Secretary of State for Energy. In this regard, on 12 December 2021, the Resolution of 10 December 2020, of the Secretary of State for Energy was published in the Official State Gazette, convening the first auction for the granting of the renewable energy economic regime under the above-mentioned Order, which provides for a minimum of 3,000 MW, of which at least 1,000 MW will be wind power and 1,000 MW will be photovoltaic power. On 27 January 2021, the Ministry of Ecological Transition and Demographic Challenge published the auction Resolution and approved the list of successful bidders, which included ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded a capacity of 50 MW at an award price of Euro 28.9/MWh for a photovoltaic technology facility. Subsequently, on 9 September 2021, the Resolution of 8 September 2021 of the Secretary of State for Energy was published in the Official State Gazette, announcing the second auction for the award of the economic regime for renewable energies, with a quota of 3,300 MW. The auction was held on 19 October 2021, with a total of 3,124 MW having been awarded. Lastly, a third auction, scheduled for 6 April 2022, was held on 30 December 2021. An amount of 500 MW was allocated for solar thermal, biomass, solar photovoltaic and other technologies, and an additional 140 MW for small-scale photovoltaic projects with local participation.

The amounts recognised under this regulation at 31 December 2021 are described in Notes 9 and 41.

Self-consumption

On 10 October 2015, Royal Decree 900/2015, of 9 October, which regulates the administrative, technical and economic requirements for supplying and generating electricity for self-consumption, was published in the Spanish Official State Gazette, thus establishing a regulatory framework that guarantees the economic sustainability of the system and the adequate distribution of system costs.

It also stipulates the tariffs and charges payable for self-consumption, in accordance with Law 24/2013, of 26 December 2013, on the Electricity Sector, which already established that self-consumption must contribute to financing the costs and services of the system in the same amount as other consumers. There are two exceptions to this rule where consumers are exempt from paying costs:

- Consumers on islands; and
- Small consumers with a contracted capacity of no more than 10 kW.

Meanwhile, a record of the self-consumption facilities has been created in order for the System Operator and electricity distributors to be aware of the generation facilities in their networks and to therefore ensure the correct operation of the Electricity System under safe conditions.

On 6 October 2018, Royal Decree Law 15/2018, of 5 October, was published, amending certain aspects of the regulation of self-consumption. In particular, self-consumption modalities were simplified and shared self-consumption is enabled. Likewise, the application of charges and tariffs in the case of self-consumption energy of renewable origin, cogeneration or waste is eliminated. The Royal Decree Law also features measures to simplify administrative and technical processes, especially for small facilities.

On 6 April 2019, the Official State Gazette published Royal Decree 244/2019, of 5 April, regulating the administrative, technical and economic conditions of the self-consumption of electricity, in compliance with Royal Decree Law 15/2018, of 5 October, on urgent measures for energy transition and consumer protection.

Royal Decree 244/2019, of 5 April, addresses the following points, among others:

- In addition to the individual self-consumption connected to an internal grid, it includes the concept of collective self-consumption, whereby a group of consumers can be associated with the same generation facility (for example, homeowners' associations or companies/industries located in the same area).
- It also defines the concept of “installing production facilities close to consumption facilities and associated with them”, thereby enabling self-consumption using generation facilities located in the same building (the current situation) and other facilities nearby.
- It introduces a simplified mechanism to compensate surpluses (energy generated by self-consumption facilities which is not immediately used by the customer) for installations with capacity of less than 100 kW and provided that electricity is produced using renewable sources. In this case, to obtain compensation it will not be necessary to set up as an energy producer, as the supply company will compensate the user for any surplus energy through its monthly invoice. This compensation could be as much as 100% of the power consumed during the month.
- For collective and communal self-consumption, the energy will be shared among associated consumers in proportion to their contracted power and the Royal Decree permits the development of dynamic sharing ratios so that the consumer can take advantage of the surplus produced by another associated consumer if it is not consuming its allocated share.
- Administrative procedures for all consumers will be simplified, particularly for small self-consumers (installation of up to 15 kW or 100 kW, for self-consumption without surpluses). Measurement configurations have been simplified such that in most cases a single meter at the distribution network border will be sufficient.
- Lastly, a monitoring system has been established for these facilities to supervise their impact on System operations and to allow them to be integrated gradually and safely.

On 21 December 2021, the Council of Ministers approved the Self-consumption Roadmap, which aims to identify the challenges and opportunities presented by self-consumption and establish measures to ensure its mass deployment in Spain in the coming years. Measures identified in the document include: measures to boost collective self-consumption, and regulatory changes to improve the agility in the processing of installations; or measures that contribute to the implementation of self-consumption in sectors such as industry or services by reducing energy costs, developing the current value chain and encouraging the search for new businesses.

Likewise, on 22 December 2021, Royal Decree Law 29/2021 of 21 December was published in the Official State Gazette, adopting urgent measures in the field of energy to promote electric mobility, self-consumption and the deployment of renewable energies, which, among other aspects, introduces modifications to the current regulation to speed up its processing, as well as to link these networks not only to consumers connected to the internal grid but also to other consumers near that grid and connected through the distribution and transmission networks.

Availability

On 23 November 2017, Order ETU/1133/2017, of 21 November, was published, amending Order IET/2013/2013, of 31 October, regulating the competitive mechanism for assigning the management service for interruptibility demand.

Among other aspects, the Order amended the remuneration of the availability service, extending the service to the first half of 2018 and eliminating hydroelectric facilities from the collection of this availability service during said period.

Order TEC/1366/2018, of 20 December, establishing electricity access tariffs for 2019, repealed the incentive for availability of Order ITC/3127/2011, of 17 November, until the capacity mechanisms are reviewed for adaptation to European regulations and the energy transition process.

Social Bonus.

Law 24/2013, of 26 December 2013, required that the subsidised electricity tariff cost must be assumed, as a public service obligation, by parent companies or vertically-integrated groups of companies carrying out electricity generation, distribution and supply activities, to assume the cost of the subsidised electricity tariff in proportion to a percentage based on both their number of supply connections to distribution grids and the number of customers supplied, set for ENDESA at 41.10% in 2016 under Ministerial Order IET/1451/2016, of 8 September.

Despite the foregoing, in the Ruling of 24 October 2016 the Contentious-Administrative Section of the Supreme Court declared the Social Bonus financing system established by article 45.4 of Law 24/2013 of 26 December to be inapplicable, since it was incompatible with Directive 2009/72/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in electricity, and acknowledged the right of companies to recover the amounts paid. The State authorities submitted an application for dismissal of the Supreme Court Ruling, which was overruled in a motion handed down on 14 December 2016, and on 2 February 2017 an appeal was submitted against this motion before the Constitutional Court (see Note 38.3).

On 3 October and 27 December 2017 Order ETU/929/2017, of 28 September and Order ETU/1288/2017, of 22 December, were published, respectively, implementing the different rulings handed down in this respect and the Spanish Markets and Competition Commission (CNMC) was ordered to pay the amounts corresponding to the Social Bonus for 2014, 2015 and 2016 (see Section 53).

On 24 December 2016, Royal Decree-Law 7/2016 of 23 December, was published to regulate the financing of the costs of the Social Bonus and other measures to protect vulnerable electricity consumers. According to this Royal Decree Law the social bonus will be financed by the parents of company groups that carry out energy supply activities, or by the companies themselves if they do not form part of a corporate group, in the percentage corresponding to their customer share. This percentage will be calculated annually by the Spanish Markets and Competition Commission (CNMC).

On 7 October 2017, Royal Decree 897/2017, of 6 October, was published, regulating the concept of the vulnerable consumer, the Social Bonus and other protection measures for domestic electricity consumers, as well as Order ETU/943/2017, of 6 October, implementing Royal Decree 897/2017, of 6 October.

Among other aspects, three categories of vulnerable customers have been identified based on the average income level, through the Spanish Public Income Index ("IPREM"), establishing different discount percentages according to each category. The three categories are:

- Vulnerable customers (25% discount).
- Severely vulnerable customers (40% discount).

- Severely vulnerable customers at risk of social exclusion (100% discount), classified as severely vulnerable customers for which the social services can be proved to be paying at least 50% of their bill.

This Royal Decree also regulates other aspects relating to supply and, among others, raises from two to four months the term for cutting off of supply to vulnerable customers (severely vulnerable customers at risk of social exclusion cannot be cut off as power is considered to be a basic supply).

Furthermore, on 7 April 2018, Order ETU/361/2018, of 6 April, was published, amending the Social Bonus application forms established in Order ETU/943/2017, of 6 October, which implements Royal Decree 897/2017, of 6 October, regulating the figure of the vulnerable consumers, the Social Bonus and other protection measures for domestic consumers of electricity. Furthermore, this Order extends the existing transitional period until 8 October 2018 for consumers of electricity who, on the date of entry into force of Order ETU/943/2017, of 6 October, were beneficiaries of the Social Bonus, to prove the status of vulnerable consumer in accordance with the provisions of Royal Decree 897/2017, of 6 October. However, under Royal Decree Law 15/2018, of 5 October, if these consumers apply for the Social Bonus between 8 October 2018 and 31 December 2018, they would be able to benefit from it from 8 October 2018.

Royal Decree Law 15/2018, of 5 October, on urgent measures for energy transition and consumer protection, has extended the group of beneficiaries of the Social Bonus, including single-parent families, as well as those with dependent members in grade 2 or 3, who fall short of certain income thresholds. Further, the cases in which supply may not be cut off due to payments in arrears for vulnerable consumers have been extended to include families approved by the social services with children under the age of 16, or dependants or disabled family members, where these amounts will be covered by the groups obliged to fund the social bonus. The maximum consumption levels with a right to a discount has also been increased. With regard to beneficiaries of the previous social bonus, the renewal period for which ended on 8 October 2018, the Royal Decree Law establishes that those who meet the requirements for the new social bonus and apply between 8 October 2018 and 31 December 2018 will be eligible to receive the bonus from 8 October 2018. Lastly, a thermal social bonus has been created for heating, to be funded by the General State Budget. This Royal Decree Law envisages approval within 6 months of a National Strategy to Combat Energy Poverty. The Ministry of Ecological Transition and the Demographic Challenge began a public consultation on this issue on 19 December 2018, being finally approved on April 5, 2019.

On 16 October 2021, Order TED/1124/2021 of 8 October, establishing the distribution of financing for the 2021 Social Bonus, was published in the Official State Gazette, with the percentage for ENDESA, S.A. being 34.72%.

On January 2022, the Ministry of Ecological Transition and Demographic Challenge commenced processing of the draft Order establishing the distribution of financing of the 2022 Social Bonus, with the proposed percentage for ENDESA, S.A. being 33.53%.

Deficit from regulated activities

Royal Decree-Law 6/2009, of 30 April, and Royal Decree-Law 6/2010, of 9 April, stipulated that as of 2013 any grid access charges established should be sufficient to cover all electricity System Costs, with no ex ante deficit. For the 2009-2012 period, Royal Decree Law 6/2009 of 30 April 2009 capped the deficit for each year and the access charges established for those years must be sufficient to prevent those limits being exceeded. These limits were changed under Royal Decree-Law 14/2010 of 23 December, and Royal Decree-Law 29/2012 of 28 December.

The aforementioned Royal Decree-Laws in turn regulated the securitisation of the collection rights accumulated by the electricity companies on financing that deficit, including compensation for as yet unrecovered stranded costs in non-mainland generation for the 2001-2008 period.

Moreover, this legislation requires that, in the event of any mismatch in the timing of settlements of regulated activities, a certain percentage should be financed by the companies specified in the above-mentioned legislation (44.16% corresponds to ENDESA), and that these companies are entitled to recover the amounts paid in settlements of regulated activities for the year in which they are recognised.

Royal Decree 437/2010, of 9 April, regulated the securitisation of the electricity system deficit generated until 31 December 2012, and Royal Decree 1054/2014, of 12 December, regulated the deficit generated in 2013. With the transfers made under these Royal Decrees, the last of which was agreed on 15 December 2014, all of the rights recognised for the tariff deficit up to 2013 have been transferred.

From 2014 onwards, Electricity Sector Law 24/2013, of 26 December, established that any timing mismatches that may arise will be financed by all parties in the settlement system, in proportion to the remuneration allocated thereto, limited to a maximum annual amount of 2% of the estimated System revenue (or 5% in cumulative terms). If these limits are exceeded, access fees or charges will be reviewed in an equivalent amount. Within these limits, the mismatches will entitle the financing parties to recover those funds in the five years following, at an equivalent market interest rate.

The final settlement for 2020, as approved by the Spanish Markets and Competition Commission (CNMC) on 25 November 2021, showed a surplus of Euros 116 million, after applying Euros 506 million of the accumulated surplus. In accordance with the provisions of Royal Decree Law 12/2021 of 24 June adopting urgent measures in the field of energy taxation and energy generation, and on the management of the regulation charge and the water use tariff, this surplus will be applied to cover temporary imbalances and transitory deviations between revenues and costs for the financial year 2021.

The amounts booked pursuant to this regulation at 31 December 2021 are described in Note 43.1.1.

Strategic Energy and Climate Framework.

The European Union (EU) has made a clear commitment to fight against global warming, setting a target to reduce greenhouse gas (GHG) emissions by at least 80% from 1990 to 2050, and defining ambitious goals and objectives for all member states. It also signed the Paris Agreement, the aim of which is to prevent the planet from heating up by more than 2°C compared to pre-industrial levels, in addition to other efforts to ensure that the global rise in temperature does not exceed 1.5°C (see Note 5.2).

The transposition of these objectives into Spanish legislation is basically composed of the following documents:

- Law 7/2021 of 20 May on Climate Change and Energy Transition, published in the Official State Gazette (BOE) on 21 May 2021: This represents the regulatory and institutional framework to introduce the Union European's (UE) commitment to decarbonise the economy through to 2050, and the global commitment of the Paris Agreement. This law includes, inter alia, the following measures:
 - Targets are set for 2 temporary courses: by 2030, a greenhouse gas (GHG) emission reduction target of at least 23% compared to 1990, a generation target of, at least 74% of electricity from renewable sources, and a target of improving energy efficiency by at least 39.5% compared to the trend scenario; and by 2050, achieve climate neutrality and a 100% renewable Electricity System.
 - Measures to promote renewable energy through a remuneration framework based on the long-term recognition of a fixed energy price.
 - The new hydraulic concessions will be aimed at supporting the integration of unmanageable renewables.
 - Introduction of new players in the Electricity Sector such as storage facility holders or independent aggregators.
 - Limits are set on the exploitation of hydrocarbons by restricting fossil fuel subsidies and reviewing their taxation.
 - Promotion of energy efficiency measures and use of renewables in building construction.

- Promotion of electric mobility to have a vehicle park without direct emissions of carbon dioxide (CO₂) by 2050 and that from 2040 new passenger cars/light commercial vehicles have no direct emissions. It also pursues the establishment by no later than 2023 of low-emission areas in municipalities of more than 50,000 inhabitants and island territories and the obligation to develop recharging infrastructures at petrol stations.
- Mobilising resources to combat Climate Change: at least Euro 450 million of revenue from carbon dioxide (CO₂) auctions will be spent annually to cover Electricity System costs.
- Integrated National Energy and Climate Plan 2021-2030 (PNIEC), approved by the Council of Ministers on 16 March 2021 following its authorisation by the European Commission: it is the framework for the national strategic plan to integrate the energy and climate policy, reflecting Spain's contribution to achieving the targets set by the European Union (EU). The PNIEC also establishes the milestones and steps in the transition towards modernising the whole economy and includes: a 23% reduction in greenhouse gas (GHG) emissions vs 1990, a roll-out of renewable energies to account for 42% of total energy produced in the country (74% for electricity generation) and a 39.5% improvement in energy efficiency. It also establishes the effort required from all sectors (energy, industrial, transport, agriculture, residential, waste, and natural supplies) through to 2030. In parallel, the Government has adopted the National Long-Term Strategy, called "Spain 2050", which identifies nine major national challenges, including the creation of a carbon-neutral, sustainable and Climate Change-resilient society.
- A fair transition strategy: the objective is to optimise job opportunities in areas that will be affected by the transition to a low-carbon economy.

Lastly, on 22 September 2020, the 2021-2030 National Climate Change Adaptation Plan (PNACC), which is the basic planning framework for promoting coordinated action in the face of the effects of Climate Change, was approved by the Council of Ministers.

The National Climate Change Adaptation Plan (PNACC) defines various objectives, criteria, areas of work and lines of action with compliance indicators with the common objective of preventing or reducing vulnerability and potential impacts on social, economic and environmental systems with respect to Climate Change, as well as improving their ability to recover and re-establish themselves in the face of an event. In the energy area, it is intended to ensure an energy system resilient to the effects of Climate Change in a scenario of rapid decarbonisation, through lines of action focused on:

- Improving knowledge of Climate Change impacts on renewable energy production potential.
- The functionality and resilience of power generation, distribution and storage.
- Effect on demand to avoid or limit peak demand.
- Identifying risks arising from extreme events in critical infrastructures to prevent their loss of functionality.

National Strategy to Combat Energy Poverty.

On 5 April 2019, the Council of Ministers approved the 2019-2024 National Strategy to combat Energy Poverty, in response to the mandate set out in Royal Decree Law 15/2018, of 5 October, on urgent measures for energy transition and consumer protection.

The draft defines the concepts of energy poverty and vulnerable consumers, providing a diagnosis of the current status of energy poverty, including the impact on health, personal and social development and equality, and establishes lines of action and reduction targets.

The National Strategy to combat Energy Poverty is the result of the need to maintain and improve benefit systems (electric and thermal Social Bonus) as transition tools that will give increased importance to structural measures to find long-term solutions for the root cause.

To properly analyse and monitor the different types of energy poverty, the indicators established by the European Energy Poverty Observatory are used as the official primary indicators (high share of energy expenditure in income, hidden energy poverty, inability to keep home adequately warm and arrears on utility bills). In order to improve the lowest value in the series of these indicators in 2008-2017, and raise the European Union (EU) average, the Strategy establishes a minimum reduction objective of 25% in 2025 (vs 2017), with a target of 50%.

The National Strategy to combat Energy Poverty will have a duration of five years (2019-2024), and a series of operating plans are expected to be developed for its implementation. It will be managed and monitored by the Institute for Energy Diversification and Savings (IDAE).

The National Strategy to combat Energy Poverty establishes four lines of action, comprising 19 specific measures:

- To raise awareness of energy poverty through a detailed study of the energy expenditure of consumers according to the climate zone they live in, considering among other factors, the presence of minors in the household. The indicators will be updated by the Government on an annual basis.
- Improve the response to the current energy poverty situation. Among other aspects, a new Social Bonus is considered to be necessary; the main lines of which are as follows: It will be an energy Social Bonus (for all types of energy supply), that should be directly granted by the authorities (automation) and management mechanisms should be implemented in concert with the public administrations involved. Extraordinary responses are also defined, such as not allowing supply to be cut off in extreme weather conditions.
- Facilitate structural change through short, medium and long-term measures for the energy rehabilitation of housing and the replacement of old appliances and machinery with efficient apparatus.
- Protection measures for consumers and social awareness. Among other measures, an action protocol will be established to detect vulnerability through family doctors and the management of information on public benefits will be standardised to ensure this information is included in the existing universal social card. To raise public awareness, communication actions will be rolled out on the use of smart meters, consumption habits, energy savings and efficiency improvements, and a permanent communication channel will be set up for individuals and groups.

Small Consumer Voluntary Prices (SCVP) of electricity and its legal contracting regime.

This Royal Decree 216/2014, of 28 March, published on 29 March, sets out the methodology for calculating the Small Consumer Voluntary Price (SCVP) from 1 April 2014. Key aspects of this Royal Decree are as follows:

- The cost of energy to be used in calculating the SCVP will be the energy price per hour in the daily and intraday market in the invoice period, plus adjustment services, capacity payments and System Operator and Market Operator financing payments.
- For consumers with remote meters integrated in the system, the hourly price will be applied to the actual hourly consumption; otherwise, the profile published by the System Operator will be used.
- The new mechanism has been applicable since 1 April 2014. Prior to 1 July 2014, the suppliers of reference must adapt their IT systems in order to invoice consumers under the new scheme. Until then, the cost of energy to be applied in the SCVP was the temporary price established for the first quarter of 2014. Subsequently, the cost was adjusted in invoices for consumption as of 1 April 2014, in the first billing period after suppliers' IT systems were duly adapted for the new SCVP.
- In addition, electricity consumed in the first quarter of 2014 must be adjusted in the first invoices issued following adaptation of the IT systems, as per Royal Decree Law 17/2013, of 27 December, taking into account the spread between the market price and the cost of purchasing energy included in the Small Consumer Voluntary Price (SCVP) in that period.

- The Royal Decree also establishes that, within two months of its publication, the Spanish Markets and Competition Commission will propose to the Secretary of State for Energy proposed procedures for verifying, validating and closing data taken from metering equipment connected to the remote system for the purposes of hourly measurements. These proposed procedures will include a maximum period for completing the remote measurement of all remote meters installed.
- As an alternative, the suppliers of reference will be required to make an offer to customers entitled to the SCVP in the form of a fixed price for a one-year period, comprising the revisable access tolls and a fixed value for one year (in €/kW) for the remaining items. The offer will remain in force for one month, and will be consistent throughout Spain. Each supplier of reference may have only one offer in force during the period.
- The Royal Decree also establishes that the Social Bonus will be equal to a 25% discount on the SCVP.

Hourly billing procedures for the Small Consumer Voluntary Price (SCVP) were published on 4 June 2015. Under these procedures, at 1 July 2015, consumers with an integrated remote meter will be billed according to their real hourly consumption instead of their consumption profile. Notwithstanding the above, electricity companies had until 1 October 2015 to adapt their IT systems.

On 25 November 2016, Royal Decree 469/2016, of 18 November, establishing the methodology for calculating the trading margin on the Small Consumer Voluntary Price was published in the Spanish Official State Gazette, thus complying with various rulings handed down by the Supreme Court that annulled the trading margin contained in Royal Decree 216/2014, of 28 March, establishing the procedure to calculate Small Consumer Voluntary Prices for electricity and the legal framework for contracting power.

On 24 December 2016, the Ministerial Order ETU/1948/2016, of 22 December, was published, which came into force on 1 January 2017, and establishes the trading margin on the Small Consumer Voluntary Price. Through Ministerial Order ETU/258/2017, of 24 March, published on 25 March 2017 and entering into force the following day, a new value was set for the part of said trading margin corresponding to the contribution cost to the Energy Efficiency National Fund.

On 1 October 2021, the Ministry of Ecological Transition and the Demographic Challenge launched a preliminary public consultation to analyse the amendment of the Small Consumer Voluntary Price (SCVP) regulations, and to collect proposals that enable their volatility to be reduced and their design to be optimised with a view to the energy transition process.

Energy efficiency.

Law 18/2014 of 15 October approving urgent measures to boost growth, competitiveness and efficiency, with regard to energy efficiency, created the Energy Efficiency National Fund with the aim of achieving energy savings.

On 25 March 2021, Order TED/275/2021, of 18 March 2021, was published in the Official State Gazette ("BOE"), establishing the contribution to the Energy Efficiency National Fund for 2021, with the percentage applicable to ENDESA amounting to Euro 28 million.

In December 2021, the Ministry of Ecological Transition and Demographic Challenge began processing a proposed Order establishing the contribution to the Energy Efficiency National Fund for 2022, of which the proposed amount for ENDESA is Euro 26 million.

2021 electricity tariff.

On 29 December 2020, Order TEC/1271/2020, of 22 December, was published in the Official State Gazette, establishing various costs for the electricity system for 2021, and extending electricity access tariffs until the entry into force of the tariffs set by the Spanish Markets and Competition Commission (CNMC).

On 23 March 2021, the Resolution of 18 March 2021 of the Spanish Markets and Competition Commission (CNMC) was published in the Official State Gazette, approving the prices of the access tariffs for energy transmission and distribution networks applicable from 1 June 2021.

On 22 April 2021, Order TED/371/2021, of 19 April, approving the electricity system charges that will apply from 1 June 2021, was published in the Official State Gazette.

Lastly, on 15 September 2021, Royal Decree Law 17/2021, of 14 September, was published, reducing electricity charges by around 96% since it was implemented until 31 December 2021.

2022 electricity tariff.

On 22 December 2021, the Resolution of 16 December 2021 of the Spanish Markets and Competition Commission ("CNMC") was published in the Official State Gazette ("BOE"), approving the prices of the access tariffs for energy transmission and distribution networks applicable as of 1 January 2022; i.e. an average reduction of 5.4% from the prices as at 1 June 2021.

On 30 December 2021, Order TED/1484/2021, of 28 December 2021, was published in the Official State Gazette ("BOE"), approving the electricity system charges that will apply from 1 January 2022 and certain regulated costs of the electricity system that will apply for 2022. On average, the new charges for 2022 are 31% less than those approved for 1 June 2021.

Royal Decree Law 20/2018, of 7 December, on urgent measures to drive the economic competitiveness of the industry and commerce sector in Spain.

This Royal Decree Law, published in the Official State Gazette on 8 December, seeks to drive the competitiveness of the industrial sector via action to improve labour productivity, cut energy costs or bolster industrial security. Among other aspects, the Royal Decree Law introduces the concept of closed electricity distribution networks, which are already envisaged in EU regulations, and announced the preparation of a statute for electro-intensive industrial consumers, adapted to their specific requirements. This regulation likewise envisages extending the lives of certain high efficiency cogeneration facilities for two years.

Statute of electro-intensive consumers.

In order to respond to the provisions of Royal Decree Law 20/2018 of 7 December on electro-energy industrial consumers, the Government has put in place various provisions.

In particular, on 27 June 2020, Royal Decree Law 24/2020 was published in the Official State Gazette, 26 June, of social measures to reactivate employment and protect self-employment and competitiveness of the industrial sector, which creates the Spanish Reserve Fund for Guarantees of Electro-intensive Entities (FERGEI), for the State's coverage of risks arising from medium- and long-term sale operations for the supply of electricity subscribed by customers that have the status of electro-intensified consumers. This Fund will receive Euro 200 million per year, to cover a maximum of Euro 600 million of investment in three years.

Likewise, on 17 December 2020, Royal Decree 1106/2020 of 15 December, regulating the Statute of Electro-Intensified Consumers, was published in the Official State Gazette. In particular, this Royal Decree regulates the figure of the electro-intensified consumer, as well as their obligations and the compensation mechanisms to which they could be eligible, including:

- A compensation mechanism of up to a maximum of 85% of the costs attributable to electricity charges for the financing of renewable energy costs, high-efficiency cogeneration and the extra-cost of the Non-mainland Territories (TNP).
- A mechanism for the coverage of risks arising from the acquisition of electricity in the medium and long term to promote the long-term contracting of electricity of these consumers, through the Spanish Reserve Fund for Guarantees of Electro-Entities (FERGEI), indicated above.

Royal Decree establishing the methodology to calculate electricity and gas system charges.

Together with the approval of the methodology to determine access tariffs to electricity and gas networks, the responsibility of which lies, under Royal Decree Law 1/2019 of 11 January, with the Spanish Markets and Competition Commission (CNMC), the Government must approve the methodology to calculate the positions of the Electricity and Gas systems. These methodologies must establish the variables used to distribute the costs that have to be covered by the charges, in a way that is not discriminatory and that is aligned with the Government's energy policies, i.e. that fosters efficiency, the electrification of the economy and a fair energy transition.

In accordance with this, on 18 March 2021 the Official State Gazette (BOE) published in the Official State Gazette (BOE) the Royal Decree 148/2021, of 9 March 2021, which establishes the methodology for calculating charges for the Electricity System the methodology for the Gas System was approved by Royal Decree 1184/2020 of 29 December.

In this regard, on 22 April 2021, Order TED/371/2021, of 19 April, approving the electricity system charges that will apply from 1 June 2021, was published in the Official State Gazette.

Royal Decree Law 17/2019, of 22 November 2019, on urgent measures for the necessary adaptation of remuneration parameters affecting the Electrical System and to respond to the cessation of activity of thermal generation plants.

On 23 November 2019, Royal Decree Law 17/2019, of 22 November, was published in the Official State Gazette, adopting urgent measures for the necessary adaptation of remuneration parameters affecting the Electricity System (financial remuneration rate), and which responds to the rapid process of the cessation of activity of thermal power plants, in order to boost the industrial revival of those areas. Furthermore, in relation to the processes for the closure of coal or nuclear power plants, access and connection permits may be granted on the assessment of environmental and social criteria, in addition to the current technical and economic requirements. Similarly, water concessions may be granted on the basis of economic, social and environmental criteria, in the face of the current regulation priorities.

Draft of the Seventh General Radioactive Waste Plan (PGRR).

The Ministry of Ecological Transition and Demographic Challenge has initiated the ordinary strategic environmental assessment procedure of the Seventh General Radioactive Waste Plan (PGRR). The processing includes environmental assessment, the public information process to receive civil society claims and mandatory consultations with the Nuclear Security Council and the Autonomous Communities. Subsequently, the Ministry of Ecological Transition and Demographic Challenge will carry out a technical analysis of the complete dossier to formulate the Strategic Environmental Declaration of the General Plan of Radioactive Waste (PGRR), prior to its approval by the Council of Ministers. Subsequently, the General Courts shall be notified of it, together with the European Commission, in compliance with the community radioactive waste management directive.

Declaration of the State of Alarm as a result of the onset of COVID-19 and regulatory measures approved.

On 11 March 2020, the World Health Organisation (WHO) raised the public health emergency caused by COVID-19 to international pandemic level. The speed of developments, at national and international level, required immediate and effective action to address this juncture. The extraordinary circumstances undoubtedly constituted an unprecedented huge health crisis, both because of the high number of citizens affected and the risk to their rights. As a result, Royal Decree 463/2020 of 14 March 2020 was published in the Official State

Gazette (BOE) on 14 March 2020, declaring the State of Alarm to manage the health crisis caused by COVID-19 (see Note 5.1).

At the same time, and in order to counteract the economic and social impact arising from this exceptional situation, the Government of Spain has adopted a number of legislative provisions that cover various measures in all orders, to deal with this impact. In particular, and among others, on 18 March 2020, Royal Decree Law 8/2020, of 17 March, on extraordinary urgent measures to deal with the economic and social impact of COVID-19 was published, and on 1 April 2020, Royal Decree Law 11/2020, of 31 March, was published, by which additional urgent measures were taken in the social and economic sphere to address COVID-19. On 8 July 2020, Royal Decree Law 26/2020, of 7 July, was published on economic revival measures to deal with the impact of COVID-19 in the areas of transport and housing and, lastly, on 30 September 2020, Royal Decree Law 30/2020, of 29 September, was published, on social measures in the defence of employment.

With regard to the Electricity Sector, the most relevant urgent measures taken were as follows:

- Social Bonus: the validity of the Social Bonus was extended until 30 September 2020 for those beneficiaries for which the two-year validity date established in Royal Decree 897/2017, of 6 October, had expired before that date. At the same time, the right to the Social Bonus was extended to holders of supply points, or a member of their household, who were professionals or self-employed, and who were entitled to benefits because they had ceased their activity or had significantly reduced their turnover, and met certain income levels in the year immediately before, with this right being limited to the period in which these circumstances last, up to a maximum of six months. Likewise, under Royal Decree Law 30/2020, of 29 September, the beneficiary group was expanded, including those who prove, upon the entry into force of this Standard, that the holder of the point of supply or any member of the household, is unemployed, has been temporarily laid off or has had their working day reduced to take care of others, if he is an employer, or other similar circumstances that result in a substantial loss of income in the month prior to the submission of the application for the Social Bonus, with the whole of the income of the members of the family unit not attaining certain thresholds. This right extinguishes when the circumstances for granting it cease, and in any event, on 30 June 2021, without prejudice to the possibility of benefiting from the Social Bonus under the general legislation.
- Supply guarantee: prohibition on the suspension of the supply of electricity, water and natural gas, during the month following the entry into force of Royal Decree Law 8/2020 of 17 March, of consumers who have the status of vulnerable, severely vulnerable or at risk of social exclusion, in line with the criteria of Royal Decree 897/2017, of 6 October. This period, initially of one month and extended during the State of Alarm, was prolonged by Royal Decree Law 26/2020, of 7 July, until 30 September 2020, establishing that the supply of electricity, water, natural gas and other petroleum derivatives to natural persons in their usual home could not be suspended, except for reasons of security of supply, people and facilities. Lastly, under Royal Decree Law 37/2020, of 22 December, on urgent measures to deal with situations of social and economic vulnerability in the area of housing and transport, during the State of Alarm, the suspension of supply to consumers that are vulnerable, severely vulnerable or at risk of social exclusion is prohibited, and this prohibition is extended to consumers who, without being able to prove ownership of the supply contract, comply with the requirements laid down in Royal Decree 897/2017 of 6 October.
- Flexibilisation of electricity supply contracts for self-employed workers and businesses: possibility, during the State of Alarm, that they suspend or modify their contracts to arrange another alternative offer with their marketer to adapt to new consumption guidelines, without any charge or penalty, and to change power or access tariff. A period of 3 months was set, after the end of the State of Alarm, to reactivate the contract or modify the power, at no cost, except for certain situations. Future Laws on General State Budgets (PGE) adopted after the entry into force of Royal Decree Law 11/2020 of 31 March shall include the corresponding items to compensate the Electricity Sector for the reduction of income that these measures entail. Similar measures are envisaged for the Gas sector.

- Suspension of supply invoices: possibility for supply points owned by self-employed and small and medium-sized enterprises, and during the State of Alarm, to ask their marketer (or, where appropriate, their distributor), by means that do not require physical displacement, to suspend the payment of invoices from billing periods containing days included in the State of Alarm. In this case, the marketer shall be exempt from paying the transmission and distribution tariffs to the distributor until the customer pays the full invoice. The marketer shall also be exempt from paying value added tax (VAT), excise tax on electricity, and, where appropriate, excise tax on hydrocarbons for electricity generation until the customer pays the full invoice or six months have elapsed since the end of the State of Alarm. However, the option of delaying the payment of these taxes has in no way been exercised by ENDESA. After the State of Alarm has ended, that owed will be adjusted equally in the invoices of the billing periods of the following 6 months. In addition, marketers who see their income reduced, or distributors whose tariff revenue declines, may apply for the guarantees defined in Royal Decree Law 8/2020 of 17 March, or any other line created for that purpose.
- Access fees: extension of the deadline for the access rights expiring on 31 March 2020, with the new period ending two months later, effective the end of the State of Alarm or any extensions thereto.

Against this backdrop, Order SND/260/2020 of 19 March suspended, while the State of Alarm was in effect, the activation of the demand management using service interruption on economic grounds.

Recovery, Transformation and Resilience Plan of the Economy.

On 7 October 2020, the Government presented the Plan for the Recovery, Transformation and Resilience of the Economy to respond to the challenges of the next decade, focusing on four transformations needed to modernise and boost Spain's economy: ecological transition, digital transformation, gender equality and social and territorial cohesion.

The Recovery Plan will involve a significant volume of public and private investment in the coming years, which will be financed with funds from the European Union (EU) Recovery Plan ("Next Generation EU"), which will allow Spain to obtain up to Euro 140,000 million, of which Euro 69,500 million will be non-refundable and the rest loans. The Government included Euros 27,000 million as an advance on these funds pursuant to Law 11/2020, of 30 December 2020, on the General State Budgets for 2021 (a similar amount was included in Law 22/2021, of 28 December, on the General State Budgets for 2022).

The Plan includes 10 key policies that are considered tractors since they have a direct impact on the productive sectors with the greatest capacity to transform the economic and social fabric, and which are as follows:

1. Urban and rural agenda, combating the depopulation and development of agriculture.
2. Resilient infrastructures and ecosystems.
3. Fair and inclusive energy transition.
4. An Administration for the 21st Century.
5. Modernisation and digitisation of the industrial fabric and of SMEs, recovery of tourism and boost for an entrepreneurial Spanish nation.
6. Pact for science and innovation. Strengthening the capabilities of the National Health System.
7. Education and knowledge, continuous training and capacity building.
8. New economy of employment care and policies.
9. Boosting the culture and sport industry.
10. Modernisation of the tax system for inclusive and sustainable growth.

Investment in ecological transition will account for more than 37% of the total Plan and digitisation for 33%.

In the energy area, previous policies include actions such as: The massive deployment of renewable generation, smart grids and electrical infrastructures; the development of a renewable hydrogen roadmap and its sectoral integration; the development of a Fair Transition Strategy to ensure the use of areas affected by the energy transition; and the promotion of sustainable mobility and building rehabilitation as well as the promotion of energy efficiency measures.

To ensure the correct implementation of the funds, the Plan provides for a Governance model for the selection, evaluation and coordination of the various projects. Specific collaboration with the Autonomous Communities and Cities will be implemented and an Interministerial Commission and Monitoring Unit will be set up. The Government also seeks to eliminate the difficulties of implementing projects, so that bureaucracy does not halt the Plan's implementation.

Likewise, on 31 December 2020, Royal Decree Law 36/2020, of 30 December, was published, approving urgent measures to modernise the Public Administration and to implement the Recovery, Transformation and Resilience Plan, which includes a number of measures to facilitate the management of the European Funds of the European Union (EU) Recovery Plan ("Next Generation EU"), such as streamlining procedures, improving public-private collaboration, by introducing, among others, the concept of strategic projects for economic recovery and transformation (PERTE), as a key element to implement various tractor projects of the Plan; and the development of specific governance mechanisms.

On 27 April 2021, the Council of Ministers approved the final wording of the aforementioned Plan, which was ultimately approved by the European Council on 13 July 2021. Approval by the European Council will enable the release of Euro 9 billion to Spain as pre-financing, representing 13% of the total assigned to it.

Lastly, on 30 September 2021, Order HFP/1030/2021, of 29 September 2021, was published in the Official State Gazette ("BOE") to set up the system to manage the Recovery, Transformation and Resilience Plan, which includes the necessary guidelines to guarantee the coordinated compliance with the execution of the Plan, as well as Order HFP/1031/2021, of 29 September 2021, which establishes the procedure and format of the information to be provided by the State, Autonomous and Local Public Sector Entities for monitoring compliance with milestones and objectives and budgetary and accounting execution of the measures of the components of the Recovery, Transformation and Resilience Plan.

As a result, several ministries held calls for the presentation of specific projects dealing with certain areas of action under the Plan.

Royal Decree Law 23/2020, of 23 June, approving measures for energy and other areas for economic revival.

On 24 June 2020, Royal Decree Law 23/2020, of 23 June, was published, approving measures in energy mining and other areas for economic revival. The most relevant aspects of this Royal Decree Law are as follows:

- Improved regulation of access and connection permission to the renewable energy grid, to avoid speculation, providing for specific mechanisms to grant access capacity in network hubs affected by fair transition processes.
- New auction model for future renewable energy developments, based on the long-term recognition of a fixed price for energy, being able to distinguish between different technologies. Small projects and demonstrators may be exempt from auctions.
- Introduction of new figures: storage holders, independent aggregators and renewable energy communities.
- Simplification of procedures for renewable facilities and their electrical infrastructure, rapid recharging infrastructures (250 kW) and R&D&I or demonstration projects.
- The cumulative surplus of the Electricity System may be used to cover mismatches from 2019 and 2020.
- Increase in the maximum limit on repayable investment in distribution in 2020-2022, from 0.13% to 0.14% of Gross Domestic Product (GDP).
- The object of the Institute for Fair Transition is defined, which will ensure that the impacts on employment and depopulation of areas affected by the transition process are reduced.

Law 5/2020, of 29 April, of the Generalitat de Catalunya.

On 2 June 2020, Law 5/2020, of 29 April, of the Catalan Provincial Government, was published in the Official State Gazette, on fiscal, financial, administrative and public sector measures and the creation of tax on facilities affecting the environment.

Among other aspects, this Law includes the creation and regulation of a tax on facilities that affect the environment within the Autonomous Community of Catalonia. In particular, this new tax is levied on the production, storage, processing and transmission of electricity in Catalonia. In the field of generation, energy production is taxed at a general rate of Euro 5/MWh, which will be Euro 1/MWh for the combined cycles, and hydraulic generation and generation with renewable sources, as well as biomass, biogas, high-efficiency cogeneration or slurry are excluded in all cases. In the area of transport, a quota is established according to the voltage level of the facilities, with those with a voltage of less than 30 kV and renewable production evacuation facilities being exempt.

Royal Decree 647/2020, of 7 July, on network codes.

On 8 July 2020, Royal Decree 647/2020, of 7 July, was published in the Official State Gazette, regulating aspects necessary for the implementation of the connection network codes of certain electrical installations.

This Royal Decree includes certain elements associated with the adaptation of Spanish legislation to the European network codes contained in Regulations (EU) 2016/631, 2016/1388 and 2016/1447 of the European Commission of 14 April, 17 August and 26 August, respectively, which lay down the framework for minimum technical design and operation requirements that generation facilities, demand and high voltage systems connected in direct current must meet to connect to the electricity grid. It also includes other amendments to other provisions, such as Royal Decree 413/2014, of 6 June, regulating electricity production using renewable energy sources, cogeneration and waste or Royal Decree 738/2015 of 31 July, which regulates generation activity in the Electricity Systems of the Non-mainland Territories (TNP).

Orders implementing certain Supreme Court rulings in relation to the remuneration of the electricity distribution activity.

On 21 September 2020 order TED/865/2020, of 15 September, was published in the Official State Gazette (BOE), implementing various Supreme Court rulings in relation to the remuneration of electricity distribution activities in 2016. In the case of ENDESA, a new value is set for the base parameter $\lambda_{i_{base}}$ (coefficient in base one that reflects for company i the supplement to one of the volume of installations commissioned up to 31 December of the base year, which have been financed and transferred by third parties).

Regulations on access and connection permits to electrical power transport and distribution networks.

In accordance with the new responsibilities assigned to the Spanish Markets and Competition Commission (CNMC) arising from Royal Decree Law 1/2019 of 11 January, the specific rules on access and connection permits must be developed both by the Government, under Royal Decree, and by the Spanish Markets and Competition Commission (CNMC), through a circular, depending on the respective competences.

On 30 December 2020, Royal Decree 1183/2020, of 29 December, on access and connection to electricity transport and distribution networks was published in the Official State Gazette. This Royal Decree regulates the criteria and procedure for granting access and connection permits for both producers and consumers. The general criterion will be the temporary priority. However, in order to give impetus to the penetration of renewable energies, exceptions are made to this general criterion in cases of hybridisation of existing generation facilities and access capacity tenders in new hubs of the transport network or in those hubs in which power capacity is deregulated or arises.

It establishes the possibility that, by Ministerial Order, capacity tenders may be announced that are only applicable in new hubs that are introduced through a new planning process, or those in which a certain volume of access capacity is deregulated. Participants must be renewable generation facilities, which may also include storage.

It also regulates aspects relating to the storage and hybridisation of facilities, as well as the guarantee regime.

Lastly, exemptions are introduced for access and connection permissions to self-consumption facilities, and the figure of the single hub partner is eliminated, which has so far been responsible for processing access and connection permissions when multiple player connection requests existed for the same hub, so that from now on each promoter will be directly related to the network manager.

Also, on 22 January 2021, Circular 1/2021, of 20 January, of the Spanish Markets and Competition Commission (CNMC) was published in the Official State Gazette, establishing the methodology and conditions of access and connection to the transmission and distribution networks of electricity production facilities. This Circular regulates the procedures, deadlines and criteria for the assessment of access capacity and the granting of permits.

On 3 November 2021, Order TED/1182/2021, of 2 November 2021, was published in the Official State Gazette, subsequently corrected by Order TED/1198/2021, of 3 November 2021, regulating the procedure and requirements applicable to public tender for granting the renewable generation facilities at the Justa Mudéjar 400 kV transition hub evacuation access capacity to the electricity transmission network and calls for tenders. This Order establishes the specific regulatory bases for granting access capacity to the Justa Mudéjar transition hub affected by the closure of the Teruel thermal power plant to bring out new renewable power and optimise its potential by generating socio-economic benefits for this area.

Royal Decree Law 34/2020, of 17 November, on urgent measures to support business solvency and the energy sector, and in tax matters.

On 18 November, Royal Decree-Law 34/2020 of 17 November, on urgent measures to support business solvency and the energy sector, and in tax matters, was published in the Official State Gazette, as part of which the transfers of revenue from auctions of greenhouse gas (GHG) emission rights to the Electricity Sector, based on effective collection, up to a maximum of Euro 1 billion was extended to include 2020. By 2021, Law 11/2020, of 30 December, on General State Budgets (PGE) will provide for an equivalent measure.

Draft Law creating the National Fund for the Sustainability of the Electricity System.

On 16 December 2020, the Ministry of Ecological Transition and Demographic Challenge initiated a process of public consultation of a Draft Law creating the National Fund for the Sustainability of the Electricity System, which aims to finance, in full or in part, the costs associated with the specific remuneration regime for renewable energy, cogeneration and waste, currently collected in electricity access tariffs. This Fund will be equipped with contributions from operators in the various energy sectors, and not just electricity but also taxes derived from Law 15/2012, of 27 December, proceeds from auctions of carbon dioxide (CO₂) emission rights, as well as other contributions, with a limit of 10% of the Fund's annual revenue, from items from the General State Budgets (PGE) or from Community funds. In this way, this Preliminary Draft provides for a mechanism aimed at redistributing among all energy sectors the cost associated with meeting existing renewable targets at country level. The Preliminary Draft envisages a gradual process of assumption within five years .

On 1 June 2021, the Council of Ministers approved the Bill creating the National Fund for the Sustainability of the Electricity System (FNSSE), which is currently in parliamentary procedure.

Energy Storage Strategy.

On 9 February 2021, the Council of Ministers approved the Energy Storage Strategy, an element considered to be crucial for the transition to an emissions-neutral economy and the effective integration of renewable energies into the electricity system.

The Energy Storage Strategy quantifies storage needs in line with those envisaged in the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) and the target for climate neutrality before 2050, from the 8.3 GW currently available to around 20 GW in 2030 and 30 GW in 2050. Furthermore, all the technologies forming energy storage are classified according to the applicable method and system and the actions for their effective deployment are identified, together with the regulatory challenges for the participation of storage in electricity markets, taking into account the market access procedures and their role in the price structure and signals. In addition, the economic challenges they represent are analysed, in conjunction with the need for industrial policies that encourage their financing.

Draft law on the remuneration of carbon dioxide (CO₂) not emitted.

On 1 June 2021, the Council of Ministers began to process a Draft Law on the remuneration of CO₂ not emitted on the electricity market. After completing the preliminary consultation phase, on 3 August 2021, the Council of Ministers agreed its approval as a Draft Law, which was submitted to the Congress of Deputies to be processed, currently under way.

This draft law establishes an obligation to remunerate mainland production facilities that do not emit greenhouse gases that were in operation before 25 October 2003, in proportion to the higher revenue obtained by adding the value of the CO₂ emission rights that exceed Euros 20.67/tCO₂ for marginal emission technologies to the wholesale market price. This excludes plants equal to or below 10 MW, whenever they came on-stream, and those with a remuneration regime regulated under article 14 of Law 24/2013, of 26 December, on the Electricity Sector.

The amounts collected will be used to finance capacity mechanisms and the remaining rate charges (mainly renewable energies and timing mismatches), except for 10% which will be used, with respect to the public administrations, to jointly finance the cost of supplying highly vulnerable customers at risk of social exclusion.

Royal Decree Law 12/2021, of 24 June, adopting urgent measures on energy taxation.

On 25 June 2021, Royal Decree Law 12/2021, of 24 June, was published in the Official State Gazette, establishing urgent tax measures to mitigate the effects of the increase in electricity prices for consumers. This Royal Decree Law includes the following measures:

- Reduction of value added tax (VAT) from 21% to 10%, until 31 December 2021, for contracted electricity supplies of equal to or less than 10 kW, provided that the arithmetic average price in the daily market over the last calendar month before the month of the last day of the billing period exceeds Euro 45/MWh, and the customers are recipients of the Social Bonus that are highly vulnerable or at risk of social exclusion. This reduction in Value Added Tax ("VAT") was subsequently extended until 30 April 2022 by Royal Decree Law 29/2021, of 21 December 2021, adopting urgent measures in energy to promote electric mobility, self-consumption and the deployment of renewable energies.
- Temporary suspension of the tax on the value of electricity production during the third quarter of 2021, which was extended until 31 December 2021 by Royal Decree Law 17/2021, of 14 September 2021, and until 31 March 2022 by Royal Decree Law 29/2021, of 21 December 2021.

The Royal Decree Law also establishes that if there is a surplus of revenue in the electricity sector in 2020, this will be applied in full to cover the timing mismatches in 2021.

Proposed Royal Decree on closed electricity distribution grids.

On 11 June 2021 the Ministry of Ecological Transition and Demographic Challenge, implementing the provisions of Royal Decree-Law 20/2018, of 7 December 2018, initiated the processing of a Royal Decree regulating the specific conditions and requirements of closed electricity distribution grids and their owners, and the administrative authorisation procedure and circumstances for their revocation.

Royal Decree Law 16/2021, of 3 August, adopting social protection measures to address situations of social and economic vulnerability.

On 4 August 2021, Royal Decree-Law 16/2021 of 3 August 2021, was published in the Official State Gazette ("BOE"), setting forth social protection measures to address situations of social and economic vulnerability. Among other matters, in the area of energy, the prohibition on the suspension of the supply of electricity, water and natural gas and access to the Social Bonus by certain groups in a situation of economic vulnerability was extended until 31 October 2021 because of the health crisis. These measures were extended to 28 February 2022 by Royal Decree Law 21/2021 of 26 October 2021, which was published in the Official State Gazette ("BOE") on 27 October 2021, extending the social protection measures to address situations of social and economic vulnerability.

Urgent measures to mitigate the impact of the escalation of natural gas prices in gas and electricity retail markets, consumer protection and introduction of transparency in the wholesale and retail electricity and natural gas markets.

On 15 September 2021, Royal Decree Law 17/2021, of 14 September 2021, was published in the Official State Gazette ("BOE"), establishing urgent measures to mitigate the impact of the escalation of natural gas prices on gas and electricity retail markets, which has been validated by the Congress of Deputies on 14 October 2021. Additionally, this provision has been complemented with the publication on 27 October 2021 of Royal Decree Law 23/2021, dated 26 October 2021, on urgent energy measures for the protection of consumers and the introduction of transparency in the wholesale and retail electricity and natural gas markets, validated by Congress on 25 November 2021. Likewise, on the same date, Royal Decree Law 21/2021, of 26 October 2021, extending social protection measures to address situations of social and economic vulnerability, was published.

The main aspects deriving from these provisions are as follows:

- Since it entered into force, on 16 September 2021, and until 31 March 2022, a payment obligation was established for the non-emitting generation facilities in a proportional amount to the supposed increased earnings obtained as a result of the inclusion in wholesale electricity prices of the value of natural gas prices. This excludes plants with a remuneration regime regulated under article 14 of Electricity Sector Law 24/2013, of 26 December, and those with power of 10 MW or less. The amount resulting from this revenue reduction will be earmarked to reduce the System charges. Likewise, the scope of the payment obligation will not apply to the energy covered by fixed price and term contracts prior to Royal Decree Law 17/2021, of 14 September 2021, or to the energy covered by new fixed price contracts with coverage for a period equal to or greater than one year. In the event that in these forward contracts part of the energy is partially indexed to the market price, only the proportional non-indexed part will be excluded. Producers will submit monthly a responsible statement and supporting documentation of the energy covered by forward instruments. In addition, it is established that producers and marketers must periodically inform the Spanish Markets and Competition Commission ("CNMC") of the forward contracting instruments, both physical and financial, between companies of the same business group or with third parties.
- Market mechanisms are established to encourage long-term contracts, through long-term power purchase contract auctions, to which up to a maximum of 25% of the lowest value in 10 years of manageable inframarginal non-emitting production is linked that does not have specific remuneration nor is the successful bidder at renewable energy auctions. Sellers will be those electricity producers that are deemed to be dominant operators in electricity generation. And buyers may be suppliers (except those of the groups that are leading electricity operators) and direct consumers, together with benchmark suppliers in the terms set by the resolution of the announcement.

- A minimum vital supply is established for vulnerable consumers, that are in default four months after the first payment request, establishing limited power by law that guarantees minimum comfort, which cannot be exceeded during the period of six months in which the supply cannot be cut off.
- The minimum amount of aid to the beneficiaries of the thermal Social Bonus is increased from Euros 25 to 35, with immediate application, and also, the budget allocated for the same in 2021 is increased by Euros 100 million, up to a total of Euros 203 million.
- The discounts of the electricity Social Bonus until 31 March 2022 are increased from 25% to 60% for vulnerable consumers, and from 40% to 70% for severely vulnerable consumers. This measure was extended by Royal Decree Law 29/2021, of 21 December, until 30 April 2022.
- Suppliers will have to inform customers of any intention to modify the contract one month in advance, including a price comparison and an estimate of the annual cost, before and after such modification. They must also publish and send to the Spanish Markets and Competition Commission ("CNMC") transparent, comparable and updated information on the prices of the available offers at all times, including the conditions on contract termination and additional services required by the contract.
- Tax and budgetary measures are established, specifically to extend the temporary suspension of the tax on the price of electricity production and the reduction of the excise tax on electricity from 5.1% to 0.5% to 31 December 2021 (later extended until 30 April and 31 March 2022, respectively, by Royal Decree Law 29/2021, of 21 December 2021), and the increase by Euros 900 million, up to a maximum of Euros 2,000 million, of the revenue to be earmarked in 2021 to the electricity system in relation to the CO₂ emission rights auctions.
- In the area of natural gas, it is limited to the effect of the Last Resort Tariff (LRT) of the increased cost of the raw material, which will be passed on in a deferred manner.
- Lastly, the Water Law was amended to avoid sudden withdrawals of reservoirs over 50 hm³, hence a minimum and maximum system of monthly withdrawals and a monthly reserve system were established.

Royal Decree Law 29/2021, of 21 December 2021, adopting urgent measures in energy to promote electric mobility, self-consumption and the deployment of renewable energies.

On 22 December 2021, Royal Decree Law 29/2021, of 21 December, adopting urgent measures in energy to promote electric mobility, self-consumption and the deployment of renewable energies, was published in the Official State Gazette ("BOE"). The key features of this Royal Decree Law are as follows:

- Regarding taxation, and explained previous the reduction of the excise tax on electricity and value added tax (VAT) is extended until 31 April 2022, and the suspension of the tax on the value of electricity production is extended until 31 March 2022.
- The increase in coverage of consumers receiving the Social Bonus (60% for vulnerable and 70% for severely vulnerable consumers) is extended until 30 April 2022.
- To promote self-consumption, the Royal Decree Law includes amendments to current regulation to speed up process and to link these networks to both consumers connected to the internal grid and other consumers close to the grid and connected through the distribution and transmission networks.

- In electric mobility, to promote the installation of public e-vehicle charging infrastructure it sets out the system for authorising charging stations on land adjacent to roads, under certain conditions and provided that road safety is guaranteed, and adds new requirements for non-residential private buildings. It also introduces discounts in local taxes.
- Lastly, it introduces certain amendments to the regime for grant access and connection permits, extending the periods included in Royal Decree Law 23/2021, of 26 October 2021, to facilitate the development of projects, and includes the possibility of voluntary waiver of access and connection permits obtained or in the process of being obtained before the Royal Decree Law comes into effect, with reimbursement of the guarantees provided.

Measures to promote residential refurbishment activities.

Within the framework of the Recovery, Transformation and Resilience Plan, on 6 October 2021, Royal Decree Law 19/2021, of 5 October 2021, was published in the Official State Gazette ("BOE"), establishing urgent measures to boost building refurbishment activities. This Royal Decree Law establishes, among other aspects, new personal income tax credits, which will be applied to the amounts invested in refurbishment works that contribute to improve the energy efficiency of the main home and at residential buildings, accredited through the energy efficiency certificate and, furthermore, it establishes the creation of a guarantee facility by the Official Credit Institute (ICO) to partially cover the financing of refurbishment works that contribute to improve energy efficiency.

Likewise, on 6 October 2021, Royal Decree Law 853/2021, of 5 October, was published in the Official State Gazette (BOE), regulating aid programmes in the area of residential refurbishment and social housing within the Recovery, Transformation and Resilience Plan. This Royal Decree, among other aspects, regulates six aid programmes: from one to five, linked to refurbishment and improved energy efficiency at homes, and six, to the promotion of the building of subsidised housing. The programmes will be organised through the direct transfer of funds to the Autonomous Communities and the cities of Ceuta and Melilla, and these will apply through the announcement of aid in their respective territorial areas.

Royal Decree 1125/2021, of 21 December 2021, regulating the grant of direct subsidies to electricity distribution companies for investments in the digitalisation of distribution grids and electric vehicle charging infrastructure.

On 22 December 2021, Royal Decree 1125/2021, of 21 December 2021, was published in the Official State Gazette ("BOE"), promoting the digitalisation of distribution networks and on-street charging infrastructure using European funds from the Recovery, Transformation and Resilience Plan.

The amount of aid will be Euros 525 million for the 2021-2023 period, divided up among distributors in accordance with their share of remuneration. Distribution companies must present such initiatives, 50% of the investment they will co-finance, as part of their annual investment plans, as well as additional information regarding the impact on employment, the industrial value chain and renewable penetration, and digital programmes for enhancing the quality of customer service.

Proposed market capacity Order.

The Ministry of Ecological Transition and Demographic Challenge has initiated the processing of a proposed order creating a capacity market in the mainland electricity system. This proposal is based on an auction system ("pay as bid"), which would be used to contract the final capacity (MW) requirements detected in the demand coverage analyses performed by the System Operator, Red Eléctrica de España, S.A.U. (REE).

The auction system is open to existing and new generating, storage and demand management facilities, setting down certain requirements for the maximum emissions of CO₂ emission rights for the participating facilities.

The draft Order regulates aspects related to the various types of auctions planned, the rights and obligations of capacity service providers, including their remuneration regime or penalty system in the event of non-compliance by the providers.

Gas system

On 22 May 2015, Law 8/2015, of 21 May, was published, amending Law 34/1998, of 7 October, on the hydrocarbons sector, and regulating certain tax and non-tax measures in relation to the exploration, research and exploitation of hydrocarbons, the purpose of which is, among others, to amend the Hydrocarbons Law in order to bring it up to date with the times with the aim of increasing competition and transparency in the hydrocarbons sector, reducing fraud, guaranteeing greater consumer protection, reducing costs for consumers and adapting the system of infringements and penalties.

With respect to natural gas, the law seeks to create an organised natural market that offers consumers more competitive and transparent prices and allows the entry of new suppliers to increase competition. An operator for the organised gas market will also be appointed, any authorised natural gas installer may carry out inspections (this was previously the responsibility of distributors), the entry of new suppliers is encouraged through the mutual recognition of licences to supply natural gas to other EU-member countries where there is an existing agreement; and certain measures have been adopted regarding minimum security inventories so as to, but without impairing the security of supply, give suppliers greater flexibility at a lower cost, enabling the Corporation for Strategic Oils Reserves (CORES) to maintain strategic natural gas inventories.

On 31 October 2015, Royal Decree 984/2015 of 30 October was published, which regulates the organised gas market and third-party access to the installations of the gas system. This Royal Decree contains the basic regulations for operation of the gas market, in addition to other measures such as the procedure for inspection of gas facilities.

On 13 December 2017, following the resolution of the Council of Ministers dated 10 November 2017, a resolution was published establishing the terms and conditions governing the service, making it mandatory for the dominant natural gas market operators, which include ENDESA, to act as market makers.

Natural gas tariff for 2021

Spanish Markets and Competition Commission ("CNMC") Circular 6/2020, of 22 July 2020, approved the methodology for the calculation of transmission tariffs, local networks and natural gas regasification and, among other aspects, established that the "CNMC" must set the values of the access tariffs for regasification facilities and, where appropriate, the billing terms of the conduction terminal of the transmission and distribution tariffs, applicable from 1 October 2020.

On 29 December 2020, the Official State Gazette published the Resolution of 21 December of the Directorate-General for Energy Policy and Mines, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 January 2021, resulting in an average increase of 4.6% and 6.3% depending on whether Last Resort Tariff 1 (LRT1) or Last Resort Tariff 2 (LRT2) was applied, due to the increase in the cost of the raw material.

On 30 June 2021, the Official State Gazette published the Resolution of 24 June 2021 of the Directorate-General for Energy Policy and Mines, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 July 2021, resulting in an increase of 2.9% and 3.9%, depending on whether Last Resort Tariff 1 (LRT1) or Last Resort Tariff 2 (LRT2) was applied, due to the increase in the cost of the raw material.

Lastly, on 29 September 2021, the Resolution of 26 September 2021, of the Directorate-General for Energy Policy and Mines was published, which establishes the Natural Gas Last Resort Tariff (LRT) to be applied from 1 October 2021 which, pursuant to Royal Decree Law 17/2021, of 14 September, results in an increase of 0.9%, 4.6% and 11.2%, depending on whether the Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) or Last Resort Tariff 3 (LRT3) applies, respectively.

Natural gas tariff for 2022.

On 25 December 2021, the Resolution of the Directorate-General for Energy Policy and Mines of 22 December 2021, establishing the Last Resort Tariff (LRT) for natural gas to be applied in the first quarter of 2022, was published, and, pursuant to Royal Decree Law 17/2021, of 14 September 2021, resulted in increases of approximately 5.4%, 6.8% and 7.5%, respectively, for the Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) and the Last Resort Tariff 3 (LRT3).

6.2. Regulatory framework in Europe

The main changes in the European regulatory framework either approved in 2021 or with a material impact on the Consolidated Financial Statements for that year are described below.

Energy and environment in Europe.

Regulation (EU) 2021/1119 of the European Parliament and of the Commission of 30 June 2021 establishing the framework for achieving climate neutrality and amending climate Regulations sets a European-wide target of reducing net greenhouse gas emissions (CO₂) by at least 55% by 2030 compared to 1990 levels.

In addition, on 14 July 2021, the European Commission adopted a package of proposals to help achieve this target. The main proposals were as follows:

- The review of the EU Emissions Trading Scheme (ETS), lowering the overall emission cap by increasing its annual rate of reduction. Other key proposals include: phasing out the free emission allowances for aviation and including shipping emissions in the ETS; create a new emissions scheme for road transport and buildings.
- Strengthening the Regulation on binding annual greenhouse gas emission reductions by Member States (i.e. the "Effort Sharing Regulation") through emission reduction targets to each Member State for buildings, road and domestic maritime transport, agriculture, waste and small industries.
- The revision of the Renewables Energy Directive, which sets a target to produce of 40% of energy from renewable sources by 2030. Specific targets are proposed for renewable energy use in transport, heating and cooling, buildings and industry, and sustainability criteria for the use of bioenergy is strengthened.
- The revision of the Energy Efficiency Directive, which proposes setting a more ambitious binding annual target for reducing energy use at EU level. The public sector will be required to renovate 3% of its buildings each year.
- Stronger CO₂ emissions standards are proposed for cars and vans, so that all new cars registered as of 2035 will be zero-emission. To ensure drivers are able to charge or fuel their vehicles, the Regulation of the European Parliament and of the Council on the deployment of alternative fuels infrastructure will require Member States to expand charging capacity in line zero-emission car sales, and to install charging and fuelling points at regular intervals on major highways: every 60 km for electric charging and every 150 km for hydrogen refuelling.
- The aviation and maritime sectors must have access to clean electricity supply in major ports and airports.
- The revision of the Energy Taxation Directive, which proposes aligning the taxation of energy products with EU energy and climate policies.
- A new carbon border adjustment mechanism is proposed that will put a carbon (CO₂) price on imports of a targeted selection of products, including electricity.

With the same objective, on 15 December 2021, the European Commission adopted a package of proposals for renewable and low carbon gases, which sets the regulatory framework for hydrogen and the revision of the Energy Performance of Buildings Directive.

Sustainable financing.

Pursuant to the adoption by the United Nations (UN) of Agenda 2030 for Sustainable Development and the Paris Agreement on Climate Change, the European Commission published its Action Plan "Financing Sustainable Growth", one of the objectives of which is to reorient capital flows towards sustainable investments (see Note 5.2).

As part of the Action Plan, Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment was published in 2020 (Taxonomy regulation).

To be considered environmentally sustainable, an economic activity must make a substantial contribution to one or more of the six environmental targets set out in the Regulation, including the mitigation of and adaptation to Climate Change and refraining from causing any significant damage to any of the other environmental targets.

Furthermore, the technical criteria that must be met for an economic activity to be considered as making a substantial contribution to Climate Change mitigation and adaptation have been defined in Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021. Generally speaking, the taxonomy covers electricity production activities using renewable sources and excludes generation using fossil fuels. The technical criteria to be met by nuclear energy and natural gas-fired power generation in order to be covered by the taxonomy have yet to be defined.

Lastly, on 10 December 2021, the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 was published in the Official Journal of the European Union (OJEU), detailing the information and calculations to be carried out in order to comply with the obligations contained in the Taxonomy Regulation.

Financial regulation.

In the area of financial regulation as a consequence of the UK's exit from the European Union (EU) (known as Brexit) and the COVID-19 pandemic, Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (Markets in Financial Instruments Directive" (MiFID II)) has been revised.) Among other aspects, the calculation formulas on which the request for exemption from the Directive is based have been simplified, as have the formalities for those companies for which trading on own account in commodity derivatives or emission allowances or derivatives, or the provision of investment services in such products, constitutes an ancillary activity to their main business.

Network codes and markets.

During the year 2021, progress continued to be made in regulatory developments related to so-called network codes.

In Spain, the price limits for daily and intraday market bids have been adapted to the technical limits harmonised at European level.

In relation to the daily market, a major milestone has been reached with the coupling of several Eastern European countries (including Romania, Czech Republic, Hungary, etc.).

As for the intraday continuous market, the Italian market has been coupled.

State aid.

At the end of 2021, the European Commission adopted the new Guidelines on State aid for climate, environmental protection and energy (CEEAG). The new Guidelines allow for more support and processing assistance for renewable energies and for projects that achieve the objectives of the European Green Deal, including measures to support the development of hydrogen.

In November 2021, the European Commission also adopted revised rules on state aid for Important Projects of Common European Interest (IPCEIs) that serve to eliminate market failures and facilitate breakthrough innovation in key sectors and technologies and infrastructure investments, with positive spill-over effects for the EU economy as a whole.

Finally, it should be noted that a proposal to amend the General Block Exemption Regulation (GBER) is also in the pipeline, extending the possibilities for Member States to support various types of green projects without the need for notification of the European Commission.

7. Changes in consolidation scope.

7.1. Subsidiaries

Inclusions.

In the years ended 31 December 2021 and 2020, the following subsidiaries have been included in the consolidation scope:

	Transaction	Activity	Companies added in 2021 and 2020					
			Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)		Stake at 31 December 2019 (%)	
			Control	Ownership	Control	Ownership	Control	Ownership
Arena Power Solar 11, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Arena Power Solar 12, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Arena Power Solar 13, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 4, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 5, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 6, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Arena Power Solar 33, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Arena Power Solar 34, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Arena Power Solar 35, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 9, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 10, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Energía Eólica Galema, S.L.U. ⁽¹⁾	Acquisition	Wind	100.00	100.00	-	-	-	-
Energía Eólica Gregal, S.L.U. ⁽¹⁾	Acquisition	Wind	100.00	100.00	-	-	-	-
Energía Eólica Ábrego, S.L.U. ⁽¹⁾	Acquisition	Wind	100.00	100.00	-	-	-	-
Energía Base Natural, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Energía y Naturaleza, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Corchitos I, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Corchitos II Solar, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Zamora Solar 1, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Zamora Solar 3, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Tarifa, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Villalobillos S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
FRV Gibalbin -Jerez, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Puerto Santa María Energía I, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Puerto Santa María Energía II, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Infraestructuras Puerto Santa María 220, S.L. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 12, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Savanna Power Solar 13, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Arena Power Solar 20, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Productive Solar Systems, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Fundamental Recognized Systems, S.L.U. ⁽¹⁾	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Renovables Andorra, S.L.U. ⁽²⁾	Formation	Wind	100.00	100.00	-	-	-	-
Renovables Teruel, S.L.U. ⁽²⁾	Formation	Photovoltaic	100.00	100.00	-	-	-	-
Suggestion Power, Unipessoal, Lda. ⁽³⁾	Acquisition	Photovoltaic	100.00	100.00	100.00	100.00	-	-
ENDESA X Servicios, S.L.U.	Formation	Marketing of energy products and services	100.00	100.00	100.00	100.00	-	-
Parque Eólico Tico, S.L.U. ⁽⁴⁾	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Tico Solar 1, S.L.U. ⁽⁴⁾	Acquisition	Photovoltaic	100.00	100.00	100.00	100.00	-	-
Tico Solar 2, S.L.U. ⁽⁴⁾	Acquisition	Photovoltaic	100.00	100.00	100.00	100.00	-	-

(1) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for a total amount of Euros 102 million, of which Euros 28 million are outstanding at 31 December 2021 (see Note 48.2).

(2) Companies incorporated by ENEL Green Power España, S.L.U. (EGPE) companies.

(3) Company acquired by ENDESA Generación Portugal, S.A. for Euros 6 million, of which Euros 3 million are pending payment at 31 December 2021 (see Note 48.2).

(4) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for a total amount of Euros 40 million, of which €8 million are pending payment at December 31, 2021 (see Note 48.2).

The total price of the transactions entered into in 2021 amounted to Euros 102 million, of which Euros 28 million euro are pending disbursement at 31 December 2021, as detailed below (see Note 48.2):

Millions of Euros	Total payments pending		Stipulations pending fulfilment	Estimated payment date
	31 December 2021	31 December 2020		
Arena Power Solar 11, S.L.U. Arena Power Solar 12, S.L.U. Arena Power Solar 13, S.L.U.	6	-	Obtainment of the Environmental Impact Statement (EIS) and the start date for the construction of the project ("Ready to Build").	Environmental Impact Statement (EIS): June 2022 Ready to Build: June 2023
Arena Power Solar 20, S.L.U.	2	-	Obtainment of the Environmental Impact Statement (EIS) and the start date for the construction of the project ("Ready to Build").	Environmental Impact Statement (EIS): June 2022 Ready to Build: 2023
Arena Power Solar 33, S.L.U. Arena Power Solar 34, S.L.U. Arena Power Solar 35, S.L.U. Savanna Power Solar 4, S.L.U. Savanna Power Solar 5, S.L.U. Savanna Power Solar 6, S.L.U. Savanna Power Solar 9, S.L.U. Savanna Power Solar 10, S.L.U.	20	-	Obtainment of the Environmental Impact Statement (EIS) and the start date for the construction of the project ("Ready to Build").	Environmental Impact Statement (EIS): September 2022 Ready to Build: September 2023
Parque Eólico Tico, S.L.U. Tico Solar 1, S.L.U. Tico Solar 2, S.L.U.	8	26	Commercial Operation Date (COD).	Commercial Operation Date (COD): June 2022
Suggestion Power, Unipessoal, Lda	3	3	Date of commencement of project construction Ready to Build, date of notification to the respective municipalities of the commencement of construction of the project (SOC) and commencement of operation of the project (Commercial Operation Date (COD)).	Ready to Build: May 2023 (SOC): July 2023 Commercial Operation Date (COD): September 2024
TOTAL	39	29		

Regarding the total price of these transactions, euros 85 million correspond to the price of the participation in these companies and euros 17 million to the subordinated debt that the acquired companies held with the former shareholders.

At 31 December 2021 the acquisition of these companies has resulted in the recognition of Euros 85 million (31 December 2020: Euros 46 million) under "Intangible assets" in the Consolidated Statement of Financial Position, relating almost entirely to the value of licences for the development of wind farm and photovoltaic plant projects, which are transferred to "Property, plant and equipment" in the Consolidated Statement of Financial Position when construction of the renewable energy facilities begins (see Note 23).

The companies acquired in 2021 and 2020 are, on the one hand, in the permit and license processing phase for the development of the projects and, on the other hand, in the construction phase of the renewable energy facilities and, therefore, have not generated revenues since the acquisition date. Specifically, in 2021 the gross investments made by these companies amounted to €103 million (€6 million for the companies acquired in 2020) (see Note 20.1).

Through the acquisition of wind and photovoltaic projects, and in line with the guidelines of the 2022-2024 Strategic Plan, ENDESA will strengthen its presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix (see Note 5.2).

Changes.

The following changes occurred in the percentage control and economic stake of the following subsidiaries in the years ended 31 December 2021 and 2020:

Changes in companies in 2021 and 2020								
Transaction	Activity	Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)		Stake at 31 December 2019 (%)		
		Control	Ownership	Control	Ownership	Control	Ownership	
Planta Eólica Europea, S.A.U. ⁽¹⁾	Acquisition	Wind	100.00	100.00	56.12	56.12	56.12	56.12
Empresa de Alumbrado Eléctrico de Ceuta, S.A. ⁽²⁾	Acquisition	Marketing and distribution	96.42	96.42	96.37	96.37	96.29	96.29
Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. ⁽²⁾	Acquisition	Distribution	100.00	96.42	100.00	96.37	100.00	96.29
Energía Ceuta XXI Comercializadora de Referencia, S.A.U. ⁽²⁾	Acquisition	Supply	100.00	96.42	100.00	96.37	100.00	96.29

(1) Stake acquired by ENEL Green Power España, S.L.U. (EGPE) for an amount of Euros 1 million and with an effect on Equity for this amount (see Note 35.2 and 48.3).

(2) Shareholdings acquired directly and indirectly by ENDESA Red, S.A.U. for less than Euro 1 million.

Exclusions.

In the years ended 31 December 2021 and 2020, the following subsidiaries have been excluded from the consolidation scope:

Notes	Transaction	Activity	Exclusions of companies in 2021 and 2020					
			Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)		Stake at 31 December 2019 (%)	
			Control	Ownership	Control	Ownership	Control	Ownership
ENDESA Power Trading Limited ⁽¹⁾	Dissolution	Marketing of energy products and services	-	-	100.00	100.00	100.00	100.00
ENDESA Soluciones, S.L. ⁽²⁾	26.1 Sale	Marketing of energy products and services	20.00	20.00	20.00	20.00	100.00	100.00
ENDESA X, S.A.U. (In liquidation) ⁽³⁾	Dissolution	Marketing of energy products and services	-	-	-	-	100.00	100.00
Hidromondego – Hidroeléctrica do Mondego, LDA. ⁽³⁾	Dissolution	Energy production and supply	-	-	-	-	100.00	100.00
International ENDESA B.V. (In liquidation) ⁽⁴⁾	Dissolution	International financial transaction company	-	-	-	-	100.00	100.00

(1) The scale of these companies was not material.

(2) On 11 May 2020, ENDESA Energía, S.A.U. formalised the sale of 80% of this Subsidiary, which was now classified as an associate (see Notes 7.2 and 26.1). The gross loss on the sale was less than Euros 1 million. On 21 December 2020, ENDESA Energía, S.A.U., sold its shareholding in this company to ENDESA X Servicios, S.L.U.

(3) The gross gain on the sale was less than Euros 2 million.

(4) The gross loss on the sale was Euros 8 million.

During the years ended 31 December 2021 and 2020, the following mergers between Subsidiaries were carried out:

(Acquirer)	Merger date	Acquirees	Mergers of companies in 2021 and 2020					
			Stake at 31 December 2021 (%) (Acquiree)		Stake at 31 December 2020 (%) (Acquiree)		Stake at 31 December 2019 (%) (Acquiree)	
			Control	Ownership	Control	Ownership	Control	Ownership
ENEL Green Power España, S.L.U. (EGPE)	18 October 2021	Eólica del Principado, S.A.U.	-	-	100.00	100.00	100.00	100.00
	22 July 2021	Eólica del Cierzo, S.L.U.	-	-	100.00	100.00	100.00	100.00
	13 July 2021	Energía Eólica Alto del Llano, S.L.U.	-	-	100.00	100.00	100.00	100.00
	18 November 2020	Almussafes Servicios Energéticos, S.L.U.	-	-	-	-	100.00	100.00
	22 September 2020	Sistemas Energéticos Sierra del Carazo, S.L.U.	-	-	-	-	100.00	100.00
		Sistemas Energéticos Alcojuate, S.A.U.	-	-	-	-	100.00	100.00
		Sistemas Energéticos Campoliva, S.A.U.	-	-	-	-	100.00	100.00
	5 August 2020	Parque Eólico Farfán, S.L.U.	-	-	-	-	100.00	100.00

7.2. Associates

Inclusions.

In the years ended 31 December 2021 and 2020, the following Associates were added to the consolidation scope:

Notes	Transaction	Activity	Companies added in 2021 and 2020					
			Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)		Stake at 31 December 2019 (%)	
			Control	Ownership	Control	Ownership	Control	Ownership
Monte Reina Renovables, S.L. ⁽¹⁾	26.1 Acquisition	Photovoltaic	20.58	20.55	-	-	-	-
Toro Renovables 400 KV, S.L. ⁽¹⁾	26.1 Acquisition	Photovoltaic	8.28	8.28	-	-	-	-
Infraestructuras San Serván 220, S.L.U. ⁽¹⁾	26.1 Acquisition	Photovoltaic	30.80	30.80	-	-	-	-
Lucas Sostenible, S.L. ⁽¹⁾	26.1 Acquisition	Photovoltaic	35.29	35.29	-	-	-	-
Solana Renovables, S.L. ⁽¹⁾	26.1 Formation	Photovoltaic	49.84	49.84	-	-	-	-
ENDESA Soluciones, S.L. ⁽²⁾	26.1 Sale	Marketing of energy products and services	-	-	20.00	20.00	100.00	100.00
Trévago Renovables, S.L. ⁽²⁾	26.1 Formation	Photovoltaic	-	-	35.50	35.50	-	-

(1) Companies acquired and/or incorporated by subsidiaries of ENEL Green Power España, S.L.U. (EGPE) for a total amount for a total amount of Euros 2 million (see Notes 26.1 and 48.2).

(2) On 11 May 2020, ENDESA Energía, S.A.U. formalised the sale of 80.00% of this Subsidiary, which was now classified as an associate (see Notes 7.1 and 26.1). The gross loss on the sale was less than Euros 1 million. On 21 December 2020, ENDESA Energía, S.A.U., sold its shareholding in this company to ENDESA X Servicios, S.L.U.

Changes.

In the year ended 31 December 2021, there were no other changes in the percentage of control and economic ownership of associates included in the consolidation scope.

In the year ended 31 December 2020, the following change occurred in the percentage of control and economic ownership of the following associate.

	Transaction	Activity	Changes in companies in 2020			
			Stake at 31 December 2020 (%)		Stake at 31 December 2019 (%)	
			Control	Ownership	Control	Ownership
Centrales Nucleares Almaraz-Trillo, A.I.E. (1)	Acquisition	Management of nuclear plants	24.18	24.18	24.26	23.92

(1) Shareholding acquired by ENDESA Generación, S.A.U. for a non-material amount.

Exclusions.

During the years ended 31 December 2021 and 2020, no associates were removed from the consolidation scope.

7.3. Joint arrangements.

7.3.1. Joint operations

Inclusions.

In the year ended 31 December 2021, the following joint operation was included in the consolidation scope:

	Notes	Transaction	Activity	Companies acquired in 2021			
				Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)	
				Control	Ownership	Control	Ownership
Minglanilla Renovables 400kV, A.I.E. (1)	26.2	Acquisition	Wind	36.16	36.16	-	-

(1) Company acquired by subsidiaries of ENEL Green Power España, S.L.U. (EGPE) for a total amount of EUR 1 million (see Notes 26.2 and 48.2).

In the year ended 31 December 2020, no joint operations were included in the consolidation scope.

Changes and Exclusions.

During the annual periods ending 31 December 2021 and 2020 there were no changes in the control and ownership percentage stakes of any Joint Operation company of the consolidation scope.

7.3.2. Joint ventures

Additions.

In the year ended 31 December 2021, the following joint ventures were included in the consolidation scope:

Companies	Notes	Transaction	Activity	2021 inclusions			
				Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)	
				Control	Ownership	Control	Ownership
Ateca Renovables, S.L.	26.1	Incorporation	Photovoltaic	50.00	50.00	-	-
Terrer Renovables, S.L.	26.1	Incorporation	Photovoltaic	29.57	29.57	-	-

(1) Companies incorporated by subsidiaries of ENEL Green Power España, S.L.U. (EGPE) for an insignificant amount. (EGPE) for an insignificant amount.

In the year ended 31 December 2020, no joint ventures were added to the consolidation scope.

Changes.

In the years ended 31 December 2021 and 2020, there were no other changes in the percentage of control and economic ownership of any Joint Venture.

Companies excluded

In the year ended 31 December 2021, the following joint venture was removed from the consolidation scope:

	Transaction	Activity	Exclusions of companies in 2021			
			Stake at 31 December 2021 (%)		Stake at 31 December 2020 (%)	
			Control	Ownership	Control	Ownership
Carbopego - Abastecimentos de Combustíveis, S.A. ⁽¹⁾	Dissolution	Fuel supply	-	-	50.00	50.00

(1) The financial indicators for this company were not material.

In the year ended 31 December 2020, no joint ventures were removed from the consolidation scope.

8. Segment information

8.1. Basis of segmentation

In carrying out its business activities, ENDESA's organisation prioritises its core business of electricity and gas generation, distribution, and sale as well as related services. Therefore, segment reporting is based on the approach used by the Company's Executive Management Committee to monitor the results and includes:

- Generation, together with Supply;
- Distribution;
- Structure, mainly including the balances and transactions of holding companies of the holdings and of the financing and service provision companies; and
- Consolidation Adjustments and Eliminations, including the inter-segment consolidation eliminations and adjustments.

Transactions between Segments form part of normal business activities in terms of their purpose and terms and conditions.

External customers did not represent 10% or more of the revenue of any ENDESA segment in 2021 and 2020.

8.2. Segment information.

8.2.1. Segment reporting: Consolidated income statement for the years ended 31 December 2021 and 2020.

Millions of Euros

	2021									
	Generation and Supply					Total	Distribution	Structure and services	Consolidated adjustments and eliminations	Total
	Conventional generation ⁽¹⁾	Renewable Generation	Energy supply	Marketing of other products and services	Generation and supply adjustments and eliminations					
REVENUES	8,135	871	16,176	270	(6,950)	18,502	2,575	465	(643)	20,899
Third-party interest	2,874	243	15,089	268	-	18,474	2,420	5	-	20,899
Revenue from transactions between segments	5,261	628	1,087	2	(6,950)	28	155	460	(643)	-
PROCUREMENTS AND SERVICES	(5,126)	158	(17,140)	(144)	6,888	(15,364)	(146)	(1)	147	(15,364)
INCOME AND EXPENSES FROM ENERGY DERIVATIVES	(1,419)	(22)	1,984	-	-	543	-	-	-	543
CONTRIBUTION MARGIN	1,590	1,007	1,020	126	(62)	3,681	2,429	464	(496)	6,078
FIXED OPERATING COSTS AND OTHER GAINS AND LOSSES	(731)	(166)	(475)	(76)	62	(1,386)	(464)	(446)	496	(1,800)
GROSS OPERATING INCOME (EBITDA)	859	841	545	50	-	2,295	1,965	18	-	4,278
Depreciation and amortisation, and impairment losses on non-financial assets (2)	(1,136)	(215)	(106)	(45)	-	(1,502)	(646)	(49)	-	(2,197)
Depreciation and amortisation	(480)	(205)	(106)	(45)	-	(836)	(644)	(49)	-	(1,529)
Provision for impairment of non-financial assets	(656)	(10)	-	-	-	(666)	(2)	-	-	(668)
Reversal of impairment of non-financial assets	-	-	-	-	-	-	-	-	-	-
Impairment losses on financial assets.	(10)	-	(90)	(4)	-	(104)	(21)	-	-	(125)
Provision for impairment of financial assets	(11)	(1)	(244)	(9)	-	(265)	(29)	-	-	(294)
Reversal of impairment of financial assets	1	1	154	5	-	161	8	-	-	169
PROFIT/LOSS FROM OPERATIONS	(287)	626	349	1	-	689	1,298	(31)	-	1,956
Net profit/(loss) of companies accounted for using the equity method	(6)	2	-	-	-	(4)	3	-	-	(1)
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS ⁽²⁾	462	789	195	56	-	1,502	853	34	-	2,389

(1) Includes the Contribution Margin, Gross Operating Profit (EBITDA) and Operating Profit (EBIT) of the Generation of Non-mainland Territories (NPT) amounting to Euros 518 million (positive), Euros 279 million (positive) and Euros 471 million (negative), respectively.

(2) Includes additions of Euros 213 million in Rights of Use (Euros 203 million in Generation and Supply, Euros 8 million euros in Distribution and 2 million euros in Structure and Services) (see Note 21).

Millions of Euros

	2020									
	Generation and Supply					Total	Distribution	Structure and services	Consolidated adjustments and eliminations	Total
	Conventional generation ⁽¹⁾	Renewable Generation	Energy supply	Marketing of other products and services	Generation and supply adjustments and eliminations					
REVENUES	5,162	776	11,935	235	(3,169)	14,939	2,720	519	(1,128)	17,050
Third-party interest	1,828	238	12,214	231	-	14,511	2,534	5	-	17,050
Revenue from transactions between segments	3,334	538	(279)	4	(3,169)	428	186	514	(1,128)	-
PROCUREMENTS AND SERVICES	(3,421)	(145)	(10,955)	(117)	3,203	(11,435)	(174)	-	540	(11,069)
INCOME AND EXPENSES FROM ENERGY DERIVATIVES	123	-	(24)	-	(74)	25	-	-	-	25
CONTRIBUTION MARGIN	1,864	631	956	118	(40)	3,529	2,546	519	(588)	6,006
FIXED OPERATING COSTS AND OTHER GAINS AND LOSSES	(854)	(191)	(495)	(79)	40	(1,579)	(557)	(649)	588	(2,197)
GROSS OPERATING INCOME (EBITDA)	1,010	440	461	39	-	1,950	1,989	(130)	-	3,809
Depreciation and amortisation, and impairment losses on non-financial assets (2)	(758)	(190)	(105)	(38)	-	(1,091)	(632)	(64)	-	(1,787)
Depreciation and amortisation	(436)	(190)	(105)	(38)	-	(769)	(633)	(62)	-	(1,464)
Provision for impairment of non-financial assets	(349)	-	-	-	-	(349)	(1)	(2)	-	(352)
Reversal of impairment of non-financial assets	27	-	-	-	-	27	2	-	-	29
Impairment losses on financial assets.	11	3	(114)	(8)	-	(108)	(3)	1	-	(110)
Provision for impairment of financial assets	(3)	-	(202)	(8)	-	(213)	(40)	-	-	(253)
Reversal of impairment of financial assets	14	3	88	-	-	105	37	1	-	143
PROFIT/LOSS FROM OPERATIONS	263	253	242	(7)	-	751	1,354	(193)	-	1,912
Net profit/(loss) of companies accounted for using the equity method	25	2	1	-	-	28	6	-	-	34
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS ⁽²⁾	321	565	141	55	-	1,082	636	105	-	1,823

(1) Includes the Contribution Margin, Gross Operating Profit (EBITDA) and Operating Profit (EBIT) of the Generation of Non-mainland Territories (NPT) amounting to Euros 534 million (positive), Euros 211 million (positive) and Euros 220 million (negative), respectively.

(2) Includes additions of Euros 182 million in Rights of Use (Euros 110 million in Generation and Supply, Euros 5 million euros in Distribution and 67 million euros in Structure and Services) (see Note 21).

8.2.2. Segment reporting: Statement of financial position at 31 December 2021 and 2020.

Millions of Euros

	31 December 2021									
	Generation and Supply					Total	Distribution	Structure and services	Consolidated adjustments and eliminations	Total
	Conventional generation	Renewable Generation	Energy supply	Marketing of other products and services	Generation and supply adjustments and eliminations					
Property, plant and equipment ⁽¹⁾	5,514	4,145	24	53	-	9,736	12,191	170	-	22,097
Intangible assets	98	740	440	29	-	1,307	176	59	-	1,542
Goodwill	3	300	58	-	-	361	97	4	-	462
Investments accounted for using the equity method	121	33	4	5	-	163	13	4	-	180
Non-current assets of contracts with customers	-	-	-	-	-	-	-	-	-	-
Trade receivables for sales and services and other receivables	2,829	80	5,909	96	(4,480)	4,434	788	287	(485)	5,024
Current assets of contracts with customers	-	-	-	-	-	-	6	-	-	6
and Other ⁽²⁾	904	56	255	12	-	1,227	429	6	-	1,662
ASSETS SEGMENTS	9,469	5,354	6,690	195	(4,480)	17,228	13,700	530	(485)	30,973
TOTAL ASSETS										39,968
Non-current Liability Contracts with Customers	-	10	-	-	-	10	4,274	-	-	4,284
Non-current provisions	2,449	175	177	15	-	2,816	834	334	-	3,984
Provisions for employee benefits	248	7	37	2	-	294	298	67	-	659
Other non-current provisions	2,201	168	140	13	-	2,522	536	267	-	3,325
Current Liability Contracts with Customers	-	-	-	-	-	-	270	-	-	270
Current provisions	378	1	36	2	-	417	95	99	-	611
Provisions for employee benefits	-	-	-	-	-	-	-	-	-	-
Other current provisions	378	1	36	2	-	417	95	99	-	611
Suppliers and other payables	3,950	974	4,222	118	(4,480)	4,784	1,007	765	(485)	6,071
Other	199	43	6	1	-	249	692	3	-	944
LIABILITIES SEGMENTS	6,976	1,203	4,441	136	(4,480)	8,276	7,172	1,201	(485)	16,164
TOTAL LIABILITIES										39,968

(1) Includes Rights of Use amounting to euro 900 million (euro 784 million in Generation and Supply, euro 29 million in Distribution and euro 87 million in Structure and Services) (see Note 21).

(2) Includes Investment Property amounting to 55 million euros (51 million euros in Distribution and 4 million euros in Structure and Services) (see Note 22).

Millions of Euros

	31 December 2020									
	Generation and Supply					Distribution	Structure and services	Consolidated adjustments and eliminations	Total	
	Conventional generation	Renewable Generation	Energy supply	Marketing of other products and services	Generation and supply adjustments and eliminations					
Property, plant and equipment ⁽¹⁾	5,022	3,999	123	47	-	9,191	11,983	180	-	21,354
Intangible assets	42	685	342	23	-	1,092	183	124	-	1,399
Goodwill	3	300	58	-	-	361	97	4	-	462
Investments accounted for using the equity method	152	34	-	8	-	194	20	3	-	217
Non-current assets of contracts with customers	-	-	-	-	-	-	-	-	-	-
Trade receivables for sales and services and other receivables	249	220	2,040	100	(536)	2,073	868	862	(995)	2,808
Current assets of contracts with customers	-	-	-	-	-	-	10	-	-	10
Other ⁽²⁾	802	47	154	9	-	1,012	358	9	-	1,379
ASSETS SEGMENTS	6,270	5,285	2,717	187	(536)	13,923	13,519	1,182	(995)	27,629
TOTAL ASSETS										32,062
Non-current Liability Contracts with Customers	-	7	-	-	-	7	4,339	-	(90)	4,256
Non-current provisions	1,981	176	202	16	-	2,375	933	341	55	3,704
Provisions for employee benefits	292	33	40	3	-	368	319	70	-	757
Other non-current provisions	1,689	143	162	13	-	2,007	614	271	55	2,947
Current Liability Contracts with Customers	-	-	-	-	-	-	274	-	-	274
Current provisions	305	14	24	-	-	343	83	51	-	477
Provisions for employee benefits	-	-	-	-	-	-	-	-	-	-
Other current provisions	305	14	24	-	-	343	83	51	-	477
Suppliers and other payables	754	475	1,928	140	(433)	2,864	1,984	1,290	(1,114)	5,024
Other	169	11	6	1	-	187	701	82	(79)	891
LIABILITIES SEGMENTS	3,209	683	2,160	157	(433)	5,776	8,314	1,764	(1,228)	14,626
TOTAL LIABILITIES										32,062

(1) Includes Rights of Use amounting to euro 775 million (euro 649 million in Generation and Supply, euro 28 million in Distribution and euro 98 million in Structure and Services) (see Note 21).

(2) Includes Investment Property amounting to 58 million euros (52 million euros in Distribution and 6 million euros in Structure and Services) (see Note 22).

At 31 December 2021 and 2020 the reconciliation of assets and liabilities by Segment to Total Assets and Total Liabilities in the Consolidated Statement of Financial Position is as follows:

Millions of Euros

	Notes	2021	2020
TOTAL ASSETS		39,968	32,062
Other non-current financial assets	28	580	534
Non-current derivative financial instruments	29	774	169
Deferred tax assets	25	2,362	1,391
Current income tax assets	33	76	426
Other tax assets	33	282	112
Other current financial assets	31	1,817	931
Current derivative financial instruments	29	2,401	467
Cash and cash equivalents	34	703	403
ASSETS SEGMENTS		30,973	27,629
TOTAL LIABILITIES		39,968	32,062
Equity	35	5,544	7,465
Non-current borrowings	37	7,211	5,901
Non-current derivative financial instruments	29	573	236
Other non-current financial liabilities	40	120	1
Deferred tax liabilities	25	1,486	1,053
Current borrowings	37	3,167	1,372
Current derivative financial instruments	29	4,884	404
Other current financial liabilities	40	34	25
Current income tax liabilities	41	333	512
Other tax liabilities	41	452	467
LIABILITIES SEGMENTS		16,164	14,626

8.2.3. Segment reporting: Consolidated Statements of Cash Flows corresponding to the annual periods ended 31 December 2021 and 2020.

Millions of Euros

	2021			
Statement of cash flows	Generation and Supply	Distribution	Structure, services and others ⁽¹⁾	Total
Net cash flows from operating activities	1,837	843	(59)	2,621
Net cash flows from investing activities	(1,395)	(892)	(786)	(3,073)
Net cash flows from financing activities	(511)	48	1,215	752

(1) Structure, Services and Adjustments.

Millions of Euros

	2020			
Statement of cash flows	Generation and Supply	Distribution	Structure, services and others ⁽¹⁾	Total
Net cash flows from operating activities	1,520	1,888	(457)	2,951
Net cash flows from investing activities	(549)	(636)	(541)	(1,726)
Net cash flows from financing activities	(984)	(1,266)	1,205	(1,045)

(1) Structure, Services and Adjustments.

8.3. Information by geographical area.

8.3.1. Geographical area reporting: Parent Company Results, Revenues from Sales and Services to External Customers and Other Operating Revenues to External Customers, by geographical area for the years ended 31 December 2021 and 2020.

Millions of Euros

Country	2021		
	Income of the Parent	Revenue from sales and services	Other operating income
Spain	1,435	17,589	356
Portugal	11	1,194	2
Italy	-	211	-
France	(2)	449	14
Germany	(12)	380	-
Holland	2	61	-
Morocco	1	-	-
United Kingdom	-	293	-
Other	-	350	-
TOTAL	1,435	20,527	372

Millions of Euros

Country	2020		
	Income of the Parent	Revenue from sales and services	Other operating income
Spain	1,368	14,834	324
Portugal	38	1,010	-
Italy	-	192	-
France	(5)	293	8
Germany	2	228	1
Holland	(10)	47	-
Morocco	1	-	-
United Kingdom	-	27	-
Other	-	86	-
TOTAL	1,394	16,717	333

8.3.2. Geographical area reporting : Property, plant and equipment, investment property, intangible assets and goodwill by geographical area as at 31 December 2021 and 2020.

Millions of Euros

	31 December 2021			
	Property, plant and equipment	Investment property	Intangible assets	Goodwill
Spain	21,754	55	1,536	462
Portugal	340	-	6	-
France	3	-	-	-
TOTAL	22,097	55	1,542	462

Millions of Euros

	31 December 2020			
	Property, plant and equipment	Investment property	Intangible assets	Goodwill
Spain	20,989	58	1,392	462
Portugal	361	-	7	-
France	4	-	-	-
TOTAL	21,354	58	1,399	462

9. Revenue.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros

	2021	2020
Revenue from sales and services	20,527	16,717
Other operating income	372	333
TOTAL ⁽¹⁾	20,899	17,050

(1) See Note 8.2.

9.1. Revenue from sales and services.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros		
	2021	2020
Electricity sales	14,423	11,929
Sales to the deregulated market	9,161	8,245
Sales to the Spanish deregulated market	7,962	7,201
Sales to customers in deregulated markets outside Spain	1,199	1,044
Sales at regulated prices	2,608	1,839
Wholesale market sales	2,089 ⁽¹⁾	579
Compensation from Non-mainland Territories (TNP)	565	1,111
Remuneration for investment in renewable energies ⁽²⁾	(25)	135
Other electricity sales	25	20
Gas sales	2,898	1,817
Sales to the deregulated market	2,816	1,764
Sales at regulated prices	82	53
Regulated revenue from electricity distribution	2,059	2,175
Verifications and connections	39	40
Rendering of services at facilities	26	14
Other sales and services rendered	1,077	736
Sales related to Value Added Services	327	296
Proceeds due to capacity	17	20
Sales of other Energy Commodities	482	145
Provision of services and others	251	275
Lease revenue	5	6
TOTAL	20,527 ⁽³⁾	16,717 ⁽⁴⁾

- (1) Includes EUR 186 million relating to the recognition by ENDESA of the right to be compensated for the amount of the internalisation of the carbon dioxide (CO₂) emission allowances assigned free of charge under the National Emission Allowances Allocation Plan (NAP), which it is not legally obliged to pay. Also, ENDESA recognised EUR 73 million of late-payment interest under "Financial Result" in the income statement (see Notes 16.1 and 53).
- (2) Includes, in 2021, a negative adjustment for deviations in the market price in accordance with Royal Decree 413/2014, of 6 June 2014, in the amount of 120 million euros (35 million euros, positive, in 2020).
- (3) Includes Euro 20,265 million relating to revenues from ordinary activities from contracts with customers in 2021, of which Euro 19,659 million correspond to performance obligations that ENDESA fulfils over time and Euro 606 million correspond to performance obligations that ENDESA fulfils at a specific time.
- (4) Includes Euro 16,705 million relating to revenues from ordinary activities from contracts with customers in 2020, of which Euro 16,139 million relate to performance obligations that ENDESA meets over time and Euro 566 million relate to performance obligations that ENDESA meets at any given time.

9.2. Other operating income

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros			
	Notes	2021	2020
Charge to results of customer facilities ceded, Connections extension rights and other liabilities from contracts with customers	27.2	167	164
Grants released to income ⁽¹⁾		48	28
Third party compensation		25	22
Other		132	119 ⁽²⁾
TOTAL ⁽³⁾		372	333

- (1) This relates to Euro 15 million in capital grants and Euro 33 million in operating grants in 2021 (Euro 16 million and Euro 12 million respectively in the financial year 2020). In 2021, it includes recognition of a grant to Empresa Carbonífera del Sur ENCASUR, S.A.U., of Euros 10 million to cover non-recurring costs arising from closure of coal production units under the Spanish Closure Plan for uncompetitive coal mining.
- (2) Includes Euro 44 million to update decommissioning provisions for the Compostilla II (León) - Groups III, IV and V and Teruel (Teruel) Peninsular Thermal Power Plants, the closure of which was authorised by Resolution of June 2020.
- (3) Includes Euro 182 million relating to revenue from ordinary customer contracts during 2020 (Euro 180 million in 2020).

10. Procurements and services

10.1. Power purchases.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros	2021	2020
Electricity	5,402	2,104
Energy stocks	2,201	1,218
TOTAL	7,603	3,322

10.2. Fuel consumption.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros	2021	2020
Energy stocks		
Coal	131	75
Nuclear fuel	107	118
Fuel oil	727	677
Gas	642	230
TOTAL	1,607	1,100

10.3. Other variable procurements and services

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros	2021	2020
Taxes and charges	568	892
Tax on electricity production	151	234
Rate for the treatment of radioactive waste	210	213
Street lighting / works licences	205	172
Nuclear charges and taxes	119	125
Catalonia environmental tax	109	54
Water tax	(299) ⁽¹⁾	30
Other taxes and charges	73	64
"Bono Social" discount rate	80	51
CO ₂ emission rights	689	330
Costs related to Value Added Services	184	164
Other	208	210
TOTAL	1,729	1,647

(1) Includes the refund of Euro 300 million due to the declaration of the unenforceability of the State water tax under the Supreme Court ruling of 19 April 2021 (see Note 16.1).

11. Income and expenses from energy derivatives.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros	Notes	2021	2020
Revenue	43.5		
Revenue from derivatives designated as hedging instruments		1,463	89
Revenue from cash flow hedging derivatives ⁽¹⁾		1,463	89
Income from derivatives at fair value with changes in profit/loss		6,230	536
Revenue from fair value derivatives recognised in the income statement		6,230	536
Total revenue		7,693	625
Expenses	43.5		
Expenses from derivatives designated as hedging instruments		(908)	(308)
Expenses from cash flow hedging derivatives ⁽¹⁾		(908)	(308)
Expenses from derivatives at fair value with changes in profit/loss		(6,242)	(292)
Expenses on from fair value derivatives recognised in the income statement		(6,242)	(292)
Total expenses		(7,150)	(600)
TOTAL		543	25

(1) At 31 December 2021, this includes a Euro 35 million (negative) impact on the income statement due to inefficiencies (Euro 9 million (positive) at 31 December 2020).

12. Personnel expenses

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros			
	Notes	2021	2020
Wages and salaries		677	698
Contributions to pension schemes	38.1	59	(449) ⁽¹⁾
Provisions for workforce restructuring costs		(2)	727
Provisions for collective redundancy procedures	38.2	1	(14)
Provisions for contract suspensions	38.2	(3)	741 ⁽²⁾
Other personnel expenses/employee benefits expense		182	171
TOTAL		916	1,147

(1) Includes income of Euro 515 million recognised as a result of the change to the social benefits arising from the entry into force of the "V ENDESA Framework Collective Bargaining Agreement" (see Note 53).

(2) Includes the provisions for workforce restructuring plans related, among others, to the Decarbonisation Plan and the Digitalisation of Processes for a total amount of Euro 759 million.

Information on average and final headcount is provided in Note 52.

13. Other fixed operating expenses

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros		
	2021	2020
Repairs and maintenance	274	285
Insurance premiums	55	58
Independent professional services and external services	83	92
Leases and levies	22	21
Taxes and charges	112	133
Travel expenses	6	8
Systems and Telecommunications Services.	201	192
Disciplinary Proceedings	11	42
Expenses related to the COVID-19 health crisis.	-	25 ⁽¹⁾
Other	475	495
TOTAL	1,239	1,351

(1) Euro 22 million in 2020, net of tax.

14. Other gains/losses.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros		
	2021	2020
Transfer of optical fibre use rights	-	6
Non-current asset disposals	35	20
Guadarranque photovoltaic facility (San Roque, Cádiz)	30	-
Las Atochas photovoltaic facilities (Paraje El Acebuche-Retamar, Almería)	-	9
and Other ⁽¹⁾	5	11
TOTAL	35	26

(4) Relates to gross capital gains generated by the sale of land and real estate.

On 30 December 2021, ENEL Green Power España, S.L.U. (EGPE) sold the Alboran Solar, S.L.U. Guadarranque photovoltaic solar plant with a net capacity of 12.3 MW, located in the municipality of San Roque (Cádiz). The total price of the sale was Euro 80 million, which had been fully paid, which includes compliance with certain contractual obligations of Euro 10 million, having generated a total gross gain amounting to Euro 30 million (Euro 22 million, net of the tax effect).

On 31 July 2020, ENDESA Energía, S.A.U. sold the assets and contracts with customers relating to the photovoltaic facility Las Atochas located at Paraje El Acebuche-Retamar (Almería), amounting to Euro 17 million, to ENDESA Soluciones, S.L. Subsequently, on 30 November 2020, ENDESA Soluciones, S.L. sold these assets to a third party, generating a total gross gain of Euro 9 million (Euros 7 Million, net of tax effect).

15. Depreciation and amortisation, and impairment losses

15.1. Depreciation and amortisation, and impairment losses on non-financial assets.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros

	Notes	2021	2020
DEPRECIATION AND AMORTISATION		1,529	1,464
Provision for the depreciation of property, plant and equipment	20	1,266	1,221
Provision for amortisation of intangible assets	23	263	243
IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS		668	323
Provision for impairment losses		668	352
Provision for impairment losses on property, plant and equipment and investment property	8.2.1	667	352
Mainland coal-fired thermal power plants	3.2f.4 and 20	4 ⁽¹⁾	10 ⁽¹⁾
Cash-Generating Units (CGUs) in Non-mainland Territories (TNP)	3.2f.4 and 20	652 ⁽²⁾	338 ⁽²⁾
Other property, plant and equipment and investment property	20 and 22	11	4
Provision for impairment losses on intangible assets	8.2.1 and 23	1	-
Reversal for impairment losses		-	(29)
Reversal of impairment losses on property, plant and equipment and investment property	8.2.1	-	(27) ⁽³⁾
Mainland coal-fired thermal power plants	3.2f.4 and 20	-	(27)
Reversal of impairment losses on intangible assets	23	-	(2)
TOTAL		2,197	1,787

(1) Includes the impairment charge for the Los Barrios Port Terminal (Cádiz) amounting to 1 million euros (10 million euros in 2020).

(2) Corresponds to the impairment charge for the Cash Generating Units (CGUs) for each of the Non-Peninsular Territories (NPT) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of 652 million euros (338 million euros in 2020).

(3) Corresponds to the reversal of impairment of non-financial assets (1 million euros) and the update of decommissioning provisions (26 million euros).

15.2. Impairment losses on financial assets.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros

	Notes	2021	2020
Provision for impairment losses	8.2.1 and 43.1.3	294	253
Provision for impairment losses on receivables from contracts with customers		294	253 ⁽¹⁾
Provision for impairment losses on other financial assets		-	-
Reversal for impairment losses	8.2.1 and 43.1.3	(169)	(143)
Reversal of impairment losses on receivables from contracts with customers		(169)	(133)
Reversal of impairment losses on other financial assets		-	(10)
TOTAL		125	110

(1) Includes provision for impairment losses of Euro 50 million for trade receivables related to the impact of the COVID-19 health crisis (see note 5.1).

16. Financial profit/(loss).

16.1. Financial gains/(losses) with no derivative financial instruments

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros

	Notes	2021	2020
Financial income		163	25
Income from financial assets at amortised cost		1	1
Income from Financial Assets and Liabilities at Fair Value through the Income Statement		2	1
Income for workforce restructuring costs	38.2 and 38.2.2	10	-
Other financial income		150 ⁽¹⁾	23
Financial expenses		(177)	(191)
Expenses for financial liabilities at amortised cost	43.5.2	(142)	(137)
Post-employment commitments expense	38.1	(5)	(7)
Expenses for workforce restructuring costs	38.2.1 and 38.2.2	-	(13)
Expenses for other provisions	38.3	(5)	(7)
Capitalised finance costs	3.2 b.1 and 3.2 j.1	5	4
Expenses for impairment losses on other financial assets	43.1.3	3	8
Gains/(losses) on disposal of financial assets	33.1	(27)	(24)
Other financial expenses		(6)	(15)
Exchange gains/(losses)		(6)	12
Gains		47	40
Losses		(53)	(28)
TOTAL		(20)	(154)

(1) Includes late-payment interests in relation to ENDESA's right to be compensated for the reduction of its remuneration as a generating company, in the amount of the internalisation of the CO₂ emission rights allocated free of charge by the National Emissions Allocation Plan (PNA), which it does not have a legal duty to bear, in the amount of Euro 73 million and late-payment interests stemming from the declaration of the unenforceability of the State Water Tax under the Supreme Court ruling of 19 April 2021 in the amount of Euro 48 million (see Notes 9.1, 10.3 and 53).

16.2. Revenue and financial expenses on derivative financial instruments

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros			
	Notes	2021	2020
Revenue	43.5		
Revenue from derivatives designated as hedging instruments		1	1
Revenue from cash flow hedging derivatives		-	-
Revenue from fair value hedging derivatives		1	1
Income from derivatives at fair value with changes in profit/loss		1	2
Income from derivatives at fair value with changes in profit/loss		1	2
Total revenue		2	3
Expenses	43.5		
Expenses from derivatives designated as hedging instruments		(11)	(7)
Expenses from cash flow hedging derivatives		(8)	(9)
Expenses on fair value hedging derivatives		(3)	2
Expenses from derivatives at fair value with changes in profit/loss		(2)	-
Expenses from derivatives at fair value with changes in profit/loss		(2)	-
Total expenses		(13)	(7)
TOTAL		(11)	(4)

17. Net profit/(loss) of companies accounted for using the equity method.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros			
	Notes	2021	2020
Associates	26.1	1	1
Tecnatom, S.A.		(2)	(2)
Boiro Energía, S.A.		(2)	1
Other		5	2
Joint Ventures	26.1	(2)	33
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		(17)	(3)
Front Marítim del Besòs, S.L.		-	(4)
Nuclenor, S.A.		2	25
Énergie Électrique de Tahaddart, S.A.		1	1
Suministradora Eléctrica de Cádiz, S.A.		3	5
Other		9	9
TOTAL		(1)	34

18. Income tax.

During 2021 and 2020, the breakdown of sales on the consolidated income statement is as follows:

Millions of Euros			
	Notes	2021	2020
Current income tax for the year		480	286
Deferred income tax for the year	25	(45)	151
Adjustment of prior years		9	(47)
Income tax provisions		23	(2)
TOTAL		467	388

Reconciliation between accounting profit and income tax expense

The 2021 and 2020 reconciliation of the accounting profit (loss) from continuing activities to the income tax expense is as follows:

Millions of Euros

	2021					
	Income Statement	Rate (%)	Income and expenses directly recognised in equity	Rate (%)	Total	Rate (%)
Profit after tax from continuing operations	1,457	-	(1,451)	-	6	-
Income tax	467	-	(490)	-	(23)	-
Accounting profit/(loss) before tax	1,924	-	(1,941)	-	(17)	-
Theoretical tax	481	25,0	(485)	25,0	(4)	25,0
Permanent differences	26	-	(5)	-	21	-
Dividend exemption limitation	18	-	-	-	18	-
Impact of net gains/losses under the equity method	-	-	(2)	-	(2)	-
Non-deductible provisions	3	-	-	-	3	-
Consolidation adjustments and others	5	-	(3)	-	2	-
Tax credits taken to profit and loss	(45)	-	-	-	(45)	-
Prior years' adjustments and other deferred taxes	(27)	-	-	-	(27)	-
Tax impact in the year	435	-	(490)	-	(55)	-

Millions of Euros

	2020					
	Income Statement	Rate (%)	Income and expenses directly recognised in equity	Rate (%)	Total	Rate (%)
Profit after tax from continuing operations	1,400	-	(203)	-	1,197	-
Income tax	388	-	(76)	-	312	-
Accounting profit/(loss) before tax	1,788	-	(279)	-	1,509	-
Theoretical tax	447	25,0	(70)	25,0	377	25,0
Permanent differences	19	-	(6)	-	13	-
Impact of net gains/losses under the equity consolidated method	(2)	-	-	-	(2)	-
Non-deductible provisions	11	-	-	-	11	-
Consolidation adjustments and others	10	-	(6)	-	4	-
Tax credits taken to profit and loss	(65)	-	-	-	(65)	-
Prior years' adjustments and other deferred taxes	36	-	-	-	36	-
Tax impact in the year	437	-	(76)	-	361	-

Reconciliation of net tax

In 2021 and 2020, the reconciliation of the income tax expense to the net tax from continuing activities is as follows:

Millions of Euros

	Notes	2021		
		Income Statement	Income and expenses directly recognised in equity	Total
Tax impact in the year		435	(490)	(55)
Change in deferred tax	25.1 and 25.2	45	490	535
Net income of continuing operations		480	-	480

Millions of Euros

	Notes	2020		
		Income Statement	Income and expenses directly recognised in equity	Total
Tax impact in the year		437	(76)	361
Change in deferred tax	25.1 and 25.2	(151)	76	(75)
Net income of continuing operations		286	-	286

Details of the income tax expense

The breakdown of the corporation tax expense for 2021 and 2020 is as follows:

Millions of Euros			
	2021		
	Current tax	Change in deferred taxes (Note 25)	Total
Recognition in the income statement, of which:	480	(45)	435
Net income of continuing operations	480	-	480
Deferred taxes	-	(45)	(45)
Depreciation and amortisation of assets	-	(64)	(64)
Employee benefit provisions	-	9	9
Other provisions	-	57	57
From measurement of derivative financial instruments	-	(43)	(43)
Loss carryforwards	-	3	3
Unused tax credits	-	(4)	(4)
Other	-	(3)	(3)
Recognition in equity, of which:	-	(490)	(490)
Employee benefit provisions	-	3	3
From measurement of derivative financial instruments	-	(493)	(493)
Other	-	-	-
Tax impact in the year	480	(535)	(55)

Millions of Euros			
	2020		
	Current tax	Change in deferred taxes (Note 25)	Total
Recognition in the income statement, of which:	286	151	437
Net income of continuing operations	286	-	286
Deferred taxes	-	151	151
Depreciation and amortisation of assets	-	112	112
Employee benefit provisions	-	143	143
Other provisions	-	(120)	(120)
From measurement of derivative financial instruments	-	(5)	(5)
Loss carryforwards	-	8	8
Unused tax credits	-	7	7
Other	-	6	6
Recognition in equity, of which:	-	(76)	(76)
Employee benefit provisions	-	(16)	(16)
From measurement of derivative financial instruments	-	(49)	(49)
Other	-	(11)	(11)
Tax impact in the year	286	75	361

The deductions and tax credits taken to the income statement in 2021 and 2020 were as follows:

Millions of Euros		
	2021	2020
Deductions for investments in new fixed assets in the Canary Islands	19	41
Deductions on charitable gifts	3	11
Credit for the production of tangible movable goods in the Canary Islands	21	10
Credit for income received in Ceuta and Melilla	2	3
Total tax deductions and credits taken to the income statement	45	65

19. Basic and diluted earnings per share.

In 2021 and 2020 the weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share (see Note 3.2r) is as follows:

Number of shares		
	2021	2020
Number of ordinary shares during the year	1,058,752,117	1,058,752,117
Number of parent company shares owned by ENDESA, S.A.	162,458 ⁽¹⁾	82,799
Weighted average number of ordinary shares outstanding	1,058,650,233	1,058,731,417

(1) Includes the acquisition of 79,659 shares in 2021 (see Note 35.1.8).

Basic and diluted earnings per share for 2021 and 2020 are as follows:

Millions of Euros		
	Basic and diluted earnings per share	
	2021	2020
Profit after tax for the period from continuing operations	1,457	1,400
Profit after tax for the period from discontinued operations	-	-
Profit for the period	1,457	1,400
Parent	1,435	1,394
Non-controlling interests	22	6
Weighted average number of ordinary shares outstanding	1,058,650,233	1,058,731,417
Basic earnings per share (Euro)	1.36	1.32
Diluted earnings per share (Euro)	1.36	1.32
Basic earnings per share from continuing operations (Euros)	1.36	1.32
Diluted earnings per share from continuing operations (Euros)	1.36	1.32
Basic earnings per share from discontinued operations (Euros)	-	-
Diluted earnings per share from discontinued operations (Euros)	-	-

20. Property, plant and equipment

At 31 December 2021 and 2020 the composition and movements of this item of the accompanying consolidated statement of financial position were as follows:

Millions of Euros

Property, plant and equipment in use and under construction	Electricity generation facilities							Transmission and distribution facilities ⁽¹⁾	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
	Land	Buildings	Hydroelectric Power Plants	Coal-fired/fuel-oil power plants	Nuclear power plants	Combined cycle plants	Renewable energy plants				
Cost	269	915	3,386	9,009	10,346	3,912	1,985	28,638	22,278	659	54,010
Accumulated depreciation	(15)	(344)	(2,551)	(6,771)	(7,678)	(1,584)	(238)	(18,822)	(10,734)	(424)	(30,339)
Impairment losses	(17)	(34)	(2)	(1,757)	-	(366)	(2)	(2,127)	-	(40)	(2,317)
Balance at 31 December 2020	237	537	833	481	2,668	1,962	1,745	7,689	11,544	195	21,354
Inclusion/(Exclusion) of companies ⁽²⁾	-	-	-	-	-	-	-	-	-	14	14
Investments ^(Note 20.1)	75	8	-	3	41	1	6	51	26	134	2,061
Charges	(11)	(38)	(38)	(415)	(265)	(405)	(102)	(1,225)	(605)	(57)	(1,931)
Depreciation	(11)	(37)	(38)	(63)	(265)	(98)	(97)	(561)	(605)	(52)	(1,266)
Impairment losses	-	(1)	-	(352)	-	(307)	(5)	(664)	-	(5)	(665)
Disposals ⁽³⁾	(7)	(3)	-	-	-	-	(42)	(42)	(1)	(2)	(54)
Transfers and other ⁽⁴⁾	13	260	35	325	160	316	358	1,194	812	30	653
Total changes	70	227	(3)	(87)	(64)	(88)	220	(22)	232	105	743
Cost	349	1,176	3,421	9,336	10,529	4,229	2,288	29,803	23,044	819	56,500
Accumulated depreciation	(25) ⁽⁵⁾	(377)	(2,589)	(6,834)	(7,925)	(1,682)	(316)	(19,346)	(11,268)	(474)	(31,490)
Impairment losses	(17)	(35)	(2)	(2,108)	-	(673)	(7)	(2,790)	-	(45)	(2,913)
Balance at 31 December 2021 ⁽⁶⁾	307	764	830	394	2,604	1,874	1,965	7,667	11,776	300	22,097

(1) Relate to low- and medium-voltage, measuring and remote-control equipment and other facilities

(2) Relates to the acquisition of new companies related with the renewable energy business (see Note 7.1).

(3) Relates mainly to the sale of the Guadarranque photovoltaic facility (see Note 14).

(4) Includes the application to property, plant and equipment of changes to the estimated costs of dismantling the facilities.

(5) Includes depreciation of the right of use asset relating to the land on which some of the renewable generation facilities are located.

(6) Includes Euro 900 million relating to right of use assets (see Note 21).

Millions of Euros

Property, plant and equipment in use and under construction	Electricity generation facilities							Transmission and distribution facilities ⁽¹⁾	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL	
	Land	Buildings	Hydroelectric Power Plants	Coal-fired/fuel-oil power plants	Nuclear power plants	Combined cycle plants	Renewable energy plants					Total
Cost	163	834	3,340	8,626	10,276	3,802	1,855	27,899	21,685	634	1,348	52,563
Accumulated depreciation	(2)	(313)	(2,519)	(6,709)	(7,435)	(1,489)	(172)	(18,324)	(10,215)	(385)	-	(29,239)
Impairment losses	(11)	(31)	(2)	(1,446)	-	(178)	(2)	(1,628)	-	(27)	(298)	(1,995)
Balance at 31 December 2019	150	490	819	471	2,841	2,135	1,681	7,947	11,470	222	1,050	21,329
Inclusion/(Exclusion) of companies ⁽²⁾	-	-	-	-	-	-	-	-	-	(27)	-	(27)
Investments ^(Note 20.1)	101	60	-	1	31	5	9	46	33	21	1,328	1,589
Charges	(16)	(39)	(35)	(376)	(260)	(282)	(86)	(1,039)	(585)	(65)	200	(1,544)
Depreciation	(9)	(37)	(35)	(65)	(260)	(94)	(86)	(540)	(585)	(50)	-	(1,221)
Impairment losses	(7)	(2)	-	(311)	-	(188)	-	(499)	-	(15)	200	(323)
Disposals	-	(11)	-	(1)	-	-	(16)	(17)	-	(13)	(1)	(42)
Transfers and other ⁽³⁾	2	37	49	386	56	104	157	752	626	57	(1,425)	49
Total changes	87	47	14	10	(173)	(173)	64	(258)	74	(27)	102	25
Cost	269	915	3,386	9,009	10,346	3,912	1,985	28,638	22,278	659	1,251	54,010
Accumulated depreciation	(15) ⁽⁴⁾	(344)	(2,551)	(6,771)	(7,678)	(1,584)	(238)	(18,822)	(10,734)	(424)	-	(30,339)
Impairment losses	(17)	(34)	(2)	(1,757)	-	(366)	(2)	(2,127)	-	(40)	(99)	(2,317)
Balance at 31 December 2020 ⁽⁵⁾	237	537	833	481	2,668	1,962	1,745	7,689	11,544	195	1,152	21,354

(1) Relate to low- and medium-voltage, measuring and remote-control equipment and other facilities

(2) Corresponds to the derecognition of assets relating to value-added services as a result of the loss of control over ENDESA Soluciones, S.L. (see Notes 7.1 and 7.2)

(3) Includes the application to property, plant and equipment of changes to the estimated costs of dismantling the facilities.

(4) Includes depreciation of the right of use asset relating to the land on which some of the renewable generation facilities are located.

(5) Includes Euro 775 million relating to right of use assets (see Note 21).

20.1. Main investments and divestments.

Details of investments in Property, Plant and Equipment in 2021 and 2020 are as follows:

Millions of Euros			
	Property, plant and equipment ⁽¹⁾		
	2021	2020	
Generation and Supply	1,228	897	
Conventional generation	440	309	
Renewable Generation	770	551	
Energy supply	1	2	
Marketing of other products and services	17	35	
Distribution	819	614	
Structure, services and Others ⁽²⁾	14	78	
TOTAL	2,061	1,589	

(1) Does not include acquisitions of companies during the period (see Note 7).

(2) Structure, services and adjustments.

20.1.1. Main investments

At 31 December 2021, the COVID-19 health crisis had not caused any significant impact on the start-up dates for the projects envisaged in the investment plan (see Note 5.1).

Generation and Supply.

Conventional generation

In 2021, gross investments in conventional generation include, among others, the recognition of a right of use asset relating to the charter contract of a LNG carrier for the transport of liquefied natural gas (LNG) in the amount of Euro 126 million (see Note 21.1).

Renewable Generation

In 2021, ENDESA, in line with the Paris Agreement on the reduction of carbon dioxide emissions (CO₂) and in accordance with the energy efficiency and energy transition objectives contemplated in the 2022-2024 Strategic Plan, it has invested Euro 635 million in the construction of electricity generation facilities from renewable sources, of which Euro 103 million and Euro 6 million correspond to the companies acquired and/or incorporated in 2021 and 2020, respectively (see Notes 5.2 and 7).

Investments in this activity also include the recognition of a right of use asset corresponding to the land on which certain renewable generation facilities are located in the amount of Euro 72 million.

Marketing of other products and services

ENDESA, through ENDESA X Servicios, S.L.U., has invested Euro 17 million in 2021, mainly in the e-City, e-Home and e-Mobility activities, in the development of other products and services.

Distribution.

Gross investments in distribution related to grid extensions and expenditure aimed at optimising the functioning of the grid for greater efficiency and service quality.

Structure and other.

Gross structural and other investments in 2020 include recognition of a right of use asset corresponding to renewal of the lease agreement on ENDESA's headquarters located at Ribera del Loira (Madrid) in the amount of Euro 57 million (see Note 21.1).

20.1.2. Main divestments.

During 2021, property, plant and equipment disposals amounting to Euro 40 million have been recorded, as a result of the sale of the Guadarranque photovoltaic facility mentioned above (see Note 14).

In 2020, Property, plant and equipment disposals included the transfer of assets negotiated between ENDESA Energía, S.A.U. and ENDESA Soluciones, S.L. amounting to EUR 22 million (see Notes 7.1 and 7.2).

During the financial years 2021 and 2020, there were no significant derecognitions of this item in the Consolidated Statement of Financial Position other than those mentioned in the preceding paragraphs.

20.2. Acquisition commitments.

At 31 December 2021 and 2020, the breakdown of commitments to purchase property, plant and equipment is as follows:

Millions of Euros		
	31 December 2021 ⁽¹⁾	31 December 2020 ^{(1) (2)}
Generation and Supply	853	999
Distribution	206	212
Structure, services and others ⁽³⁾	5	-
TOTAL	1,064	1,211

(1) None of these amounts have been committed to Group companies nor correspond to joint ventures.

(2) At 31 December 2020, it includes Euro 191 million relating to right of use assets.

(3) Structure, services and adjustments.

The commitments relating to generation assets mainly correspond to investments destined to the renewable production park and will materialise, basically, from 2022.

In line with ENDESA's objective of strengthening its presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix in line with its energy transition strategy and its commitment to expand its emission-free generation capacity, at 31 December 2021 it has committed Euro 648 million for investments in property, plant and equipment relating to electricity generation facilities based on renewable sources (Euro 467 million at 31 December 2020) (see Note 5.2).

The commitments relating to distribution assets include investments aimed at expanding or improving the network, with a focus on digitalising the network, reinforcing and increasing the resilience of assets, improving service quality and transforming processes and systems.

20.3. Other information

Co-ownerships

At 31 December 2021 and 2020, property, plant and equipment include the following co-owned assets:

Millions of Euros			
	Co-ownerships		
	% ownership	31 December 2021	31 December 2020
C.B. Vandellós II nuclear power plant	72	804	820
Central Nuclear Ascó II, C.B.	85	600	632
Central Nuclear Almaraz, C.B.	36	323	344
Salto del Navia, C.B.	50	14	13
Central Nuclear Trillo, C.B. ⁽¹⁾	1	10	11

(1) Acquisition by ENDESA Generación, S.A.U. from Nuclenor, S.A. on 29 July 2020 for Euro 11 million (see Note 7.2).

Environmental issues.

In 2021 and 2020, ENDESA's investments and expenses in environmental protection activities were as follows:

Millions of Euros	2021	2020
Annual gross investment	41	61
Cumulative gross investment	1,938	1,897
Annual expenditure	88	238
Depreciation and amortisation, and impairment losses	24	180 ⁽¹⁾
Other expenses	64	58

(1) In 2020 it included impairment losses associated with the As Pontes (A Coruña) and Litoral (Almería) power plants.

Impairment test

A net impairment charge of Euro 665 million and Euro 323 million was recognised in 2021 and 2020, respectively, as follows:

Millions of Euros	Notes	2021	2020
Mainland coal-fired thermal power plants		4	(17) ⁽¹⁾
Cash-Generating Units (CGUs) in Non-mainland Territories (TNP)		652	338
Balears		134	150
Canarias		459	158
Ceuta		28	12
Melilla		31	18
Renewable Assets		9 ⁽²⁾	-
Other		-	2
TOTAL	3.2 f.4, 8.2 and 15	665	323

(1) Includes the impairment charge for the Los Barrios Port Terminal (Cádiz) amounting to 1 million euros (10 million euros in 2020), as well as the impairment charge for other non-financial assets amounting to euros 3 million (euros 1 million, to be reversed in 2020). In 2020, it also includes the update of decommissioning provisions in the amount of 26 million euros.

(2) Includes the impairment losses on the Peña del Gato and Valdesamario wind farms, owned by Energías Especiales del Alto Ulla, S.A.U. (wholly owned by ENEL Green Power España, S.L.U. (EGPE)) in the amount of 6 million euros.

The recoverable value of these assets at 31 December 2021 and 2020 was as follows:

Millions of Euros	31 December 2021 ⁽¹⁾	31 December 2020 ⁽¹⁾
Mainland coal-fired thermal power plants	-	-
Cash-Generating Units (CGUs) in Non-mainland Territories (TNP)	450	1,290
Balears	193	540
Canarias	170	654
Ceuta	58	68
Melilla	29	28

(1) Relates to recoverable value after tax.

In 2021 and 2020, the events giving rise to the main impairment charges were as follows:

- Cash-Generating Units (CGUs) for each of the Non-mainland Territories (TNP) of Balearic Islands, Canary Islands, Ceuta and Melilla.

At 31 December 2021, the recoverable value of the assets of the Non-Peninsular Territories (NPT) of the Balearic Islands, Canary Islands, Ceuta and Melilla has been re-estimated taking into account, among other aspects, the expected situation of the commodities markets (fuel and carbon dioxide (CO₂) emission rights) and the costs expected to be recovered for these items in accordance with the planned regulation, as well as the changes contemplated in the structure of future generation and their effects on thermal generation. As a result, an impairment of the Cash Generating Units (CGUs) has been recorded for each of the Non-Peninsular Territories (NPT) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of 652 million euros (see Notes 3.2.f.4 and 15.1).

At 31 December 2020, the recoverable value of the assets of the Non-mainland Territories (TNPs) of the Balearic Islands, the Canary Islands, Ceuta and Melilla was re-estimated, taking into account, inter alia, the publication dated 7 August 2020 in the Official State Gazette of Order TED/776/2020, 4 August, which reviews the product and logistics prices to be used in the determination of the fuel price and sets a cap

value for the standard installation clearance start-up time applicable to production facilities located in the Non-mainland Territories (TNP) with additional remuneration (see Note 6). As a result of this re-estimation, impairment was recognised for the Cash Generating Units (CGUs) of each of the non-mainland territories of the Balearic Islands, Canary Islands, Ceuta and Melilla for the total sum of Euro 338 million (see Notes 3.2.f.4 and 15).

– Mainland coal-fired thermal power plants

In 2021, the updating of the impairment provision for peninsular coal-fired thermal power plants, in accordance with the decision taken on 27 September 2019 to discontinue their activity, resulted in the recognition of a net charge amounting to Euro 4 million (net reversal amounting to Euro 17 million) (see Notes 3.2 f.4 and 15.1).

The methodology, basic assumptions and sensitivity analysis considered to perform these impairment tests are as indicated in Note 3.2 f.

Insurance.

ENDESA and its subsidiaries have taken out insurance policies to cover the risk of damage to their property, plant and equipment and any claims that could be filed against them in their business activities. The company considers the coverage of these policies to be sufficient. The possible loss of profits that could result from outages at the plants is also covered. In 2021, pay-outs from insurance companies in relation to property damage arising from accidents amounted to Euros 11 million (Euros 7 million in 2020).

Under current legislation in Spain and pursuant to Law 24/2013 of 26 November on the electricity sector, ENDESA is insured for up to Euros 700 million against third-party liability claims for possible nuclear accidents at its plants. Any loss or damage in excess of this amount would be governed by the international conventions to which Spain is a signatory. The nuclear power plants are also insured against damage to their installations (including stocks of nuclear fuel) and machinery breakdowns, with maximum coverage of US dollars 1,500 million for each plant.

However, on 28 May 2011 the Spanish government published Law 12/2011 of 27 May on civil liability for nuclear damage or damage caused by radioactive materials, in addition to broadening the concept of nuclear damage, raises operator liability to Euros 1,200 million, while also allowing operators to cover this liability in several ways. This Regulation entered into force on 1 January 2022, following the joint ratification by the Member States of the Protocols of 12 February 2004, amending the Nuclear Civil Liability Convention (Paris Convention) and the Brussels Convention, complementing the foregoing. The civil nuclear liability coverage arranged by ENDESA has a limit of Euro 1,200 million demanded from 1 January 2022.

In 2021, ENDESA did not find any material impacts in relation to the insurance policies it has taken out (see Note 5.1).

Other information

At 31 December 2021 and 2020, the carrying amount of the thermal power plants on which ENDESA submitted closure authorisation applications to the competent authorities, authorisation for the closure and the provisions to dismantle said plants, recognised under the heading "Non-current provisions" in the consolidated statement of financial position, were as follows:

Millions of Euros

Thermal power plants	Application date	Closure date	31 December 2021		31 December 2020	
			Carrying amount	Provision for decommissioning (Note 38.3)	Carrying amount	Provision for decommissioning (Note 38.3)
As Pontes (A Coruña)	27 December 2019	Pending	-	120	-	116
Littoral (Almería)	27 December 2019	26 November 2021	-	92	-	89
Compostilla II (León) – Generator III, IV and V	19 December 2018	23 September 2020	-	66	-	79
Teruel (Teruel)	19 December 2018	21 July 2020	-	67	-	83
Alcudia (Balearic Islands) – Generators I and II	27 December 2018	30 December 2019	-	33	-	31
TOTAL			-	378	-	398

At 31 December 2021, the “Peña del Gato” and “Valdesamario” wind farms held by Energías Especiales del Alto Ulla, S.A.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE), whose carrying amounts were Euro 52 million euro and 25 million, respectively, were paralysed as a result of the cancellation of the corresponding administrative authorisations. At the date of authorisation for issue of these consolidated financial statements, ENDESA is in the reprocessing both administrative authorisations, which are expected to come into operation in mid-2022 (see Note 53).

Fully depreciated property, plant and equipment still in use at 31 December 2021 and 2020 was as follows:

Millions of Euros

	31 December 2021	31 December 2020
Buildings	195	47
Other property, plant and equipment	274	247
TOTAL ⁽¹⁾	469	294

(1) It does not include Euro 4,627 million and Euro 2,811 million at 31 December 2021 and 2020, respectively, relating to the thermal plants whose closure has been authorised or applied.

At 31 December 2021, property, plant and equipment amounting to Euros 84 million (Euros 79 million at 31 December 2020) had been pledged to secure financing received from third parties (see Notes 35.1.13, 43.4.3 and 50).

21. Right of use.

The breakdown of right of use assets, included under "Property, plant and equipment" in the consolidated statement of financial position at 31 December 2021 and 2020 and of their movements in 2021 and 2020 were as follows:

Millions of Euros

Right of use assets	Land	Buildings	Electricity generating facilities: Combined cycle plants	Other property, plant and equipment	TOTAL
Balance at 31 December 2020	185	118	357	115	775
Additions	75	7	-	131	213
Disposals	(7)	(1)	-	-	(8)
Depreciation and impairment losses	(11)	(14)	(28)	(35)	(88)
Transfers and other ⁽¹⁾	1	-	7	-	8
Balance at 31 December 2021 ⁽²⁾	243	110	336	211	900

(1) Originating from property, plant and equipment under construction.

(2) Allocated to the Iberian Peninsular Generation Cash-Generating Unit (CGU) (Euro 784 million), the Distribution CGU (Euro 29 million) and Other (Euro 87 million) (see Note 8.2).

Millions of Euros

Right of use assets	Land	Buildings	Electricity generating facilities: Combined cycle plants	Other property, plant and equipment	TOTAL
Balance at 31 December 2019	93	86	362	123	664
Additions	101	59	4	18	182
Disposals	-	(9)	-	(1)	(10)
Depreciation and impairment losses	(9)	(18)	(26)	(25)	(78)
Transfers and other ⁽¹⁾	-	-	17	-	17
Balance at 31 December 2020 ⁽²⁾	185	118	357	115	775

(1) Originating from property, plant and equipment under construction.

(2) Allocated to the Iberian Peninsular Generation Cash-Generating Unit (CGU) (Euro 649 million), the Distribution CGU (Euro 28 million) and Other (Euro 98 million) (see Note 8.2).

In 2021 and 2020, the effect of right of use assets on the consolidated income statement is as follows:

Millions of Euros

	Notes	2021	2020
Depreciation charge for right of use assets		88	78
Interest expenses on borrowings associated with rights of use		44	24
Financial expense	16	33	33
Exchange gains/(losses)		11	(9)
Expenses relating to short-term leases and/or low-value assets ⁽¹⁾		-	2
Expenses relating to variable payments in leases		2	-
Total effect on the Consolidated Income Statement		134	104

(1) Leases expiring in the 12 months following first time application and/or when the value of the underlying assets is less than USD 5,000.

21.1. Rights of use as lessee.

At 31 December 2021, the most significant leases signed by ENDESA where it acts as lessor are as follows:

Contracts	Company	Duration	Description
Tolling contract with Elecgas, S.A. (a company in which ENDESA Generación, S.A.U. holds a 50% stake).	ENDESA Generación, S.A.U.	For 25 years, of which 14 years remain.	Availability to ENDESA Generación, S.A.U. of the entire production capacity of its plant and commitment to transform the gas supplied into electricity in exchange for a financial charge.
Leases for office buildings.	Edistribución Redes Digitales, S.L.U.	Approximately 6 years.	Lease of office buildings, mostly located in Barcelona, Lleida and Zaragoza.
Lease contract for ENDESA's head office, located in Ribera del Loira (Madrid).	ENDESA Medios y Sistemas, S.L.U.	Until 2030.	Lease for ENDESA's head office (Madrid).
Lease contracts for the right to use the land where certain renewable generation facilities are located.	Renewable energy companies.	Expiries from 2022 to 2080.	Long term agreements, with automatic renewal clauses with consideration set via a combination of an amount according to capacity installed (MW) and, in some cases, production (GWh).
Charter contracts for the transport of liquefied natural gas (LNG).	ENDESA Energía, S.A.U.	8 years.	Contracts for the chartering of LNG carriers for the transport of liquefied natural gas (LNG) purchases.
Leases for technical equipment.	Renewable, utility and thermal generation companies.	Expiries from 2022 to 2024.	Contracts for the coverage of specific services available according to operational requirements.
Vehicle lease agreements	Renewable, utility and supply companies.	Annual expiries extendable for an additional year.	Vehicle fleet.

In general, the amount of leases with purchase options coincides with the amount of the last instalment.

During the year ended 31 December 2021, ENDESA did not modify, renegotiate or cancel clauses contained in those lease arrangements in which it acts as lessee hence, consequently, modifications were not made to either the asset for the right of use that represents the right to use the leased asset or the liability that represents the present value of the obligation to make lease payments during its term (see Note 5.1).

21.2. Rights of use as lessor.

Finance leases.

At 31 December 2021 and 2020, ENDESA had entered into no finance lease agreements where it acts as lessor.

Operating leases.

At 31 December 2021, the most significant operating lease agreements in which ENDESA acts as the lessor are those that ENDESA X Servicios, S.L.U. has formalised relating to contracts with third parties, corresponding mainly to value added products and services.

Future collections on operating lease agreements at 31 December 2021 and 2020 are as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Less than one year	3	2
Between one year and two years	3	4
Between one and three years	3	2
Between three and four years	2	2
Between four and five years	2	1
More than five years	6	4
TOTAL	19	15

Rental income recognised in 2021 totalled Euro 5 million (Euro 6 million in 2020) (see Note 9.1).

During the year ended 31 December 2021, ENDESA did not modify, renegotiate or cancel clauses contained in those lease arrangements in which it acts as lessor (see Note 5.1).

22. Investment property

At 31 December 2021 and 2020 the composition and movements of this item of the accompanying consolidated statement of financial position were as follows:

Millions of Euros		
	2021	2020
Opening balance	58	61
Impairment losses (Note 15)	(2)	(2)
Disposals due to sale (1)	(1)	-
Other	-	(1)
Closing balance	55	58

(1) Relates to the sale of land, having generated a capital gain of less than Euro 1 million.

22.1. Other information

Insurance.

ENDESA has taken out insurance policies to cover the risk of damage to its investment property and any claims that could be filed against it in its business activities. The Group considers that coverage provided by these policies is sufficient.

In 2021, ENDESA did not find any material impacts in relation to the insurance policies it has taken out (see Note 5.1).

Other information

The market value of investment properties at 31 December 2020 was Euro 55 million (Euro 60 million at 31 December 2020) (see notes 3.2c and 47.2).

At 31 December 2021 and 2020, none of the investment properties were fully depreciated and there were no restrictions on their sale.

Direct expenses recognised in the 2021 and 2020 consolidated income statements for investment property were not material.

At 31 December 2021 and 2020, ENDESA held no contractual obligations to purchase, build or develop any investment property, or any obligations concerning repairs, maintenance and improvements for a material amount.

23. Intangible assets

At 31 December 2021 and 2020 the composition and movements of this item of the accompanying consolidated statement of financial position were as follows:

Millions of Euros

	Software	Concessions	Cost of customer acquisition	Other	TOTAL
Cost	1,843	65	337	930	3,175
Accumulated depreciation	(1,341)	(28)	(171)	(232)	(1,772)
Impairment losses	-	(4)	-	-	(4)
Balance at 31 December 2020	502	33	166	698	1,399
Additions/(Reductions) of companies (Note 7.1)	-	-	-	85	85
Investments (Note 23.1)	156	-	157	15	328
Charges	(130)	(2)	(82)	(50)	(264)
Depreciation	(130)	(2)	(82)	(49)	(263)
Impairment losses	-	-	-	(1)	(1)
Disposals	-	-	-	(1)	(1)
Transfers and other	(5)	-	-	-	(5)
Total changes	21	(2)	75	49	143
Cost	1,991	65	495	1,023	3,574
Accumulated depreciation	(1,468)	(30)	(254)	(275)	(2,027)
Impairment losses	-	(4)	-	(1)	(5)
Balance at 31 December 2021	523	31	241	747⁽¹⁾	1,542

(1) Includes the authorisations for the operation of wind farms of ENEL Green Power España, S.L.U. (EGPE) and customer portfolios acquired, for Euro 691 million and Euro 16 million, respectively.

Millions of Euros

	Software	Concessions	Cost of customer acquisition	Other	TOTAL
Cost	1,730	104	240	885	2,959
Accumulated depreciation	(1,220)	(27)	(112)	(184)	(1,543)
Impairment losses	-	(41)	-	-	(41)
Balance at 31 December 2019	510	36	128	701	1,375
Additions/(Reductions) of companies (Note 7.1)	-	-	-	46	46
Investments (Note 23.1)	130	-	98	6	234
Charges	(126)	-	(60)	(55)	(241)
Depreciation	(126)	(2)	(60)	(55)	(243)
Impairment losses	-	2	-	-	2
Disposals	-	(3)	-	-	(3)
Transfers and other	(12)	-	-	-	(12)
Total changes	(8)	(3)	38	(3)	24
Cost	1,843	65	337	930	3,175
Accumulated depreciation	(1,341)	(28)	(171)	(232)	(1,772)
Impairment losses	-	(4)	-	-	(4)
Balance at 31 December 2020	502	33	166	698⁽¹⁾	1,399

(1) Includes the authorisations for the operation of wind farms of ENEL Green Power España, S.L.U. (EGPE) and customer portfolios acquired, for Euro 646 million and Euro 19 million, respectively.

23.1. Main investments and divestments.

23.1.1. Main investments

Details of investments in intangible assets in 2021 and 2020 are as follows:

Millions of Euros

	Intangible investments ⁽¹⁾	
	2021	2020
Generation and Supply	274	185
Conventional generation	22	12
Renewable Generation	19	14
Energy supply	194	139
Marketing of other products and services	39	20
Distribution	34	22
Structure, services and others ⁽²⁾	20	27
TOTAL	328	234

(1) Does not include acquisitions of companies during the period (see Note 7).

(2) Structure, services and adjustments.

In 2021, ENDESA renewed and strengthened its commitment to the enhancement and advancement of its digitalisation strategy, which is increasingly geared towards achieving its strategic objectives of decarbonisation, electrification of demand and more efficient grids (see Note 5.2).

Gross investments in intangible assets mainly relate to IT applications and ongoing investments in ICT activities in all business lines in the sum of Euro 156 million and to the capitalisation of incremental costs incurred from the obtainment of customer contracts for Euro 157 million (Euro 130 million and Euro 98 million, respectively, in 2020).

ENDESA intends to continue supporting and encouraging the development of its innovation model, partly through specific projects for internal dissemination and through the creation of specific tools aimed at identifying, verifying, protecting and conserving all the valuable information generated at ENDESA according to the Open Innovability® model.

23.1.2. Main divestments.

During the financial years 2021 and 2020 there were no derecognitions, for a significant amount, in this item of the consolidated statement of financial position.

23.2. Acquisition commitments.

At 31 December 2021 and 2020, the breakdown of commitments to purchase intangible assets, mainly software, is as follows:

Millions of Euros

	31 December 2021 ⁽¹⁾	31 December 2020 ⁽¹⁾
Generation and Supply	14	17
Distribution	-	-
Structure, services and others ⁽²⁾	5	2
TOTAL	19	19

(1) None of these amounts have been committed to Group companies nor correspond to joint ventures.

(2) Structure, services and adjustments.

23.3. Other information

Additions/reductions of companies.

In 2021 and 2020, as a result of the acquisition of companies for the development of the renewables business, "Other" increased by Euro 85 million and Euro 46 million, respectively, due to the allocation of the purchase price to intangible assets relating mainly to the licences acquired for the development of wind and photovoltaic projects (see Note 7.1).

Impairment test

In 2021, no material impairment losses were recognised under this heading in the consolidated statement of financial position.

During 2020, an impairment loss reversal amounting to Euro 2 million was recognised, which mainly related to a provision set aside during prior years for the Distribuidora Eléctrica del Puerto de la Cruz, S.A.U. concession, arising from an increase in forecasted cash flows (see Notes 8.2 and 15). The recoverable amount of this concession at 31 December 2020 totalled Euro 50 million.

Other information

Fully amortised intangible assets still in use had a cost of Euros 214 million at 31 December 2021 (Euros 67 million at 31 December 2020).

24. Goodwill

At 31 December 2021 and 2020 the composition and movements of this item of the accompanying consolidated statement of financial position were as follows:

Millions of Euros

	Balance at 31 2021	Balance at 31 2020
ENEL Green Power España, S.L.U. (EGPE) ⁽¹⁾	296	296
Eléctrica del Ebro, S.A.U. ⁽²⁾	2	2
Empresa de Alumbrado Eléctrico de Ceuta, S.A. ⁽²⁾	21	21
Systems and telecommunication activity (ICT) ⁽³⁾	143	143
TOTAL	462	462

⁽¹⁾ Assigned to the Iberian Peninsular Generation Cash-Generating Unit (CGU) (see Note 8.2).
⁽²⁾ Assigned to the Generation Cash-Generating Unit (CGU) (see Note 8.2).
⁽³⁾ Assigned to the Iberian Peninsular Generation Cash-Generating Unit (CGU) (Euro 65 million), the Distribution CGU (Euro 74 million) and ENDESA, S.A. (Euro 4 million) (see Note 8.2).

24.1. Other information

Impairment test

At 31 December 2021, ENDESA assessed the recoverability of this goodwill, for which it performed an impairment test on the Cash Generating Units (CGUs) to which these assets were assigned. The basic methodology, assumptions and sensitivity analysis considered to perform these impairment tests are indicated in Note 3.2 f.

25. Deferred tax assets and liabilities

25.1. Deferred tax assets and liabilities

During 2021 and 2020 the origin and movement of deferred tax assets and liabilities recognised in both years, as well as deferred tax assets and liabilities recognised that are not eligible for offset, are as follows:

Millions of Euros

	Deferred tax assets and liabilities			
	Balance at 31 December 2020	(Debit) / credit Profit and loss (Note 18)	(Debit) / credit to equity (Note 18)	Balance at 31 December 2021
Deferred tax assets:				
Depreciation and amortisation of assets	382	22	-	405
Provisions for employee benefits	301	(9)	(3)	296
Other provisions	520	(57)	-	441
From measurement of derivative financial instruments	87	43	992	1,115
Loss carryforwards	17	(3)	-	14
Unused tax credits	19	4	-	23
Other	65	8	-	68
TOTAL	1,391	8	989	2,362
Deferred tax liabilities:				
Depreciation and amortisation of assets	750	(42)	-	717
From measurement of derivative financial instruments	72	-	499	561
Other	231	5	-	208
TOTAL	1,053	(37)	499	1,486
Deferred tax assets not eligible for offset				1,124
Deferred tax liabilities not eligible for offset				248
Deferred tax eligible for offset				1,238

Millions of Euros

	Deferred tax assets and liabilities			
	Balance at 31 December 2019	(Debit) / credit Profit and loss (Note 18)	(Debit)/credit Equity (Note 18)	Balance at 31 December 2020
Deferred tax assets:				
Depreciation and amortisation of assets	503	(129)	-	382
Provisions for employee benefits	428	(143)	16	301
Other provisions	403	120	-	520
From measurement of derivative financial instruments	55	7	28	87
Loss carryforwards	25	(8)	-	17
Unused tax credits	26	(7)	-	19
Other	74	(3)	-	65
TOTAL	1,514	(163)	44	1,391
Deferred tax liabilities:				
Depreciation and amortisation of assets	759	(17)	-	750
From measurement of derivative financial instruments	94	2	(21)	72
Other	234	3	(11)	231
TOTAL	1,087	(12)	(32)	1,053
Deferred tax assets not eligible for offset				604
Deferred tax liabilities not eligible for offset				266
Deferred tax eligible for offset				787

Recovery of the deferred tax assets depends on the generation of sufficient taxable profits in the future. At the date of authorisation for issue of these consolidated financial statements, the recovery of ENDESA's deferred tax assets has not been affected by the situation generated by the COVID-19 pandemic and the Parent's directors consider that the projected future profits of ENDESA's companies cover those necessary to recover these assets (see Note 5.1).

At 31 December 2021 and 2020, there are recognised deferred taxes related to tax losses awaiting recognition amounting to Euros 14 million and Euros 10 million, respectively.

At 31 December 2021, there were deferred tax assets corresponding to tax loss carryforwards liable to be offset by future profits in the amount of Euros 14 million (Euros 17 million at 31 December 2020).

At 31 December 2021 and 2020 the breakdown of the deferred tax assets corresponding to unused tax credits available for use against future profits and the final year they may be utilised are as follows:

Millions of Euros		
Year	31 December 2021	31 December 2020
2028	-	5
No time limit	23	14
TOTAL	23	19

At 31 December 2021 and 2020, there are no deferred tax liabilities not recognised in the consolidated statement of financial position associated with investments in subsidiaries, associates and jointly controlled entities where ENDESA can control the reversal thereof and it is probable that they will not reverse in the foreseeable future.

25.2. Other information

Realisation of deferred tax assets and liabilities.

The estimated deferred tax assets and liabilities recognised on the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Deferred tax assets	2,362	1,391
Realisable in one year	1,003	282
Realisable in over a year	1,359	1,109
Deferred tax liabilities	1,486	1,053
Realisable in one year	492	91
Realisable in over a year	994	962

26. Investments accounted for using the equity method and jointly-controlled entities

26.1. Investments accounted for using the equity method

Details of this heading in the accompanying consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Associates	80	87
Joint Ventures	100	130
TOTAL	180	217

The full list of investees over which ENDESA has significant influence is provided in Appendix I of these consolidated financial statements. These companies do not have publicly listed share prices.

At 31 December 2021 and 2020 there were no significant restrictions imposed on the capacity of associates or joint ventures to transfer funds to ENDESA in the form of cash dividends, or repay loans or advances made by ENDESA (see Note 35.1.13).

ENDESA did not have any significant contingent liabilities related to associates or joint ventures at 31 December 2021 and 2020.

Loans and guarantees granted to associates and joint ventures at 31 December 2021 and 2020, as well as related transactions therewith in 2021 and 2020 are detailed in Notes 43.1 and 49.2.

At 31 December 2021 and 2020 the detail and movements of this item of the accompanying consolidated statement of financial position were as follows:

Millions of Euros

	Percentage % (1)	Balance at 31 December 2020	Inclusion/(Exclusion) of companies (2)	Investments or increases	Disposals or reductions	Share of profit/(loss) of equity- accounted investees	Dividends	Transfers and other	Balance at 31 December 2021
Associates		87	2	1	(3)	1	(4)	(4)	80
Tecnatom, S.A.	45.0	29	-	-	-	(2)	-	-	27
Elcogas, S.A. (in liquidation)	41.0	-	-	-	-	-	-	-	-
Gorona del Viento El Hierro, S.A.	23.2	12	-	-	-	1	-	-	13
Boiro Energía, S.A.	40.0	10	-	-	-	(2)	(1)	-	7
Compañía Eólica Tierras Altas, S.A.	37.5	8	-	-	-	1	(1)	-	8
ENDESA Soluciones, S.L.	20.0	8	-	-	(3)	-	-	-	5
Other		20	2	1	-	3	(2)	(4)	20
Joint Ventures		130	-	-	(4)	(2)	(34)	10	100
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	43.8	45	-	-	-	(17)	(16)	-	12
Front Marítim del Besòs, S.L.	61.4	33	-	-	-	-	-	-	33
Nuclenor, S.A.	50.0	-	-	-	-	2	-	(2)	-
Énergie Électrique de Tahaddart, S.A.	32.0	22	-	-	(4)	1	(2)	1	18
Suministradora Eléctrica de Cádiz, S.A.	33.5	13	-	-	-	3	(5)	(1)	10
Other		17	-	-	-	9	(11)	12	27
TOTAL		217	2	1	(7)	(1)	(38)	6	180

(1) Percentage at 31 December 2021.

(2) Includes investments in the companies Ateca Renovables, S.L., Terrer Renovables, S.L., Infraestructuras San Serván 220, S.L., Monte Reina Renovables, S.L., Toro Renovables 400 KV, S.L., Lucas Sostenible, S.L. and Solana Renovables, S.L. (see Notes 7.2 and 7.3.2).

Millions of Euros

	Percentage % (1)	Balance at 31 December 2019	Inclusion/(excl usion) of companies	Investment s o Increases	Disposals or reductions	Share of profit/(loss) of equity- accounted investees	Dividends	Transfers and other	Balance at 31 December 2020
Associates		81	6	2	-	1	(3)	-	87
Tecnatom, S.A.	45.0	31	-	-	-	(2)	-	-	29
Elcogas, S.A.	41.0	-	-	-	-	-	-	-	-
Gorona del Viento El Hierro, S.A.	23.2	12	-	-	-	-	-	-	12
Boiro Energía, S.A.	40.0	9	-	-	-	1	-	-	10
Compañía Eólica Tierras Altas, S.A.	37.5	9	-	-	-	-	(1)	-	8
ENDESA Soluciones, S.L.	20.0	-	6	2	-	-	-	-	8
Other		20	-	-	-	2	(2)	-	20
Joint Ventures		151	-	-	(3)	33	(25)	(26)	130
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	43.8	57	-	-	-	(3)	(9)	-	45
Front Marítim del Besòs, S.L.	61.4	37	-	-	-	(4)	-	-	33
Nuclenor, S.A.	50.0	-	-	-	-	25	-	(25)	-
Énergie Électrique de Tahaddart, S.A.	32.0	26	-	-	(3)	1	(2)	-	22
Suministradora Eléctrica de Cádiz, S.A.	33.5	11	-	-	-	5	(3)	-	13
Other		20	-	-	-	9	(11)	(1)	17
TOTAL		232	6	2	(3)	34	(28)	(26)	217

(1) Percentage at 31 December 2020

Associates

Information at 31 December 2021 and 2020 taken from the financial statements of the main jointly-controlled entities, used to prepare the accompanying consolidated financial statements is as follows:

Millions of Euros

Consolidated Statement of Financial Position												
	Tecnatom, S.A.		Elcogas, S.A. (in liquidation)		Gorona del Viento El Hierro, S.A.		Boiro Energía, S.A.		Compañía Eólica Tierras Altas, S.A.		ENDESA Soluciones, S.L.	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Non-current assets	61	60	-	-	70	73	5	6	19	21	36	37
Current assets	58	58	16	18	15	11	27	25	6	3	22	38
Cash and cash equivalents	18	14	15	17	14	10	12	8	4	2	13	33
Other current assets	40	44	1	1	1	1	15	17	2	1	9	5
Total assets	119	118	16	18	85	84	32	31	25	24	58	75
Equity	69	62	(113)	(113)	54	52	17	24	20	20	27	44
Non-current liabilities	24	23	129	129	29	30	13	5	2	2	20	22
Non-current borrowings	23	22	129	129	29	-	-	-	-	-	20	22
Other non-current liabilities	1	1	-	-	-	30	13	5	2	2	-	-
Current liabilities	26	33	-	2	2	2	2	2	3	2	11	9
Current borrowings	9	9	-	-	-	-	-	-	-	-	6	2
Other current	17	24	-	2	2	2	2	2	3	2	5	7
Total equity and liabilities	119	118	16	18	85	84	32	31	25	24	58	75

Millions of Euros

Income Statement												
	Tecnatom, S.A.		Elcogas, S.A. (in liquidation)		Gorona del Viento El Hierro, S.A.		Boiro Energía, S.A.		Compañía Eólica Tierras Altas, S.A.		ENDESA Soluciones, S.L.	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	97	78	-	5	9	8	9	16	13	8	18	15
Depreciation and amortisation, and impairment losses	(7)	(8)	-	-	(3)	(3)	(1)	(1)	(3)	(3)	(6)	(5)
Financial income	2	-	-	-	-	-	-	-	1	-	-	-
Financial expense	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax	7	(5)	-	5	3	1	(4)	2	4	-	-	2
Corporate income tax	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Profit/(loss) from continuing operations	7	(5)	-	5	3	1	(4)	2	3	-	-	1
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive	7	(5)	-	5	3	1	(4)	2	3	-	-	1

These figures correspond to information on the individual companies, except for Tecnatom, S.A. which correspond to their consolidated financial statements.

ENDESA Soluciones, S.L.

On 22 March 2021, the Board of Directors of ENDESA Soluciones, S.L. resolved to refund shareholders their contributions, in accordance with their stake therein, with an amount of Euro 3 million corresponding to ENDESA (see Note 48.3).

Joint ventures.

Information at 31 December 2021 and 2020 taken from the financial statements of the main joint ventures, used to prepare the accompanying consolidated financial statements, is as follows:

Millions of Euros

Consolidated Statement of Financial Position										
	Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		Front Marítim del Besòs, S.L.		Nucenor, S.A.		Énergie Électrique de Tahaddart, S.A.		Suministradora Eléctrica de Cádiz, S.A.	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Non-current assets	34	82	-	-	7	7	49	62	64	67
Current assets	106	128	137	136	19	47	21	19	36	32
Cash and cash equivalents	79	60	-	1	1	2	13	10	28	15
Other current assets	27	68	137	135	18	45	8	9	8	17
Total assets	140	210	137	136	26	54	70	81	100	99
Equity	102	155	136	135	(11)	4	57	70	29	35
Non-current liabilities	24	21	-	-	15	17	3	5	23	19
Non-current borrowings	-	-	-	-	-	-	3	5	7	7
Other non-current liabilities	24	21	-	-	15	17	-	-	16	12
Current liabilities	14	34	1	1	22	33	10	6	48	45
Current borrowings	-	-	-	-	-	-	-	-	11	17
Other current liabilities	14	34	1	1	22	33	10	6	37	28
Total equity and liabilities	140	210	137	136	26	54	70	81	100	99

Millions of Euros

Income Statement										
	Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		Front Marítim del Besòs, S.L.		Nucenor, S.A.		Énergie Électrique de Tahaddart, S.A.		Suministradora Eléctrica de Cádiz, S.A.	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	126	114	-	-	1	33	36	33	14	25
Depreciation and	(49)	(51)	-	-	(16)	(29)	(15)	(15)	(2)	(3)
Financial income	-	-	-	-	1	1	-	-	-	-
Financial expense	-	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax	(7)	17	-	(17)	(17)	-	6	5	10	21
Corporate income tax	(9)	(10)	-	-	-	-	(2)	(2)	(2)	(7)
Profit/(loss) from continuing operations	(16)	7	-	(17)	(17)	-	4	3	8	14
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-
Other comprehensive	-	-	-	-	1	2	-	-	-	-
Total comprehensive	(16)	7	-	(17)	(16)	2	4	3	8	14

Details of these joint ventures' equity correspond to information on the individual companies.

Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.

In 2021 and 2020, the results of the 43.75% interest in Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. include losses associated with the termination of the activity of the coal-fired power plant, as well as the regularization of accounts receivable.

Énergie Électrique de Tahaddart, S.A.

On 24 June 2021, the shareholders of Énergie Électrique de Tahaddart, S.A. resolved to perform a capital reduction of 20% at the company, refunding shareholders their contributions, in accordance with their stake therein, with an amount of Euro 4 million corresponding to ENDESA (see Note 48.3).

Front Marítim del Besòs, S.L.

Reconciliation of the carrying amount of the stake in Front Marítim del Besòs, S.L. along with financial information concerning the Company at 31 December 2021 and 2020, is as follows:

Millions of Euros	31 December 2021	31 December 2020
Equity of the company	136	135
Share in equity (61.37%)	83	83
Loss ⁽¹⁾	(50)	(50)
Equity-accounted investment	33	33

(1) Elimination of the result generated in ENDESA Generación, S.A.U., in proportion to its percentage shareholding for the contribution to the Company of certain land it owned at the Tres Chimeneas site in Sant Adrià de Besòs (Barcelona).

Remaining companies

At 31 December 2021 and 2020 the aggregate information in the financial statements for the remaining associates and joint ventures considered individually to not be relevant is as follows:

Millions of Euros	Associates		Joint Ventures	
	2021	2020	2021	2020
Profit/(loss) from continuing operations	8	5	18	22
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other comprehensive income	(5)	-	19	-
Total comprehensive income	3	5	37	22

26.2. Jointly-controlled entities

At 31 December 2021 and 2020 information taken from the financial statements of the main jointly-controlled entities, used to prepare the accompanying consolidated financial statements is as follows:

Millions of Euros	Consolidated Statement of Financial Position			
	Asociación Nuclear Ascó-Vandellós II, A.I.E.		Minglanilla Renovables 400KV, A.I.E. (Note 7.3.1)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Non-current assets	84	141	1	-
Current assets	121	117	4	-
Cash and cash equivalents	-	-	2	-
Other current assets	121	117	2	-
Total assets	205	258	5	-
Equity	16	16	1	-
Non-current liabilities	107	168	-	-
Non-current borrowings	-	-	-	-
Other non-current liabilities	107	168	-	-
Current liabilities	82	74	4	-
Current borrowings	-	-	-	-
Other current liabilities	82	74	4	-
Total equity and liabilities	205	258	5	-

Millions of Euros	Income Statement			
	Asociación Nuclear Ascó-Vandellós II, A.I.E.		Minglanilla Renovables 400KV, A.I.E. (Note 7.3.1)	
	2021	2020	2021	2020
Revenue	195	237	-	-
Depreciation and amortisation, and impairment losses	-	-	-	-
Financial income	-	1	-	-
Financial expense	(1)	(2)	-	-
Income before tax	(20)	21	-	-
Income tax	-	-	-	-
Profit/(loss) from continuing operations	(20)	21	-	-
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other comprehensive income	22	(21)	-	-
Total comprehensive income	2	-	-	-

The breakdown of cash flows generated by jointly-controlled entities in the years ended 31 December 2021 and 2020 is as follows:

Millions of Euros		
	2021	2020
Net cash flows from operating activities	(56)	4
Net cash flows from investing activities	56	(5)
Net cash flows from financing activities	-	-

At 31 December 2021 and 2020, ENDESA has not incurred any significant contingent liabilities related to the jointly-controlled entities.

27. Assets and liabilities from contracts with customers..

During the financial years 2021 and 2020 the movement in this caption of the accompanying consolidated statement of financial position were as follows were as follows:

Millions of Euros					
	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Assets from contracts with customers	27.1	-	6	-	10
Liabilities from contracts with customers	27.2	4,284	270	4,256	274

27.1. Current and non-current assets of contracts with customers.

In 2021 and 2020 the movements in current assets from contracts with customers of the consolidated statement of financial position was as follows:

Millions of Euros		
	2021 ⁽¹⁾	2020 ⁽¹⁾
Opening balance	10	14
Amount taken to income	63	64
Disposals	(67)	(68)
Closing balance	6	10

(1) Net amount, includes value adjustment of Euro 1 million in both years (see Note 43.1.3).

At 31 December 2021 and 2020, the current assets of contracts with customers mainly correspond to contracts for the execution of works formalised between ENDESA Ingeniería, S.L.U. and Red Eléctrica de España, S.A.U. (REE) which will be in force until 2025. In 2021, these assets generated income of Euro 40 million, recognised under Revenues from Sales and Services rendered in the consolidated income statement (Euro 37 million in 2020).

At 31 December 2021 ENDESA has future service commitments in place for the amount of Euro 25 million relating to contracts for the execution of works arranged with Red Eléctrica de España, S.A.U. (REE) (Euro 28 million at 31 December 2020) (see Note 50).

27.2. Current and non-current liabilities of contracts with customers.

At 31 December 2021 and 2020 the composition and movements non-current liabilities from contracts with customers of the consolidated statement of financial position were as follows:

Millions of Euros			
	Facilities transferred by customers and extension rights	Other non-current liabilities from contracts with customers	Total
Balance at 31 December 2019	4,230	73	4,303
Additions	127	4	131
Amount taken to income	-	-	-
Transfers to current and other	(172)	(6)	(178)
Balance at 31 December 2020	4,185	71	4,256
Additions	199	4	203
Amount taken to income	-	-	-
Transfers to current and other	(161)	(14)	(175)
Balance at 31 December 2021	4,223	61	4,284

At 31 December 2021 and 2020, this heading mainly includes the following items:

- **Facilities ceded from customers** corresponds to the valuation of distribution facilities ceded by customers and the revenue received from third parties other than official bodies, and income from extension and connection rights necessary to handle requests for new services, or to extend existing ones.
- Connections extension rights related to new installation extensions which the distributor must make in accordance with requested voltage and power, within legally-established limits, which are necessary to allow for new supply and extensions to the existing grid.

In 2021 and 2020 the movements in current liabilities from contracts with customers of the consolidated statement of financial position was as follows:

Millions of Euros			
	Notes	2021	2020
Opening balance		274	267
Amount taken to income	9.2	(167)	(164)
Transfers and other		163	171
Closing balance		270	274

At 31 December 2021 and 2020, this heading includes the current portion of the items described above.

28. Other non-current financial assets.

During the financial years 2021 and 2020 the composition and movement in this caption of the accompanying consolidated statement of financial position were as follows:

Millions of Euros							
	Balance at 31 December 2020	Additions or charges	Disposals, derecognition or reductions	Valuation adjustments recognised in equity	Transfers and other	Changes in consolidation scope	Balance at 31 December 2021
Loans and receivables	551	41	(36)	-	39	-	595
Equity instruments	9	-	-	-	(1)	-	8
Impairment losses	(26)	-	3	-	-	-	(23)
TOTAL	534	41	(33)	-	38	-	580

Millions of Euros							
	Balance at 31 December 2019	Additions or charges	Disposals, derecognition or reductions	Valuation adjustments recognised in equity	Transfers and other	Changes in consolidation scope	Balance at 31 December 2020
Loans and receivables	558	15	(14)	-	(7)	(1)	551
Equity instruments	8	1	-	-	-	-	9
Impairment losses	(30)	-	-	-	4	-	(26)
TOTAL	536	16	(14)	-	(3)	(1)	534

Details of other non-current financial assets, by maturity, at 31 December 2021 and 2020 are as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Between 1 and 3 years	28	24
Between 3 and 5 years	11	11
More than five years	541	499
TOTAL	580	534

28.1 Loans and receivables.

Details of loans and other receivables at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021	31 December 2020
Guarantee deposits		441	443
Loans to employees		36	27
Loans to Associated Companies, Joint Ventures and Joint Operating Companies	49.2	58	59
Remuneration for investment in renewable energies	6	-	1
Other financial assets		60	22
Value adjustments	43.1.3	(21)	(24)
TOTAL		574	528

Guarantee deposits

At 31 December 2021 and 2020, Guarantees and Deposits mainly include guarantees and deposits received from customers in Spain at the date of signing contracts in guarantee of electricity supply, and which are also recognised as Other non-current liabilities in the consolidated statement of financial position, as they have been deposited with the pertinent public administrations in accordance with prevailing standards in Spain (see Note 39).

Loans to associates, joint ventures and jointly-controlled entities.

Details by maturity of non-current and current loans to associates and joint ventures and jointly-controlled entities at 31 December 2021 and 2020 are as follows:

Millions of Euros								
Notes	Balance at 31 December 2021	Current maturity 2022 (Note 31)	Non-current maturities					
			2023	2024	2025	2026	Subsequent years	Total
Euros	63	5	3	-	-	-	55	58
Foreign currency	-	-	-	-	-	-	-	-
TOTAL 49.2	63	5	3	-	-	-	55	58

Millions of Euros								
Notes	Balance at 31 December 2020	Current maturity 2021 (Note 31)	Non-current maturities					Total
			2022	2023	2024	2025	Subsequent years	
Euros	64	5	2	1	-	-	56	59
Foreign currency	-	-	-	-	-	-	-	-
TOTAL	49.2	64	5	2	1	-	56	59

These loans earned interest at an average annual rate of 2.2% in 2021 and 2020.

28.2. Equity instruments.

At 31 December 2021 and 2020, this category includes equity instruments that correspond to interests in other companies, net of impairment, amounting to Euros 6 million in both periods.

The individual amount of the rest of the investments recognised under this item is not significant.

29. Derivative financial instruments.

At 31 December 2021 and 2020 the detail of "Derivative financial instruments" of the consolidated statement of financial position is as follows:

Millions of Euros

	31 December 2021		31 December 2020	
	Non-current	Current	Non-current	Current
Derivative financial asset instruments	774	2,401	169	467
Derivative financial liability instruments	573	4,884	236	404

Information on derivative financial instruments is included in Note 46.

30. Other non-current assets.

Details of this heading in the accompanying consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021	31 December 2020
Remuneration of distribution activity	6	236	183
Other current		28	61
TOTAL		264	244

31. Other current financial assets.

Details of this heading in the accompanying consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021	31 December 2020
Financing of the revenue shortfall from regulated activities in Spain and other regulated remuneration ⁽¹⁾	6	168	277
Compensation for stranded costs in non-mainland generation (TNP)	6	749	602
Loans to employees		10	9
Loans to Associated Companies, Joint Ventures and Joint Operating Companies	28.1, 43.1.1 and 49.2	5	5
Other financial assets	2.2	887	40
Value adjustments	43.1.3	(2)	(2)
TOTAL		1,817	931

(1) In 2021 and 2020, the financing of the revenue shortfall from regulated activities in Spain did not accrue interest, since the entirety of the amount pending collection during both years corresponds to transitory variations.

The fair value of these financial assets does not differ materially from the carrying amount.

32. Inventories

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	31 December 2021	31 December 2020
Energy stocks:	614	476
Coal	20	32
Nuclear fuel	255	254
Fuel oil	115	85
Gas	224	105
Other inventories	339	316
Carbon dioxide (CO ₂) emission rights	418	344
Value adjustments	(28)	(59)
TOTAL	1,343	1,077

32.1. Carbon dioxide (CO₂) emission rights.

In 2021 and 2020, CO₂ emission allowances were cancelled, resulting in the derecognition of Euro 229 million and Euro 355 million, respectively (10 million tonnes and 17 million tonnes, respectively).

At 31 December 2021, the provision for allowances to be delivered to cover these (CO₂) emissions under Current Liabilities in the Consolidated Statement of Financial Position amounted to Euro 340 million (Euro 236 million at 31 December 2020) (see Note 38.3).

32.2. Acquisition commitments.

Inventory purchase commitments amounted to Euro 19,766 million at 31 December 2021 (Euro 14,722 million at 31 December 2020), of which a portion relates to agreements that have "take or pay" clauses, as follows.

Millions of Euros

	Future purchase commitments at 31 December 2021 ⁽¹⁾						Total
	Carbon dioxide (CO ₂) emission rights	Electricity	Nuclear fuel	Fuel oil	Gas	Other	
2022 - 2026	28	251	367	-	7,151	-	7,797
2027 - 2031	-	-	122	585	5,313	-	6,020
2032 - 2036	-	-	21	-	4,024	-	4,045
2037 - Other	-	-	-	-	1,904	-	1,904
TOTAL	28	251	510	585	18,392	-	19,766

(1) None of these amounts correspond to joint ventures.

At 31 December 2021 and 2020, commitments to acquire inventories includes the commitment to acquire liquefied natural gas for contracts arranged in 2014 with Corpus Christi Liquefaction, LLC, part of which are guaranteed by ENEL, S.p.A. (see Note 49.1.2).

With respect to the agreements that contain "take or pay" clauses, in the current context, the forecasts indicate that ENDESA will continue to consume certain inventories in these agreements (see Note 5.1).

The Company's directors consider that ENDESA will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

32.3. Other information

Value adjustments.

In 2020, an impairment of coal inventories amounting to Euro 9 million was recognised in connection with the discontinuation of the mainland coal-fired thermal power plants.

Insurance.

ENDESA has taken out insurance policies to cover the possible risks of damage to its inventories, considering that said policies were sufficient to cover the risks to which it is subject.

In 2021, ENDESA did not find any material impacts in relation to the insurance policies it has taken out (see Note 5.1).

Other information

At 31 December 2021 and 2020, ENDESA had not pledged material amounts of inventories to secure the repayment of debts.

33. Trade and other receivables

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021	31 December 2020
Trade receivables for sales and services and other receivables		5,024	2,808
Trade receivables for sales and services	43.1.1	4,709	2,556
Trade receivables for electricity sales		2,913	1,863
Trade receivables for gas sales		983	364
Receivables from other transactions		595	197
Receivable from Group companies and associates	49.1.3 and 49.2	218	132
Other receivables	43.1.1	778	705
Remuneration of distribution activity		183	246
Other receivables from third parties		402	318
Other receivable from Group companies and associates	49.1.3 and 49.2	193	141
Value adjustments	43.1.3	(463)	(453)
Trade receivables for sales and services		(375)	(373)
Other receivables		(88)	(80)
Tax assets		358	538
Current income tax		76	426
VAT receivable		260	99
Other taxes		22	13
TOTAL		5,382	3,346

Balances included under this heading in the Consolidated Statement of Financial Position do not generally earn interest.

At 31 December 2021 and 2020 no one customer has balances payable to ENDESA that are significant with respect to ENDESA's total revenues or receivables (see Note 44.6).

Since regular meter reading periods are not matched to the end of the reporting period, ENDESA provides a sales estimate to customers performed by its supply companies ENDESA Energía, S.A.U., ENDESA Energía Renovable, S.L.U., Energía XXI Comercializadora de Referencia, S.L.U., Empresa de Alumbrado Eléctrico de Ceuta, S.A. and Energía Ceuta XXI Comercializadora de Referencia, S.L.U. which have not yet been billed.

At 31 December 2021, the cumulative balances of unbilled power and gas sales are recognised under Trade and other receivables of the accompanying Statement of financial position amounting to Euros 1,548 million and Euros 684 million respectively (Euros 984 million and Euros 333 million at 31 December 2020) (see Note 3.2 q.1).

33.1. Other information

Collection period.

The average collection period for trade receivables was 43 days in 2021 and 32 days in 2020. Therefore, fair value does not differ significantly from carrying amount.

Other information

At 31 December 2021 and 2020, there are no significant restrictions on the use of collection rights of this nature.

Factoring transactions were carried out in 2021 and 2020, which undue balances at 31 December 2021 and 2020, amounted to Euros 2,292 million and Euros 978 million, respectively, which were derecognised from the consolidated statement of financial position. These transactions were recognised at a cost of Euro 27 million and 24 million, respectively, under "Financial profit/(loss)" on the Consolidated income statement (see Note 16.1).

34. Cash and cash equivalents

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Cash in hand and at banks	703	403
Other cash equivalents	-	-
TOTAL	703	403

At 31 December 2021 and 2020, the composition of this heading in the consolidated statement of financial position, by currency, is as follows:

Millions of Euros		
	Currency	
	31 December 2021	31 December 2020
Euro	700	395
US dollar (USD)	2	6
Pound sterling (GBP)	1	2
TOTAL	703	403

Short-term cash investments mature within 3 months from acquisition date and earn interest at market interest rates for this type of deposits.

There were no investments in sovereign debt at 31 December 2021 and 2020.

At 31 December 2021, the balance of cash and cash equivalents includes Euro 8 million corresponding to the debt service reserve account set up by certain ENDESA renewable energy subsidiaries by virtue of the project finance loans arranged (Euro 7 million at 31 December 2020) (see Note 43.4.3).

35. Equity

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros			
	Notes	31 December 2021	31 December 2020
Total equity of the Parent	35.1	5,380	7,315
Share capital	35.1.1	1,271	1,271
Share premium	35.1.2	89	89
Legal reserve	35.1.3	254	254
Revaluation reserve	35.1.4	404	404
Other reserves	35.1.5	106	106
(Shares in own equity instruments)	35.1.8	(3)	(2)
Retained earnings	35.1.9	5,798	6,495
Interim dividend	35.1.10	(529)	(741)
Other equity instruments		2	-
Reserve for actuarial gains and losses	35.1.7	(455)	(487)
Adjustments due to changes in value		(1,557)	(74)
Translation differences		-	1
Reserve for the restatement of unrealised assets and liabilities	35.1.6	(1,557)	(75)
Total equity of non-controlling interests	35.2	164	150
TOTAL EQUITY		5,544	7,465

35.1. Equity: of the Parent.

35.1.1. Share capital

At 31 December 2021 ENDESA had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euros 1.2 each, subscribed and fully paid up and all admitted for trading on the Spanish Stock Exchanges. There were no changes in share capital in 2021 and 2020.

At 31 December 2021 and 2020, the ENEL Group held 70.1% of the share capital in ENDESA, S.A., through ENEL Iberia, S.L.U.

At that date no other shareholder held more than 10% of the share capital of ENDESA, S.A.

35.1.2. Share premium

The share premium arises from the Company's corporate restructuring. Article 303 of the Consolidated text of the Spanish Corporate Enterprises Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

Nonetheless, at 31 December 2021, Euro 35 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 40 million at 31 December 2020).

35.1.3. Legal reserve

In accordance with Article 274 of the Consolidated Text of the Spanish Corporate Enterprises Act, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents at least 20% of the share capital.

The legal reserve may be used to increase share capital provided that the balance of the reserve exceeds 10% of the increased capital amount. Except for the aforementioned purpose, the legal reserve may not be used to offset losses unless it exceeds 20% of the capital and no other sufficient reserves are available for such purpose.

At 31 December 2021 and 2020, ENDESA, S.A. held the minimum amount stipulated in law for this reserve.

35.1.4. Revaluation reserve

The revaluation reserve is a result of the revaluation of assets made pursuant to Royal Decree-Law 7/1996, of 7 June 1996.

On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out by ENDESA.

This balance can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, and to increase share capital or unrestricted reserves, and in the latter case, monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.

This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996 of 7 June 1996.

At 31 December 2021, €221 million are restricted to the extent that they are subject to tax assets capitalised in prior years (€261 million at 31 December 2020).

35.1.5. Other reserves.

At 31 December 2021 and 2020, this section mainly consist of the redeemed capital reserve in the amount of Euro 102 million, in compliance with Article 335 of Spain's Corporate Enterprises Act, which requires companies to post to this reserve an amount equal to the par value of the redeemed shares or of the reduction in their par value, when the reduction is charged to unrestricted profits or reserves by redeeming shares acquired free of charge by the Company. The drawdown on this reserve will be subject to the same requirements as set forth for reducing share capital.

35.1.6. Unrealised valuation adjustments

Movement in this reserve in 2021 and 2020 is as follows:

Millions of Euros

	31 December 2020	Change in market value	Amount taken to income	Other transactions with shareholders or owners	31 December 2021
Hedging transactions	(31)	(1,053)	(436)	-	(1,520)
Interest rate derivatives	(27)	13	6	-	(8)
Exchange rate derivatives	(112)	103	20	-	11
Fuel stock derivatives	108	(1,169)	(462)	-	(1,523)
Investments in associates and joint ventures	(44)	7	-	-	(37)
TOTAL	(75)	(1,046)	(436)	-	(1,557)

Millions of Euros

	31 December 2019	Change in market value	Amount taken to income	Other transactions with shareholders or owners	31 December 2020
Hedging transactions	102	(315)	182	-	(31)
Interest rate derivatives	(14)	(19)	6	-	(27)
Exchange rate derivatives	51	(131)	(32)	-	(112)
Fuel stock derivatives	65	(165)	208	-	108
Investments in associates and joint ventures	(44)	-	-	-	(44)
TOTAL	58	(315)	182	-	(75)

35.1.7. Reserve for actuarial gains and losses

At 31 December 2021 and 2020 this reserve derives from actuarial gains and losses recognised in equity (see Note 38.1).

35.1.8. Treasury shares and own equity instruments

On 19 October 2021, the Board of Directors of ENDESA, SA resolved to carry out a Temporary Share Buyback Programme with the aim of covering the long-term Variable Remuneration Plan called "Strategic Incentive Plan 2021-2023", which includes as part of the payment of the Strategic Incentive the delivery of shares (see Note 49.3).

The Repurchasing Programme, managed and implemented by Exane, S.A. ("Exane BNP Paribas"), is subject to that envisaged in the Commission Delegated Regulation (EU) 2016/1052, of 8 March, completing Regulation (EU) 596/2014 of the European Parliament and of the Council, of 16 April.

With the implementation of the Programme, ENDESA, SA has acquired 79,659 treasury shares, which are added to the 82,799 treasury shares that it acquired in 2020 after the execution of a similar programme.

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

	Number of shares	Nominal Value (Euros/Share)	% of total share capital	Average acquisition cost (Euros/Share)	Total cost of acquisition (Euros)
Own shares at 31 December 2021	162,458	1.20	0,01534	21.44	3,483,847
Own shares at 31 December 2020	82,799	1.20	0,00782	23.27	1,926,534

No disposals or cancellations have been made since acquisition.

35.1.9. Retained earnings

Details of the Company's reserves at 31 December 2021 and 2020 are as follows.

Millions of Euros	31 December 2021	31 December 2020
Voluntary reserves	693	693
Merger reserve	667	667
Other unrestricted reserves	26	26
Other retained earnings	5,105	5,802
TOTAL	5,798	6,495

The merger reserve stems from the restructuring of the Company, and its balance at 31 December 2021 amounts to Euros 667 million, Euros 81 million of which are undistributable because they are subject to certain tax benefits (Euros 667 million and Euros 90 million respectively at 31 December 2020).

35.1.10. Dividends

2021

At its meeting held on 24 November 2021, ENDESA S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2021 profit of Euro 0.5 per share, which gave rise to a pay-out of Euros 529 million on 3 January 2022 (see Note 41). This interim dividend was deducted from the parent's equity at 31 December, 2021.

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

Millions of Euros	From 1 November 2021 to 31 October 2022
Available at start of period	4,112
Cash in hand and at banks and cash equivalents	80
Undrawn loans with Group companies	4,032
Increases in cash	4,938
Ordinary activities	1,037
Financial transactions	3,901
Decreases in cash	(6,033)
Ordinary activities	(1,018)
Financial transactions	(5,015)
Available at end of period	3,017
Proposed interim dividend on 2021 results	529

This amount does not exceed the earnings obtained by ENDESA, S.A. in 2021, having deducted prior years' losses and the amount to be allocated to the obligatory reserves specified by law or in the Bylaws, as well as the estimate of the tax to be paid on these earnings.

2020.

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 30 April 2021 to pay shareholders a total dividend charged against 2020 profit for a gross amount of Euro 2,0136 per share or Euro 2,132 million in total, as follows:

Millions of Euros	Notes	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	41	25 November 2020	0,700	741	4 January 2021
Final dividend		30 April 2021	1,3136	1,391	1 July 2021
Total dividend paid against 2020 profit	48.3		2,0136	2,132	

35.1.11. Gains and losses recognised in the consolidated statement of other comprehensive income

The composition at 31 December 2021 and 2020, and movements in relation to gains and losses recognised in the consolidated statement of other comprehensive income are as follows:

Millions of Euros

	Note s	31 December 2020				Changes in 2021				31 December 2021		
		Total	Of the Parent	Of non- controlling interests	Valuation gains/(lo sses)	Amounts Transferred to Income Statement	Tax effect	Changes in consolidati on scope and other	Other transactions with shareholders or owners	Total	Of the Parent	Of non-controlling interests
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT AND LOSS		(487)	(487)	-	35	-	(3)	-	-	(455)	(455)	-
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-	-	-	-	-	-	-	-	-	-
Actuarial gains and losses	38.1	(487)	(487)	-	35	-	(3)	-	-	(455)	(455)	-
Share of Other Comprehensive Income Recognised on Investments in Joint Ventures and Associates		-	-	-	-	-	-	-	-	-	-	-
Equity Instruments through Other Comprehensive Income		-	-	-	-	-	-	-	-	-	-	-
Other Income and Expenses not Reclassified to Profit for the Period		-	-	-	-	-	-	-	-	-	-	-
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		(75)	(75)	-	(1,392)	(583)	493	-	-	(1,557)	(1,557)	-
Hedging transactions		(31)	(31)	-	(1,399)	(583)	493	-	-	(1,520)	(1,520)	-
Translation differences		-	-	-	-	-	-	-	-	-	-	-
Share of Other Comprehensive Income Recognised on Investments in Equity Instruments at Fair Value through Other Comprehensive Income		(44)	(44)	-	7	-	-	-	-	(37)	(37)	-
Other income and expenses that may be reclassified to Profit for the Period		-	-	-	-	-	-	-	-	-	-	-
TOTAL		(562)	(562)	-	(1,357)	(583)	490	-	-	(2,012)	(2,012)	-

Millions of Euros

	Notes	31 December 2019			Changes in 2020				31 December 2020			
		Total	Of the Parent	Of non-controlling interests	Valuation gains/(losses)	Amounts Transferred to Income Statement	Tax effect	Changes in consolidation scope and other	Other transactions with shareholders or owners	Total	Of the Parent	Of non-controlling interests
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT AND LOSS		(821)	(821)	-	(86)		16	404	-	(487)	(487)	
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-	-	-	-	-	-	-	-	-	
Actuarial gains and losses	38.1	(821)	(821)	-	(86)		16	404	-	(487)	(487)	
Share of Other Comprehensive Income Recognised on Investments in Joint Ventures and Associates		-	-	-	-	-	-	-	-	-	-	
Equity Instruments through Other Comprehensive Income		-	-	-	-	-	-	-	-	-	-	
Other Income and Expenses not Reclassified to Profit for the Period		-	-	-	-	-	-	-	-	-	-	
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		58	58	-	(431)	238	60	-	-	(75)	(75)	
Hedging transactions		102	102	-	(431)	238	60	-	-	(31)	(31)	
Translation differences		-	-	-	-	-	-	-	-	-	-	
Share of Other Comprehensive Income Recognised on Investments in Joint Ventures and Associates		(44)	(44)	-	-	-	-	-	-	(44)	(44)	
Equity Instruments at Fair Value through Other Comprehensive Income		-	-	-	-	-	-	-	-	-	-	
Other Income and Expenses that may be reclassified to profit for the period		-	-	-	-	-	-	-	-	-	-	
TOTAL		(763)	(763)	-	(517)	238	76	404	-	(562)	(562)	

35.1.12. Capital management

ENDESA's capital management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term. This policy of financial prudence makes it possible to maintain an adequate level of value creation for shareholders while guaranteeing ENDESA's liquidity and solvency.

The Parent Company's directors consider that an indicator of its ongoing financial position is its consolidated leverage ratio. Details of this ratio at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	Leverage	
		31 December 2021	31 December 2020
Net financial debt:		8,806	6,853
Non-current borrowings	37 and 43.3	7,211	5,901
Current borrowings	37 and 43.3	3,167	1,372
Debt derivatives recognised as financial assets	46	14	36
Cash and cash equivalents	34	(703)	(403)
Debt derivatives recognised as assets	46	(7)	(7)
Financial guarantees recognised as assets	2.2, 28.1 and 31	(876)	(46)
Equity:	35	5,544	7,465
Of the Parent	35.1	5,380	7,315
Of non-controlling interests	35.2	164	150
Leverage (%) ⁽¹⁾		158.84	91.80

(1) Leverage (%) = Net financial debt / equity.

ENDESA uses principles of prudence that are similar to those applied until now in its financing structure by obtaining long-term financing that enables it to adjust its maturity schedule to its capacity to generate cash flow envisaged in the business plan.

The Company also has short-term financing that helps optimise the management of its working capital requirements and improve the cost of its debt.

The Company has a strong financial position and unconditional lines of credit contracted with top-tier entities available for significant amounts. This, together with the implementation of specific plans to improve and efficiently manage liquidity, is estimated to enable the impact of the economic situation to be addressed (see Note 44.4).

The Company's directors consider that its leverage will enable it to optimise the cost of capital while maintaining a high solvency ratio. Therefore, in due consideration of expectations of earnings and the investment plan, the future dividend policy will maintain a leverage ratio that will allow the aforementioned capital management target to be achieved.

The following dividends were approved and distributed in 2021 and 2020 (see Note 35.1.10):

Millions of Euros

	Notes	Dividends Approved and Paid			
		Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	41	25 November 2020	0,700	741	4 January 2021
Final dividend		30 April 2021	1,3136	1,391	1 July 2021
Total dividend paid against 2020 profit	48.3		2,0136	2,132	
Interim dividend		26 November 2019	0,700	741	2 January 2020
Final dividend		5 May 2020	0,775	821	1 July 2020
Total dividend paid against 2019 profit	48.3		1,475	1,562	

ENDESA's long-term ratings allocated by credit rating agencies at the respective dates of issue of the consolidated financial statements for the years ended 31 December 2021 and 2020, reflecting investment grade levels, are as follows:

	Credit rating						
	31 December 2021 ⁽¹⁾				31 December 2020 ⁽¹⁾		
	Non-current	Current	Outlook	Date of Last Report	Long term	Short term	Outlook
Standard & Poor's	BBB+	A-2	Stable	21 December 2021	BBB+	A-2	Stable
Moody's	Baa1	P-2	Stable	14 January 2021	Baa1	P-2	Stable
Fitch	BBB+	F2	Stable	4 February 2022	A-	F2	Stable

(1) At the respective dates of preparing the Consolidated Financial Statements.

The Parent Company's directors consider that the rating assigned by the agencies would enable the Parent Company to tap the financial markets on reasonable terms if need be.

35.1.13. Restrictions on the availability of funds and pledges of shares of subsidiaries

At 31 December 2021, certain ENDESA subsidiaries that operate in the renewable energy business, and which are financed through project finance, contain clauses in their financing agreements that must be complied with before profits can be distributed to shareholders.

At 31 December 2021, financial debt subject to these restrictions totals Euros 84 million (Euros 79 million at 31 December 2020) (see Notes 20.3, 43.4.3 and 50).

35.2. Equity: of non-controlling interests.

At 31 December 2021 and 2020 the composition and movements of this item of the consolidated statement of financial position are as follows:

Millions of Euros

	Balance at 31 December 2020	Dividends paid	Profit/(loss) for the year	Investments or extensions	Disposals or reductions ⁽¹⁾	Other movements	Balance at 31 December 2021
Aguilón 20, S.A.	22	(2)	2	-	-	1	23
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	2	-	-	-	-	1	3
Eólica Valle del Ebro, S.A.	4	-	-	-	-	(1)	3
Explotaciones Eólicas Saso Plano, S.A.	10	-	1	-	-	(1)	10
Parque Eólico Sierra del Madero, S.A.	20	-	3	-	-	(1)	22
Sociedad Eólica de Andalucía, S.A.	26	(3)	3	-	-	2	28
Other	66	-	13	-	(4)	-	75
TOTAL	150	(5)	22	-	(4)	1	164

(1) Relates to the acquisition of the minority shareholding (43.88%) in Planta Eólica Europea, S.A. for Euro 1 million and the return of shareholders' funds of Bosa del Ebro, S.L. for Euro 3 million (see Notes 7.1 and 48.3).

Millions of Euros

	Balance at 31 December 2019	Dividends paid	Profit/(loss) for the year	Investments or Extensions ⁽¹⁾	Disposals or reductions	Other movements	Balance at 31 December 2020
Aguilón 20, S.A.	22	(2)	1	-	-	1	22
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	2	-	-	-	-	-	2
Eólica Valle del Ebro, S.A.	4	-	-	-	-	-	4
Explotaciones Eólicas Saso Plano, S.A.	11	(1)	-	-	-	-	10
Parque Eólico Sierra del Madero, S.A.	19	-	1	-	-	-	20
Sociedad Eólica de Andalucía, S.A.	26	(2)	2	-	-	-	26
Other	65	(3)	2	3	-	(1)	66
TOTAL	149	(8)	6	3	-	-	150

(1) Relates to the contribution of funds from members of San Francisco de Borja, S.L. (Euro 3 million) (see Note 48.3).

At 31 December 2021 and 2020, the balance of the "Equity of non-controlling interests" section mainly included the non-controlling interests of the investments held by ENEL Green Power España, S.L.U. (EGPE) companies.

On 9 June 2021 and 18 February 2020, ENDESA Red, S.A.U. formalised the purchase of non-controlling stakes in Empresa de Alumbrado Eléctrico de Ceuta, S.A., Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. and Energía Ceuta XXI Comercializadora de Referencia, S.A.U. (0.04% and 0.08%, respectively), which resulted in a reduction of minority interests of less than Euro 1 million (see Note 7.1).

At 31 December 2021 and 2020 the most relevant items of the Consolidated Statement of Financial Position, Income Statement and Statement of Cash Flow of the main ENDESA companies with stakes in non-controlling interests used in the preparation of these consolidated financial statements are as follows:

Millions of Euros

Consolidated Statement of Financial Position												
	Aguilón 20, S.A.		Empresa de Alumbrado Eléctrico de Ceuta, S.A.		Eólica Valle del Ebro, S.A.		Explotaciones Eólicas Saso Plano, S.A.		Parque Eólico Sierra del Madero, S.A.		Sociedad Eólica de Andalucía, S.A.	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Non-current assets	86	91	92	98	8	9	32	34	76	76	119	126
Current assets	21	14	11	6	2	1	9	5	10	4	26	14
Total assets	107	105	103	104	10	10	41	39	86	80	145	140
Equity	47	46	76	78	6	7	28	26	52	46	66	64
Non-current liabilities	53	53	21	19	3	3	12	8	16	12	65	65
Current liabilities	7	6	6	7	1	-	1	5	18	22	14	11
Total equity and liabilities	107	105	103	104	10	10	41	39	86	80	145	140

Millions of Euros

Income Statement												
	Aguilón 20, S.A.		Empresa de Alumbrado Eléctrico de Ceuta, S.A.		Eólica Valle del Ebro, S.A.		Explotaciones Eólicas Saso Plano, S.A.		Parque Eólico Sierra del Madero, S.A.		Sociedad Eólica de Andalucía, S.A.	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	14	11	35	41	5	2	5	5	17	10	28	19
Profit/(loss) before tax	4	2	3	11	-	-	2	2	9	2	13	7
Profit/(loss) from continuing operations	3	2	2	9	-	-	1	1	7	2	10	5
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	3	2	2	9	-	-	1	1	7	2	10	5

Millions of Euros

Statement of cash flows												
	Aguilón 20, S.A.		Empresa de Alumbrado Eléctrico de Ceuta, S.A.		Eólica Valle del Ebro, S.A.		Explotaciones Eólicas Saso Plano, S.A.		Parque Eólico Sierra del Madero, S.A.		Sociedad Eólica de Andalucía, S.A.	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net cash flows from operating activities	14	7	2	13	-	1	7	5	9	9	21	11
Net cash flows from investing activities	-	(1)	3	(22)	-	1	-	(2)	(3)	(13)	(1)	(4)
Net cash flows from financing activities	(7)	(4)	(6)	(3)	-	(2)	(4)	(2)	(6)	(4)	(14)	(6)

The equity data correspond to the information of the individual companies, except for those of Empresa Alumbrado Eléctrico de Ceuta, S.A., which correspond to its Consolidated Financial Statements.

36. Grants.

At 31 December 2021 and 2020 the composition and movements of this item of the consolidated statement of financial position are as follows:

Millions of Euros		
	Notes	Grants related to assets
Balance at 31 December 2019		273
Additions		3
Amount taken to income	9.2	(16)
Transfers to current and other		1
Balance at 31 December 2020		261
Additions		8
Amount taken to income	9.2	(15)
Transfers to current and other		-
Balance at 31 December 2021		254

Capital grants, specifically grants received under the partnership agreements entered into to improve the quality of supply in the electricity distribution network with, inter alia, the Ministry for Ecological Transition and the Demographic Challenge and the corresponding public bodies of the regional governments.

At the 31 December 2021 and 2020, ENDESA had fulfilled the requirements to receive and apply the grants disclosed above.

37. Current and non-current interest-bearing loans and borrowings

Details of current and non-current interest-bearing loans and borrowings on the consolidated Statement of Financial Position at 31 December 2021 and 2020 are as follows:

Millions of euros	Non-current		Current	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial Debt	7,211	5,901	3,167	1,372

Information on non-current and current borrowings is disclosed in Note 43.3.

38. Provisions

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros			31 December 2021		31 December 2020	
	Notes		Non-current	Current	Non-current	Current
Provisions for employee benefits			659	-	757	-
Provisions for pensions and other similar obligations	38.1		610	-	701	-
Other employee benefits			49	-	56	-
Provisions for workforce restructuring costs	38.2		767	237	1,011	216
Collective redundancy procedures			27	32	40	35
Contract suspension			740	205	971	181
Other provisions	38.3		2,558	374	1,936	261
TOTAL			3,984	611	3,704	477

38.1. Provisions for pensions and similar obligations.

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

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

Opening net actuarial liability

At 31 December 2021 and 2020 the balance included in the consolidated statement of financial position as a result of the difference between the actuarial liability relating to defined benefit obligations and the market value of plan assets is as follows:

Millions of Euros

	31 December 2021	31 December 2020
Actuarial liability	1,219	1,283
Plan assets	(609)	(582)
Shortfall recognised in respect of actuarial liability	610	701

At 31 December 2021 and 2020 information on net actuarial liabilities relating to defined benefit scheme obligations was as follows:

Millions of Euros

Notes	2021			
	Pensions	Energy	Health insurance	Total
Opening net actuarial liability	325	374	2	701
Net interest expense 16	3	2	-	5
Service costs in the period 12	7	2	-	9
Benefits paid in the period	-	-	-	-
Contributions for the year	(62)	(14)	-	(76)
Other movements	5	1	-	6
Actuarial (gains) losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) losses arising from changes in financial assumptions	(64)	(17)	-	(81)
Actuarial (gains) losses arising from experience adjustments	58	32	-	90
Actuarial return on plan assets excluding interest expense	(44)	-	-	(44)
Closing net actuarial liability	228	380	2	610

Millions of Euros

Notes	2020			
	Pensions	Energy	Health insurance	Total
Opening net actuarial liability	257	876	15	1,148
Net interest expense 16	3	4	-	7
Service costs in the period 12	8	3	-	11
Benefits paid in the period	-	-	-	-
Contributions for the year	(28)	(14)	-	(42)
Other movements	5	(501)	(13)	(509) ⁽¹⁾
Actuarial (gains) losses arising from changes in demographic assumptions	38	12	-	50 ⁽²⁾
Actuarial (gains) losses arising from changes in financial assumptions	64	14	-	78
Actuarial (gains) losses arising from experience adjustments	(23)	(20)	-	(43)
Actuarial return on plan assets excluding interest expense	1	-	-	1
Closing net actuarial liability	325	374	2	701

- (1) Includes Euro 515 million relating to the difference between the measurement of the previous actuarial liabilities and the new actuarial liabilities at the effective date of the "V ENDESA Framework Collective Agreement", considering the new commitments made in relation mainly to electricity supply (see Note 53).
- (2) Related to the effect of change in mortality tables in accordance with the Resolution of 17 December 2020 of the Directorate-General for Insurance and Pension Funds.

At 31 December 2021 and 2020 information on gross actuarial liabilities relating to defined benefit scheme obligations was as follows:

Millions of Euros

	2021			
	Pensions	Energy	Health insurance	Total
Opening actuarial liability	907	374	2	1,283
Financial expenses	6	2	-	8
Service costs in the period	7	2	-	9
Benefits paid in the period	(82)	(14)	-	(96)
Other movements	5	1	-	6
Actuarial (gains) losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) losses arising from changes in financial assumptions	(64)	(17)	-	(81)
Actuarial (gains) losses arising from experience adjustments	58	32	-	90
Closing actuarial liability	837	380	2	1,219

Millions of Euros

Notes	2020			
	Pensions	Energy	Health insurance	Total
Opening actuarial liability	871	876	15	1,762
Financial expenses	9	4	-	13
Service costs in the period	8	3	-	11
Benefits paid in the period	(65)	(14)	-	(79)
Other movements	5	(501)	(13)	(509) ⁽¹⁾
Actuarial (gains) losses arising from changes in demographic assumptions	38	12	-	50 ⁽²⁾
Actuarial (gains) losses arising from changes in financial assumptions	64	14	-	78
Actuarial (gains) losses arising from experience adjustments	(23)	(20)	-	(43)
Closing actuarial liability	907	374	2	1,283

- (1) Includes Euro 515 million relating to the difference between the measurement of the previous actuarial liabilities and the new actuarial liabilities at the effective date of the "V ENDESA Framework Collective Agreement", considering the new commitments made in relation mainly to electricity supply (see Note 53).
(2) Related to the effect of change in mortality tables in accordance with the Resolution of 17 December 2020 of the Directorate-General for Insurance and Pension Funds.

A breakdown of net actuarial liabilities, the changes in the market value of assets relating to defined benefit obligations at 31 December 2021 and 2020 is as follows:

Millions of Euros

	2021			
	Pensions	Energy	Health insurance	Total
Initial market value of the affected assets	582	-	-	582
Expected return	3	-	-	3
Contributions in the period	62	14	-	76
Benefits paid in the period	(82)	(14)	-	(96)
Actuarial (losses) gains	44	-	-	44
Final market value of the affected assets ⁽¹⁾	609	-	-	609

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

Millions of Euros

Notes	31 December 2020			
	Pensions	Energy	Health insurance	Total
Initial market value of the affected assets	614	-	-	614
Expected return	6	-	-	6
Contributions in the year	28	14	-	42
Benefits paid in the year	(65)	(14)	-	(79)
Actuarial (losses) gains	(1)	-	-	(1)
Final market value of the affected assets ⁽¹⁾	582	-	-	582

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

Impact on the Consolidated Income Statement and the Consolidated Statement of Other Comprehensive Income.

In 2021 and 2020, amounts recognised for defined-benefit and defined contribution pension provisions in the consolidated income statement, are as follows:

Millions of Euros

	Notes	2021	2020
Plan assets		(14)	497
Current cost during the year ⁽¹⁾	12	(9)	(11)
Net finance costs	16	(5)	(7)
Other current cost during the year	12	-	515 ⁽²⁾
Defined contribution		(50)	(55)
Current cost during the year ⁽³⁾	12	(50)	(55)
TOTAL		(64)	442

- (1) In 2021, it includes Euro 5 million of the current cost relating to employees who opted to take early retirement, which had been recognised previously under provisions for workforce restructuring costs and transferred during the year to "Provisions for pensions and similar provisions" (Euro 5 million in 2020).
(2) Relates to the difference between the measurement of the previous actuarial liabilities and the new actuarial liabilities at the effective date of the "V ENDESA Framework Collective Agreement", considering the new commitments made in relation mainly to electricity supply (see 53).
(3) In 2021 and 2020, Euros 30 million and Euros 30 million were contributed, previously included under provisions for workforce restructuring plans.

In 2021 and 2020, amounts recognised for provisions to cover defined-benefit obligations in the consolidated statement of other comprehensive income are as follows:

Millions of Euros

	Notes	2021	2020
Actuarial return on plan assets excluding interest expense		44	(1)
Actuarial gains and losses		(9)	(85)
TOTAL	35.1.11	35	(86)

At 31 December 2021, based on the best estimate available, forecast contributions to defined benefit plans in 2022 amount to approximately Euro 17 million (Euro 11 million at 31 December to cover defined benefit plans in 2021).

Plan assets

The main categories of defined benefit plan assets as a percentage of total assets, at 31 December 2021 and 2020, as follows:

Percentage (%)

	31 December 2021	31 December 2020
Fixed income assets ⁽¹⁾	45	49
Shares ⁽¹⁾	39	33
Investment property and other	16	18
TOTAL	100	100

- (1) Includes ENEL Group companies' shares and bonds in the amount of Euro 11 million at 31 December 2021 (Euro 20 million at 31 December 2020).

The breakdown of the fair value of fixed income securities by geographical area 31 December 2021 and 2020 is as follows:

Millions of Euros

Country	31 December 2021	31 December 2020
Luxembourg	57	40
US	54	56
Spain	20	66
France	12	14
United Kingdom	11	10
Italy	9	20
Germany	9	14
Netherlands	2	3
Belgium	-	2
Rest	101	60
TOTAL	275	285

At 31 December 2021 and 2020, the value of defined benefit plan assets placed in sovereign debt instruments is as follows:

Millions of Euros		
Country	31 December 2021	31 December 2020
Spain	10	37
Italy	4	13
France	1	2
Belgium	-	2
Germany	1	1
Rest	23	28
TOTAL	39	83

Shares and fixed-income instruments have quoted prices in active markets. The expected return on plan assets was estimated taking into account forecasts for the main fixed income and equity markets and assuming that the various asset classes would have similar weights to those of the preceding year. The average return rate in 2021 was 9.19, positive(1.06%, positive in 2020).

Currently, the investment strategy and risk management are the same for all plan participants, with no correlation strategy between assets and liabilities.

Actuarial assumptions

The assumptions used when calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Interest rate	1.08% - 1.16%	0.56% - 0.61%
Mortality tables	PERM / FCOL2020	PERM / FCOL2020
Expected return on plan assets	1.09%	0.57%
Salary increase ⁽¹⁾	1.00%	1.00%
Increase in the cost of health care	4.40%	3.20%

(1) Benchmark percentage for estimating salary increases.

At 31 December 2021, the impact of the pandemic had not led to any significant changes in the previous actuarial assumptions (see Notes 3.1 and 5.1).

The interest rate applied to discount the commitments is obtained from a curve constructed using the yields on corporate bond issues by companies with an "AA" credit rating and based on the estimated term over which the provisions deriving from each commitment will be settled.

Sensitivity analysis

At 31 December 2021 and 2020, the sensitivity of the value of the actuarial liability for pensions to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Assumption	31 December 2021		31 December 2020	
	Pensions	Other defined benefit commitments	Pensions	Other defined benefit commitments
50 p.b. decrease in the interest rate	68	29	77	30
50 p.b. increase in the interest rate	(61)	(25)	(68)	(27)
50 b.p. decrease in the Consumer Price Index (CPI) ⁽¹⁾	(7)	N/A	(9)	(2)
50 b.p. increase in the Consumer Price Index (CPI) ⁽¹⁾	7	N/A	9	3
1% increase in healthcare costs	N/A	N/A	N/A	1
1 year increase in the life expectancy of working and retired employees	24	15	15	7

(1) Benchmark percentage for estimating salary increases.

Other information

ENDESA's pension plans are administered in accordance with the general restrictions to management and risk assumption in the respective legislations applicable in Spain.

At present, pension funds promoted by ENDESA companies undertake the specific risks inherent to the assets in which it has investments, which are mainly:

- Risks of investment in fixed-income assets arises from interest rate variations and the credit risk of the portfolio shares.
- Risks of investment in equities arises from the potential impact of volatility (changes) in the prices of the related assets, which is greater than that of fixed income.
- Risks of investment in derivative financial instruments arise in accordance with the degree of related leverage, making them especially vulnerable to changes in the prices of the underlying assets (benchmark asset).
- Investment in assets denominated in currencies other than the euro bear additional risk related to changes in exchange rates.
- Investments in non-tradable assets, made in less efficient markets with scant liquidity, pose measurement risks arising from the approaches used and the lack of market prices for comparison.

At 31 December 2021 the weighted average duration, calculated based on probable flows of the obligation, was 15.2 years (16.7 years at 31 December 2020), and the calendar for payments of defined benefit provisions is as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Year 1	44	37
Year 2	45	41
Year 3	48	43
Year 4	49	45
Year 5	51	47
Commencing year 5	1,194	1,173
TOTAL	1,431	1,386

The classification of defined benefit plan assets measured at fair value by fair value hierarchy at 31 December 2021 and 2020 are as follows:

Millions of Euros								
	31 December 2021				31 December 2020			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Defined benefit plan assets	609	464	40	105	582	495	52	35

The valuation of assets classified as Level 3 is determined based on valuation reports prepared by the corresponding management Company.

38.2. Provisions for workforce restructuring costs

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

38.2.1. Collective redundancy procedures

As of 31 December 2021 and 2020 there are basically three types of plans in force (Voluntary Departure Plan 2000, Mining Plans 2006-2012 and Mining Plan 2016) that affect a total of 530 people and 688 people, respectively, all of them in a pre-retirement situation.

Movements in this non-current provision in 2021 and 2020 are as follows:

Millions of Euros				
	Notes	2021	2020	
Opening balance		40	60	
Amounts charged to the income statement		-	(13)	
Personnel expenses	12	1	(14)	
Finance income	16	(1)	1	
Transfers to current and other		(13)	(7)	
Closing balance		27	40	

At 31 December 2021, the Current provisions section of the consolidated statement of financial position includes Euro 32 million of provisions for work force reductions (Euro 35 million payable at 31 December 2020).

Actuarial assumptions

The assumptions used in the actuarial calculation of the provisions arising under these collective redundancy procedures at 31 December 2021 and 2020 were as follows:

	31 December 2021	31 December 2020
Interest rate	0.20%	0.00%
CPI	2.20%	1.00%
Mortality tables	PERM / FCOL2020	PERM / FCOL2020

31 December 2021, the impact of the pandemic had not led to any significant changes in the previous actuarial assumptions (see Notes 3.1 and 5.1).

Sensitivity analysis

At 31 December 2021 and 2020, the sensitivity of the value of the actuarial liability for restructuring plans to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Millions of Euros				
Assumption	31 December 2021		31 December 2020	
	50bp increase	50bp decrease	50bp increase	50bp decrease
Interest rate	(1)	1	(2)	2
CPI	-	-	1	(1)

38.2.2. Agreement on voluntary suspension or termination of employment contracts

ENDESA's Strategic Plan includes, among its lines of action, the acceleration in the fulfillment of the commitments of the generation park, through a greater promotion of renewable energies and the closure of the peninsular coal-fired plants.

In this context, ENDESA is tackling the restructuring of activities arising from the energy transition process, which affects thermal generation plants and, as a result, recorded a provision of Euro 213 million in 2020 affecting approximately 577 employees in accordance with the Decarbonisation Plan and the decision taken to promote the discontinuation of coal-fired power plants and the reorganisation of activities resulting from the energy transition.

In addition, the Strategic Plan contemplates the electrification of demand and the development of networks as a facilitating and integrating element, for which digitalization plans will be developed that will contribute, among other things, to improving the reliability of the network and the quality of service.

Accordingly, the company set aside a provision of 387 million euros in 2020 in line with the commitment with the efficiency improvements, which envisages the departure of approximately 1,200 employees affected, among others, by the digitalisation of processes.

At 31 December 2021, in application of the "Agreement on voluntary suspension or termination of employment contracts of the Agreement on Guarantees for ENDESA, S.A. and its electrical subsidiaries", ENDESA has recorded a provision of Euro 945 million (Euro 1,152 million at 31 December 2020) affecting a maximum of 3,086 employees for whom ENDESA has undertaken not to exercise the option of requesting their return to the company (3,563 employees at 31 December 2020).

Movements in this non-current provision in 2021 and 2020 are as follows:

Millions of Euros			
	Notes	2021	2020
Opening balance		971	436
Amounts charged to the income statement		(12)	753
Personnel expenses	12	(3)	741 ⁽¹⁾
Finance income	16	(9)	12
Transfers to current and other		(219)	(218)
Closing balance		740	971

(1) Includes provisions for workforce restructuring plans related, among others, to the Decarbonisation Plan and the Digitalisation of Processes for a total amount of Euro 213 million and Euro 387 million, respectively, within the framework of the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts". It also includes the effect of changes in demographic assumptions amounting to Euro 8 million.

At 31 December 2021, "Current provisions" in the consolidated statement of financial position includes Euro 205 million of provisions for the contract suspension agreement (31 December 2020: Euro 181 million).

Actuarial assumptions

The assumptions used in the actuarial calculation of the provisions arising from the contract suspension agreement at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Interest rate	0.20%	0.00%
Future increase in guarantee	1.00%	1.00%
Increase in other items	2.20%	1.00%
Mortality tables	PERM / FCOL2020	PERM / FCOL2020

At 31 December 2021, the impact of the pandemic had not led to any significant changes in the previous actuarial assumptions (see Notes 3.1 and 5.1).

Sensitivity analysis

At 31 December 2021 and 2020, the sensitivity of the value of the actuarial liability for terminating contracts to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Millions of Euros				
Assumption	31 December 2021		31 December 2020	
	50bp increase	50bp decrease	50bp increase	50bp decrease
Interest rate	(19)	11	(27)	29
Guarantee and remaining items	6	(4)	10	(10)

38.3. Other provisions

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Provisions for decommissioning costs		2,134	-	1,508	-
Nuclear power plants		666	-	597	-
Other plants		1,376	-	819	-
Dismantling of meters		87	-	86	-
Mine closures		5	-	6	-
Provisions for carbon dioxide emission rights (CO ₂)	32.1	-	340	-	236
Provisions for Litigation, Indemnification and other Legal or Contractual Obligations		424	34	428	25
TOTAL		2,558	374	1,936	261

Millions of euros

	Balance at 31 December 2020	Operating expenses		Net financial profit/(loss) (Note 16.1)	Net provisions charged to property, plant and equipment (Note 20)	Payments	Transfers and other	Balance at 31 December 2021
		Charges	Reversals					
Provisions for decommissioning costs	1,508	17	(13)	2	652	(32)	-	2,134
Nuclear power plants	597	-	-	1	68	-	-	666
Other plants	819	17	(12)	1	582	(31)	-	1,376
Dismantling of meters	86	-	(1)	-	2	-	-	87
Mine closures	6	-	-	-	-	(1)	-	5
Provisions for carbon dioxide (CO ₂) emission rights	236	338	(234)	-	-	-	-	340
Provisions for Litigation, Indemnification and other Legal or	453	112	(63)	(1)	-	(8)	(35)	458
TOTAL	2,197	467	(310)	1	652	(40)	(35)	2,932

Millions of euros

	Balance at 31 December 2019	Operating expenses		Net financial profit/(loss) (Note 16.1)	Net provisions charged to property, plant and equipment (Note 20)	Payments	Transfers and other	Balance at 31 December 2020
		Charges	Reversals					
Provisions for decommissioning costs	1,532	3	(50)	1	38	(16)	-	1,508
Nuclear power plants	640	1	-	1	(45)	-	-	597
Other plants	790	2	(47)	-	87	(14)	1	819
Dismantling of meters	93	-	(2)	-	(4)	-	(1)	86
Mine closures	9	-	(1)	-	-	(2)	-	6
Provisions for carbon dioxide emission	364	235	(363)	-	-	-	-	236
Provisions for Litigation, Indemnification and other Legal or Contractual	474	105	(97)	5	-	(7)	(27)	453
TOTAL	2,370	343	(510)	6	38	(23)	(27)	2,197

Provisions for decommissioning costs.

ENDESA recognises a provision for the expected cost to dismantle some of its plants and certain distribution facilities (see Note 3.2 m.4). These provisions are recorded at their present value.

For nuclear power plants, this provision includes the amount that ENDESA estimates it will have to pay until the government-owned company Empresa Nacional de Residuos Radioactivos, S.A. (ENRESA) undertakes responsibility for decommissioning these plants (see Note 3.2 b.1).

Provision to cover the cost of CO₂ emission allowances.

This provision relates mainly to the obligations to deliver allowances for carbon dioxide (CO₂) emissions made during the year.

ENDESA's companies that generate CO₂ emissions in their electricity generation activity must deliver CO₂ emission allowances equal to their emissions during the year in the first few months of the following year. (see Note 3.2 m.3).

39. Other non-current liabilities

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021	31 December 2020
Guarantee deposits	28.1 and 43.2	476	490
Other payables	43.2	214	140
TOTAL		690	630

40. Other non-current and current financial liabilities.

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	Non-current		Current	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interest payable on borrowings		-	-	22	21
Remuneration for investment in renewable energies	28.1	120	1	12	4
TOTAL		120	1	34	25

At 31 December 2021, "Other non-current financial liabilities" includes the net amounts relating to the adjustment for deviations in the market price of the regulatory half-period 2020-2022, which amount to Euro 94 million euros and prior regulatory semi-periods amounting to euros 26 million. In relation to the latter, 4 million euros are included under the heading "Other Current Financial Liabilities".

41. Trade and other payables

Details of this heading in the consolidated statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Notes	31 December 2021	31 December 2020
Trade payables and other current liabilities		6,071	5,024
Suppliers and other payables		3,811	3,739
Dividend payable	35.1.10 and 35.1.12	530	745
Other payables		1,730	540
Tax liabilities		785	979
Current income tax		333	512
VAT payable		108	50
Other taxes		344	417
TOTAL		6,856	6,003

At 31 December 2021 and 2020, the "Dividend Payable" section mainly includes the dividends corresponding to ENDESA, S.A.:

Millions of Euros					
	Notes	Dividend payable	Euros per share, gross	Amount	Payment date
Interim dividend	35.1.10	2021	0,500	529	3 January 2022
Interim dividend	35.1.10, 35.1.12 and 48.3	2020	0,700	741	4 January 2021

At 31 December 2021, the amount of trade payables discounted with financing entities to manage payments to suppliers (reverse factoring), recognised under trade and other payables in the consolidated statement of financial position, totalled Euro 29 million (31 December 2020: Euro 53 million).

In 2021 and 2020, the financial income accrued on reverse factoring contracts came to less than Euro 1 million.

At 31 December 2021, the estimate of unbilled electricity and gas tariff costs, arising from unbilled energy supplied, amounted to Euro 225 million and Euro 111 million, respectively (Euro 288 million and Euro 92 million, respectively, at 31 December 2020) in the consolidated statement of financial position.

41.1. Information on the average payment period to suppliers. Additional provision three. "Duty of disclosure" in Law 15/2010 of 5 July.

The following are details of the degree of compliance by ENDESA with the statutory deadlines for payment to suppliers for commercial transactions under Law 15/2010, of 5 July:

Number of days		
	2021	2020
Average payment period to suppliers	10	14
Ratio of transactions paid	10	13
Ratio of transactions pending payment	22	22

Millions of Euros		
	2021	2020
Total payments made	16,716	12,115
Total payments pending	363	208

42. Net financial debt.

At 31 December 2021 and 2020, the reconciliation of ENDESA's gross and net financial debt was as follows:

Millions of Euros			
Notes	Reconciliation of borrowings		
	31 December 2021	31 December 2020	
Non-current borrowings	7,211	5,901	
Current borrowings	3,167	1,372	
Gross Financial Debt	10,378	7,273	
Debt derivatives recognised as financial assets	14	36	
Cash and cash equivalents	(703)	(403)	
Debt derivatives recognised as assets	(7)	(7)	
Financial guarantees recognised as assets	(876)	(46)	
Net financial debt	8,806	6,853	

In order to analyse the evolution of net financial debt, it should be taken into account that in 2021, ENDESA, S.A. paid dividends to its shareholders amounting to EUR 2.0136 gross per share, which gave rise to a disbursement of EUR 2,132 million (see Notes 35.1.10 and 48.3).

Information relating to non-current and current financial debt is detailed in Note 43.3.

43. Financial instruments

At 31 December 2021 and 2020, the classification of financial instruments in the Consolidated Statement of Financial Position is as follows:

Millions of Euros

	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Financial asset instruments					
Derivative financial instruments	29	774	2,401	169	467
Other financial assets	28 and 31	580	1,817	534	931
Other financial assets	30	264	-	244	-
Trade receivables for sales and services and other receivables	33	-	5,024	-	2,808
Assets from contracts with customers	27.1	-	6	-	10
Cash and cash equivalents	34	-	703	-	403
TOTAL	43.1	1,618	9,951	947	4,619
Financial liability instruments					
Derivative financial instruments	29	573	4,884	236	404
Borrowings	37	7,211	3,167	5,901	1,372
Other financial liabilities	40	120	34	1	25
Other non-current	39	690	-	630	-
Trade and other payables	41	-	6,071	-	5,024
Liabilities from contracts with customers	27.2	4,284	270	4,256	274
TOTAL	43.2	12,878	14,426	11,024	7,099

43.1. Classification of non-current and current financial assets

At 31 December 2021 and 2020, the classification of financial assets in the Consolidated Statement of Financial Position by category is as follows:

Millions of Euros

	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Financial assets at amortised cost	43.1.1	838	7,550	772	4,152
Other financial assets	28.1 and 31	574	1,817	528	931
Other current	30	264	-	244	-
Trade receivables for sales and services and other	33	-	5,024	-	2,808
Assets from contracts with customers	27.1	-	6	-	10
Cash and cash equivalents	34	-	703	-	403
Financial assets at fair value with changes in the income		171	1,420	27	300
Equity instruments	28.2	6	-	6	-
Derivatives not designated as hedging instruments	46.2	165	1,420	21	300
Financial assets at fair value with changes in the		-	-	-	-
Hedging derivatives	46.1	609	981	148	167
TOTAL		1,618	9,951	947	4,619

ENDESA has not modified its business model, nor has it been significantly affected by the contractual cash flow characteristics of its financial assets; hence no reclassification was made between categories (see Note 5.1).

43.1.1. Financial assets measured at amortised cost.

At 31 December 2021 and 2020, the details of the financial assets at amortised cost, by nature, is as follows:

Millions of Euros

	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Financial assets at amortised cost					
Other financial assets		574	1,817	528	931
Financing of the revenue shortfall from regulated activities in Spain and other regulated remuneration	31	-	168	-	277
Compensation for stranded costs in non-mainland generation (TNP)	31	-	749	-	602
Guarantee deposits	28.1	441	-	443	-
Loans to employees	28.1 and 31	36	10	27	9
Loans to Associated Companies, Joint Ventures and Joint Operating Companies	49.2	58	5	59	5
Remuneration for investment in renewable energies	28.1	-	-	1	-
Other financial assets ⁽¹⁾	28.1 and 31	60	887	22	40
Value adjustments	43.1.3	(21)	(2)	(24)	(2)
Other non-current assets	30	264	-	244	-
Remuneration of distribution activity		236	-	183	-
Other current		28	-	61	-
Value adjustments	43.1.3	-	-	-	-
Trade receivables for sales and services and other	33	-	5,024	-	2,808
Trade receivables for sales and services		-	4,709	-	2,556
Other receivables		-	778	-	705
Remuneration of distribution activity		-	183	-	246
Other		-	595	-	459
Value adjustments	43.1.3	-	(463)	-	(453)
Assets from contracts with customers	27.1	-	6	-	10
Assets from contracts with customers		-	7	-	11
Value adjustments	43.1.3	-	(1)	-	(1)
Cash and cash equivalents	34	-	703	-	403
TOTAL		838	7,550	772	4,152

(1) As of 31 December 2021 includes financial guarantees recorded as a result of operations in the commodity and energy derivatives markets.

The fair value of these financial assets does not differ substantially from their carrying amount.

43.1.2. Financial assets at fair value with changes in the income statement.

At 31 December 2021 and 2020, this category includes equity instruments that correspond to interests in other companies amounting to Euro 6 million, in both periods. The individual amount of the rest of the investments recognised under this item is not material.

Also, this category includes derivative instruments not designated as hedging instruments. Details on these are disclosed in Note 46.

43.1.3. Value adjustments.

At 31 December 2021 and 2020 the detail of expected losses recognised for financial assets measured at amortised cost under the general or simplified approach is as follows:

Millions of Euros

	Notes	31 December 2021				31 December 2020			
		Weighted average expected loss ratios	Gross balance	Value adjustments on expected losses	Net balance	Weighted average expected loss ratios	Gross balance	Value adjustment for expected losses	Net balance
Trade receivables for sales and services and other outstanding	33	8.4%	5,487	463	5,024	13.9%	3,261	453	2,808
receivables		1.2%	4,580	54	4,526	0.4%	2,446	10	2,436
Due:		45.1%	907	409	498	54.4%	815	443	372
One to thirty days		2.2%	90	2	88	1.8%	56	1	55
Thirty-one to sixty days		6.5%	93	6	87	11.5%	61	7	54
Sixty-one to ninety days		9.2%	87	8	79	12.3%	65	8	57
Ninety-one to one hundred and twenty		14.5%	55	8	47	24.3%	37	9	28
One hundred and twenty-one to one		21.9%	32	7	25	32.0%	25	8	17
One hundred and fifty-one to one		21.9%	32	7	25	30.8%	26	8	18
Over one hundred and eighty days		71.6%	518	371	147	73.8%	545	402	143
Assets from contracts with customers	27.1	14.3%	7	1	6	9.1%	11	1	10
Other non-current financial assets.	28.1	3.5%	595	21	574	4.3%	552	24	528
Other current financial assets	31	0.1%	1,819	2	1,817	0.2%	933	2	931
Other non-current assets	30	0.0%	264	-	264	0.0%	244	-	244
Cash and cash equivalents	34	0.0%	703	-	703	0.0%	403	-	403
TOTAL			8,875	487	8,388		5,404	480	4,924

Trade receivables for sales and services and other receivables

In 2021 and 2020 the movement in "Value adjustment" of "Trade receivables for sales and services and other Accounts Receivable" was as follows:

Millions of Euros			
	Notes	2021	2020
Opening balance		453	466
Charges	8.2, 15 and 43.5	125	120
Amounts used		(115)	(133)
Closing balance	33	463	453

At 31 December 2021 and 2020 virtually all valuation adjustments relate to trade receivables for sales of electricity.

In 2021, a higher impairment charge of Euro 5 million was recognised for impairment losses from contracts with customers. Their changes are due, among other aspects, to the recognition of a provision amounting to Euro 27 million, as a result of the worsening of the payment performance of small energy supply companies as a result of the significant increase in energy stocks prices in the year, which was offset, to the contrary, by the current backdrop of economic recovery in Spain and Portugal and the intensification of collection management, which was temporarily suspended in 2020, due to the extraordinary measures in response to the economic situation caused by COVID-19 (see Note 5.1).

Assets from contracts with customers

During the financial years 2021 and 2020 the movement in "Value adjustment" of "Assets from contracts with customers" (see Note 27.1) was as follows:

Millions of Euros			
	Notes	2021	2020
Opening balance		1	1
Charges		-	-
Applications		-	-
Closing balance	27.1	1	1

Other non-current and current financial liabilities.

In 2021 and 2020 the movement in "Value adjustment" of "Other non-current and current financial assets" (see Notes 28 and 31) was as follows:

Millions of Euros					
	Notes	2021		2020	
		Non-current financial assets	Current financial assets	Non-current financial assets	Current financial assets
Opening balance		24	2	29	12
Charges	8.2, 15.2, 16.1 and 43.5	-	-	2	-
Applications	15.2 and 16.1	(3)	-	(7)	(10)
Closing balance		21	2	24	2

Other non-current assets

In 2021 and 2020 the movement in "Value adjustment" of "Other non-current assets" (see Note 30) was as follows:

Millions of Euros			
	Notes	2021	2020
Opening balance		-	3
Charges	8.2, 15.2, 16.1 and 43.5	-	-
Applications	15.2 and 16.1	-	(3)
Closing balance		-	-

43.1.4. Commitments of financial assets.

At 31 December 2021, ENDESA had not entered into any agreements that included commitments to make financial investments of a significant amount.

43.2. Classification of non-current and current financial liabilities

At 31 December 2021 and 2020, the classification of financial liability in the Consolidated Statement of Financial Position by category is as follows:

Millions of Euros

	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Financial liabilities at amortised cost	43.2.1	11,787	9,542	10,768	6,695
Borrowings	37 and 43.3	6,693	3,167	5,881	1,372
Other financial liabilities	40	120	34	1	25
Other non-current	39	690	-	630	-
Trade payables and other current liabilities	41	-	6,071	-	5,024
Liabilities from contracts with customers	27.2	4,284	270	4,256	274
Financial liabilities at fair value through profit or loss		729	2,101	36	209
Borrowings ⁽¹⁾	37 and 43.3	518	-	20	-
Derivatives not designated as hedging instruments	46.2	211	2,101	16	209
Hedging derivatives	46.1	362	2,783	220	195
TOTAL		12,878	14,426	11,024	7,099

(1) Relates in its entirety to financial liabilities that, from the start of the transaction, are underlying fair value hedges and are measured at fair value through the consolidated income statement.

43.2.1. Financial liabilities measured at amortised cost.

At 31 December 2021 and 2020, the details of the financial liabilities at amortised cost, by nature, is as follows:

Millions of Euros

	Notes	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Bonds and other negotiable securities	43.3	-	2,917	-	1,162
Bank borrowings	43.3	2,808	134	2,124	101
Other financial liabilities	43.3	3,885	116	3,757	109
Trade payables and other current liabilities	41	-	6,071	-	5,024
Liabilities from contracts with customers	27.2	4,284	270	4,256	274
Other financial liabilities	40	120	34	1	25
Other non-current	39	690	-	630	-
TOTAL		11,787	9,542	10,768	6,695

43.3 Borrowings.

Details of current and non-current interest-bearing loans and borrowings on the consolidated Statement of Financial Position at 31 December 2021 and 2020 are as follows:

Millions of Euros							
		Notes	31 December 2021				
			Nominal Value	Carrying amount			Fair value
				Non-current	Current	Total	
Bonds and other negotiable securities			2,927	18	2,917	2,935	2,935
Bank borrowings			3,445	3,308	134	3,442	3,458
Other borrowings			4,001	3,885	116	4,001	4,302
Borrowings associated with rights of use		21	943	861	82	943	960
Other			3,058	3,024	34	3,058	3,342
TOTAL ⁽¹⁾			10,373	7,211	3,167	10,378	10,695

(1) Corresponding to financing sustainable at 60%.

Millions of Euros

Millions of Euros						
		31 December 2020				
	Notes	Nominal Value	Carrying amount			Fair value
			Non-current	Current	Total	
Bonds and other negotiable securities		1,174	20	1,162	1,182	1,182
Bank borrowings		2,228	2,124	101	2,225	2,288
Other financial liabilities		3,866	3,757	109	3,866	4,305
Borrowings associated with rights of use	21	803	740	63	803	820
Other		3,063	3,017	46	3,063	3,485
TOTAL ⁽¹⁾		7,268	5,901	1,372	7,273	7,775

(1) Corresponding to financing sustainable at 45%.

At 31 December 2021 and 2020, the breakdown of the nominal value of gross financial debt without derivatives by maturity was as follows:

Millions of Euros

	Maturity	Carrying amount 31 December 2021	Fair value	Nominal Value		Maturity					Total nominal value
				Current	Non-current	2023	2024	2025	2026	Subsequent years	
Bonds and other marketable securities		2,935	2,935	2,915	12	-	-	-	-	12	2,927
Fixed interest rate	2031	18	18	-	12	-	-	-	-	12	12
Floating interest rate	2022	2,917	2,917	2,915	-	-	-	-	-	-	2,915
Bank borrowings		3,442	3,458	134	3,311	179	979	235	415	1,503	3,445
Fixed rate	2028	999	991	-	999	-	500	-	200	299	999
Floating interest rate	2038	2,443	2,467	134	2,312	179	479	235	215	1,204	2,446
Other financial liabilities		4,001	4,302	116	3,885	80	3,078	78	80	569	4,001
Borrowings associated with rights of use		943	960	82	861	77	77	72	74	561	943
Fixed interest rate	2080	943	960	82	861	77	77	72	74	561	943
Floating interest rate		-	-	-	-	-	-	-	-	-	-
Other financial liabilities		3,058	3,342	34	3,024	3	3,001	6	6	8	3,058
Fixed interest rate	2040	3,012	3,295	5	3,007	1	3,001	1	-	4	3,012
Floating interest rate	2027	46	47	29	17	2	-	5	6	4	46
TOTAL		10,378	10,695	3,165	7,208	259	4,057	313	495	2,084	10,373

Millions of Euros

	Maturity	Carrying amount 31 December 2020	Fair value	Nominal Value		Maturity					Total nominal value
				Current	Non-current	2022	2023	2024	2025	Subsequent years	
Bonds and other marketable securities		1,182	1,182	1,162	12	-	-	-	-	12	1,174
Fixed interest rate	2031	20	20	-	12	-	-	-	-	12	12
Floating interest rate	2021	1,162	1,162	1,162	-	-	-	-	-	-	1,162
Bank borrowings		2,225	2,288	101	2,127	490	190	192	191	1,064	2,228
Floating interest rate	2034	2,225	2,288	101	2,127	490	190	192	191	1,064	2,228
Other financial liabilities		3,866	4,305	109	3,757	61	60	3,054	60	522	3,866
Borrowings associated with rights of use		803	820	63	740	59	59	53	54	515	803
Fixed interest rate	2080	803	820	63	740	59	59	53	54	515	803
Other financial liabilities		3,063	3,485	46	3,017	2	1	3,001	6	7	3,063
Fixed interest rate	2040	3,021	3,429	15	3,006	1	1	3,001	1	2	3,021
Floating interest rate	2026	42	56	31	11	1	-	-	5	5	42
TOTAL		7,273	7,775	1,372	5,896	551	250	3,246	251	1,598	7,268

At 31 December 2021 and 2020, the breakdown of gross finance debt before derivatives, by currencies, and the impact of currency hedges, is as follows:

Millions of Euros

	31 December 2021							
	Initial debt structure			Effects of debt coverage ratio	Structure of debt subsequent to coverage		Interest rate	
	Amortised cost	Nominal Value	% of total		Amortised cost	% of total	Average interest rate (%)	Effective interest rate (%)
Euro	10,177	10,172	98.1	-	10,177	98.1	1.5	1.5
US dollar (USD)	201	201	1.9	-	201	1.9	3.0	3.0
TOTAL	10,378	10,373	100.0	-	10,378	100.0	1.5	1.5

Millions of Euros

	31 December 2020							
	Initial debt structure			Effects of debt coverage ratio	Structure of debt subsequent to coverage		Interest rate	
	Amortised cost	Nominal Value	% of total		Amortised cost	% of total	Average interest rate (%)	Effective interest rate (%)
Euro	7,186	7,181	98.8	-	7,186	98.8	1.7	1.7
US dollar (USD)	87	87	1.2	-	87	1.2	3.5	3.5
TOTAL	7,273	7,268	100.0	-	7,273	100.0	1.7	1.7

The movement in the nominal amount of non-current interest-bearing loans and borrowings in 2021 and 2020 is as follows:

Millions of Euros

	Nominal Value at 31 December 2020	Does not create cash flows		Creates cash flows		Nominal value at 31 December 2021
		Additions / (Disposals)	Transfers	Repayments and Redemptions (Note 48.3)	New Borrowings (Note 48.3)	
Bonds and other negotiable securities	12	-	-	-	-	12
Bank borrowings	2,127	-	(211)	(22)	1,417	3,311
Other financial liabilities	3,757	209	(89)	-	8	3,885
Borrowings associated with rights of use	740	209	(88)	-	-	861
Other	3,017	-	(1)	-	8	3,024
TOTAL	5,896	209	(300)	(22)	1,425	7,208

Millions of Euros

	Nominal Value at 31 December 2019	Does not create cash flows		Creates cash flows		Nominal amount at 31 December 2020
		Additions / (Disposals)	Transfers	Repayments and Redemptions (Note 48.3)	New Borrowings (Note 48.3)	
Bonds and other negotiable securities	12	-	-	-	-	12
Bank borrowings	1,945	-	(89)	(71)	342	2,127
Other financial liabilities	3,669	158	(67)	(504)	501	3,757
Borrowings associated with rights of use	646	158	(64)	-	-	740
Other	3,023	-	(3)	(504)	501	3,017
TOTAL	5,626	158	(156)	(575)	843	5,896

The movement in the nominal amount of current interest-bearing loans and borrowings in 2021 and 2020 is as follows:

Millions of Euros

	Nominal amount at 31 December 2020	Does not create cash flows		Creates cash flows		Nominal value at 31 December 2021
		Additions / (Disposals)	Transfers	Repayments and Redemptions (Note 48.3)	New Borrowings (Note 48.3)	
Bonds and other negotiable securities	1,162	-	(2)	(12,039)	13,794	2,915
Bank borrowings	101	-	213	(183)	3	134
Other financial liabilities	109	4	90	(120)	33	116
Borrowings associated with rights of use	63	4	91	(76)	-	82
Other	46	-	(1)	(44)	33	34
TOTAL	1,372	4	301	(12,342)	13,830	3,165

Millions of Euros

	Nominal amount at 31 December 2019	Does not create cash flows		Creates cash flows		Nominal value at 31 December 2020
		Additions / (Disposals)	Transfers	Repayments and Redemptions (Note 48.3)	New Borrowings (Note 48.3)	
Bonds and other negotiable securities	796	-	1	(13,548)	13,913	1,162
Bank borrowings	65	-	89	(78)	25	101
Other financial liabilities	93	7	66	(99)	42	109
Borrowings associated with rights of use	64	7	65	(73)	-	63
Other	29	-	1	(26)	42	46
TOTAL	954	7	156	(13,725)	13,980	1,372

The average interest on gross interest-bearing loans and borrowings in 2021 was 1.5% (1.7% in 2020) (see Note 3.2b.1).

43.4. Other matters.

43.4.1. Liquidity

As at 31 December 2021, ENDESA's liquidity amounted to Euro 5,520 million (Euro 4,493 million at 31 December 2020) as detailed below:

Millions of Euros

	Notes	Liquidity	
		31 December 2021	31 December 2020
Cash and cash equivalents	34	703	403
Freely available on credit facilities ⁽¹⁾	44.4	4,817	4,090
TOTAL		5,520	4,493

(1) At 31 December 2021 and 2020, Euro 1,700 million were accounted for by the committed and irrevocable line of credit arranged with ENEL Finance International, N.V. (see Note 49.1.2).

At 31 December 2021, ENDESA has negative working capital of euros 4,170 million as a result of its cash management policy. The undrawn amount on the Company's long-term credit facilities provide assurance that the ENDESA can obtain sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the statement of financial position (see Note 44.4).

The undrawn credit facilities also secure the refinancing of current borrowings presented under "Non-current borrowings" in the accompanying Consolidated Statement of Financial Position, which amounted to Euro 33 million at 31 December 2021 (Euro 33 million at 31 December 2020) (see Note 3.2o).

The amount of these credit facilities, together with the current assets, provides sufficient coverage for ENDESA's short-term payment obligations (see Note 44.4).

43.4.2. Main financial transactions.

The main transactions in 2021 were as follows:

- ENDESA, S.A. has registered a new Euro Commercial Paper (ECP) SDG7 emissions programme for Euro 4,000 million, the outstanding nominal balance of which was Euro 2,915 million at 31 December 2021, renewable with the backing of irrevocable credit facilities. This Programme incorporates sustainability objectives, in line with ENDESA's Strategic Plan.

- The following financial transactions were arranged, all of them incorporating sustainability objectives (see Note 5.2):

Millions of Euros

Transactions	Counterparty	Signature date	Maturity date	Amount
Loan ^{(1) (2)}	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	300
Line of credit ^{(1) (2)}	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	250
Lines of credit ^{(1) (3)}	Various banks	25 March 2021	25 March 2025	1,955
Line of credit ⁽¹⁾	BNP Paribas	25 March 2021	25 March 2025	100
Loan ⁽⁴⁾	CaixaBank, S.A.	31 March 2021	15 April 2028	150
Line of Credit ⁽¹⁾	Deutsche Bank, S.A.E.	28 April 2021	28 April 2025	70
Intercompany credit facility ^{(1) (5)}	ENEL Finance International N.V.	25 May 2021	25 May 2025	1,700
Loan ⁽⁴⁾	Unicaja Banco, S.A.	28 June 2021	28 June 2028	75
Loan ⁽⁴⁾	Kutxabank, S.A.	30 July 2021	30 July 2028	75
Loan ⁽⁴⁾	Cajasur Banco S.A.U.	30 July 2021	30 July 2028	50
Loan ⁽⁴⁾	Unicaja Banco, S.A.	15 October 2021	15 October 2026	125
Loan ⁽⁴⁾	Kutxabank, S.A.	15 October 2021	15 October 2026	75
Loan ⁽⁴⁾	Banco Cooperativo Español, S.A.	27 October 2021	27 October 2028	100
Loan ⁽⁴⁾	European Investment Bank	11 November 2021	22 November 2036	250
Line of Credit ⁽¹⁾	Bankinter, S.A.	3 December 2021	25 March 2025	25
Loan ⁽⁴⁾	CaixaBank, S.A.	9 December 2021	9 December 2024	275
Line of Credit ⁽⁴⁾	CaixaBank, S.A.	10 December 2021	10 December 2024	100
Line of Credit ⁽⁴⁾	Intesa San Paolo, S.p.A.	13 December 2021	13 December 2024	200
Line of Credit ⁽¹⁾	Unicaja Banco, S.A.	17 December 2021	25 March 2025	25
Line of Credit ⁽⁴⁾	BBVA, S.A.	17 December 2021	17 December 2024	150
Line of Credit ⁽⁴⁾	BNP Paribas	17 December 2021	17 December 2024	100
Line of Credit ⁽⁴⁾	Deutsche Bank, S.A.E.	17 December 2021	17 December 2024	125
Loan ⁽⁴⁾	BBVA, S.A.	17 December 2021	17 December 2024	225
Loan ⁽⁴⁾	Instituto de Crédito Oficial	20 December 2021	20 December 2033	300
Loan ⁽⁴⁾	European Investment Bank	21 December 2021	2037	250
TOTAL				7,050

(1) Transactions described as sustainable on including the performance indicator (KPI) in relation to ENDESA's commitment that its net installed capacity from renewable sources is 55% of the total net mainland installed capacity at 31 December 2022.

(2) Corresponds to a current financial transaction in "Club Deal" format renewed at the signature date.

(3) Corresponds to the 9 credit lines in force renewed at the signature date.

(4) The credit conditions of this transactions are tied, for the first time at ENDESA, to the objective established in the Company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO₂) equivalent to 150 gCO₂eq/kWh in 2023.

(5) The formalisation of this credit facility coincides with the cancellation of two lines of credit that ENDESA held with ENEL Finance International, N.V. until that date, for the amount of Euro 1,000 million and Euro 700 million, respectively.

At the date of authorisation for issue of these consolidated financial statements, ENDESA had not had to resort to refinancing for its borrowings as a consequence of the health crisis caused by COVID-19 (see Note 5.1).

43.4.3. Financial stipulations

Certain ENDESA subsidiaries are subject to compliance with certain obligations stipulated in their financing agreements (covenants) that are standard in contracts of this nature.

At 31 December 2021, neither ENDESA, S.A. nor any of its subsidiaries were in breach of their financial obligations or any obligations that could require early repayment of their liabilities.

ENDESA's directors do not consider that these clauses change the current/non-current classification in the consolidated statement of financial position at 31 December 2021.

Financial stipulations.

The loan contracts of ENDESA, S.A., which centralises almost all of ENDESA's financing activity, do not contain financial ratio clauses that would lead to a breach of contract and early termination.

The outstanding bond emissions of ENDESA, S.A. (Euro 12 million at 31 December 2021) contain:

- Cross-default clauses) whereby said debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of ENDESA, S.A.

Furthermore, the outstanding bond emission commitments of ENDESA, S.A. and the bank financing arranged by ENDESA, S.A. contain the following clauses:

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

Credit rating clauses.

At 31 December 2021 and 2020, ENDESA, S.A. had entered into financial transactions with the European Investment Bank (EIB) and the Spanish Official Credit Institute, totalling Euro 2,437 million and Euro 1,703 million, respectively, which could require additional guarantees or renegotiation if their credit rating was downgraded to below certain levels.

Clauses related to the change of control.

At 31 December 2021, ENDESA, S.A. has loans and other borrowings from banks and ENEL Finance International, N.V. of approximately Euro 7,137 million, with an outstanding debt of Euro 4,887 million, which might have to be repaid early in the event of a change of control over ENDESA, S.A. (Euro 7,053 million at 31 December 2020, with an outstanding nominal debt of Euro 5,103 million).

Clauses related to the assignment of assets.

Part of the debt of ENDESA S.A. includes restrictions on assignment to third parties if a certain percentage of ENDESA's consolidated assets is surpassed, which varies for the related transactions from 7% to 10%.

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

The amount of debt affected by these clauses at 31 December 2021 is Euros 3,336 million (Euros 1,803 million at 31 December 2020).

Project financing.

At 31 December 2021, certain ENDESA subsidiaries operating in the renewable energy business and financed through project finance have a financial debt of Euros 84 million (Euros 79 million at 31 December 2020) (see Notes 20.3, 35.1.13 and 50), which includes the following clauses:

- These debts and their associated derivatives with a negative net market value of Euro 1 million (Euro 2 million at 31 December 2020), might have to be settled early as a result of a change of shareholder control.
- Pledges of shares granted as assurance of compliance with obligations under contract to financial institutions for the amount of the outstanding financial debt (see Notes 20.3 and 50).
- Restrictions of sales of assets consisting of obtaining the authorisation of most lenders, and in certain cases, of allocating the amount of their sale to repay debt.

- Restrictions in the distribution of profits to shareholders, subject to the fulfilment of certain conditions.
- The obligation to recognise a debt service reserve account (see Note 34).

Clauses related to the fulfilment of ratios.

At 31 December 2021 and 2020, certain subsidiaries of ENDESA, whose activity consists of renewable generation and are financed through project finance, carry borrowings amounting to Euro 84 million, are obliged to comply with certain Annual Debt Service Coverage Ratios (ADSCR). All of the debt pending payment at 31 December 2021 complied with these ratios.

43.4.4. Other matters

At 31 December 2021 and 2020, the estimated interest on gross financial debt, considering the interest rates prevailing on those dates and until maturity, is as follows:

Millions of Euros

Instrument	Total	Interest on gross financial debt at 31 December 2021					
		2022	2023	2024	2025	2026	Subsequent years
Bonds and other negotiable securities	3	(4)	1	1	1	1	3
Bank borrowings	17	4	3	2	2	2	4
Other financial liabilities	498	122	119	117	23	21	96
Borrowings associated with rights of use	227	32	29	27	23	21	95
Other	271	90	90	90	-	-	1
TOTAL	518	122	123	120	26	24	103

Millions of Euros

Instrument	Total	Interest on gross financial debt at 31 December 2020					
		2021	2022	2023	2024	2025	Subsequent years
Bonds and other negotiable securities	5	(2)	1	1	1	1	3
Bank borrowings	20	5	3	2	2	2	6
Other financial liabilities	610	121	119	117	114	22	117
Borrowings associated with rights of use	250	31	29	27	24	22	117
Other	360	90	90	90	90	-	-
TOTAL	635	124	123	120	117	25	126

At 31 December 2021 and 2020, no issues were convertible into Company shares or grant holders privileges or rights that could, in certain cases, make the issues convertible into shares.

43.5. Net gains and losses on financial assets and liabilities by category

43.5.1. Net gains and losses on financial assets by category

The net profit and losses on financial assets and liabilities by categories in 2021 and 2020 are as follows:

Millions of Euros

	2021		2020	
	Net gains/(losses) in the Consolidated Income Statement	Gains / (losses) recognised in the Consolidated Statement of Other Comprehensive Income	Net gains/(losses) in the Consolidated Income Statement	Gains / (losses) recognised in the Consolidated Statement of Other Comprehensive Income
Financial assets at amortised cost ⁽¹⁾	(122)	-	(102)	-
Financial assets at fair value with changes in the income statement ⁽²⁾	6,231	-	542	-
Financial assets at fair value with changes in the Consolidated Statement of Other Comprehensive Income ⁽³⁾	-	-	-	-
Hedging derivatives	1,464	(1,983)	(237)	(193)
TOTAL	7,573	(1,983)	203	(193)

(1) Relates to net impairment losses receivable (see Notes 15.2 and 16).

(2) Relates to revenue from changes in energy derivatives and financial derivatives (see Notes 11 and 16.2).

(3) Corresponds to income from cash flow hedges (see Notes 11 and 16.2).

43.5.2. Net gains and losses on financial assets by category

The net gains and losses on financial liabilities by categories at 31 December 2021 and 2020 are as follows:

Millions of Euros				
	2021		2020	
	Net gains/(losses) in the Consolidated Income Statement	Gains / (losses) recognised in the Consolidated Statement of Other Comprehensive Income	Net gains/(losses) in the Consolidated Income Statement	Gains / (losses) recognised in the Consolidated Statement of Other Comprehensive Income
Financial liabilities at amortised cost ⁽¹⁾	(142)	-	(137)	-
Financial liabilities at fair value through profit or loss ⁽²⁾	(6,244)	-	(296)	-
Hedging derivatives ⁽³⁾	(919)	-	(7)	-
TOTAL	(7,305)	-	(440)	-

(1) Relates to financial expenses on debt (see Note 16).

(2) Relates to expenses for changes in energy derivatives and financial derivatives (see Notes 9,10.1, 10.3, 11 and 16.2).

(3) Relates to cash flow hedging expenses (see Notes 11 and 16.2).

44. General risk control and management policy.

The activities of ENDESA and its subsidiaries (ENDESA) are carried out in an environment where outside factors may affect the performance of its operations and its earnings, thereby making it necessary to manage and control their exposure.

The General Risk Control and Management Policy lays down the basic principles and the general framework to control and manage risks of any kind that could affect the attainment of targets, ensuring that they are systematically identified, analysed, assessed, managed and controlled within the risk levels set. The General Risk Control and Management Policy identifies the different types of risk, both financial and non-financial (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) faced by the Company. The financial and economic risks include any contingent liabilities and other risks not included in the consolidated statement of financial position.

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

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

- Existence of a regulatory system, people, means and systems to be able to develop a continuous process of identification, quantification, mitigation and information regarding all relevant risks that might affect the Company.
- Ensure the adequate unbundling of functions, together with the coordination mechanisms between the different risk control areas and systems.
- The risks must be in line with the strategy, objectives and critical values of ENDESA, ensuring the adaptation of the risk levels to the objectives and limits set by the Board of Directors.
- Optimisation of risk control and management from a consolidated perspective, giving the latter priority over individual management of each of the risk.
- Continual assessment of hedging, transference and mitigation mechanisms to guarantee their suitability and the adoption of the best market practices.
- On-going monitoring of the prevailing legislation, including tax provisions, to guarantee that transactions are performed in accordance with the rules governing the business.

- Respect for and compliance with internal regulations, with a special focus on Regulatory Compliance, Corporate Governance and provisions for the Prevention of Criminal and Anti-Bribery Risks, in particular, the Code of Ethics and the Zero Tolerance Plan Against Corruption.
- Security is the number one value of ENDESA in all the actions that must preserve the health and safety of the people who work for and at ENDESA.
- Commitment to sustainable development, efficiency and respect for the environment and human rights.
- Responsible optimisation of the use of available resources, in order to provide profitability for the shareholders as part of a relationship based on the principles of loyalty and transparency.

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

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

The risk control and management process consists of identifying, assessing, monitoring and managing the different risks over time, and envisages the main risks to which the Company is exposed, both endogenous (due to internal factors) and exogenous (due to external factors). The purpose of risk management is to implement actions aimed at adjusting risk levels to optimum levels and respecting the limits set in all cases.

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

44.1. Interest rate risk

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

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

The goal is to reduce the amount of borrowings subject to interest rate fluctuations is reduced by the use of interest rate swap contracts. In any case, the structure of the contracts adapts to that of the underlying financial instrument, and never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position.

At 31 December 2021 and 2020, the structure of financial risk, factoring in the derivatives arranged, is as follows:

Millions of Euros					
	Net position				
	31 December 2021			31 December 2020	
	Before derivatives	After derivatives		Before derivatives	After derivatives
Fixed interest rate	5,476	5,490		4,680	4,716
Floating interest rate	3,323	3,316		2,144	2,137
TOTAL	8,799	8,806		6,824	6,853

At 31 December 2021 and 2020, the reference interest rate for the borrowings arranged by ENDESA is mainly Euribor.

The breakdown of the notional amount of derivatives by interest rate at 31 December 2021 and 2020 is as follows:

Millions of Euros			
INTEREST RATE DERIVATIVES	Net notional amount		
	2021	2020	
Interest rate swaps			
Fixed to variable interest rate swaps	1,022	863	
Fixed to variable interest rate swaps	512	12	
TOTAL INTEREST RATE DERIVATIVES	1,534	875	

Sensitivity analysis

At 31 December 2021 and 2020, the pre-tax impact of interest-rate fluctuations on the consolidated income statement and statement of other consolidated income, other variables remaining constant, is as follows:

Millions of Euros					
	Basis points change	31 December 2021		31 December 2020	
		Consolidated income statement	Consolidated Statement of Other Comprehensive Income	Consolidated income statement	Consolidated Statement of Other Comprehensive Income
Finance costs of variable gross borrowings after derivatives					
Interest rate increase	+25	11	-	9	-
Interest rate reduction	-25	(11)	-	(9)	-
Fair value of derivative financial hedging instruments					
Fair value					
Interest rate increase	+25	(5)	-	-	-
Interest rate reduction	-25	4	-	-	-
Cash flow					
Interest rate increase	+25	-	11	-	8
Interest rate reduction	-25	-	(9)	-	(5)
Fair value of derivative instruments not designated as hedging instruments					
Interest rate increase	+25	-	-	-	-
Interest rate reduction	-25	-	-	-	-

44.2. Currency risk

Currency risks mainly relate to transactions for the purchase of raw energy (especially natural gas and coal) on international markets where the prices of these materials are normally in US dollars. Similarly, ENDESA incurs in this risk in the management of debt in foreign currencies, procurements, the payment of insurance premiums, plant maintenance contracts, and dividends.

ENDESA arranged currency swaps and exchange rate insurance to mitigate its currency risk. ENDESA also strives to balance cash collections and payments for its assets and liabilities in foreign currencies.

The term of the contracts never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position.

The breakdown of the notional amount of derivatives by exchange rate at 31 December 2021 and 2020 is as follows:

Millions of Euros		Net notional amount	
EXCHANGE RATE DERIVATIVES		2021	2020
Energy stock foreign exchange contracts			
Forward contracts/futures		3,298	2,788
Other contracts			
Forward contracts/futures		62	157
Total forward contracts/futures		3,360	2,945
TOTAL EXCHANGE RATE DERIVATIVES		3,360	2,945

Sensitivity analysis

At 31 December 2021 and 2020, the pre-tax impact of exchange-rate fluctuations of the euro against the US dollar (USD) on the consolidated income statement and consolidated statement of other comprehensive income, other variables remaining constant, is as follows.

Millions of Euros		31 December 2021		31 December 2020	
	Percentage variation	Consolidated income statement	Consolidated Statement of Other Comprehensive Income	Consolidated income statement	Consolidated Statement of Other Comprehensive Income
Fair value of derivative financial hedging instruments					
Cash flow					
Depreciation of the euro	10%	-	261	-	219
Appreciation of the euro	10%	-	(214)	-	(180)
Fair value					
Depreciation of the euro	10%	-	-	-	-
Appreciation of the euro	10%	-	-	-	-
Fair value of derivative instruments not designated as hedging instruments					
Depreciation of the euro	10%	(56)	-	(2)	-
Appreciation of the euro	10%	46	-	2	-

44.3. Energy stock price risk

The Company is exposed to the risk of fluctuations in energy stock prices, including carbon dioxide emission allowances (CO₂), mainly through the following:

- Purchases of fuel stocks in the electricity generation process.
- Power sale and purchase transactions on domestic and international markets.

Exposure to fluctuations in energy stock prices is controlled by monitoring risk limits as a measure to balance expected returns against assumed risk. These limits are based on expected results with a confidence interval of 95%. Industrial portfolio positions are reviewed monthly on the basis of Profit at Risk, and the trading portfolio is reviewed daily on the basis of Value at Risk.

Individual analyses are also performed on the impact of certain relevant transactions on ENDESA's risk profile and delivery of its predefined limits.

Exposure to this risk in the long term is managed by diversifying contracts, managing the procurements portfolio by reference to indices with a similar or comparable trend to that of the end electricity (generation) or sale (retailing) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements.

In the short and medium term, fluctuations in energy prices are managed through specific hedges, generally derivatives.

The following table sets out the notional value of outstanding operations as at 31 December 2021 and 31 December 2020, classified by type of instrument:

Millions of Euros		
ENERGY STOCK DERIVATIVES	Notional	
	2021	2020
Swaps	6,929	3,437
Forward contracts/futures	122	396
Options	543	2,627
TOTAL ENERGY STOCK DERIVATIVES	7,594	6,460

Sensitivity analysis

As of 31 December 2021 and 2020, the detail of the pre-tax impact on the Consolidated Statement of Income and the Consolidated Statement of Other Comprehensive Income on the value of existing energy commodity derivatives that would result from a change in commodity prices, all other things being equal, is as follows:

Millions of Euros						
Cash flow hedging derivatives	31 December 2021			31 December 2020		
	Price changes in energy stock derivatives	Consolidated income statement	Consolidated statement of other comprehensive income	Price changes in energy stocks	Consolidated income statement	Consolidated statement of other comprehensive income
Electricity derivatives	15%	-	248	15%	-	132
	-15%	-	(248)	-15%	-	(131)
Coal and freight derivatives	15%	-	-	15%	-	-
	-15%	-	-	-15%	-	-
Liquid fuel and gas derivatives	15%	-	(408)	15%	-	74
	-15%	-	408	-15%	-	(73)
Carbon dioxide (CO ₂) emission right derivatives	15%	-	(4)	15%	-	-
	-15%	-	4	-15%	-	-

Millions of Euros						
Derivatives not designated as hedging instruments	31 December 2021			31 December 2020		
	Price changes in energy stock derivatives (1)	Consolidated income statement	Consolidated statement of other comprehensive income	Price changes in energy stocks	Consolidated income statement	Consolidated statement of other comprehensive income
Electricity derivatives	15%	70	-	15%	(5)	-
	-15%	(69)	-	-15%	4	-
Coal and freight derivatives	15%	-	-	15%	(1)	-
	-15%	-	-	-15%	1	-
Liquid fuel and gas derivatives	15%	68	-	15%	(1)	-
	-15%	(68)	-	-15%	-	-
Carbon dioxide (CO ₂) emission right derivatives	15%	3	-	15%	(8)	-
	-15%	(3)	-	-15%	3	-

44.4. Liquidity risk

Liquidity risk may cause difficulties in meeting the obligations associated with financial liabilities, which are settled by provision of cash or other financial assets. Liquidity risk management aims to guarantee a level of liquidity minimising opportunity cost, and to maintain a structure of financial debt on the basis of due dates and sources of finance. In the short term, liquidity risk is mitigated by maintaining a sufficient level of resources available unconditionally, including cash and short-term deposits, drawable lines of credit and a portfolio of highly liquid assets.

ENDESA's liquidity policy consists of arranging committed long-term credit facilities with both banking entities and ENEL Group companies and financial investments in an amount sufficient to cover projected needs over a given period, based on the status and expectations of the debt and capital markets.

These needs include maturity of net financial debt. Further details of the characteristics and conditions of borrowings and financial derivatives are provided in Notes 37, 43.3 and 46, respectively.

The cash function is centralised at ENDESA Financiación Filiales, S.A.U., which draws up cash forecasts to ensure it has sufficient cash to meet operational needs, maintaining sufficient levels of availability on its undrawn loans.

At 31 December, 2021 and 2020, ENDESA's liquidity position was as follows:

Millions of Euros			
	Notes	31 December 2021	31 December 2020
Cash in hand and at banks	34	703	403
Unconditional availability in credit lines ⁽¹⁾	43.4.1	4,817	4,090
Total		5,520	4,493

(1) As of 31 December 2021, and 2020, €1.7 billion relates to the committed and irrevocable credit facility available with ENEL Finance International N.V.

At 31 December 2021, ENDESA had negative working capital of Euro 4,170 million. The undrawn amount on the Company's long-term credit facilities provide assurance that the ENDESA can obtain sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the statement of financial position (see Note 43.4.1).

ENDESA has a solid financial position and unconditional credit lines contracted with first-tier entities available for significant amounts.

However, to reinforce its liquidity position and ensure the continuity of business activities ENDESA has arranged a series of financial transactions (see Note 43.4.2).

Maturity analysis.

Information on the breakdown of the nominal value ENDESA's borrowings by maturities is disclosed in Note 43.3.

44.5. Credit risk

Credit risk is generated when a counterparty does not meet its obligations set out in a financial or commercial contract, giving rise to financial losses. ENDESA is exposed to credit risk from its operational and financial activities, including derivatives, deposits with banks, transactions in foreign currency and other financial instruments.

Unexpected changes to the credit rating of a counterparty have an impact on the creditor's position in terms of solvency (non-compliance risk) or changes to market value (spread risk).

ENDESA closely monitors its credit risk, taking additional precautions which include the following, among others:

- Risk analysis, assessment and monitoring of counterparty credit quality
- Establishing contractual clauses guarantee requests, or contracting insurance where necessary.
- Exhaustive review of the level of counterparty exposure.
- Counterparty diversification.

Historically, credit risk on trade receivables is limited, given the short period of collection from customers, as supply may be cut off in accordance with the applicable regulations before any significant arrears are accumulated (see Note 33).

At 31 December 2021, due debt of customers for sales and services and other accounts receivable totals Euro 907 million, which represents 18.7 equivalent invoicing days (31 December 2020: Euro 815 million and 22.4 equivalent invoicing days, respectively).

ENDESA's policies for managing credit risk on financial assets are as follows:

- ENDESA and its subsidiaries place their cash surpluses in counterparties which are leading entities in the markets in which they operate. At 31 December, 2021, the greatest exposure to cash positions held with a counterparty not belonging to the ENEL Group amounted to Euros 272 million (31 December 2020: Euros 121 million).
- Interest-rate and exchange-rate derivatives are arranged with highly solvent entities, whereby at 31 December 2021, more than 74% of interest-rate and exchange-rate derivative exposure relate to transactions with entities with a credit rating of “A-” or higher (94% at year-end 2020).
- Credit risk associated with financial instruments arranged on energy stocks is also limited. At 31 December 2021, taking market values as a basis, exposure to energy stock derivatives was less than Euro 1,261 million (less than Euro 213 million at 31 December 2020).
- At 31 December, 2021, the maximum accumulated credit risk by counterparty arising from interest rate, exchange rate and energy stock derivatives, totals Euro 477 million, and therefore no counterparties accumulate more than 37% of the total credit risk related to financial instruments (31 December 2020: Euro 130 million and 59% total, respectively).

At 31 December 2021 and 2020, there were guarantees, letters of guarantee, and pledges received for commercial transactions, as follows:

Millions of Euros		
	31 December 2021	31 December 2020
Business to Business (B2B)	187	222
Counterparts in Energy Stock Markets	293	81
TOTAL	480	303

At 31 December 2021 and 2020, ENDESA had not pledged significant guarantees, letters of guarantee or pledges.

Analysis of counterparty risk

As of 31 December 2021 and 2020, the detail of the credit rating of current and non-current non-matured financial asset instruments, which do not belong to the category of customers for sales and services rendered and other debtors, is as follows:

Millions of Euros			
	Notes	31 December 2021	31 December 2020
Cash and cash equivalents	34	703	403
A+		38	10
A		226	1
A-		2	121
BBB+		349	169
BBB		50	63
BBB-		34	34
BB+		1	4
BB		-	-
B+		-	-
Counterparty without credit rating		3	1
Equity instruments	43.1.2	6	6
A+		-	-
A		-	-
A-		3	3
BBB+		-	-
Counterparty without credit rating		3	3
Derivative financial instruments	154 46	3,175	636
AAA		93	62
AA-		3	-
A+		26	10
A		111	19
A-		102	464
BBB+		2,278	11
BBB		4	3
BBB-		343	46
BB+		10	1
BB		2	15
BB-		125	5
B+		-	-
B		78	-
Counterparty without credit rating		-	-
Financial assets (1)		2,391	1,459
Financing of the revenue shortfall from regulated activities in Spain	6 and 43.1.1	168	277
Compensation for stranded costs in non-mainland generation (TNP)	6 and 43.1.1	749	602
Guarantee deposits	43.1.1	441	443
Loans to employees	43.1.1	46	36
Loans to Associated Companies, Joint Ventures and Joint Operating Companies	43.1.1 and 49.2	63	64
Remuneration for investment in renewable energies	6 and 43.1.1	-	1
Other financial assets	43.1.1	947	62
Impairment losses		(23)	(26)
TOTAL		6,275	2,504

(1) Mainly includes receivables from Public Administrations, as well as from counterparties without a credit rating.

44.6. Customer concentration risk

ENDESA is exposed to customer and supplier concentration risk in its activity.

Customer concentration risk is managed and minimised by a business strategy with several diversification criteria:

- Customer typology: Large industrial customers, medium-sized companies and residential customers, both private individuals and public authorities;
- Economic activity of customers: Business with customers operating in different sectors; and
- Types of product sold: Electricity, gas and other products and services.

This strategy ensures that sales to a specific customer do not account for a major portion of ENDESA's economic results.

This risk is controlled by regular monitoring of trade receivable accounts (debts past-due and outstanding) for individuals and groups of companies under joint control.

In its relationships with its main shareholder, ENDESA is exposed to credit risk. In 2021 this risk was not significant, and related mainly to the potential change in energy stock hedging contracts which ENDESA has arranged through ENEL Group companies.

At 31 December 2021, receivables from the ten largest customers (business group) accounted for less than 37.9% of the total, although none of them individually accounted for more than 14.7% at that date (20.0% and 5.7%, respectively, at 31 December 2020).

Due to the sharp increase in energy prices in the last half of the year, the exposure of industrial customers has increased considerably in the last months of the year, so that the concentration percentages have risen, in a timely manner, with respect to previous years.

ENDESA's current relationships with main industry service suppliers and providers are essential for the development and growth of its business, and may affect its capacity to negotiate contracts with these parties under favourable conditions. Nonetheless, ENDESA's technical and economic rating processes allow it to ensure the quality of services acquired as well as the supplier's financial status, and offer a diversified supplier portfolio in all its purchasing categories, thereby making it possible to replace one in the case of interrupted service, mitigating its supplier concentration risk.

At 31 December 2021, its top ten suppliers did not represent more than 28.7% of the total (31 December 2020: 33.1%).

The possible one-off loss of a customer or supplier should not have a significant effect on the concentration risk, since the concentration of customers and suppliers is low and the ability to substitute suppliers is generally high, without affecting the monitoring being performed by ENDESA with respect to the variations in this concentration risk (see Note 5.1).

44.7. Risks of commitments to purchase energy stocks.

At 31 December 2021, inventory purchase commitments amounted to Euro 19,766 million (31 December 2020: Euro 14,722 million), a portion of which corresponds to agreements containing "take or pay" clauses (see Note 32):

The Company's directors consider that ENDESA will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

45. Offsetting of non-current and current financial assets and liabilities

The detail of non-current and current financial assets and liabilities set off and not set off at 31 December 2021 and 2020 is as follows:

Millions of Euros							
31 December 2021							
	Notes	Gross amount of financial assets	Amount set off	Net amount of financial assets presented on the financial statements	Amounts in netting arrangements not set off		Net amount
			Financial collateral		Financial instrument	Financial collateral	
Current Assets of Contracts with Customers	27.1	-	-	-	-	-	-
Other non-current financial assets	28	580	-	580	-	-	580
Non-current derivative financial instruments	29	774	-	774	(509)	-	265
Other non-current assets	30	264	-	264	-	-	264
Total non-current asset financial instruments		1,618	-	1,618	(509)	-	1,109
Trade receivables for sales and services and other receivables ⁽¹⁾	33	5,037	-	5,037	(403)	-	4,634
Current Assets of Contracts with Customers	27.1	6	-	6	-	-	6
Other current financial assets	31	1,817	-	1,817	-	-	1,817
Current derivative financial instruments	29	2,401	-	2,401	(2,073)	-	328
Cash and cash equivalents	34	703	-	703	-	-	703
Total current financial instruments		9,964	-	9,964	(2,476)	-	7,488

(1) Does not include balances with public administrations.

Millions of Euros

31 December 2020						
Notes	Gross amount of financial assets	Amount set off	Net amount of financial assets presented on the financial statements	Amounts in netting arrangements not set off		Net amount
				Financial instrument	Financial collateral	
Current Assets of Contracts with Customers	27.1	-	-	-	-	-
Other non-current financial assets	28	534	-	534	-	534
Non-current derivative financial instruments	29	169	-	169	(127)	42
Other non-current assets	30	244	-	244	-	244
Total non-current asset financial instruments		947	-	947	(127)	820
Trade receivables for sales and services and other receivables (1)	33	2,808	-	2,808	(165)	2,643
Current Assets of Contracts with Customers	27.1	10	-	10	-	10
Other current financial assets	31	931	-	931	-	931
Current derivative financial instruments	29	467	-	467	(293)	174
Cash and cash equivalents	34	403	-	403	-	403
Total current financial instruments		4,619	-	4,619	(458)	4,161

(1) Does not include balances with public administrations.

Millions of Euros

31 December 2021						
Notes	Gross amount of financial liabilities	Amount set off	Net amount of financial liabilities presented on the financial statements	Amounts in netting arrangements not set off		Net amount
				Financial instrument	Financial collateral	
Non-current liability contracts with customers	27.2	4,284	-	4,284	-	4,284
Non-current borrowings	37	7,211	-	7,211	-	7,211
Non-current derivative financial instruments	29	573	-	573	(509)	64
Other non-current financial liabilities	40	120	-	120	-	120
Other non-current liabilities	39	690	-	690	-	690
Total non-current liability financial instruments		12,878	-	12,878	(509)	12,369
Current Liability Contracts with Customers	27	270	-	270	-	270
Current borrowings	37	3,167	-	3,167	-	3,167
Current derivative financial instruments	29	4,884	-	4,884	(2,073)	2,811
Other current financial liabilities	40	34	-	34	-	34
Suppliers and other payables	41	6,084	-	6,084	(403)	5,681
Total current liability financial instruments		14,439	-	14,439	(2,476)	11,963

(1) Does not include balances with public administrations.

Millions of Euros

31 December 2020						
Notes	Gross amount of financial liabilities	Amount set off	Net amount of financial liabilities presented on the financial statements	Amounts in netting arrangements not set off		Net amount
				Financial instrument	Financial collateral	
Non-current liability contracts with customers	27.2	4,256	-	4,256	-	4,256
Non-current borrowings	37	5,901	-	5,901	-	5,901
Non-current derivative financial instruments	29	236	-	236	(123)	113
Other non-current financial liabilities	40	1	-	1	-	1
Other non-current liabilities	39	630	-	630	-	630
Total non-current liability financial instruments		11,024	-	11,024	(123)	10,901
Current Liability Contracts with Customers	27.2	274	-	274	-	274
Current borrowings	37	1,372	-	1,372	(10)	1,362
Current derivative financial instruments	29	404	-	404	(287)	117
Other current financial liabilities	40	25	-	25	-	25
Suppliers and other payables	41	5,024	-	5,024	(165)	4,859
Total current liability financial instruments		7,099	-	7,099	(452)	6,637

(1) Does not include balances with public administrations.

46. Derivative financial instruments.

Applying the risk management policy described in Note 44, ENDESA mainly uses interest rate, foreign currency and physical hedging derivatives.

ENDESA does not present information on embedded derivatives separately, as the economic characteristics and risks incidental to these derivatives strictly relate to the host contracts.

Details of the notional and change in derivative financial instruments at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Non-current assets				Current assets			
	Notional		Fair value		Notional		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
Fair value hedging derivatives	12	12	6	7	-	-	-	-
Interest rate	12	12	6	7	-	-	-	-
Cash flow hedging derivatives:	2,914	1,348	603	141	1,980	1,136	981	167
Interest rate	150	-	1	-	-	-	-	-
Exchange rate	1,004	18	30	-	845	141	44	5
Energy stocks	1,760	1,330	572	141	1,135	995	937	162
Derivatives not designated as hedging instruments	271	158	165	21	1,068	1,672	1,420	300
Interest rate	-	-	-	-	-	-	-	-
Exchange rate	51	38	-	2	174	332	6	14
Energy stocks	220	120	165	19	894	1,340	1,414	286
TOTAL	3,197	1,518	774	169	3,048	2,808	2,401	467

Millions of Euros

	Non-current liabilities				Current liabilities			
	Notional		Fair value		Notional		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
Fair value hedging derivatives	500	-	1	-	-	-	-	-
Interest rate	500	-	1	-	-	-	-	-
Cash flow hedging derivatives:	1,484	2,716	361	220	2,444	1,775	2,783	195
Interest rate	846	835	12	34	-	-	-	-
Exchange rate	134	1,018	1	72	939	1,060	27	74
Energy stocks	504	863	348	114	1,505	715	2,756	121
Derivatives not designated as hedging instruments	262	157	211	16	1,553	1,306	2,101	209
Interest rate	-	28	-	2	26	-	1	-
Exchange rate	76	31	1	3	137	307	12	30
Energy stocks	186	98	210	11	1,390	999	2,088	179
TOTAL	2,246	2,873	573	236	3,997	3,081	4,884	404

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk undertaken by ENDESA, since these amounts only constitute the basis on which the derivative settlement calculations were made.

46.1. Derivative instruments designated as hedging instruments.

At 31 December 2021, ENDESA had checked that it continued to meet the criteria established by the regulations for the application of hedge accounting (see Note 5.1).

During 2021, hedge accounting for certain derivatives contracted to hedge energy commodities prices risk, which were initially designated as cash flow hedges of highly probable future transactions was discontinued, as a result among others, of contractual amendments to a long-term gas purchase contract which made future transactions, as contracted, remote. These interruptions resulted in the recognition of income of Euro 152 million which is included in "Income and expenses on energy stock derivatives" in the Consolidated Income Statement.

46.1.1. Interest rate risk

At 31 December 2021 and 2020, the detail of the notional value and average interest rate of interest rate cash flows hedging derivatives by maturity is as follows:

Cash flow hedging derivatives		Maturity						Total
		2022	2023	2024	2025	2026	Subsequent years	
Interest Rate Swaps IRS in Euros	Notional (millions of euros)	-	-	-	-	-	996	996
	Average interest rate (%)	-	-	-	-	-	0.7	-

Cash flow hedging derivatives		Maturity						Total
		2021	2022	2023	2024	2025	Subsequent years	
Interest Rate Swaps IRS in Euros	Notional (millions of euros)	-	-	-	-	-	835	835
	Average interest rate (%)	-	-	-	-	-	0.9	-

As of 31 December 2021 and 2020, the detail of the notional amount and average interest rate of interest rate fair value hedging derivatives by maturity is as follows:

Fair value hedging derivatives		Maturity						Total
		2022	2023	2024	2025	2026	Subsequent years	
Interest Rate Swaps IRS in Euros	Notional (millions of euros)	-	-	-	500	-	12	512
	Average interest rate in (%)	-	-	-	0.1	-	5.7	-

Fair value hedging derivatives		Maturity						Total
		2021	2022	2023	2024	2025	Subsequent years	
Interest Rate Swaps IRS in Euros	Notional (millions of euros)	-	-	-	-	-	12	12
	Average interest rate in (%)	-	-	-	-	-	5.7	-

At 31 December 2021 and 2020 the breakdown of interest rate hedging derivatives, by designation and classified by type of hedged item, is as follows:

Millions of Euros

		31 December 2021					
INTEREST RATE DERIVATIVES	Hedging item	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives		996	(11)	150	1	846	12
Interest rate swaps	Variable rate financing	996	(11)	150	1	846	12
Fair value hedging derivatives		512	5	12	6	500	1
Interest rate swaps	Fixed rate debentures	12	6	12	6	-	-
	Fixed rate financing	500	(1)	-	-	500	1
Total interest rate swaps		1,508	(6)	162	7	1,346	(13)
TOTAL INTEREST RATE DERIVATIVES		1,508	(6)	162	7	1,346	(13)

Millions of Euros

		31 December 2020					
INTEREST RATE DERIVATIVES	Hedging item	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives		835	(34)	-	-	835	34
Interest rate swaps	Variable rate financing	835	(34)	-	-	835	34
Fair value hedging derivatives		12	7	12	7	-	-
Interest rate swaps	Fixed rate debentures	12	7	12	7	-	-
Total interest rate swaps		847	(27)	12	7	835	34
TOTAL INTEREST RATE DERIVATIVES		847	(27)	12	7	835	34

At 31 December 2021 and 2020, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of Euros

INTEREST RATE DERIVATIVES Current value (net of accumulated interest)	Cash flow stratification expected						
	31 December 2021	2022	2023	2024	2025	2026	Subsequent years
Cash flow hedging derivatives	(11)	(6)	(5)	(2)	(1)	1	3
Positive fair value	1	1	-	-	-	1	1
Negative fair value	(12)	(7)	(5)	(2)	(1)	-	2
Fair value hedging derivatives	5	2	1	(1)	-	-	3
Positive fair value	6	1	1	1	-	-	3
Negative fair value	(1)	1	-	(2)	-	-	-

Millions of Euros

INTEREST RATE DERIVATIVES Current value (net of accumulated interest)	Cash flow stratification expected						
	31 December 2020	2021	2022	2023	2024	2025	Subsequent years
Cash flow hedging derivatives	(34)	(8)	(7)	(6)	(5)	(4)	(7)
Positive fair value	-	-	-	-	-	-	-
Negative fair value	(34)	(8)	(7)	(6)	(5)	(4)	(7)
Fair value hedging derivatives	7	1	1	1	-	-	4
Positive fair value	7	1	1	1	-	-	4
Negative fair value	-	-	-	-	-	-	-

The effect of cash flow hedging derivatives on the consolidated statement of financial position, consolidated income statement and consolidated statement of other comprehensive income was as follows:

Millions of Euros

	31 December 2021			2021			
	Net notional amount	Assets, fair value (1)	Liabilities, fair value (2)	Changes in the fair value in the statement of other comprehensive income	Amount reclassified of the statement of other comprehensive income to the income statement (3) (4)	Amount reclassified of the statement of other comprehensive income to the income statement (5)	Changes in the fair value derivatives recognised in the income statement due to ineffectiveness
Cash flow hedging derivatives							
Interest rate swaps	996	1	(12)	23	(8)	-	-
Total cash flow hedging derivatives	996	1	(12)	23	(8)	-	-

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

(2) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

(3) Amount reclassified of the Income Statement because the hedged item has affected profit or loss.

(4) Included in "Income and Expenses of the Derivative Financial Instruments" of the Consolidated Income Statement.

(5) Amount reclassified of the Income Statement because the cash flows are no longer expected to occur.

Millions of Euros

	31 December 2020			2020			
	Net notional amount	Assets, fair value	Liabilities, fair value (1)	Changes in the fair value in the statement of other comprehensive income	Amount reclassified of the statement of other comprehensive income to the income statement (2) (3)	Amount reclassified of the statement of other comprehensive income to the income statement (4)	Changes in the fair value derivatives recognised in the income statement due to ineffectiveness
Cash flow hedging derivatives							
Interest rate swaps	835	-	(34)	(16)	(7)	-	-
Total cash flow hedging derivatives	835	-	(34)	(16)	(7)	-	-

(1) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

(2) Amount reclassified of the Income Statement because the hedged item has affected profit or loss.

(3) Included in "Income and Expenses of the Derivative Financial Instruments" of the Consolidated Income Statement.

(4) Amount reclassified of the Income Statement because the cash flows are no longer expected to occur.

Considering effective cash flow hedges, 58% of debt was protected from interest rate risk at 31 December 2021 (63% at 31 December 2020). In addition, taking fair value hedges into consideration, this percentage was 53% at 31 December 2021 (63% at 31 December 2020). The effect of fair value hedging derivatives on the consolidated statement of financial position, consolidated income statement and consolidated statement of other comprehensive income was as follows:

Millions of Euros

	31 December 2021				2021	
	Net notional amount	Assets, fair value ⁽¹⁾	Liabilities, fair value ⁽²⁾	Book Amount of the Hedged Item in the Statement of Financial Position	Changes in the Fair Value of the Hedged Item	Accumulated Amount of the Hedging Adjustments of the Fair Value in the Hedged Item
Fair value hedging derivatives						
Interest rate swaps	512	6	(1)	12	2	6
Total fair value hedging derivatives	512	6	(1)	12	2	6

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

(2) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

Millions of Euros

	31 December 2020				2020	
	Net notional amount	Assets, fair value	Liabilities, fair value	Book Amount of the Hedged Item in the Statement of Financial Position	Changes in the Fair Value of the Hedged Item	Accumulated Amount of the Hedging Adjustments of the Fair Value in the Hedged Item
Fair value hedging derivatives						
Interest rate swaps	12	7	-	12	-	8
Total fair value hedging derivatives	12	7	-	12	-	8

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

In 2021 and 2020, the amounts recognised in the consolidated income statement in relation to the derivatives and hedged items of fair value hedges are as follows:

Millions of Euros

	2021		2020	
	Revenue	Expenses	Revenue	Expenses
Hedged items	2	-	-	-
Derivatives ⁽¹⁾	-	3	-	-
TOTAL	2	3	-	-

(1) Without settlement.

46.1.2. Currency risk

At 31 December 2021 and 2020, the detail of the notional value and average exchange rate of exchange rate hedging derivatives by maturity is as follows:

Cash flow hedging derivatives		Maturity					
		2022	202	202	202	Subsequent	Total
EUR/USD Forward Contracts/EUR/USD Exchange Rate	Notional (millions of euros)	1.78	851	283	4	-	2,922
Futures	Average exchange rate in	1.17	1.19	1.18	1.18	-	-

Cash flow hedging derivatives		Maturity					
		2021	2022	202	202	Subsequent	Total
EUR/USD Forward Contracts/EUR/USD Exchange Rate	Notional (millions of euros)	1.20	1.02	15	-	-	2,237
Futures	Average exchange rate in	1.15	1.16	1.20	-	-	-

At 31 December 2021 and 2020, the detail of the notional value and fair value of exchange rate hedging derivatives by name and classified by type of item hedged, is as follows:

Millions of Euros

EXCHANGE RATE DERIVATIVES		31 December 2021					
		Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives							
Foreign exchange forward contracts/futures	Raw material foreign exchange contracts	2,862	45	1,814	73	1,048	28
	Other contracts	60	1	35	1	25	-
Total forward contracts/futures		2,922	46	1,849	74	1,073	28
TOTAL EXCHANGE RATE DERIVATIVES		2,922	46	1,849	74	1,073	28

Millions of Euros

		31 December 2020					
EXCHANGE RATE DERIVATIVES		Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives							
Foreign exchange forward contracts/futures	Raw material foreign exchange contracts	2,107	(136)	156	5	1,951	141
	Other contracts	130	(5)	3	-	127	5
Total forward contracts/futures		2,237	(141)	159	5	2,078	146
TOTAL EXCHANGE RATE DERIVATIVES		2,237	(141)	159	5	2,078	146

At 31 December 2021 and 2020, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of Euros

Present value (net of accumulated interest)	Cash flow stratification expected						
	31 December 2021	2022	2023	2024	2025	2026	Subsequent years
Exchange rate derivatives - cash flow hedges	46	15	28	3	-	-	-
Positive fair value	74	43	28	3	-	-	-
Negative fair value	(28)	(28)	-	-	-	-	-
Exchange rate derivatives – fair value hedges	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-

Millions of Euros

Present value (net of accumulated interest)	Cash flow stratification expected						
	31 December 2020	2021	2022	2023	2024	2025	Subsequent years
Exchange rate derivatives - cash flow hedges	(141)	(69)	(71)	(1)	-	-	-
Positive fair value	5	5	-	-	-	-	-
Negative fair value	(146)	(74)	(71)	(1)	-	-	-
Exchange rate derivatives – fair value hedges	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-

The effect of cash flow hedging derivatives on the consolidated statement of financial position, consolidated income statement and consolidated statement of other comprehensive income was as follows:

Millions of Euros

	31 December 2021			2021			Changes in the fair value derivatives recognised in the income statement due to ineffectiveness (4)
	Net notional amount	Assets, fair value (1)	Liabilities, fair value (2)	Changes in the fair value in the statement of other comprehensive income	Amount reclassified of the statement of other comprehensive income to the income statement (3) (4)	Amount reclassified of the statement of other comprehensive income to the income statement (5)	
Cash flow hedging derivatives							
Exchange rate forward contracts/futures	2,922	74	(28)	185	(25)	-	-
Total cash flow hedging derivatives	2,922	74	(28)	185	(25)	-	-

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

(2) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

(3) Amount reclassified of the Income Statement because the hedged item has affected profit or loss.

(4) Included in "Income and Expenses of the Derivative Financial Instruments" of the Consolidated Income Statement.

(5) Amount reclassified of the Income Statement because the cash flows are no longer expected to occur.

Millions of Euros

	31 December 2020			2020			
	Net notional amount	Assets, fair value (1)	Liabilities, fair value (2)	Changes in the fair value in the statement of other comprehensive income	Amount reclassified of the statement of other comprehensive income to the income statement (3) (4)	Amount reclassified of the statement of other comprehensive income to the income statement (5)	Changes in the fair value derivatives recognised in the income statement due to ineffectiveness (4)
Cash flow hedging derivatives							
Exchange rate forward contracts/futures	2,237	5	(146)	(222)	41	12	-
Total cash flow hedging derivatives	2,237	5	(146)	(222)	41	12	-

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

(2) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

(3) Amount reclassified of the Income Statement because the hedged item has affected profit or loss.

(4) Included in "Income and Expenses of the Derivative Financial Instruments" of the Consolidated Income Statement.

(5) Amount reclassified of the Income Statement because the cash flows are no longer expected to occur.

46.1.3. Energy commodities risk

At 31 December 2021 and 2020, the detail of the notional value and average price of energy commodities hedging derivatives by maturity is as follows:

Millions of Euros

Cash flow hedging derivatives			Maturity						
			2022	2023	2024	2025	2026	Subsequent years	Total
Swaps									
Electricity derivatives	MWh	Notional (millions of euros)	228	102	110	91	88	380	999
		Average price (Euro/MWh)	55.2	48.5	40.1	37.1	35.7	29.1	
Liquid fuel and gas derivatives	Barrels	Notional (millions of euros)	516	160	51	-	-	-	727
		Average price (USD/thousands of)	54.6	59.6	65.1	-	-	-	
	MBTU	Notional (millions of euros)	272	362	96	-	-	-	730
		Average price (USD/MBTU)	2.6	3.3	3.2	-	-	-	
	Metric Tonnes	Notional (millions of euros)	750	375	51	-	-	-	1,176
		Average price (USD/TM)	498.1	509.4	577.8	-	-	-	
	MWh	Notional (millions of euros)	767	168	33	-	-	-	968
		Average price (Euro/MWh)	18.4	22.1	19.7	-	-	-	
Forward contracts/futures									
Electricity derivatives	MWh	Notional (millions of euros)	-	-	-	-	-	-	-
		Average price (Euro/MWh)	-	-	-	-	-	-	
Options									
Electricity derivatives	MWh	Notional (millions of euros)	7	16	16	16	16	133	204
		Average price (Euro/MWh)	34.1	34.5	34.5	34.5	34.5	32.9	
Liquid fuel and gas derivatives	MWh	Notional (millions of euros)	100	-	-	-	-	-	100
		Average price (Euro/MWh)	50.3	-	-	-	-	-	
Total Notional			2,640	1,183	357	107	104	513	4,904

Millions of Euros

Cash flow hedging derivatives			Maturity						
			2022	2023	2024	2025	2026	Subsequent years	Total
Swaps									
Electricity derivatives	MWh	Notional (millions of euros)	75	82	63	63	52	262	597
		Average price (Euro/MWh)	40.5	41.8	37.9	37.9	37.8	37.8	-
Liquid fuel and gas derivatives	Barrels	Notional (millions of euros)	345	331	23	-	-	-	699
		Average price (USD/thousands of	51.7	45.1	45.8	-	-	-	-
	MBTU	Notional (millions of euros)	258	222	-	-	-	-	480
		Average price (USD/MBTU)	2.5	2.5	-	-	-	-	-
	Metric Tonnes	Notional (millions of euros)	81	156	173	-	-	-	410
		Average price (USD/TM)	395.5	420.1	442.0	-	-	-	-
	MWh	Notional (millions of euros)	650	565	36	-	-	-	1,251
		Average price (Euro/MWh)	15.2	14.5	15.0	-	-	-	-
Forward contracts/futures									
Electricity derivatives	MWh	Notional (millions of euros)	301	69	10	9	5	2	396
		Average price (Euro/MWh)	44.3	44.7	41.9	41.4	41.4	41.3	-
Options									
Electricity derivatives	MWh	Notional (millions of euros)	-	70	-	-	-	-	70
		Average price (Euro/MWh)	-	34.1	-	-	-	-	-
Liquid fuel and gas derivatives	MWh	Notional (millions of euros)	-	-	-	-	-	-	-
		Average price (Euro/MWh)	-	-	-	-	-	-	-
Total Notional			1,710	1,495	305	72	57	264	3,903

At 31 December 2021 and 2020, the detail of the notional value and fair value of energy stock hedging derivatives and classified by type of raw material, is as follows:

Millions of Euros

Fuel stock derivatives	Assets				Liabilities			
	Notional		Fair value		Notional		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
Cash flow hedging derivatives								
Electricity derivatives	1,021	704	658	106	182	359	511	60
Swaps	817	349	639	62	182	248	499	49
Forward contracts/futures	-	285	-	44	-	111	-	11
Options	204	70	19	-	-	-	12	-
Liquid fuel and gas derivatives	1,874	1,621	851	197	1,827	1,219	2,593	175
Swaps	1,844	1,621	848	197	1,757	1,219	2,567	175
Options	30	-	3	-	70	-	26	-
Carbon dioxide (CO₂) emission right derivatives	-	-	-	-	-	-	-	-
Forward contracts/futures	-	-	-	-	-	-	-	-
TOTAL ENERGY STOCK DERIVATIVES	2,895	2,325	1,509	303	2,009	1,578	3,104	235

At 31 December 2021 and 2020, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of Euros

Fair value	Fair value stratification						
	31 December 2021	2022	2023	2024	2025	2026	Subsequent years
Cash flow hedging derivatives							
Electricity derivatives	147	(43)	85	53	27	11	14
Liquid fuel and gas derivatives	(1,742)	(1,776)	16	18	-	-	-

Millions of Euros

Fair value	Fair value stratification						
	31 December 2020	2021	2022	2023	2024	2025	Subsequent years
Cash flow hedging derivatives							
Electricity derivatives	46	26	17	(9)	3	3	6
Liquid fuel and gas derivatives	22	-	16	6	-	-	-

The effect of cash flow hedging derivatives on the consolidated statement of financial position, consolidated income statement and consolidated statement of other comprehensive income was as follows:

Millions of Euros

	31 December 2021			2021			
	Net notional amount	Assets, fair value (1)	Liabilities, fair value (2)	Changes in the fair value in the statement of other comprehensive income	Amount reclassified of the statement of other comprehensive income to the income statement (3) (4)	Amount reclassified of the statement of other comprehensive income to the income statement (5)	Changes in the fair value derivatives recognised in the income statement due to ineffectiveness (4)
Cash flow hedging derivatives							
Liquid fuel and gas derivatives	3,701	851	2,593	(2,699)	(98)	80	(7)
Coal and freight derivatives	-	-	-	-	-	-	-
Electricity derivatives	1,203	658	511	508	714	-	(27)
Carbon dioxide (CO ₂) emission right derivatives	-	-	-	-	-	72	(1)
Total cash flow hedging derivatives	4,904	1,509	3,104	(2,191)	616	152	(35)

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

(2) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

(3) Amount reclassified of the Income Statement because the hedged item has affected profit or loss.

(4) Included in "Income and Expenses of the Derivative Financial Instruments" of the Consolidated Income Statement.

(5) Amount reclassified of the Income Statement because the cash flows are no longer expected to occur.

Millions of Euros

	31 December 2020			2020			
	Net notional amount	Assets, fair value (1)	Liabilities, fair value (2)	Changes in the fair value in the statement of other comprehensive income	Amount reclassified of the statement of other comprehensive income to the income statement (3) (4)	Amount reclassified of the statement of other comprehensive income to the income statement (5)	Changes in the fair value derivatives recognised in the income statement due to ineffectiveness (4)
Cash flow hedging derivatives							
Liquid fuel and gas derivatives	2,840	197	(175)	(60)	(89)	(9)	8
Coal and freight derivatives	-	-	-	-	-	-	-
Electricity derivatives	1,063	106	(60)	105	(183)	-	-
Carbon dioxide (CO ₂) emission right derivatives	-	-	-	-	-	-	-
Total cash flow hedging derivatives	3,903	303	(235)	45	(272)	(9)	8

(1) Included in "Derivative Financial Instruments" under Assets in the Consolidated Statement of Financial Position.

(2) Included in "Derivative Financial Instruments" under Liabilities in the Consolidated Statement of Financial Position.

(3) Amount reclassified of the Income Statement because the hedged item has affected profit or loss.

(4) Included in "Income and Expenses of the Derivative Financial Instruments" of the Consolidated Income Statement.

(5) Amount reclassified of the Income Statement because the cash flows are no longer expected to occur.

46.2. Derivative instruments not designated as hedging instruments.

The breakdown of the notional amount of derivatives by maturity at 31 December 2021 and 2020 is as follows:

Derivatives not designated as hedging instruments	Notional value stratification						
	31 December 2021	2022	2023	2024	2025	2026	Subsequent years
Interest rate derivatives	26	26	-	-	-	-	-
Exchange rate derivatives	438	311	124	3	-	-	-
Liquid fuel and gas derivatives	2,256	1,966	250	40	-	-	-
Coal and freight derivatives	-	-	-	-	-	-	-
Electricity derivatives	312	199	101	6	5	-	1
Carbon dioxide (CO ₂) emission right derivatives	122	119	2	1	-	-	-

Derivatives not designated as hedging instruments	Notional value stratification						
	31 December 2020	2021	2022	2023	2024	2025	Subsequent years
Interest rate derivatives	28	-	28	-	-	-	-
Exchange rate derivatives	708	639	62	7	-	-	-
Liquid fuel and gas derivatives	1,703	1,583	95	25	-	-	-
Coal and freight derivatives	5	5	-	-	-	-	-
Electricity derivatives	784	692	45	28	17	-	2
Carbon dioxide (CO ₂) emission right derivatives	65	59	6	-	-	-	-

At 31 December 2021 and 2020, the detail of the notional value and fair value of derivatives not designated as hedging instruments classified by type of item hedged, is as follows:

Derivatives not designated as hedging instruments	Assets				Liabilities			
	Notional		Fair value		Notional		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
Interest rate derivatives	-	-	-	-	26	28	1	2
Swaps	-	-	-	-	26	28	1	2
Exchange rate derivatives	225	370	6	16	213	338	13	33
Currency futures	225	370	6	16	213	338	13	33
Electricity derivatives	190	411	246	69	122	373	239	54
Swaps	190	187	246	38	120	145	239	23
Forward contracts/futures	-	222	-	29	-	228	-	31
Options	-	2	-	2	2	-	-	-
Coal and freight derivatives	-	2	-	-	-	3	-	-
Swaps	-	2	-	-	-	3	-	-
Liquid fuel and gas derivatives	866	1,038	1,298	234	1,390	665	2,026	127
Swaps	792	1,009	1,282	229	1,227	653	1,995	125
Forward contracts/futures	-	29	-	5	-	12	-	2
Options	74	-	16	-	163	-	31	-
Carbon dioxide (CO₂) emission right derivatives	58	9	35	2	64	56	33	9
Swaps	-	-	-	-	-	-	-	-
Forward contracts/futures	58	9	35	2	64	22	33	4
Options	-	-	-	-	-	34	-	5
Total	1,339	1,830	1,585	321	1,815	1,463	2,312	225

The following table sets out the expected cash flows during future periods relating to derivatives not designated as hedging instruments.

Millions of Euros

Derivatives not designated as hedging instruments	Fair value stratification						
	31 December 2021	2022	2023	2024	2025	2026	Subsequent years
Interest rate derivatives	(1)	(1)	-	-	-	-	-
Exchange rate derivatives	(7)	(4)	(3)	(0)	-	-	-
Liquid fuel and gas derivatives	(728)	(635)	(85)	(8)	-	-	-
Electricity derivatives	7	(40)	48	(1)	-	-	-
Carbon dioxide (CO ₂) emission right derivatives	2	2	-	-	-	-	-

Millions of Euros

Derivatives not designated as hedging instruments	Fair value stratification						
	31 December 2020	2021	2022	2023	2024	2025	Subsequent years
Interest rate derivatives	(2)	(1)	(1)	-	-	-	-
Exchange rate derivatives	(17)	(17)	(1)	1	-	-	-
Liquid fuel and gas derivatives	107	102	4	1	-	-	-
Electricity derivatives	15	12	-	1	1	-	1
Carbon dioxide (CO ₂) emission right derivatives	(7)	(7)	-	-	-	-	-

47. Fair value measurement

47.1. Fair value measurement of categories of financial assets

The classifications of financial assets measured at fair value in the consolidated statements of financial position by fair value hierarchy at 31 December 2021 and 31 December 2020 are as follows:

Millions of Euros

31 December 2021										
Notes	Non-current assets					Notes	Current assets			
	Fair value	Level 1	Level 2	Level 3			Fair value	Level 1	Level 2	Level 3
Equity instruments	43.1	6	-	-	6	43.1	-	-	-	-
Fair value hedging derivatives	46	6	-	6	-	46	-	-	-	-
Interest rate	46	6	-	6	-	46	-	-	-	-
Cash flow hedging derivatives:		603	-	263	340		981	-	706	275
Interest rate	46	1	-	1	-	46	-	-	-	-
Exchange rate		30	-	30	-		44	-	44	-
Energy stocks		572	-	232	340		937	-	662	275
Derivatives not designated as hedging instruments	46.2	165	-	164	1	46.2	1,420	-	1,419	1
Interest rate		-	-	-	-		-	-	-	-
Exchange rate		-	-	-	-		6	-	6	-
Energy stocks		165	-	164	1		1,414	-	1,413	1
Inventories		-	-	-	-		1	-	1	-
TOTAL		780	-	433	347		2,402	-	2,126	276

Millions of Euros

31 December 2020										
Notes	Non-current assets					Notes	Current assets			
	Fair value	Level 1	Level 2	Level 3			Fair value	Level 1	Level 2	Level 3
Equity instruments	43.1	6	-	-	6	43.1	-	-	-	-
Fair value hedging derivatives	46	7	-	7	-	46	-	-	-	-
Interest rate	46	7	-	7	-	46	-	-	-	-
Cash flow hedging derivatives:		141	6	91	44		167	38	114	15
Interest rate	46	-	-	-	-	46	-	-	-	-
Exchange rate		-	-	-	-		5	-	5	-
Energy stocks		141	6	91	44		162	38	109	15
Derivatives not designated as hedging instruments	46.2	21	4	15	2	46.2	300	27	273	-
Interest rate		-	-	-	-		-	-	-	-
Exchange rate		2	-	2	-		14	-	14	-
Energy stocks		19	4	13	2		286	27	259	-
Inventories		-	-	-	-		2	1	1	-
TOTAL		175	10	113	52		469	66	388	15

There were no level transfers among these financial assets in 2021 and 2020.

In the current context, ENDESA has continued to use the same measurement standards to determine fair value (see Notes 3.1, 3.2h.5, 3.2q and 5.1).

47.2. Fair value measurement of categories of assets not measured at fair value

The classifications of financial liabilities measured at fair value in the consolidated statements of financial position by fair value hierarchy at 31 December 2021 and 31 December 2020 are as follows:

Millions of Euros									
	Notes	31 December 2021				31 December 2020			
		Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Investment property	3.2 c and 22.1	55	-	-	55	60	-	-	60

47.3. Fair value measurement of categories of financial liabilities

The classifications of non-current and current financial liabilities measured at fair value in the consolidated statement of financial position by fair value hierarchy level at 31 December 2021 and 2020 are as follows:

Millions of Euros										
	Notes	31 December 2021								
		Non-current liabilities				Current liabilities				
		Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3	
Bonds and other marketable securities	43.2	18	-	18	-	43.2	-	-	-	-
Debts to Credit Institutions	43.2	500	-	500	-	43.2	-	-	-	-
Fair Value Hedging Derivatives:	46	1	-	1	-	46	-	-	-	-
Interest rate		1	-	1	-		-	-	-	-
Cash flow hedging derivatives:		361	-	218	143		2,783	-	2,776	7
Interest rate	46	12	-	12	-	46	-	-	-	-
Exchange rate		1	-	1	-		27	-	27	-
Energy stocks		348	-	205	143		2,756	-	2,749	7
Derivatives not designated as hedging instruments	46.2	211	-	211	-	46.2	2,101	-	2,101	-
Interest rate		-	-	-	-		1	-	1	-
Exchange rate		1	-	1	-		12	-	12	-
Energy stocks		210	-	210	-		2,088	-	2,088	-
TOTAL	43 and 46	1,091	-	948	143	43 and 46	4,884	-	4,877	7

Millions of Euros										
	Notes	31 December 2020								
		Non-current liabilities				Current liabilities				
		Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3	
Bonds and other marketable securities	43.2	20	-	20	-	43.2	-	-	-	-
Fair value hedging derivatives	46	-	-	-	-	46	-	-	-	-
Interest rate		-	-	-	-		-	-	-	-
Cash flow hedging derivatives:		220	1	176	43		195	10	183	2
Interest rate	46	34	-	34	-	46	-	-	-	-
Exchange rate		72	-	72	-		74	-	74	-
Energy stocks		114	1	70	43		121	10	109	2
Derivatives not designated as hedging instruments	46.2	16	3	13	-	46.2	209	28	181	-
Interest rate		2	-	2	-		-	-	-	-
Exchange rate		3	-	3	-		30	-	30	-
Energy stocks		11	3	8	-		179	28	151	-
TOTAL	43 and 46	256	4	209	43	43 and 46	404	38	364	2

There were no level transfers among these financial liabilities in 2021 and 2020.

47.4. Fair value measurement of categories of financial liabilities not measured at fair value

The non-current and current financial liabilities not measured at fair value in the consolidated statement of financial position, but disclosed in the notes to these consolidated financial statements by fair value hierarchy level at 31 December 2021 and 2020 are as follows:

Millions of Euros				
	31 December 2021			
	Fair value	Level 1	Level 2	Level 3
Bank borrowings	2,791	-	2,791	-
Fixed interest rate	491	-	491	-
Floating interest rate	2,300	-	2,300	-
Other financial liabilities	4,092	-	4,092	-
Borrowings associated with rights of use	875	-	875	-
Fixed interest rate	875	-	875	-
Other	3,217	-	3,217	-
Fixed interest rate	3,203	-	3,203	-
Floating interest rate	14	-	14	-
Total non-current liabilities	6,883	-	6,883	-
Bank borrowings	167	-	167	-
Floating interest rate	167	-	167	-
Bonds and other negotiable securities	2,917	-	2,917	-
Floating interest rate	2,917	-	2,917	-
Other financial liabilities	210	-	210	-
Borrowings associated with rights of use	85	-	85	-
Fixed interest rate	85	-	85	-
Other	125	-	125	-
Fixed interest rate	92	-	92	-
Floating interest rate	33	-	33	-
Total current liabilities	3,294	-	3,294	-

Millions of Euros				
	31 December 2020			
	Fair value	Level 1	Level 2	Level 3
Bank borrowings	2,151	-	2,151	-
Floating interest rate	2,151	-	2,151	-
Other financial liabilities	4,102	-	4,102	-
Borrowings associated with rights of use	658	-	658	-
Fixed interest rate	658	-	658	-
Other	3,444	-	3,444	-
Fixed interest rate	3,433	-	3,433	-
Floating interest rate	11	-	11	-
Total non-current liabilities	6,253	-	6,253	-
Bank borrowings	137	-	137	-
Floating interest rate	137	-	137	-
Bonds and other negotiable securities	1,162	-	1,162	-
Floating interest rate	1,162	-	1,162	-
Other financial liabilities	203	-	203	-
Borrowings associated with rights of use	66	-	66	-
Fixed interest rate	66	-	66	-
Other	137	-	137	-
Fixed interest rate	92	-	92	-
Floating interest rate	45	-	45	-
Total current liabilities	1,502	-	1,502	-

47.5. Other matters

In 2021 and 2020, the changes in derivative financial instruments measured at Level 3 fair value were as follows:

Millions of Euros		
	2021	2020
Opening balance	16	-
Net gains/(losses) in the Consolidated Income Statement	-	2
Gains / (losses) recognised in the Consolidated Statement of Other Comprehensive Income	451	14
Closing balance	467	16

The fair value of the derivative financial instruments classified in Level 3 was calculated by applying the cash flow method. To calculate these cash flow projections, the available market information is used as a base, complemented, where appropriate, with estimates from essential models that represent the functioning of these markets.

At 31 December 2021, none of the possible scenarios foreseen in these assumptions indicated would result in a significant change in the fair value of the financial instruments classified in this Level.

48. Statement of cash flows

At 31 December 2021, cash and cash equivalents stood at Euros 703 million (Euros 403 million at 31 December 2020) (see Note 34).

In 2021 and 2020 ENDESA's net cash flows, broken down into operating, investing and financing activities, were as follows:

Millions of Euros	Statement of cash flows	
	2021	2020
Net cash flows from operating activities	2,621	2,951
Net cash flows from investing activities	(3,073)	(1,726)
Net cash flows from financing activities	752	(1,045)

In 2021, net cash flows generated from operating activities (Euro 2,621 million) and those obtained from financing activities (Euro 752 million) have enabled net payments to be met arising from investing activities (Euro 3,073 million).

48.1. Net cash flows from operating activities.

In 2021, net cash flows from operating activities amounted to Euros 2,621 million (Euros 2,951 million in 2020), with the same being as follows:

Millions of Euros			
	Notes	2021	2020
Gross profit before tax		1,924	1,788
Adjustments for:		2,410	2,153
Depreciation and amortisation and impairment losses	15	2,322	1,897
Other adjustments (net)		88	256
Changes in working capital:		(1,000)	(413)
Trade and other receivables		(2,291)	31
Inventories		(457)	(225)
Other current financial assets		80	28
Trade payables and other current liabilities		1,668	(247) ⁽¹⁾
Other cash flows from operating activities:		(713)	(577)
Interest received		77	34
Dividends received		38	28
Interest paid ⁽²⁾		(152)	(152)
Corporate income tax paid		(346)	(229)
Other receipts from and payments for operating activities ⁽³⁾		(330)	(258)
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,621	2,951

(1) In 2020, includes Euro 25 million corresponding to the Public Responsibility Plan and purchase of supplies related to COVID-19 (see Notes 5.1 and 13).

(2) Includes interest payments on financial debts for rights of use amounting to Euro 33 million in 2021 and Euro 33 million in 2020 (see Note 21).

(3) Corresponding to payments of provisions.

The variations in the different items determining the net cash flows from operating activities include:

- The higher gross profit before tax net of depreciation and amortisation and other adjustments (Euro 393 million).
- Changes in working capital between the two periods amounting to Euro 587 million, mainly as a result of the decrease in trade payables of Euro 1,915 million, the negative performance of trade and other receivables (Euro 2,322 million) and increased payments for inventories (Euro 232 million), positive changes in regulatory receivables of Euro 52 million (mainly, Euro 106 for compensation for generation

cost overruns in Non-mainland Territories (TNP) and Euro +170 million for the remuneration of investment in renewable energies).

- The variation in income tax between the two years amounting to Euro 117 million.

In 2021 the Company has also continued with its active policy concerning the management of current assets and liabilities, focusing on, among other aspects, the improvement of processes, the factoring of accounts receivable and agreements extending payment periods with suppliers (see Notes 33 and 41).

At 31 December 2021 and 2020 working capital broke down as follows:

Millions of Euros			
	Notes	Working capital	
		31 December 2021	31 December 2020
Current Assets ⁽¹⁾		10,949	5,831
Inventories	32	1,343	1,077
Trade and other receivables	33	5,382	3,346
Remuneration of distribution activity		183	246
Other		5,199	3,100
Current Assets of Contracts with Customers	27	6	10
Other current financial assets	31	1,817	931
Compensation for extra costs of generation in Non-mainland Territories (TNP)		749	602
Collection rights for the financing of the deficit of regulated activities		168	277
Other		900	52
Current Derivative Financial Instruments	29	2,401	467
Current Liabilities ⁽²⁾		12,655	7,183
Current Liabilities from Contracts with Customers	27	270	274
Current provisions	38	611	477
Current Derivative Financial Instruments	29	4,884	404
Other current financial liabilities	40	34	25
Trade payables and other current liabilities	41	6,856	6,003
Dividend of the Parent	35.1.10 y 35.1.12	529	741
Other		6,327	5,262

(1) Does not include cash and cash equivalents.

(2) Does not include current borrowings.

48.2. Net cash flows from investing activities.

During 2021, net cash flows used in investing activities amounted to Euro 3,073 million (Euros 1,726 million in 2020) and include, among other aspects:

- Cash receipts and payments used to acquire property, plant and equipment and intangible assets:

Millions of Euros			
	Notes	2021	2020
Acquisitions of property, plant and equipment and intangible assets		(2,082)	(1,704)
Acquisitions of property, plant and equipment ⁽¹⁾	20.1	(1,848)	(1,407)
Acquisitions of intangible assets	23.1	(328)	(234)
Facilities transferred from customers		98	29
Non-current asset suppliers		(4)	(92)
Proceeds from sale of property, plant and equipment and intangible assets		84	49
Other receipts from and payments for investing activities ⁽²⁾		107	106
TOTAL		(1,891)	(1,549)

(1) Not including additions for rights of use amounting to Euro 213 million at 31 December 2021 and Euro 182 million at 31 December 2020.

(2) Relating to collections of subsidies and new installations requested by customers.

– Cash payments for investments and/or receipts from disposals of holdings in Group companies:

Millions of Euros

	Notes	2021	2020
Investments in Group companies		(96)	(17)
Companies acquired by ENEL Green Power España, S.L.U. (EGPE)	7 and 23	(96) (2)	(14) (1)
Suggestion Power, Unipessoal, Lda.	7 and 23	-	(3)
Disposals of investments in Group companies		-	21
ENDESA Soluciones, S.L.	7 and 26	-	21
TOTAL		(96)	4

(1) Includes payments corresponding to the acquisitions of companies in the renewable business which have led to the recognition of 85 million euro (46 million euro at 31 December 2020) under "Intangible assets" in the Consolidated Statement of Financial Position, corresponding almost entirely to the value of licences for the development of wind power projects and photovoltaic plants (see Notes 7.1 and 23).

(2) Includes payments corresponding to companies acquired in prior years.

– Cash payments and receipts used in acquisitions and/or disposals of other investments:

Millions of Euros

	Notes	2021	2020
Purchase of other investments		(1,124)	(269)
Remuneration of non-current distribution activity	30	(227)	(218)
Financial collateral	31	(830)	-
Other financial assets		(67)	(51)
Disposal of other investments		38	88
Financial collateral	31	-	55
Other financial assets		38	33
TOTAL		(1,086)	(181)

48.3. Net Cash used in Financing Activities.

During 2021, net cash flows from financing activities amounted to Euro 752 million (Euro 1,045 million in 2020) and mainly include the following aspects:

– Cash flows from equity instruments:

Millions of Euros

	Notes	2021	2020
Shares in own equity instruments	35.1.8	(1)	(2)
Funds contribution by San Francisco de Borja, S.A.	35.2	-	3
Return of contribution of ENDESA Soluciones, S.L.	26.1	3	-
Capital reduction at Énergie Électrique de Tahaddart, S.A.	26.1	4	3
Acquisition of non-controlling interest in Planta Eólica Europea, S.A.	7 and 35.2	(1)	-
Return of funds from Bosa del Ebro, S.L.	35.2	(3)	-
TOTAL		2	4

– Drawdowns of non-current borrowings:

Millions of Euros

	Notes	2021	2020
Drawdowns on bank loans CaixaBank, S.A., Bankia, S.A., Kutxabank, S.A., Unicaja Banco, S.A.U. and Cajasur Banco, S.A.U.	43.4	1,049	300
Drawdowns on credit line with ENEL Finance International, N.V.	43.4	-	500
Draw downs of the green loan arranged with the European Investment Bank (EIB)		250	35
Drawdowns from Banco Cooperativo		100	-
Other		26	8
TOTAL		1,425	843

– Reimbursements of non-current borrowings:

Millions of Euros

	2021	2020
Repayment of ENEL Finance International, N.V. credit line	-	(500)
Repayment of other credit lines	-	(68)
Other	(22)	(7)
TOTAL	(22)	(575)

– Repayments and proceeds from the following current borrowings:

Millions of Euros			
	Notes	2021	2020
Drawn			
Issues of Euro Commercial Paper (ECP)	43.3	13,794	13,913
Other		36	67
Repaid			
Amortisation of Euro Commercial Paper (ECP)	43.3	(12,039)	(13,548)
Payments of right-of-use contracts		(76)	(73)
Amortisation of European Investment Bank (EIB) Green Loan		(167)	(46)
Other		(60)	(58)
TOTAL		(1,488)	(255)

– Dividends paid:

Millions of Euros			
	Notes	2021	2020
Dividends of the Parent paid	35.1.10 and 35.1.12	(2,132)	(1,562)
Dividends paid to Non-controlling Interests ⁽¹⁾	35.2	(9)	(10)
TOTAL		(2,141)	(1,572)

(1) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE) companies.

49. Related-party balances and transactions

Related parties are parties over which ENDESA, directly or indirectly via one or more intermediate companies, exercises control or joint control or has significant influence, or which are key members of the ENDESA management team.

Key members of the ENDESA management team are those with the authority and responsibility to plan, direct and control ENDESA's business either directly or indirectly, including any member of the Board.

Transactions between the Company and its Subsidiaries and Joint Operation Entities, which are related parties, form part of the Company's normal business activities (in terms of their purpose and conditions) and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

For information purposes, all companies comprising the ENEL Group and not included in ENDESA's consolidated financial statements were considered significant shareholders.

The amount of the transactions carried out with other parties related to certain members of the Board of Directors corresponds to the Company's normal business activities which were, in all cases, carried out on an arm's length basis.

All transactions with related parties are performed on an arm's length basis.

49.1. Expenses and income and other transactions

Significant balances and transactions carried out with related parties in 2021 and 2020 were as follows:

49.1.1. Expenses and income

Millions of Euros

	2021				
	Significant shareholders	Directors and senior management	ENDESA employees, companies or entities	Other related parties	Total
Financial expenses	98	-	-	-	98
Leases	-	-	-	-	-
Services received	49	-	-	-	49
Purchases of inventories	(100)	-	-	-	(100)
Other expenses ⁽¹⁾	6,597	-	-	-	6,597
Expenses on energy stock derivative financial instruments	6,446	-	-	-	6,446
Power purchases	95	-	-	-	95
Management or cooperation agreements	56	-	-	-	56
TOTAL EXPENSES	6,644	-	-	-	6,644
Financial income	8	-	-	-	8
Dividends received	-	-	-	-	-
Rendering of services	11	-	-	-	11
Sales of inventories	253	-	-	-	253
Other revenue	3,481	-	-	-	3,481
Revenue on energy stock derivative financial instruments	3,468	-	-	-	3,468
Power sales	10	-	-	-	10
Management or cooperation agreements	2	-	-	-	2
Leases	1	-	-	-	1
TOTAL INCOME	3,753	-	-	-	3,753

(1) Includes Eur 2,010 million recognised in the consolidated statement of other comprehensive income.

Millions of Euros

	2020				
	Significant shareholders	Directors and senior management	ENDESA employees, companies or entities	Other related parties	Total
Financial expenses	97	-	-	-	97
Leases	-	-	-	-	-
Services received	44	-	-	7	51
Purchases of inventories	59	-	-	-	59
Other expenses	454	-	-	-	454
Expenses on energy stock derivative financial instruments	296	-	-	-	296
Power purchases	97	-	-	-	97
Management or cooperation agreements	61	-	-	-	61
TOTAL EXPENSES	654	-	-	7	661
Financial income	4	-	-	-	4
Dividends received	-	-	-	-	-
Rendering of services	14	-	-	2	16
Sales of inventories	92	-	-	-	92
Other revenue	364	-	-	-	364
Revenue on energy stock derivative financial instruments	357	-	-	-	357
Power sales	4	-	-	-	4
Management or cooperation agreements	2	-	-	-	2
Leases	1	-	-	-	1
TOTAL INCOME	474	-	-	2	476

(1) Includes Euro 14 million recognised in consolidated statement of other comprehensive income.

49.1.2. Other transactions

Millions of Euros

	Notes	31 December 2021				
		Significant shareholders	Directors and senior management	ENDESA employees, companies or entities	Other related parties	Total
Financing agreements: Loans and capital contributions (lender)		-	-	1	-	1
Financing agreements: Loans and capital contributions (borrower) ⁽¹⁾		4,700	-	-	-	4,700
Guarantees provided	49.3.1	-	-	7	-	7
Guarantees received ⁽²⁾	32.2	121	-	-	-	121
Commitments acquired		-	-	-	-	-
Dividends and other distributions	35.1.10 and 35.1.12	1,495	-	-	-	1,495
Other transactions ⁽³⁾		80	-	-	-	80

(1) Relates to the outstanding balance on the intercompany loan arranged with ENEL Finance International, N.V. ENDESA has also arranged a committed and irrevocable credit line with ENEL Finance International N.V. for Euro 1,700 million, of which no amount had been drawn down at 31 December 2021 (see Notes 43.4.1 and 43.4.4).

(2) Includes the guarantee received from ENEL, S.p.A. for compliance with the contract for the purchase of liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.

(3) Includes purchases of property, plant and equipment, intangible assets or other types of assets.

Millions of Euros

	Notes	31 December 2020				Total
		Significant shareholders	Directors and senior management	ENDESA employees, companies or entities	Other related parties	
Financing agreements: Loans and capital contributions (lender)		-	1	-	-	1
Financing agreements: Loans and capital contributions (borrower) ⁽¹⁾		3,700	-	-	-	3,700
Guarantees provided	49.3.1	-	7	-	-	7
Guarantees received ⁽²⁾	32.2	112	-	-	-	112
Commitments acquired ⁽³⁾		96	-	-	-	96
Dividends and other distributions	35.1.10 and 35.1.12	1,095	-	-	-	1,095
Other transactions ⁽⁴⁾		151	-	-	-	151

(1) Relates to the outstanding balance on the intercompany loan arranged with ENEL Finance International, N.V. ENDESA also has a committed and irrevocable credit line with ENEL Finance International N.V. for Euro 1,700 million, of which no amount had been drawn down at 31 December 2020 (see Notes 43.4.1 and 43.4).

(2) Includes the guarantee received from ENEL, S.p.A. for compliance with the contract for the purchase of liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.

(3) Relates to commitments to purchase stocks of carbon dioxide (CO2) emission rights.

(4) Includes purchases of tangible, intangible or other assets.

In 2021 and 2020, the directors, or persons acting on their behalf, did not carry out any transactions with the Company (or its other subsidiaries) that were not part of their normal business activities or that were not carried out on an arm's length basis.

49.1.3. Balances at year end.

At 31 December 2021 and 2020, balances with related parties are as follows:

Millions of Euros

	Notes	31 December 2021					
		Significant shareholders			Directors and senior management	ENDESA employees, companies or entities	Other related parties
		ENEL Iberia, S.L.U.	Other significant shareholders	Total			
Customers and trade receivables	33	117	2,203	2,320	-	-	-
Loans and credits granted		-	-	-	1	-	-
Other receivables ⁽¹⁾		69	344	413	-	-	-
TOTAL RECEIVABLES		186	2,547	2,733	1	-	-
Suppliers and trade payables		485	5,745	6,230	-	-	-
Loans and credits received		3	3,000	3,003	-	-	-
Other payables ⁽¹⁾		212	328	540	-	-	-
TOTAL PAYABLES		700	9,073	9,773	-	-	-

(1) Include the receivables and payables, respectively, of the ENDESA companies that make up the consolidated tax group with number 572/10, whose parent company is ENEL, S.p.A. and its representative in Spain is ENEL Iberia, S.L.U. (see Note 3.2.p).

Millions of Euros

	Notes	31 December 2020					
		Significant shareholders			Directors and senior management	ENDESA employees, companies or entities	Other related parties
		ENEL Iberia, S.L.U.	Other significant shareholders	Total			
Customers and trade receivables	33	103	521	624	-	-	-
Loans and credits granted		-	-	-	1	-	-
Other receivables ⁽¹⁾		416	104	520	-	-	-
TOTAL RECEIVABLES		519	625	1,144	1	-	-
Suppliers and trade payables		575	658	1,233	-	-	-
Loans and credits received		2	3,000	3,002	-	-	-
Other payables ⁽¹⁾		426	78	504	-	-	-
TOTAL PAYABLES		1,003	3,736	4,739	-	-	-

(1) Include the receivables and payables, respectively, of the ENDESA companies that make up the consolidated tax group with number 572/10, whose parent company is ENEL, S.p.A. and its representative in Spain is ENEL Iberia, S.L.U. (see Note 3.2.p).

49.2. Associates, joint ventures and jointly controlled entities.

The following are the details at 31 December 2021 and 2020 of trade receivables for sales and services, loans and guarantees to Associates, Joint Ventures and Joint Operating Companies:

Millions of Euros

	Notes	Associates		Joint Ventures		Joint Operation	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Trade receivables for sales and services	33	2	3	2	2	-	-
Credits	28.1 and 43.1.1	59	61	-	-	4	3
Guarantees issued	50	-	-	-	-	-	-

In 2021 and 2020 transactions made with associates, joint ventures and jointly-controlled companies not eliminated on consolidation are as follows:

Millions of Euros

	Associates		Joint Ventures		Joint Operation	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Revenue	12	2	2	2	-	-
Expenses	(22)	(15)	(24)	(24)	(33)	(40)

49.3. Directors and senior management.

49.3.1. Remuneration of the board of directors.

Article 40 of the corporate bylaws states that *"the remuneration of the Directors will comprise the following items: a fixed monthly salary and per diems for attendance at each meeting of the Company's management bodies and their committees.*

Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and will remain in effect until it resolves upon an amendment thereof.

The Board itself shall be in charge of determining the exact amount to be paid in each accounting year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the functions and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

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

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

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

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

- In 2021 and 2020, the monthly fixed salary for each director was Euro 15.6 thousand gross.
- The fees to attend meetings of the Board of Directors, Appointments and Remuneration Committee, Audit and Compliance Committee and Sustainability and Corporate Governance Committee, amounted to Euro 1.5 thousand gross per meeting in 2021 and 2020.
- In addition to the remuneration established for the members of the Board of Directors, the following remuneration criteria shall be applicable to the posts indicated:
 - Non-executive Chairman of the Board of Directors: shall receive a fixed monthly remuneration of Euro 50,000 (gross) (rather than the fixed monthly remuneration of Euro 15,642.56 (gross) provided for the other members).
 - Chairman of the Audit and Compliance Committee: shall receive a monthly fixed remuneration of Euros 3,000 (gross) (in addition to the monthly fixed remuneration as member).
 - Chairmen of the Appointments and Remuneration Committee and of the Sustainability and Corporate Governance Committee: shall receive a monthly fixed remuneration of Euro 2,000 (gross) (in addition to the monthly fixed remuneration as member).
 - Lead Director: shall receive a monthly fixed remuneration of Euros 2,083 (gross) (in addition to the monthly fixed remuneration as member)¹.
- The members of the Board of Directors and executive directors receive remuneration for performing duties other than in their capacity as directors in accordance with the salary structure of senior management of ENDESA. The main components of this remuneration are:
 - Fixed annual remuneration: cash remuneration paid monthly in accordance with the complexity and responsibility of the functions entrusted.
 - Short-term variable remuneration: cash remuneration that is not guaranteed, subject to compliance with annual targets established through the Company's assessment systems.
 - Long-term variable remuneration: cash remuneration that is not guaranteed, subject to compliance with multi-year targets.
 - Social and other benefits: remuneration (normally non-cash), received in accordance with certain special conditions or requirements determined voluntarily, legally, contractually or through collective bargaining.
 -

Remuneration accrued by Directors.

The remuneration accrued by the Directors in 2021 and 2020 was as follows:

Thousands of Euros		
Item	Directors	
	Amount	
	2021	2020
Remuneration for belonging to the board of directors and/or board committees	2,235	2,244
Salaries	960	929
Variable remuneration in cash	848 ⁽¹⁾	1,141 ⁽²⁾
Share-based payment plans	173 ⁽³⁾	86 ⁽⁴⁾
Indemnities	-	-
Long-term saving systems	29	485
Other items ⁽⁵⁾	127	99
TOTAL	4,372	4,984

- (1) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration accrued for a third of the 2019-2021 Loyalty Plan and a third of the Strategic Incentive Plans for 2020-2022 and 2021-2023. The amount paid in this regard totalled Euro 1,016 thousand, and related to the short-term variable remuneration (Euro 520 thousand) and to the long-term variable remuneration (Euro 496 thousand relating to 70% of the 2017-2019 Loyalty Plan and to 30% of the 2018-2020 Loyalty Plan).
- (2) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration accrued for a third of the 2018-2020 and 2019-2021 Loyalty Plans and a third of the 2020-2022 Strategic Incentive Plan. The amount paid in this regard totalled Euro 1,300 thousand, and related to the short-term variable remuneration (Euro 571 thousand) and to the long-term variable remuneration (Euro 729 thousand relating to 30% of the 2017-2019 Loyalty Plan and to 70% of the 2016-2018 Loyalty Plan).
- (3) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan and a third of the 2021-2023 Strategic Incentive Plan.
- (4) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan.
- (5) Includes remuneration in kind and life insurance.

¹ Once the term of office of Mr. Miquel Roca Junyent had expired, at the last General Meeting held on 30 April 2021, the Board of Directors approved, at the proposal of the Appointments and Remuneration Committee, the non-renewal of the position of Coordinating Director in view of the independent status of the Chairman of the Board of Directors.

Some of the above amounts are detailed below according to the position held:

Remuneration for membership on the Board of Directors and/or Board Committees, wages and per diems.

Details of the annual cash remuneration received by the members of the Board of Directors, based on the post held, in 2021 and 2020 are as follows.

Miles de Euros

	2021			2020		
	Remuneration for belonging to the board of directors and/or board committees	Per diems ⁽²⁾	Salaries	Remuneration for belonging to the board of directors and/or board committees	Per diems ⁽²⁾	Salaries
Mr. Juan Sánchez-Calero Guilarte	624	29	-	604	21	-
Mr. José Bogas Gálvez	-	-	960	-	-	929
Mr. Francesco Starace	-	-	-	-	-	-
Mr. Alejandro Echevarría Busquet ⁽¹⁾	62	7	-	188	38	-
Mr. Alberto de Paoli	-	-	-	-	-	-
Ms. Helena Revoredo Delvecchio	-	-	-	7	-	-
Mr. Miquel Roca Junyent ⁽¹⁾	71	16	-	221	47	-
Mr. Ignacio Garralda Ruiz de Velasco	211	33	-	200	43	-
Mr. Francisco de Lacerda	224	43	-	191	43	-
Ms. Maria Patrizia Grieco	188	27	-	188	21	-
Mr. Antonio Cammisecra	-	-	-	-	-	-
Ms. Eugenia Bieto Caubet	188	50	-	123	24	-
Ms. Pilar González de Frutos	188	50	-	123	24	-
Ms. Alicia Koplowitz y Romero de Juseu	188	36	-	123	15	-
TOTAL	1,944	291	960	1,968	276	929

(1) Left on 30 April 2021.
(2) Attendance fees for each of the meetings of the Board of Directors and its Committees.

Variable remuneration in cash.

The variable remuneration accrued in 2021 and 2020 by the Chief Executive Officer, for performing his executive tasks, was as follows:

Thousands of Euros

	2021		2020	
	Current	Non-current	Current	Non-current
Mr José Bogas Gálvez	520	328	571	570
TOTAL	520	328 ⁽¹⁾	571	570 ⁽²⁾

(1) Relating to the long-term variable remuneration in cash accrued for a third of the 2019-2021 Loyalty Plans and a third of the Strategic Incentive Plans for 2020-2022 and 2021-2023. The amount paid in this regard totalled Euro 496 thousand (30% of the 2018-2020 Loyalty Plan and 70% of the 2017-2019 Loyalty Plan).
(2) Relating to the long-term variable remuneration in cash accrued for a third of the 2018-2020 and 2019-2021 Loyalty Plans and a third of the 2020-2022 Strategic Incentive Plan. The amount paid in this regard totalled Euro 729 thousand (30% of the 2017-2019 Loyalty Plan and 70% of the 2016-2018 Loyalty Plan).

Long-term saving systems.

During 2021, the contribution to funds and pension plans of Executive Directors totalled Euros 29 thousand (Euros 485 thousand in 2020).

Other items.

The Executive Director and the Chairman, in accordance with ENDESA's Directors' Remuneration Policy, have established as remuneration in kind, among others, a collective health care policy with a subsidy of 100% of the cost of the quota for the holder and dependent family members, the allocation of a company car under a leasing scheme, as well as other social benefits and per diems in the case of the Executive Director.

Life and accident insurance premiums.

The Executive Director has a life and accident insurance policy that guarantees certain capital and/or income, according to the contingency in question (death and disability coverage).

In 2021, the premium totalled Euro 71 thousand (Euro 40 thousand in 2020).

Advances and loans

At 31 December 2021 and 2020, the Executive Directors had loans in the amount of Euro 396 thousand, of which Euro 230 thousand correspond to loans bearing an average interest rate of 0,0386% and Euro 166 thousand relate to interest-free loans (interest subsidies are treated as remuneration in kind).

Repayment of the principal will be made over the working life of the employee, with full cancellation when they leave the company.

Pension funds and schemes: obligations assumed

At 31 December 2021, the Executive Director held accumulated fund and pension plan rights for the amount of Euro 13,387 thousand (Euro 12,905 thousand at 31 December 2020).

Guarantees provided by the Company to the Executive Director.

At 31 December 2021, as regards remuneration, the Company had arranged guarantees in the form of collateral to the Chief Executive Officer amounting to Euro 6,527 thousand to cover early retirement entitlements (Euro 6,527 thousand at 31 December 2020).

49.3.2. Remuneration of Senior Management

Identification of members of senior management who are not Executive Directors.

Name	Senior executives in 2021
	Position ⁽¹⁾
Mr Ignacio Jiménez Soler	General Manager - Communications
Juan María Moreno Mellado	General Manager - Energy Management
Mr Paolo Bondi	General Manager of People and Organisation
Mr Rafael González Sánchez	General Manager - Generation
Mr Gianluca Caccialupi ⁽²⁾	General Manager - Infrastructure and Networks
Mr Jose Manuel Revuelta Mediavilla ⁽³⁾	General Manager - Infrastructure and Networks
Mr Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs
Mr. Javier Uriarte Monereo	General Manager - Supply
José Casas Marín	General Manager - Institutional Relations and Regulation
Mr Pablo Azcoitia Lorente	General Manager - Media
Davide Ciciliato ⁽⁴⁾	General Manager - ENDESA X
Josep Trabado Farré ⁽⁵⁾	General Manager - ENDESA X
Mr Gonzalo Carbó de Haya	General Manager - Nuclear Power
Mr Patricia Fernández Salís	General Manager of Audit
Manuel Fernando Marín Guzmán	General Manager - ICT Digital Solutions
Ms María Malaxechevarría Grande	General Manager - Sustainability
Mr Ignacio Mateo Montoya	General Manager - Purchasing
Mr Luca Passa	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior executive in CNMV Circular 5/2013, of 12 June.

(2) He left on 28 February 2021 and was substituted by Mr Jose Manuel Revuelta Mediavilla.

(3) He joined on 1 March 2021, replacing Mr Gianluca Caccialupi.

(4) Joined on 1 April 2021, replacing Josep Trabado Farré.

(5) Left on 31 March 2021 and was replaced by Davide Ciciliato.

Name	Senior executives in 2020
	Position ⁽¹⁾
Mr Ignacio Jiménez Soler ⁽²⁾	General Manager - Communications
Juan María Moreno Mellado	General Manager - Energy Management
Mr Andrea Lo Faso ⁽³⁾	General Manager of People and Organisation
Mr Paolo Bondi	General Manager of People and Organisation
Mr Rafael González Sánchez	General Manager - Generation
Mr Gianluca Caccialupi	General Manager - Infrastructure and Networks
Mr Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs
Mr. Javier Uriarte Monereo	General Manager - Supply
José Casas Marín	General Manager - Institutional Relations and Regulation
Mr José Luis Puche Castillejo ⁽⁴⁾	General Manager - Media
Mr Pablo Azcoitia Lorente	General Manager - Media
Josep Trabado Farré	General Manager - ENDESA X
Mr Gonzalo Carbó de Haya	General Manager - Nuclear Power
Mr Patricia Fernández Salis	General Manager of Audit
Manuel Fernando Marín Guzmán	General Manager - ICT Digital Solutions
Ms María Malaxechevarría Grande	General Manager - Sustainability
Mr Ignacio Mateo Montoya ⁽⁵⁾	General Manager - Purchasing
Mr Luca Passa	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior executive in CNMV Circular 5/2013, of 12 June.

(2) He joined on 1 January 2020, replacing Mr Alberto Fernández Torres.

(3) He left on 30 June 2020 and was substituted by Mr Paolo Bondi.

(4) He left on 31 July 2020 and was substituted by Mr Pablo Azcoitia.

(5) He joined on 1 August 2020, replacing Mr Pablo Azcoitia.

Remuneration of senior management.

Details of the remuneration of Senior Management members who are not also Executive Directors in 2021 and 2020 are as follows:

	Remuneration received			
	At the Company		For membership on Boards of Directors of ENDESA companies of the ENDESA Group	
	2021	2020	2021	2020
Fixed remuneration	5,198	5,568	-	-
Variable remuneration	3,648 ⁽¹⁾	4,539 ⁽²⁾	-	-
Attendance fees	-	-	-	-
Bylaw-stipulated emoluments	-	-	-	-
Options on shares and other financial instruments	696 ⁽³⁾	348 ⁽⁴⁾	-	-
Other	294	1,498	-	-
TOTAL	9,836	11,953	-	-

(1) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration in cash, accrued for a third of the 2019-2021 Loyalty Plans and a third of the Strategic Incentive Plans for 2020-2022 and 2021-2023. The amount paid in this regard totalled Euro 3,989 thousand, relating to the short-term variable remuneration (Euro 2,314 thousand) and to the long-term variable remuneration (Euro 1,675 thousand relating to 30% of the 2018-2020 Loyalty Plan and to 70% of the 2017-2019 Loyalty Plan).

(2) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration in cash, accrued for a third of the 2018-2020 and 2019-2021 Loyalty Plans and a third of the Strategic Incentive Plans for 2020-2022. The amount paid in this regard totalled Euro 4,950 thousand, and related to the short-term variable remuneration (Euro 2,432 thousand) and to the long-term variable remuneration (Euro 2,518 million relating to 30% of the 2017-2019 Loyalty Plan and to 70% of the 2016-2018 Loyalty Plan).

(3) Relating to the long-term variable remuneration accrued in shares for a third of the 2020-2022 and 2021-2023 Strategic Incentive Plans.

(4) Relating to the long-term variable remuneration accrued in shares for a third of the 2020-2022 Strategic Incentive Plan.

	Other benefits			
	At the Company		For membership of boards of directors of ENDESA companies of the ENDESA Group	
	2021	2020	2021	2020
Advances	294	371	-	-
Loans granted	154	154	-	-
Pension funds and schemes: contributions	773	827	-	-
Pension funds and schemes: obligations assumed	17,430	21,004	-	-
Life and accident insurance premiums	241	150	-	-

Guarantees provided by the Company to senior management

At 31 December 2021 and 2020, in terms of remuneration, the Company had not issued any guarantees to senior managers who are not also executive directors.

49.3.3. Guarantee clauses: Board of Directors and senior management

Guarantee clauses for dismissal or changes of control

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

In relation to the Chief Executive Officer, the contract signed with him does not provide for compensation for the termination of his position. Notwithstanding the foregoing, when the Chief Executive Officer leaves his position, his previous relationship will be automatically terminated, that is to say, his senior management contract, suspended since his appointment as Chief Executive Officer, in which case, due to the termination of his Senior Management employment relationship, Mr. José Bogas Gálvez will be entitled to receive a net amount of 6,527 thousand euros. José Bogas Gálvez will be entitled to receive a net amount of EUR 6,527 thousand, being this amount the result of reducing the gross compensation that he has consolidated by the amount of withholdings on account of Personal Income Tax (IRPF) and, where applicable, the Social Security contributions applicable on the date of payment. This amount will be updated upwards according to the Consumer Price Index (CPI) of the previous year.

This compensation is incompatible with the receipt of any other compensation arising from the termination of the director's relationship. This net amount of 6,527 thousand euros includes the two-year post-contractual non-competition agreement included in the Chief Executive Officer's Senior Management contract.

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

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

The regime for these clauses is as follows:

- Termination:
 - By mutual agreement: compensation equivalent, depending on the case, to 1 to 3 times the annual remuneration. ENDESA's Directors' Remuneration Policy 2021-2023 establishes that when there are new additions to the Company or to ENDESA in Senior Management, a maximum limit of 2 years of total and annual accrued remuneration will be established for payments due to contract termination, including amounts not previously consolidated from long-term savings systems and amounts paid under post-contractual non-competition covenants, applicable in any case, under the same terms, to contracts with Executive Directors.
 - At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other causes for compensation for termination foreseen in Royal Decree 1382/1985 of 1 August.
 - As a result of termination by the Company: termination benefit equal to that described in the first point.
 - At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

These conditions are alternatives to those arising from changes to the pre-existing employment relationship or its termination due to early retirement for senior executives.

- Post-contractual non-competition clause: In the vast majority of contracts, senior management personnel are required not to engage in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to up to one time the annual fixed remuneration payment

At 31 December 2021 and 2020, ENDESA had 11 executive directors and senior managers with guarantee clauses in their employment contracts.

49.3.4. Other disclosures concerning the Board of Directors

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

31 December 2021				
Director	Personal or company tax ID	Company	Stake (%)	Position
Mr Francesco Starace	00811720580	ENEL, S.p.A.	0,00576855	Managing Director and General Manager
Mr Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
Mr José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
Alberto de Paoli	00811720580	ENEL, S.p.A.	0,00059016	Administration, Finance and Control Manager
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Infrastructure and Global Networks
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Sole Director of Global Infrastructure and Networks S.r.l.
Ignacio Garralda	00811720580	ENEL, S.p.A.	0,00027540	-

31 December 2020				
Director	Personal or company tax ID	Company	Stake (%)	Position
Mr Francesco Starace	00811720580	ENEL, S.p.A.	0,00576855	Managing Director and General Manager
Mr Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
Mr José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
Alberto de Paoli	00811720580	ENEL, S.p.A.	-	Administration, Finance and Control Manager
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Infrastructure and Global Networks
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Sole Director of Global Infrastructure and Networks S.r.l.
Ignacio Garralda	00811720580	ENEL, S.p.A.	0,00027540	-

In accordance with Article 229 of the Corporate Enterprises Act, the direct or indirect situations of conflict of interest involving members of the Board of Directors with the interest of the Company, along with how they were handled in 2021, were as follows:

- The Executive Director, in his capacity as Director of ENEL Iberia S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies until 3 July 2021. In all the situations arising until 3 July 2021, the Executive Director did not participate in the related items on the agenda of the Board of Directors meeting.
- The Proprietary Directors, appointed by ENEL, S.p.A., were involved in conflicts of interest when taking transaction decisions with ENEL, S.p.A. or ENEL Group companies until 3 July 2021. In all the situations arising until 3 July 2021, the Proprietary Directors did not participate in the related items on the agenda of the Board of Directors meeting.

Distribution by gender: At 31 December 2021, the Board of Directors of ENDESA, S.A. comprised 11 directors, 4 of which are women (13 directors, 4 of which were women, at 31 December 2020).

In 2021 and 2020, the Company had arranged third-party liability insurance policies for directors and senior managers for a gross amount of Euro 1,550 thousand and Euro 614 thousand, respectively. This insures both the Company's directors and employees with management responsibilities.

In 2021 and 2020 there were no damages caused by acts or omissions of the Directors that would have required use to be made of the third-party liability insurance premium held through the Company.

49.3.5. Share-based payment schemes tied to the ENDESA, S.A. share price.

ENDESA's long-term variable remuneration is based on long-term remuneration schemes, known as "Loyalty and Strategic Incentive Plans", aimed primarily at strengthening the commitment of employees, who occupy positions of greater responsibility in the attainment of the Group's strategic targets. The Plan is structured through successive triennial programs, which start every year from 1 January 2010. Since 2014, the Plans have foreseen a deferral of the payment and the need for the Executive to be active on the date of liquidation thereof; and payments are made on two dates: 30% of the incentive will be paid in the year following the end of the Plan, and the remaining 70%, if applicable, will be paid two years after the end of the Plan. Only in the event of retirement or termination of a fixed-term contract, it is foreseen the collection of completed incentives for which payment is pending, which would be made on the corresponding date.

2019-2021 Loyalty Plan.

Within the framework of the ENDESA Loyalty Plan, the Company's General Shareholders' Meeting, held on 12 April 2019, submitted the long-term remuneration scheme for 2019-2021 for approval.

This programme is linked, among other indicators, to share price performance and is aimed at the Chief Executive Officer and ENDESA's executives with strategic responsibility.

Specifically, the plan referred to above have the following objectives:

- a) The "Total Shareholders' Return (TSR) of ENDESA" objective, defined as the average value of the "TSR of ENDESA" as compared with the average value of the "TSR of the Euro-Stoxx Utilities Index, selected as the Comparable Group for the accrual period.

This indicator measures the total return on shares as the sum of its parts:

- i. Capital gains: the relation between the change in the share price (the difference between the price recorded at the end and at the beginning of the reference period) and the value established at the start of the period.
 - ii. Reinvested dividends: impact of all dividends paid in the period and reinvested in shares at the date each was subject to a discount.
- b) An objective known as the "Return On Average Capital Employed" (ROACE)², defined as ENDESA's accumulated ROACE in the accrual period, represented by the relationship between ordinary EBIT3 and the average net capital⁴ invested accumulated during the accrual period.
 - c) Since the 2018 Plan, an objective has been included to reduce carbon dioxide (CO₂) emissions. This indicator measures ENDESA's carbon dioxide (CO₂) emissions in Spain and Portugal, understood to be the existing ratio between absolute carbon dioxide (CO₂) emissions due to ENDESA's electricity generation and ENDESA's net total production for that year.

There is an ex-post control over long-term variable remuneration in the form of a malus clause that permits the company not to pay variable remuneration accrued and not received, in addition to a clawback clause which obliges holders of these plans to repay the variable remuneration received in the event that data used for its calculation or payment are proved to be clearly erroneous after the settlement date.

The Appointments and Remuneration Committee (ARC) may submit a motion to the Board of Directors not to pay or claim a refund of variable components of remuneration when payment was based on data which later proved to be incorrect.

² "Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).

³ Ordinary Operating Income (Ordinary EBIT) (Millions of Euros) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.

⁴ Average Net Capital Invested (Average NCI) (Millions of Euros) = ((Equity + Net Financial Debt - Cash and Cash Equivalents)_n + (Equity + Net Financial Debt - Cash and Cash Equivalents)_{n-1}) / 2.

Strategic incentive plan 2020-2022.

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

- The performance period will be three years, starting from 1 January 2020.
- The Plan provides for the allocation of an incentive composed of the right to receive: (i) a number of ordinary shares of ENDESA, S.A. and (ii) a cash amount, referenced to a base incentive (target), subject to the conditions and possible variations under the Plan mechanism.
- The Plan envisages a deferred payment: 30% of the incentive will be paid in the year following the end of the Plan, and the remaining 70%, if applicable, will be paid two years after the end of the Plan.

With respect to the total incentive accrued, the Plan expects up to 50% of the target incentive to be disbursed entirely in shares.

The amount of money to be paid is calculated as the difference between the total amount of the accrued incentive and the share payable in shares.

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

- a) Performance of the average Total Shareholder Return (TSR) of ENDESA, S.A. in relation to the performance of the average TSR of the EuroStoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50% of the total incentive.
- b) Target for the cumulative Return on Average Capital Employed (ROACE) during the accrual period. ENDESA's cumulative ROACE target represents the relationship between cumulative Ordinary Profit from Operations (Ordinary EBIT) and the cumulative average Net Capital Invested (Average NCI), during the 2020-2022 period.

This parameter will be weighted at 40% of the total incentive.

- c) Reduction of ENDESA's carbon dioxide (CO₂) emissions. This parameter will be weighted at 10% of the incentive.

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

Strategic incentive plan 2021-2023.

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

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

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

- a) Performance of the average Total Shareholder Return (TSR) of ENDESA, S.A. in relation to the performance of the average TSR of the Euro-Stoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50% of the total incentive.

- b) Target for the cumulative Return on Average Capital Employed (ROACE)⁵ during the accrual period. ENDESA's cumulative ROACE target represents the relationship between cumulative Ordinary Profit from Operations (Ordinary EBIT)⁶ and cumulative Average Net Capital Invested (Average NCI)⁷, during the 2021-2023 period. This parameter will be weighted at 25% of the total incentive.
- c) Net installed capacity from renewable sources, represented as the relationship between net installed capacity from renewable sources and total net installed capacity at ENDESA in 2023 (see Note 5.2). This parameter will be weighted at 15% of the total incentive.
- d) Reduction of ENDESA's carbon dioxide (CO₂) emissions (see Note 5.2). This parameter will be weighted at 10% of the incentive.

The amount accrued by the Plans in force in 2021 was Euro 4 million (Euro 5 million in 2020), with Euro 1 million corresponding to the estimate of share-based payments to be settled in equity instruments (Euro 1 million in 2020).

"Other equity instruments" under equity in the statement of financial position includes the changes in 2021, and the balance at 31 December 2021 was Euro 2 million.

50. Acquisition commitments and guarantees to third parties and other commitments

At 31 December 2021 and 2020, there were guarantees provided to third parties for the following items and amounts and information on future purchase commitments as follows:

Millions of Euros			
	Notes	31 December 2021	31 December 2020
Guarantees provided to third parties:			
Property, plant and equipment as a guarantee for financing received	20.3, 35.1.13 and 43.4.3	84	79
Short- and long-term gas contracts		175	135
Energy contracts		61	33
Lease agreement for methane tanker		152	140
Contracts to trade in financial markets		40	-
Associates, joint ventures and jointly controlled entities	49.2	-	-
TOTAL ⁽¹⁾		512	387
Future electricity purchase commitments:			
Property, plant and equipment	20.2	1,064	1,211 ⁽²⁾
Intangible assets	23.2	19	19
Rendering of services	27.1	25	28
Purchases of energy stocks and others	32.2	19,766	14,722
Energy stocks		19,487	14,606
Electricity		251	20
Carbon dioxide (CO ₂) emission rights		28	96
TOTAL		20,874	15,980

(1) Does not include bank guarantees to third parties.

(2) Includes Euro 191 million at 31 December 2020 relating to right of use assets.

ENDESA considers that any additional liabilities arising from guarantees given at 31 December 2021 would not be material.

There are no further commitments to those described in Notes 20, 23, 32, 33 and 43.1.3 of these consolidated financial statements.

The Company's directors consider that ENDESA will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

⁵ "Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).

⁶ Ordinary Operating Income (Ordinary EBIT) (Millions of Euros) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.

⁷ Average Net Capital Invested (Average NCI) (Millions of Euros) = ((Equity + Net Financial Debt - Cash and Cash Equivalents)_n + (Equity + Net Financial Debt - Cash and Cash Equivalents)_{n-1}) / 2.

51. Audit fees

The fees for the services provided by the audit company KPMG Auditors, S.L. and other companies of KPMG for the consolidated financial statements for the years ended 31 December 2021 and 2020, regardless of their billing date, were as follows:

Thousands of Euros		
	2021	2020
For Audit Services	1,693	1,683
For other accounting verification services ⁽¹⁾	732	606
For other services	-	-
TOTAL	2,425	2,289

(1) Relating to limited reviews of interim financial statements, agreed-upon procedures and compliance reports in relation to securities issues, services provided by KPMG Auditores, S.L. and other KPMG entities to ENDESA, S.A. and its subsidiaries.

52. Personnel

52.1. Final headcount.

The tables below show ENDESA's final headcounts:

Number of employees							
	Final headcount						
	31 December 2021			31 December 2020			
	Male	Female	Total	Male	Female	Total	
Executives	196	52	248	217	54	271	
Middle management	2,421	1,236	3,657	2,380	1,152	3,532	
Administration and management personnel and workers	4,277	1,076	5,353	4,638	1,150	5,788	
TOTAL EMPLOYEES	6,894	2,364	9,258	7,235	2,356	9,591	

Number of employees							
	Final headcount						
	31 December 2021			31 December 2020			
	Male	Female	Total	Male	Female	Total	
Generation and Supply	3,824	1,213	5,037	3,596	1,041	4,637	
Distribution	2,358	470	2,828	2,503	440	2,943	
Structure and others ⁽¹⁾	712	681	1,393	1,136	875	2,011	
TOTAL EMPLOYEES	6,894	2,364	9,258	7,235	2,356	9,591	

(1) Structure and services.

Number of employees							
	Final headcount						
	31 December 2021			31 December 2020			
	Male	Female	Total	Male	Female	Total	
Under 30				506		352	
Between 30 and 50				5,565		5,264	
Over 50				3,187		3,975	
TOTAL EMPLOYEES				9,258		9,591	

Number of employees							
	Final headcount						
	2021			2020			
	Male	Female	Total	Male	Female	Total	
Spain			9,242			9,577	
Portugal			16			14	
TOTAL EMPLOYEES			9,258			9,591	

52.2. Average headcount.

The tables below show ENDESA's average headcounts:

Number of employees	Average headcount					
	2021			2020		
	Male	Female	Total	Male	Female	Total
Executives	206	52	258	221	54	275
Middle management	2,365	1,169	3,534	2,334	1,120	3,454
Administration and management personnel and workers	4,393	1,086	5,479	4,833	1,159	5,992
TOTAL EMPLOYEES	6,964	2,307	9,271	7,388	2,333	9,721

Number of employees	Average headcount					
	2021			2020		
	Male	Female	Total	Male	Female	Total
Generation and Supply	3,862	1,185	5,047	3,937	1,092	5,029
Distribution	2,390	448	2,838	2,498	434	2,932
Structure and others ⁽¹⁾	712	674	1,386	953	807	1,760
TOTAL	6,964	2,307	9,271	7,388	2,333	9,721

(1) Structure and services.

The average number of employees in jointly-controlled entities in 2021 and 2020 was 801 and 824, respectively.

The average number of persons employed in 2021 and 2020 with an incapacity greater than or equal to 33% was as follows:

Number of employees	Average headcount with disabilities ⁽¹⁾					
	2021			2020		
	Male	Female	Total	Male	Female	Total
Executives	1	-	1	1	-	1
Middle management	18	4	22	17	4	21
Administration and management personnel and workers	40	15	55	45	15	60
TOTAL EMPLOYEES	59	19	78	63	19	82

(1) 33% or higher.

Number of employees	Average headcount with disabilities ⁽¹⁾					
	2021			2020		
	Male	Female	Total	Male	Female	Total
Generation and Supply	24	9	33	27	10	37
Distribution	23	1	24	25	1	26
Structure and others ⁽²⁾	12	9	21	11	8	19
TOTAL	59	19	78	63	19	82

(1) Equal to or greater than 33%.

(2) Structure and Services.

53. Contingent assets and liabilities.

At the date of authorisation for issue of these consolidated financial statements, the main litigation and arbitration proceedings involving ENDESA companies were as follows:

- There are mainly two legal proceedings under way against Edistribución Redes Digitales, S.L.U., related to the forest fire that occurred in Aguilar de Segarra, Barcelona on 18 July 1998, which could result in the obligation to pay various claims for damages amounting to Euro 8 million.
- On 11 May 2009, the Ministry of Energy, Tourism and Digital Agenda (currently the Ministry of Ecological Transition and Demographic Challenge) issued an order imposing four fines, in the combined amount of Euro 15 million, on ENDESA Generación, S.A.U. as the head operator of the nuclear power plant Ascó I, in connection with a radioactive particle leakage in December 2007 at said plant, on the basis that the Company had committed four serious violations contrary to Nuclear Energy Law 25/1964, of 29 April. On 1 December 2009, following an appeal against the Ministerial Order by ENDESA, the Spanish High Court

stayed execution of the decision challenged and ENDESA provided a bank guarantee to the court covering the value of the fine.

- The administrative authorisations of the “Peña del Gato” and “Valdesamario” wind farms held by Energías Especiales del Alto Ulla, S.A.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE)), were invalidated through Supreme Court Decisions of 13 July 2015 and 5 May 2017 respectively on the grounds that the Environmental Impact Statement had not been processed correctly. For the same reasons, the licences granted by the Municipal Councils of Valdesamario and Riello for the Valdesamario wind farm were also invalidated (Ruling of the High Court of Castilla y León dated 26 June 2017 and Ruling of the Regional Appeal Court of León of 30 May 2017, both finals) in addition to the permits for the farm's feed-in infrastructures (Ruling of the Regional Appeal Court of Castilla y León of 13 and 19 March 2018, which were contested before the Supreme Court by its owner, Promociones Energéticas del Bierzo, S.L.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE)), with the Supreme Court having rejected the three appeals filed by the ruling of 20 December 2018 and 31 January 2019) and the approval of the Ponjos electrical substation transformation project (Ruling of the Administrative Court 1 of León of 31 May 2017, contested by Promociones Energéticas del Bierzo, S.L.U., having been upheld by judgment of the Superior Court of Justice of Castilla y León of 1 July 2021. Turning to the Peña del Gato wind farm, a fresh administrative authorisation was secured on 8 May 2017 (after re-processing the project, rectifying the defects in the environmental impact report). The facilities were commissioned on 3 January 2018 (14 machines), and the remaining 11 machines on 4 April 2018, after receiving the permit for the occupation of public forest, in line with new administrative requirements. In the ruling on the enforcement, the Regional Appeal Court of Castilla y León has annulled the new administrative authorisation granted by Order of 30 July 2018, on the understanding that it was issued with the purpose of avoiding the ruling of the Regional Appeal Court of 13 July 2015. An appeal for reconsideration was filed against said Order by the Regional Government of Castilla y León and Energías Especiales del Alto Ulla, S.A.U., which was dismissed by Order of 21 December 2018. Energías Especiales del Alto Ulla, S.A.U., has filed an appeal for judicial review before the Supreme Court, which rejected the appeal on 3 July 2019.

The Peña del Gato wind farm was forced to shut down again in May 2019 as a result of the shutdown of the evacuation infrastructure. The application for a new administrative authorisation is currently being processed. On October 26, 2021, Energías Especiales del Alto Ulla, S.A.U. was notified of the document filed before the High Court of Justice of Castilla y León by the association "Plataforma para la Defensa de la Cordillera Cantábrica", requesting the suspension of the processing of the new administrative authorization and the performance of an environmental expert test, all within the framework of the incident of execution of the Judgment that annulled the administrative authorization of the Peña del Gato wind farm. Both Energías Especiales del Alto Ulla, S.A.U. and the Junta de Castilla y León have opposed this request, which is pending resolution by the Court.

With regard to the Valdesamario wind farm, also currently closed, Energías Especiales del Alto Ulla, S.A.U. also requested the re-processing of the administrative authorisation and will request the cancelled permits be re-assessed. With regard to the feed-in infrastructures and Ponjos electric transformer substation, facilities that, as noted, are also currently closed, Promociones Energéticas del Bierzo, S.L.U. has filed a request with the regional government of Castilla y León to process the award of a new administrative authorisation and declaration of public interest. Additionally, on 16 May 2019, a request was filed with the León Administrative Court with regard to the execution of the rulings on the high voltage line and amendments, asking that the infrastructure be allowed to continue to operate while the administrative procedure is being processed by the regional government. These incidents have been admitted by Orders of 27 August 2020 and 29 September 2020, so the infrastructure is now operational.

- The Supreme Court handed down various rulings in the appeals filed by ENDESA, S.A. (and other companies in the electricity sector), against the obligation to finance the Social Bonus established in the former article 45.4 of Law 24/2013, of 26 December, on the Electricity Sector (declared void due to incompatibility with Directive 2009/72/EC of the European Parliament and of Commission, dated 13 July 2009, as set forth in the Supreme Court rulings of 24 and 25 October 2016 and 2 November 2016). The Supreme Court recognised the right of ENDESA, S.A. to be compensated for the amounts paid as social bonuses, as per the article declared void, ruling that all the amounts paid for this concept plus corresponding legal interest should be reimbursed. The authorities submitted applications for nullification of these rulings, but these were dismissed by the Supreme Court. In light of this dismissal, the authorities submitted two appeals for protection before the Constitutional Court, which ruled in favour of the authorities, obliging the Supreme Court to backdate the appeal proceedings to enable the Supreme Court to file a question referred for a preliminary ruling (question prior to the handing down of a ruling) on the applicability of community law to the case. ENDESA, S.A. submitted arguments before the Constitutional Court first and then before the Supreme Court, upholding that the rulings by the Supreme Court have not violated the authorities' right to effective legal protection ensuring proper defence and to all the guarantees of the process (see Notes 6 and 10.3), so the annulment decision of the Supreme Court was not affected at all and should be ratified. On 17 July 2019, the Supreme Court, in a procedure followed by another company in the sector, notified an Order with the two questions that it makes to the European Court. In the responses to these questions, it upholds that the financing obligation of the Social Bonus is not proportional or transparent (article 3.2) of the Electricity Directive) and that for the Supreme Court, the case is clear: it has no doubts regarding the certainty of the annulment ruling of the financing system for the Social Bonus that the Constitutional Court cancelled under the appeal for protection. Five Supreme Court judges voted on this Order, but one issued a dissenting opinion against the majority decision, upholding that the Social Bonus was a proportional and transparent public service obligation. In the processing of the question referred for a preliminary ruling by the Court of Justice of the European Union (EU), it was not agreed to hold a hearing, and instead Court launched 3 questions to the appearing parties regarding the issues which, in its opinion, require this decision. The different responses were issued in November 2020. On 14 October 2021, the Court of Justice handed down a Ruling, indicating that article 3.2 of the Directive 2009/72, of 13 July 2009, opposes the fact that the cost of a public service obligation, consisting of supplying electricity at a reduced rate to certain vulnerable consumers, is only met by the parents of vertically integrated groups of companies or, where appropriate, by companies that simultaneously perform electricity generation, distribution and marketing activities, since this distinction leads to a different treatment that is not objectively justified. Following the Ruling handed down by the Court of Justice in response to the referred preliminary ruling question and the pleadings prepared by ENDESA and the remaining parties, the Supreme Court handed down a Ruling confirming that already indicated in its previous Ruling of 24 October 2016. In particular, the Supreme Court, through its Ruling dated 21 December 2021, declared the non-applicability of the financing system for the Social Bonus envisaged in article 45.4 of the Law 24/2013, 26 December 2013, of the Electricity Sector (ESL), since it breaches article 3.2 of Directive 2009/72, of 13 July 2009, and, in turn, declared the nullity of Royal Decree 968/2014, of 21 November 2014.
- In June 2017, the Competition Authority of the Spanish Markets and Competition Commission opened infringement proceedings against Energía XXI Comercializadora de Referencia, S.L.U. for a possible breach of article 3 of the Competition Act 15/2007, of 3 July, involving the use of billing of customers adhering to the Small Consumer Voluntary Price (SCVP) system or Last Resort Tariff (LRT) to advertise the services offered by ENDESA's free supplier.

Following the investigation of the disciplinary proceedings, the sending of the proposed Resolution and the submission of the corresponding allegations by Energía XXI Comercializadora de Referencia S.L.U., on 20 June 2019, the Spanish Markets and Competition Commission (CNMC) issued a Resolution imposing a fine of Euro 5 million on Energía XXI Comercializadora de Referencia S.L.U. for an alleged act of unfair competition contrary to article 3 of Law 15/2007, of 3 July, on the Defence of Competition (LDC) and article 4 of Law 3/1991, of 10 January, on Unfair Competition (LCD).

According to the Spanish Markets and Competition Commission (CNMC), Energía XXI Comercializadora de Referencia S.L.U. made use of a privileged channel (invoices issued to customers under the Small Consumer Voluntary Price (SCVP) or the Last Resort Tariff (LRT) systems), which was not accessible to competitors, to advertise deregulated market services to a supposedly vulnerable group i.e. regulated market consumers.

On 31 July 2019, Energía XXI Comercializadora de Referencia S.L.U. filed a judicial review appeal with the Audiencia Nacional, requesting the temporary suspension of the execution of the sanctioning

Resolution, among other issues, because it considers that (i) the Spanish Markets and Competition Commission (CNMC) (ii) the conduct of Energía XXI Comercializadora de Referencia S.L.U. does not meet the necessary requirements to be considered an act contrary to good faith and (iii) it has also failed to prove that the alleged conduct had an impact on competition and the public interest that is liable to be sanctioned under article 3 of Law 15/2007, of 3 July, on the Defence of Competition (LDC).

The case is pending judgment by the Spanish High Court, and the corresponding briefs of conclusions have already been filed.

- On 2 March 2018, the Decision handed down by the European Commission, of 27 November 2017, regarding the subject SA.47,912 (2017/NN, "environmental incentive for coal-fired power plants", was published in the Official Journal of the European Union. Under that decision, the European Commission's Directorate-General for Competition has initiated a formal investigation procedure ex Article 108.2 of the Treaty on the Functioning of the European Union (TFEU), to determine whether the incentive for environmental investment for coal-fired power plants provided for in Order ITC/3860/2007, of 28 December, constitutes State aid compatible with the internal market. According to the wording of the Decision, the European Commission has reached the preliminary conclusion that that incentive constitutes State aid pursuant to article 107.1 of the Treaty on the Functioning of the European Union (EU), and has doubts as to its compatibility with the internal market.

On 13 April 2018, ENDESA Generación S.A.U., in its capacity as a third party involved in the proceedings, sent a statement of pleadings to defend that the incentive for environmental investment does not constitute State aid and, in the alternative, in the hypothetical assumption that the European Commission reached the opposite conclusion, that it is compatible with the internal market. Subsequently, in July 2018, Gas Natural SDG, S.A. filed an appeal before the General Court against the Decision of the European Commission to open a formal investigation procedure, which is currently pending resolution. On 8 September 2021, the General Court published a judgment dismissing the appeal filed by Naturgy. For its part, Naturgy has appealed this judgment before the Court of Justice of the European Union (EU). The administrative procedure before the European Commission is still ongoing, without being subject to a maximum resolution period, since it is an investigation procedure of a non-notified aid.

- On 14 December 2020, the Competition Directorate of the Spanish Markets and Competition Commission (CNMC) notified ENEL Green Power España, S.L.U. (EGPE) and its Parent, ENDESA Generación, S.A.U. of the filing of disciplinary proceedings for the alleged abuse of a position of dominance by ENEL Green Power España, S.L.U. (EGPE) on the market to access and connect to the transmission network in certain hubs with effects on the related electricity generation market. According to the Spanish Markets and Competition Commission (CNMC), ENEL Green Power España, S.L.U. (EGPE) allegedly used its status as a Single Hub Partner (IUN) to favour companies in its own Group to the detriment of third-party generators.

ENEL Green Power España, S.L.U. (EGPE) has put forward arguments stating that far from abusive practices, this is a widespread problem arising from the regulatory deficiencies currently existing with respect to the figure of the Single Hub Partner.

In turn, it has been shown that ENEL Green Power España, S.L.U. (EGPE) has no position of dominance in the access and connection transmission grid market, nor has the figure of Single Hub Partner been granted decision-making powers, or any discretion in the processing of access to the grid, as recognised by the Spanish Markets and Competition Commission (CNMC) itself in many cases, and it is thus included in the sectoral regulations providing the System Operator with exclusive power to respond to and analyse requests for connection to the transmission grid. ENEL Green Power España, S.L.U. (EGPE) considers that there has been no exclusionary effect, nor market closure, and that the alleged abusive practice should be fully excluded. In December 2021, the Competition Directorate of the Spanish Markets and Competition Commission (CNMC) issued a statement of facts by which it considers ENEL Green Power España, S.L.U. (EGPE) has committed two very serious infringements for abuse of a dominant position in the market for access to the transmission grid at the nodes located at the Tajo de la Encantada and Lastras substations. ENEL Green Power España, S.L.U. (EGPE) once again made submissions as it considers that it has neither a dominant position on this market, nor, much less, has it abused that position, nor has it generated an exclusionary effect to the detriment of other competitors.

- On 31 May 2016, ENDESA initiated an estate claim against the General Administration of the State for having applied an illegal rule, Order ITC/3315/2007 of 15 November, annulled by judgment of the Supreme Court, which had caused it damage, the reduction of its remuneration as a generating company, in the amount of the internalisation of the carbon dioxide (CO₂) emission rights allocated free of charge by the National Emissions Allocation Plan (PNA), which it does not have a legal duty to bear.

ENDESA requested the payment of Euro 285 million, of which Euro 188 million corresponds to physical bilateral contracts and Euro 97 million to assimilated physical bilateral contracts. The administrative appeal against the alleged dismissal was brought before the National High Court on 3 March 2017, and on 12 February 2020, it handed down a ruling upholding the concurrence of unlimited liability, although it restricted the estimate to the amount corresponding only to physical bilateral contracts, taking the view that the Supreme Court Ruling that overturned Order ITC/3315/2007 of 15 November, from which unlimited liability derived, related exclusively to those agreements. This ruling stipulated that the determination of the amounts subject to compensation and their updating shall be determined by the Spanish Markets and Competition Commission (CNMC).

On 4 September 2020, the State lawyer filed a cassation appeal and on 30 October 2020, ENDESA submitted a document opposing its admission. On 12 February 2021, the Order of the previous day was notified, whereby the Supreme Court rejected the cassation appeal prepared by the General Administration of the State.

As the State Lawyer did not file for a review or appeal, ENDESA has asked the Spanish Markets and Competition Commission directly to obey the ruling providing the National High Court with the calculated financial amount of the compensation to be paid to ENDESA.

On 10 June 2021, ENDESA requested the implementation of this ruling before the Spanish High Court. On 27 October 2021 and, subsequently, on 23 December 2021, ENDESA filed new pleadings before the Spanish High Court urging the enforcement of the ruling. In turn, a report of the Spanish Markets and Competition Commission (CNMC) dated 30 November 2021 was provided, quantifying the compensatory amount owed in this regard.

- Litigation is ongoing in relation to the proceedings initiated by the Inspectorate in 2017 against ENEL Green Power España, S.L.U. (EGPE) in relation to corporate income tax for the years 2010 to 2013. The main issue in dispute concerns whether or not the tax neutrality regime applies to the merger of ENEL Green Power España, S.L.U. (EGPE) by absorption of ENEL Unión Fenosa Renovables, S.A. (EUFER) in 2011. On 10 December 2019, the Central Economic-Administrative Court issued a decision rejecting the corporate income tax for 2011 (with regard to the position of ENEL Green Power España, S.L.U. (EGPE) as the successor of ENEL Unión Fenosa Renovables, S.A. (EUFER)) has decided to lodge an appeal before the Spanish High Court. Likewise, on 16 June 2020, a partial ruling was received for corporate income tax for the years 2010 to 2013, where the effects of the application of the tax neutrality regime in that period are disputed, which, likewise, it has been decided to continue appealing before the Spanish High Court. The contingency associated with the process is not determinable a priori, insofar as the impacts associated with the asset revaluations that would occur as a consequence of the acceptance of Management's criteria must be assessed. A guarantee is available to secure the suspension of the debt.

- On 9 July 2018, ENDESA, S.A. was notified of the definitive income tax and VAT settlement agreements of the Income Tax and Value Added Tax consolidation groups to which ENDESA, S.A. belongs, relating to the 2011 to 2014 inspection process, which were appealed against on 27 July 2018 before the Central Economic-Administrative Court. On 28 January 2022, a partial settlement was upheld for Value Added Tax (VAT), which it was decided to continue to appeal against before the Spanish High Court, and the part relating to Corporate Income Tax was pending resolution.

The items under dispute stem mainly from the difference in criteria regarding the deductibility of plant decommissioning expenses, certain financial expenses and certain losses arising from the transfer of holdings in the period inspected and the deductibility of Value Added Tax in application of the pro rata rule. The contingency associated with the process is Euro 60 million. A guarantee is available to ensure debt suspension.

- In relation to the inspection process for 2015-2018, definitive income tax and VAT settlement agreements were received from the Income Tax and Value Added Tax consolidation groups to which ENDESA, S.A. belongs and for personal income tax withholdings of each of the inspected companies. The resolutions were appealed against before the Central Economic-Administrative Court.

The items under dispute originate mainly from the differing criteria regarding the deductibility of certain financial expenses during the inspected period and in the rejection of part of the documented deduction for research, development and technology innovation. The contingency associated with the process is Euro 51 million. A guarantee is available to ensure debt suspension.

- Following a substantial number of meetings of the Committee responsible for negotiating “ENDESA's 5th Collective Bargaining Agreement”, which commenced in October 2017 and progressed throughout 2018, and given that no agreement was reached, the Company's directors informed its workers and their representatives that, with effect from 1 January 2019, “ENDESA's 4th Collective Bargaining Agreement” would be considered to have ended, in addition to the “Guarantee Framework Agreement” and the “Agreement on voluntary suspension or termination of employment contracts for 2013-2018”, from which date the general employment regulations would apply, in addition to all case law established in this regard.

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

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

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

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

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

- Also, on 30 December 2020, notification was received from the National High Court of the collective conflict claim filed by the Workers' Commissions Unions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (CIG) on 16 December 2020, requesting the annulment of certain repealing provisions of the “V ENDESA Framework Collective Agreement”. In the applicants' view, the repealing provisions under attack entail the unlawful elimination of social benefits and economic rights. ENDESA maintains a contrary position, defending its absolute legality in line with that argued in the challenge of the modification of social benefits to retired staff (favourable judgment of the National High Court, dated 26 March 2019, and of the Supreme Court, dated 7 July 2021). The hearing was held on 4 November 2021, handing down a Ruling on 15 November 2021 (notified on 23 November 2021). In this Ruling, the claims of the recurring trade unions were dismissed and the legality of the “V ENDESA Framework Collective Agreement” was declared. This Ruling was appealed against before the Supreme Court by the (Workers' Commissions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (CIG).
- Lastly, it must be indicated that in January 2020, ENDESA commenced a “Substantial Modification of Employment Conditions” (SMEC) process to establish the new organisation of the social benefits for personnel not included in the “V ENDESA Framework Collective Agreement”. Following the appropriate procedure, on 24 March 2021, the consultation period ended with the agreement between ENDESA and the majority trade union the General Workers' Union (UGT) and the opposition of the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE), which did not consider that any of the causes envisaged in article 41 of the Workers' Statute materialised to carry out the substantial modification intended by the Company.

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

- On 6 October 2021, the General Directorate of Energy of the Government of the Canary Islands notified Edistribución Redes Digitales, S.L.U. of three Resolutions agreeing the initiation of three sanctioning proceedings, ES.AE.LP 006/2019ES, AE.LP 007/2019ES and AE. LP 008/2019, amounting to 11, 18 and 28 million euros, respectively, for alleged infringements consisting of the unjustified refusal or alteration of the connection permit to a network point and the failure to comply with the obligations of maintenance and correct operation of a service to deal with complaints, claims and incidents. Such initiation agreements had serious defects in the identification of the facts on which the accusation was based, which affected the very right of defense, so that on 29 October 2021 Edistribución Redes Digitales, S.L.U. presented written pleadings in each of them highlighting this circumstance, as it was impossible to formulate the

necessary adequate defense pleading due to not being able to clearly know which facts were the imputed ones. On 28 January 2022, a communication was received from the acting body in the first of them, ES.AE.LP 006/2019ES, and on 7 February 2022 in the other two, AE.LP 007/2019ES and AE.LP 008/2019ES, where, in response to the allegations, copies of the basic files on which the decisions to initiate the sanctioning proceedings were based were attached. This is a relevant indicator of the irregular processing of the files.

On 24 January 2022, Edistribución Redes Digitales, S.L.U. was notified of a new Resolution of the General Directorate of Energy of the Government of the Canary Islands, dated 18 November 2021, whereby it agreed to open another disciplinary proceeding for the alleged commission of another five infringements classified as continuous and serious and two infringements classified as very serious non-continuous, indicating the possibility of imposing a fine of 94 million euros. The infringements charged again refer to requests for access and connection to the network, execution of service connections, processing of customer requests, information provided, systems implemented and delays in execution and services for dealing with complaints and claims. These infringements relate to fifty non-punitive administrative proceedings.

In short, the set of proceedings initiated almost simultaneously by the Directorate General for Energy of the Canary Islands Government brings the total amount of possible penalties in this area to a total of 151 million euros.

The accumulation of anomalous circumstances in the aforementioned initiation agreements make it impossible, in the Company's opinion, to make a reasonable assessment of the legal risk at the date of preparation of these Consolidated Financial Statements and, consequently, to be able to determine the possible outcome of these situations and to make a sufficiently reliable estimate for the purpose of recognising a liability, and it is therefore appropriate to postpone the assessment of the actual risk to a later stage in the administrative sanctioning procedure, such as the possible proposal of Resolution. In effect, the initiation agreements show relevant delays in the processing of previous proceedings, inter-administrative discrepancies on the quantification, qualification and valuation of the allegedly committed acts, accumulation of heterogeneous procedures, an absolute disproportion in the amount of the fines with respect to any other similar situation in the national or autonomous community sphere, an inadequate examination of the statute of limitations of the infringements and expiration of the proceedings and, in short, anomalous legal approaches that lead to the impossibility of assessing the existing legal risk at this time, as long as there is no additional legal assessment in the administrative sanctioning proceedings.

The Directors of the Parent Company consider that the provisions recognised in the consolidated statement of financial position adequately cover the risks relating to litigation, arbitration and other matters referred to in this Note, and do not expect these issues to give rise to any liability not already provided for.

Given the nature of the risks covered by these provisions, it is impracticable to determine a reasonable timetable of payment dates, if any.

Payments made to settle litigation in 2021 and 2020 came to Euro 7 million and Euro 4 million, respectively.

54. Accounting standards applicable in the future.

a) Standards and interpretations endorsed by the European Union (EU) to be applied for the first time in annual periods beginning in 2022

Standards, amendments and interpretations	Mandatory application: Years beginning on
Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Assets and Contingent Liabilities" and Annual Improvements to IFRSs 2018-2020.	1 January 2022

ENDESA's management is assessing the impact that the application of these changes would have, and had not concluded such analysis at the date of preparation of these consolidated financial statements.

b) Standards and interpretations issued by the International Accounting Standards Board (IASB) not endorsed by the European Union (EU).

The International Accounting Standards Board (IASB) has approved the following International Standards which could affect ENDESA and at the date of preparation of the consolidated financial statements had yet to be endorsed by the European Union (EU):

Standards, amendments and interpretations	Mandatory application: ⁽¹⁾ Years beginning on
Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current and Deferral of Effective Date.	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statements" and to the IFRS 2 Practice Statement: Disclosure Initiative on Accounting Policies.	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates.	1 January 2023
IFRS 17 "Insurance Contracts" including amendments.	1 January 2023
Modifications to IAS 12 "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	1 January 2023
Amendments to IFRS 17 "Insurance Contracts": Initial Application of IFRS 17 and IFRS 9 - Comparative Information.	1 January 2023

(1) If adopted without changes by the European Union (EU).

At the date of authorisation for issue of the consolidated financial statements, ENDESA's management is assessing the impact of these standards and amendments, if endorsed by the European Union (EU), on the consolidated financial statements.

55. Events after the reporting period

From 1 January 2022 to the date of preparation of these Consolidated Financial Statements, the following transactions have been formalized in the renewable energy business:

	Date	Transaction	Activity	% ownership	
				Control	Economic
Renovables Brovales 400kV, S.L.	31 January 2022	Incorporation	Fotovoltaic	64.15	64.15
Infraestructura de Evacuación Peñaflor 220, KV, S.L.	1 February 2022	Incorporation	Fotovoltaic	41.14	41.14
Infraestructuras San Serván Set 400, S.L.	8 February 2022	Acquisition	Fotovoltaic	33.33	33.33
Evacuación Carmona 400-220 KV Renovables, S.L.	9 February 2022	Incorporation	Fotovoltaic	9.39	9.39

The activity of these companies is the construction, commissioning, operation and maintenance of the common electricity evacuation infrastructures of the renewable energy projects connected to them.

In addition, on 9 February 2022, ENDESA Movilidad Eléctrica, S.L.U., wholly owned by ENDESA X Servicios, S.L.U., was incorporated.

The magnitudes of these transactions are not significant at the date of preparation of these Consolidated Financial Statements.

Except as mentioned in the preceding paragraphs, there have been no significant subsequent events between 31 December 2021 and the date of preparation of these Consolidated Financial Statements that have not been reflected in the Consolidated Financial Statements.







56. Explanation added for translation to English
















These Consolidated Financial Statements are presented on the basis of IFRSs, as adopted by the European Union. Consequently, certain accounting practices applied by the Group that conform to IFRSs may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevail.

APPENDIX I: ENDESA's companies and material shareholdings

The companies comprising ENDESA at 31 December 2021 are set out below.

The main activity of the companies comprising ENDESA is classified as follows:



















Activity	Description of activity
	Conventional generation
	Renewable Generation
	Energy supply
	Marketing of other products and services
	Energy Distribution
	Structure and services

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
PARENT										
ENDESA, S.A.	MADRID (SPAIN)	EUR 1,270,502,540.40		HOLDING COMPANY			100.00		100.00	KPMG AUDITORES
COMPANIES										
AGUILÓN 20, S.A.	ZARAGOZA (SPAIN)	EUR 2,682,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	51.00	51.00	51.00	51.00	KPMG AUDITORES
ARAGONESA DE ACTIVIDADES ENERGÉTICAS, S.A. (SOCIEDAD UNIPERSONAL)	TERUEL (SPAIN)	EUR 60,100.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ARANORT DESARROLLOS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,010.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ARENA POWER SOLAR 11, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ARENA POWER SOLAR 12, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ARENA POWER SOLAR 13, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ARENA POWER SOLAR 20, S.L. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ARENA POWER SOLAR 33, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ARENA POWER SOLAR 34, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ARENA POWER SOLAR 35, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ASOCIACIÓN NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	TARRAGONA (SPAIN)	EUR 19,232,400.00		P.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	85.41	85.41	85.41	85.41	KPMG AUDITORES
ATECA RENOVABLES, S.L.	MADRID (SPAIN)	EUR 3,000.00		E.M. (J.V.)	SEGUIDORES SOLARES PLANTA 2, S.L. (SOCIEDAD UNIPERSONAL)	15.35				UNAUDITED
					DEHESA DE LOS GUADALUPES SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	14.93	50.00	-	-	
					BAYLIO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	19.72				
BAIKAL ENTERPRISE, S.L. (SOCIEDAD UNIPERSONAL)	PALMA DE MALLORCA (SPAIN)	EUR 3,006.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
BALEARES ENERGY, S.L. (SOCIEDAD UNIPERSONAL)	PALMA DE MALLORCA (SPAIN)	EUR 4,509.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
BAYLIO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
BOGARIS PV1, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
BOIRO ENERGÍA, S.A.	LA CORUÑA (SPAIN)	EUR 601,010.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	40.00	40.00	40.00	40.00	DELOITTE
BOSA DEL EBRO, S.L.	ZARAGOZA (SPAIN)	EUR 3,010.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	51.00	51.00	51.00	51.00	KPMG AUDITORES
CARBOPEGO - ABASTECIMIENTOS DE COMBUSTIBLES, S.A.	LISBON (PORTUGAL)	-		-	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	-	-	50.00	50.00	-
CASTIBLANCO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
CENTRAL HIDRÁULICA GÜEJAR-SIERRA, S.L.	SEVILLE (SPAIN)	EUR 364,213.34		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	33.33	33.33	33.33	33.33	GATT AUDITORES
CENTRAL TÉRMICA DE ANLLARES, A.I.E.	MADRID (SPAIN)	EUR 595,001.98		E.M. (A)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	33.33	33.33	33.33	33.33	UNAUDITED
CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E.	MADRID (SPAIN)	EUR 0.00		E.M. (A)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	24.18	24.18	24.18	24.18	KPMG AUDITORES
COGENERACIÓN EL SALTO, S.L. (EN LIQUIDACIÓN)	ZARAGOZA (SPAIN)	EUR 36,060.73		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	20.00	20.00	20.00	20.00	UNAUDITED
COMERCIALIZADORA ELÉCTRICA DE CÁDIZ, S.A.	CADIZ (SPAIN)	EUR 600,000.00		E.M. (J.V.)	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	33.50	33.50	33.50	33.50	DELOITTE
COMPAÑÍA EÓLICA TIERRAS ALTAS, S.A.	SORIA (SPAIN)	EUR 13,222,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	37.51	37.51	37.51	37.51	ERNST & YOUNG
CORPORACIÓN EÓLICA DE ZARAGOZA, S.L.	ZARAGOZA (SPAIN)	EUR 271,652.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	25.00	25.00	25.00	25.00	ERNST & YOUNG
DEHESA DE LOS GUADALUPES SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
DEHESA PV FARM 03, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
DEHESA PV FARM 04, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
DEPURACIÓN DESTILACIÓN RECICLAJE, S.L.	LA CORUÑA (SPAIN)	EUR 600,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	40.00	40.00	40.00	40.00	DELOITTE
DISTRIBUIDORA DE ENERGÍA ELÉCTRICA DEL BAGES, S.A.	BARCELONA (SPAIN)	EUR 108,240.00		F.C.	HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	45.00	100.00	100.00	100.00	KPMG AUDITORES
					ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	55.00				

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. (SOCIEDAD UNIPERSONAL)	SANTA CRUZ DE TENERIFE (SPAIN)	EUR 12,621,210.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
EDISTRIBUCIÓN REDES DIGITALES, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 1,204,540,060.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ELCOGAS, S.A. (EN LIQUIDACIÓN)	CIUDAD REAL (SPAIN)	EUR 809,690.40		E.M. (A)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	40.99	40.99	40.99	40.99	DELOITTE
ELECGAS, S.A.	SANTAREM (PORTUGAL)	EUR 50,000.00		E.M. (J.V.)	ENDESA GENERACIÓN PORTUGAL, S.A.	50.00	50.00	50.00	50.00	KPMG AUDITORES
ELÉCTRICA DE JAFRE, S.A.	BARCELONA (SPAIN)	EUR 165,876.00		F.C.	HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	47.46	100.00	100.00	100.00	KPMG AUDITORES
					ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	52.54				
ELÉCTRICA DE LIJAR, S.L.	CADIZ (SPAIN)	EUR 1,081,821.79		E.M. (J.V.)	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	AVANTER AUDITORES
ELÉCTRICA DEL EBRO, S.A. (SOCIEDAD UNIPERSONAL)	BARCELONA (SPAIN)	EUR 500,000.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ELECTRICIDAD DE PUERTO REAL, S.A.	CADIZ (SPAIN)	EUR 4,960,246.40		E.M. (J.V.)	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	DELOITTE
EMINTEGRAL CYCLE, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
EMPRESA CARBONÍFERA DEL SUR, S.A. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 18,030,000.00		F.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
EMPRESA DE ALUMBRADO ELÉCTRICO DE CEUTA DISTRIBUCIÓN, S.A. (SOCIEDAD UNIPERSONAL)	CEUTA (SPAIN)	EUR 9,335,000.00		F.C.	EMPRESA DE ALUMBRADO ELÉCTRICO DE CEUTA, S.A.	100.00	96.42	100.00	96.37	KPMG AUDITORES
EMPRESA DE ALUMBRADO ELÉCTRICO DE CEUTA, S.A.	CEUTA (SPAIN)	EUR 16,562,250.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	96.42	96.42	96.37	96.37	KPMG AUDITORES
ENDESA CAPITAL, S.A. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 60,200.00		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA COMERCIALIZAÇÃO DE ENERGIA, S.A.	PORTO (PORTUGAL)	EUR 250,000.00		F.C.	ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA ENERGÍA RENOVABLE, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 100,000.00		F.C.	ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 14,445,575.90		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA FINANCIACIÓN FILIALES, S.A. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 4,621,003,006.00		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA GENERACIÓN II, S.A. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 63,107.00		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	UNAUDITED

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
ENDESA GENERACIÓN NUCLEAR, S.A. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 60,000.00		F.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
ENDESA GENERACIÓN PORTUGAL, S.A.	LISBON (PORTUGAL)	EUR 50,000.00		F.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	99.20				KPMG AUDITORES
					ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	0.20	100.00	100.00	100.00	
					ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	0.60				
ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 1,940,379,737.02		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA INGENIERÍA, S.L. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 965,305.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA MEDIOS Y SISTEMAS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 89,999,790.00		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 10,138,577.00		F.C.	ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA POWER TRADING LTD.	LONDON (UK)	-		-	ENDESA, S.A.	-	-	100.00	100.00	-
ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 719,901,728.28		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENDESA SOLUCIONES, S.L.	MADRID (SPAIN)	EUR 2,874,621.80		E.M. (A)	ENDESA X SERVICIOS, S.L. (SOCIEDAD UNIPERSONAL)	20.00	20.00	20.00	20.00	DELOITTE
ENDESA X SERVICIOS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 60,000.00		F.C.	ENDESA, S.A.	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 11,152.74		F.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENERGÍA BASE NATURAL, S.L. (SOCIEDAD UNIPERSONAL)	VALENCIA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ENERGÍA CEUTA XXI COMERCIALIZADORA DE REFERENCIA, S.A. (SOCIEDAD UNIPERSONAL)	CEUTA (SPAIN)	EUR 65,000.00		F.C.	EMPRESA DE ALUMBRADO ELÉCTRICO DE CEUTA, S.A.	100.00	96.42	100.00	96.37	KPMG AUDITORES
ENERGÍA EÓLICA ÁBREGO, S.L. (SOCIEDAD UNIPERSONAL)	VALENCIA (SPAIN)	EUR 3,576.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ENERGÍA EÓLICA ALTO DE LLANO, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	-		-	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	-	-	100.00	100.00	-
ENERGÍA EÓLICA GALERNA, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,413.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ENERGÍA EÓLICA GREGAL, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,250.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
ENERGÍA NETA SA CASETA LLUCMAJOR, S.L. (SOCIEDAD UNIPERSONAL)	PALMA DE MALLORCA (SPAIN)	EUR 9,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENERGÍA XXI COMERCIALIZADORA DE REFERENCIA, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 2,000,000.00		F.C.	ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENERGÍA Y NATURALEZA, S.L. (SOCIEDAD UNIPERSONAL)	VALENCIA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
ENERGÍAS ALTERNATIVAS DEL SUR, S.L.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 546,919.10		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	54.95	54.95	54.95	54.95	KPMG AUDITORES
ENERGÍAS DE ARAGÓN I, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	EUR 3,200,000.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENERGÍAS DE GRAUS, S.L.	ZARAGOZA (SPAIN)	EUR 1,298,160.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	66.67	66.67	66.67	66.67	KPMG AUDITORES
ENERGÍAS ESPECIALES DE CAREÓN, S.A.	LA CORUÑA (SPAIN)	EUR 270,450.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	77.00	77.00	77.00	77.00	KPMG AUDITORES
ENERGÍAS ESPECIALES DE PEÑA ARMADA, S.A.	MADRID (SPAIN)	EUR 963,300.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	80.00	80.00	80.00	80.00	KPMG AUDITORES
ENERGÍAS ESPECIALES DEL ALTO ULLA, S.A. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 19,594,860.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
ENERGÍAS ESPECIALES DEL BIERZO, S.A.	LEON (SPAIN)	EUR 1,635,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	KPMG AUDITORES
ENERGIE ELECTRIQUE DE TAHADDART, S.A.	TANGIERS (MOROCCO)	MAD 510,270,000.00		E.M. (J.V.)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	32.00	32.00	32.00	32.00	DELOITTE
ENVATIOS PROMOCIÓN I, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
ENVATIOS PROMOCIÓN II, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
ENVATIOS PROMOCIÓN III, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
ENVATIOS PROMOCIÓN XX, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
EÓLICA DEL CIERZO, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	-		-	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	-	-	100.00	100.00	-
EÓLICA DEL PRINCIPADO, S.A. (SOCIEDAD UNIPERSONAL)	ASTURIAS (SPAIN)	-		-	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	-	-	100.00	100.00	-
EÓLICA VALLE DEL EBRO, S.A.	ZARAGOZA (SPAIN)	EUR 3,561,342.50		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.50	50.50	50.50	50.50	KPMG AUDITORES

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
EÓLICAS DE AGAETE, S.L.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 240,400.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	80.00	80.00	80.00	80.00	KPMG AUDITORES
EÓLICAS DE FUENCALIENTE, S.A.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 216,360.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	55.00	55.00	55.00	55.00	KPMG AUDITORES
EÓLICAS DE FUERTEVENTURA, A.I.E.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 4,558,426.83		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	40.00	40.00	40.00	40.00	ERNST & YOUNG
EÓLICAS DE LA PATAGONIA, S.A.	CAPITAL FEDERAL (ARGENTINA)	ARS 480,930.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	UNAUDITED
EÓLICAS DE LANZAROTE, S.L.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 1,758,225.50		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	40.00	40.00	40.00	40.00	LUJAN AUDITORES
EÓLICAS DE TENERIFE, A.I.E.	SANTA CRUZ DE TENERIFE (SPAIN)	EUR 420,708.40		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	ANCERO AUDITORES
EÓLICOS DE TIRAJANA, S.L.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	60.00	60.00	60.00	60.00	KPMG AUDITORES
EPRESA ENERGÍA, S.A.	CADIZ (SPAIN)	EUR 2,500,000.00		E.M. (J.V.)	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	DELOITTE
EXPLOTACIONES EÓLICAS DE ESCUCHA, S.A.	ZARAGOZA (SPAIN)	EUR 3,505,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	70.00	70.00	70.00	70.00	KPMG AUDITORES
EXPLOTACIONES EÓLICAS EL PUERTO, S.A.	ZARAGOZA (SPAIN)	EUR 3,230,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	73.60	73.60	73.60	73.60	KPMG AUDITORES
EXPLOTACIONES EÓLICAS SANTO DOMINGO DE LUNA, S.A.	ZARAGOZA (SPAIN)	EUR 100,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	51.00	51.00	51.00	51.00	KPMG AUDITORES
EXPLOTACIONES EÓLICAS SASO PLANO, S.A.	ZARAGOZA (SPAIN)	EUR 5,488,500.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	65.00	65.00	65.00	65.00	KPMG AUDITORES
EXPLOTACIONES EÓLICAS SIERRA COSTERA, S.A.	ZARAGOZA (SPAIN)	EUR 8,046,800.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	90.00	90.00	90.00	90.00	KPMG AUDITORES
EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN, S.A.	ZARAGOZA (SPAIN)	EUR 4,200,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	90.00	90.00	90.00	90.00	KPMG AUDITORES
FOTOVOLTAICA YUNCLILLOS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
FRONT MARÍTIM DEL BESÓS, S.L.	BARCELONA (SPAIN)	EUR 6,000.00		E.M. (J.V.)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	61.37	61.37	61.37	61.37	UNAUDITED
FRV CORCHITOS I, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 75,800.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FRV CORCHITOS II SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 22,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
FRV GIBALBIN -JEREZ, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 23,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FRV TARIFA, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FRV VILLALOBILLOS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FRV ZAMORA SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FRV ZAMORA SOLAR 3, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FUNDAMENTAL RECOGNIZED SYSTEMS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
FURATENA SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
GAS Y ELECTRICIDAD GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	PALMA DE MALLORCA (SPAIN)	EUR 213,775,700.00		F.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
GORONA DEL VIENTO EL HIERRO, S.A.	SANTA CRUZ DE TENERIFE (SPAIN)	EUR 30,936,736.00		E.M. (A)	UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	23.21	23.21	23.21	23.21	ERNST & YOUNG
GUADARRANQUE SOLAR 4, S.L. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 3,006.00		F.C.	ENDESA GENERACIÓN II, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	BARCELONA (SPAIN)	EUR 126,210.00		F.C.	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
HIDROELÉCTRICA DE OUROL, S.L.	LA CORUÑA (SPAIN)	EUR 1,608,200.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	30.00	30.00	30.00	30.00	DELOITTE
HIDROFLAMICELL, S.L.	BARCELONA (SPAIN)	EUR 78,120.00		F.C.	HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	75.00	75.00	75.00	75.00	KPMG AUDITORES
HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L.	BADAJOS (SPAIN)	EUR 3,500.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	51.00	51.00	51.00	51.00	UNAUDITED
INFRAESTRUCTURAS PUERTO SANTA MARÍA 220, S.L.	MADRID (SPAIN)	EUR 3,000.00		F.C.	PUERTO SANTA MARÍA ENERGÍA I, S.L. (SOCIEDAD UNIPERSONAL)	50.00	100.00	-	-	UNAUDITED
					PUERTO SANTA MARÍA ENERGÍA II, S.L. (SOCIEDAD UNIPERSONAL)	50.00				
					VALDECABALLERO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	10.30				
INFRAESTRUCTURAS SAN SERVÁN 220, S.L.	MADRID (SPAIN)	EUR 12,000.00		E.M. (A)	NAVALVILLAR SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	10.30	30.80	-	-	UNAUDITED
					CASTIBLANCO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	10.20				

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
KROMSCHROEDER, S.A.	BARCELONA (SPAIN)	EUR 627,126.00		E.M. (A)	ENDESA MEDIOS Y SISTEMAS, S.L. (SOCIEDAD UNIPERSONAL)	29.26	29.26	29.26	29.26	BDO AUDITORES
LUCAS SOSTENIBLE, S.L.	MADRID (SPAIN)	EUR 1,099,775.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	35.29	35.29	-	-	UNAUDITED
MINGLANILLA RENOVABLES 400KV, A.I.E.	VALENCIA (SPAIN)	-		P.C.	ENERGÍA EÓLICA GALERNA, S.L. (SOCIEDAD UNIPERSONAL)	9.31				UNAUDITED
					ENERGÍA EÓLICA GREGAL, S.L. (SOCIEDAD UNIPERSONAL)	9.31				
					ENERGÍA EÓLICA ÁBREGO, S.L. (SOCIEDAD UNIPERSONAL)	7.98	36.16	-	-	
					ENERGÍA BASE NATURAL, S.L. (SOCIEDAD UNIPERSONAL)	4.78				
					ENERGÍA Y NATURALEZA, S.L. (SOCIEDAD UNIPERSONAL)	4.78				
MINICENTRALES DEL CANAL IMPERIAL-GALLUR, S.L.	ZARAGOZA (SPAIN)	EUR 1,820,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	36.50	36.50	36.50	36.50	UNAUDITED
MONTE REINA RENOVABLES, S.L.	MADRID (SPAIN)	EUR 4,000.00		E.M. (A)	FRV ZAMORA SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	20.58	20.58	-	-	UNAUDITED
NAVALVILLAR SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
NUCLENOR, S.A.	BURGOS (SPAIN)	EUR 5,406,000.00		E.M. (J.V.)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	ERNST & YOUNG
OLIVUM PV FARM 01, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
OXAGESA, A.I.E. (EN LIQUIDACIÓN)	TERUEL (SPAIN)	EUR 6,010.12		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	33.33	33.33	33.33	33.33	UNAUDITED
PAMPINUS PV FARM 01, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
PARAVENTO, S.L.	LUGO (SPAIN)	EUR 3,006.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	90.00	90.00	90.00	90.00	KPMG AUDITORES
PARC EOLIC LA TOSSA-LA MOLA D'EN PASCUAL, S.L.	MADRID (SPAIN)	EUR 1,183,100.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	30.00	30.00	30.00	30.00	UNAUDITED
PARC EOLIC LOS ALIGARS, S.L.	MADRID (SPAIN)	EUR 1,313,100.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	30.00	30.00	30.00	30.00	UNAUDITED
PARQUE EÓLICO A CAPELADA, S.L. (SOCIEDAD UNIPERSONAL)	LA CORUÑA (SPAIN)	EUR 5,857,704.37		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
PARQUE EÓLICO BELMONTE, S.A.	MADRID (SPAIN)	EUR 120,400.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.17	50.17	50.17	50.17	KPMG AUDITORES
PARQUE EÓLICO CARRETERA DE ARINAGA, S.A.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 1,007,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	80.00	80.00	80.00	80.00	KPMG AUDITORES

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
PARQUE EÓLICO DE BARBANZA, S.A.	LA CORUÑA (SPAIN)	EUR 3,606,072.63		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	75.00	75.00	75.00	75.00	KPMG AUDITORES
PARQUE EÓLICO DE SAN ANDRÉS, S.A.	LA CORUÑA (SPAIN)	EUR 552,920.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	82.00	82.00	82.00	82.00	KPMG AUDITORES
PARQUE EÓLICO DE SANTA LUCÍA, S.A.	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 901,500.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	66.33	66.33	66.33	66.33	KPMG AUDITORES
PARQUE EÓLICO FINCA DE MOGÁN, S.A.	SANTA CRUZ DE TENERIFE (SPAIN)	EUR 3,810,340.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	90.00	90.00	90.00	90.00	KPMG AUDITORES
PARQUE EÓLICO MONTES DE LAS NAVAS, S.A.	MADRID (SPAIN)	EUR 6,540,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	75.50	75.50	75.50	75.50	KPMG AUDITORES
PARQUE EÓLICO MUNIESA, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,006.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
PARQUE EÓLICO PUNTA DE TENO, S.A.	SANTA CRUZ DE TENERIFE (SPAIN)	EUR 528,880.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	52.00	52.00	52.00	52.00	KPMG AUDITORES
PARQUE EÓLICO SIERRA DEL MADERO, S.A.	MADRID (SPAIN)	EUR 7,193,970.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	58.00	58.00	58.00	58.00	KPMG AUDITORES
PARQUE EÓLICO TICO, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	EUR 234,900.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
PEGOP - ENERGÍA ELÉCTRICA, S.A.	SANTAREM (PORTUGAL)	EUR 50,000.00		E.M. (J.V.)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	49.98	50.00	50.00	50.00	KPMG AUDITORES
					ENDESA GENERACIÓN PORTUGAL, S.A.	0.02				
PLANTA EÓLICA EUROPEA, S.A. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 1,198,532.33		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	56.12	56.12	KPMG AUDITORES
PRODUCTIVE SOLAR SYSTEMS, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
PRODUCTORA DE ENERGÍAS, S.A.	BARCELONA (SPAIN)	EUR 60,101.21		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	30.00	30.00	30.00	30.00	UNAUDITED
PROMOCIONES ENERGÉTICAS DEL BIERZO, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 12,020.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
PROYECTO ALMERÍA MEDITERRÁNEO, S.A. (EN LIQUIDACIÓN)	MADRID (SPAIN)	EUR 601,012.00		E.M. (A)	ENDESA, S.A.	45.00	45.00	45.00	45.00	UNAUDITED
PROYECTOS UNIVERSITARIOS DE ENERGÍAS RENOVABLES, S.L.	ALICANTE (SPAIN)	EUR 27,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	33.33	33.33	33.33	33.33	UNAUDITED
PUERTO SANTA MARÍA ENERGÍA I, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
PUERTO SANTA MARÍA ENERGÍA II, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
RENOVABLES ANDORRA, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
RENOVABLES LA PEDRERA, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
RENOVABLES MANZANARES 400 KV, S.L.	MADRID (SPAIN)	EUR 5,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	27.86	27.86	27.86	27.86	UNAUDITED
RENOVABLES MEDIAVILLA, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
RENOVABLES TERUEL, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SALTO DE SAN RAFAEL, S.L.	SEVILLE (SPAIN)	EUR 462,185.88		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	UNAUDITED
SAN FRANCISCO DE BORJA, S.A.	ZARAGOZA (SPAIN)	EUR 60,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	66.67	66.67	66.67	66.67	KPMG AUDITORES
SANTO ROSTRO COGENERACIÓN, S.A. (EN LIQUIDACIÓN)	SEVILLE (SPAIN)	EUR 207,340.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	45.00	45.00	45.00	45.00	UNAUDITED
SAVANNA POWER SOLAR 4, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SAVANNA POWER SOLAR 5, S.L. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SAVANNA POWER SOLAR 6, S.L. (SOCIEDAD UNIPERSONAL)	SEVILLE (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SAVANNA POWER SOLAR 9, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SAVANNA POWER SOLAR 10, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SAVANNA POWER SOLAR 12, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SAVANNA POWER SOLAR 13, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	-	-	UNAUDITED
SEGUIDORES SOLARES PLANTA 2, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,010.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
SISTEMA ELÉCTRICO DE CONEXIÓN VALCAIRE, S.L.	MADRID (SPAIN)	EUR 175,200.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	28.12	28.12	28.12	28.12	KPMG AUDITORES
SISTEMAS ENERGÉTICOS MAÑÓN ORTIGUEIRA, S.A.	LA CORUÑA (SPAIN)	EUR 2,007,750.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	96.00	96.00	96.00	96.00	KPMG AUDITORES

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
SOCIEDAD EÓLICA DE ANDALUCÍA, S.A.	SEVILLE (SPAIN)	EUR 4,507,590.78		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	64.73	64.73	64.73	64.73	KPMG AUDITORES
SOCIEDAD EÓLICA EL PUNTAL, S.L.	SEVILLE (SPAIN)	EUR 3,286,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	50.00	50.00	50.00	50.00	KPMG AUDITORES
SOCIEDAD EÓLICA LOS LANCES, S.A.	SEVILLE (SPAIN)	EUR 2,404,048.42		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	60.00	60.00	60.00	60.00	KPMG AUDITORES
SOLANA RENOVABLES, S.L.	MADRID (SPAIN)	EUR 5,000		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	49.84	49.84	-	-	UNAUDITED
SOTAVENTO GALICIA, S.A.	LA CORUÑA (SPAIN)	EUR 601,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	36.00	36.00	36.00	36.00	AUDIESA
SUGGESTION POWER, UNIPESOAAL, LDA.	LISBON (PORTUGAL)	EUR 50,000.00		F.C.	ENDESA GENERACIÓN PORTUGAL, S.A.	100.00	100.00	100.00	100.00	UNAUDITED
SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A.	CADIZ (SPAIN)	EUR 12,020,240.00		E.M. (J.V.)	ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	33.50	33.50	33.50	33.50	DELOITTE
SUMINISTRO DE LUZ Y FUERZA, S.L.	BARCELONA (SPAIN)	EUR 2,800,000.00		F.C.	HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	60.00	60.00	60.00	60.00	KPMG AUDITORES
TAUSTE ENERGÍA DISTRIBUIDA, S.L.	ZARAGOZA (SPAIN)	EUR 60,508.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	51.00	51.00	51.00	51.00	KPMG AUDITORES
TECNATOM, S.A.	MADRID (SPAIN)	EUR 4,025,700.00		E.M. (A)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	45.00	45.00	45.00	45.00	ERNST & YOUNG
TEJO ENERGIA - PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELÉCTRICA, S.A.	LISBON (PORTUGAL)	EUR 5,025,000.00		E.M. (J.V.)	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	43.75	43.75	43.75	43.75	KPMG AUDITORES
TERMOTEC ENERGÍA, A.I.E. (EN LIQUIDACIÓN)	VALENCIA (SPAIN)	EUR 481,000.00		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	45.00	45.00	45.00	45.00	UNAUDITED
TERRER RENOVABLES, S.L.	MADRID (SPAIN)	EUR 5,000.00		E.M. (J.V.)	SEGUIDORES SOLARES PLANTA 2, S.L. (SOCIEDAD UNIPERSONAL)	9.08				UNAUDITED
					DEHESA DE LOS GUADALUPES SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	8.83	29.57	-	-	
					BAYLIO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	11.66				
TICO SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
TICO SOLAR 2, S.L. (SOCIEDAD UNIPERSONAL)	ZARAGOZA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
TOLEDO PV, A.I.E.	MADRID (SPAIN)	EUR 26,887.96		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	33.33	33.33	33.33	33.33	PWC
TORO RENOVABLES 400 KV, S.L.	MADRID (SPAIN)	EUR 3,000.00		E.M. (A)	FRV ZAMORA SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	8.28	8.28	-	-	UNAUDITED

Company name	Registered office	Share capital	Activity	Consolidation method	Shareholders	% ownership at 31/12/2021		% ownership at 31/12/2020		Auditor
						Control	Economic	Control	Economic	
TORREPALMA ENERGY 1, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,100.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
TRANSPORTES Y DISTRIBUCIONES ELÉCTRICAS, S.A. (EN LIQUIDACIÓN)	GIRONA (SPAIN)	EUR 72,121.45		F.C.	EDISTRIBUCIÓN REDES DIGITALES, S.L. (SOCIEDAD UNIPERSONAL)	73.33	73.33	73.33	73.33	UNAUDITED
TRÉVAGO RENOVABLES, S.L.	MADRID (SPAIN)	EUR 3,000.00		E.M. (A)	SEGUIDORES SOLARES PLANTA 2, S.L. (SOCIEDAD UNIPERSONAL) FURATENA SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	17.77 17.73	35.50	35.50	35.50	UNAUDITED
UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	LAS PALMAS DE GRAN CANARIA (SPAIN)	EUR 190,171,521.16		F.C.	ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
VALDECABALLERO SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	MADRID (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	KPMG AUDITORES
VIRULEIROS, S.L.	LA CORUÑA (SPAIN)	EUR 160,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	67.00	67.00	67.00	67.00	UNAUDITED
XALOC SOLAR, S.L. (SOCIEDAD UNIPERSONAL)	VALENCIA (SPAIN)	EUR 3,000.00		F.C.	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	100.00	100.00	UNAUDITED
YEDESA COGENERACIÓN, S.A. (EN LIQUIDACIÓN)	ALMERIA (SPAIN)	EUR 234,394.72		E.M. (A)	ENEL GREEN POWER ESPAÑA, S.L. (SOCIEDAD UNIPERSONAL)	40.00	40.00	40.00	40.00	UNAUDITED

endesa

Formulation Signatures
ENDESA, S.A. and Subsidiaries
Consolidated Financial Statements
for the year ended 31 December 2020

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

The Annual Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Net Equity, Cash-Flow Statement, and Annual Report) of ENDESA, Sociedad Anónima and its SUBSIDIARY COMPANIES for fiscal year ending 31 December 2021 were drafted in electronic format by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on 21 February 2022, following the format and tagging requirements established in the Delegated Regulation EU 2019/815 of the European Commission, and are hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (Ley de Sociedades de Capital).

Mr. Juan Sánchez-Calero Guilarte Chairman	Mr. Francesco Starace Vice Chairman
Mr. José Damián Bogas Gálvez Chief Executive Officer	Ms. Eugenia Bieto Caubet Director
Mr. Antonio Cammisecra Director	Mr. Ignacio Garralda Ruiz de Velasco Director
Ms. Pilar González de Frutos Director	Ms. Maria Patrizia Grieco Director
Ms. Alicia Koplowitz y Romero de Juseu Director	Mr. Francisco de Lacerda Director
Mr. Alberto de Paoli Director	

Madrid, 21 February 2022

V. Statement of Responsibility

STATEMENT OF RESPONSIBILITY
ANNUAL FINANCIAL REPORT FISCAL YEAR 2021

The members of the Board of Directors of Endesa S.A., in accordance with Article 8 of Royal Decree 1362/2007, of 19 October 2007, state that, to the best of their knowledge, the Individual and Consolidated Annual Financial Statements for the fiscal year ending on 31 December 2021, drafted at its meeting on February 21, 2022, were issued in accordance with all applicable accounting principles and offer a true and fair view of the equity, financial position, and earnings of Endesa S.A. and the companies within its consolidation perimeter, and that the individual and consolidated management reports for fiscal year 2021 provide a faithful analysis of its business performance and results and of the financial position of Endesa, S.A. and the companies within its consolidation perimeter as a whole, together with a description of the main risks and uncertainties faced thereby.

Mr. Juan Sánchez-Calero Guilarte Chairman	Mr. Francesco Starace Vice Chairman
Mr. José Damián Bogas Gálvez Chief Executive Officer	Ms. Eugenia Bieto Caubet Director
Mr. Antonio Cammisecra Director	Mr. Ignacio Garralda Ruiz de Velasco Director
Ms. Pilar González de Frutos Director	Ms. Maria Patrizia Grieco Director
Ms. Alicia Koplowitz y Romero de Juseu Director	Mr. Francisco de Lacerda Director
Mr. Alberto de Paoli Director	

Madrid, 21 February 2022