

# *Total Tax Contribution of Enel Group in 2018*



April 2019



PwC TLS

Avvocati e Commercialisti





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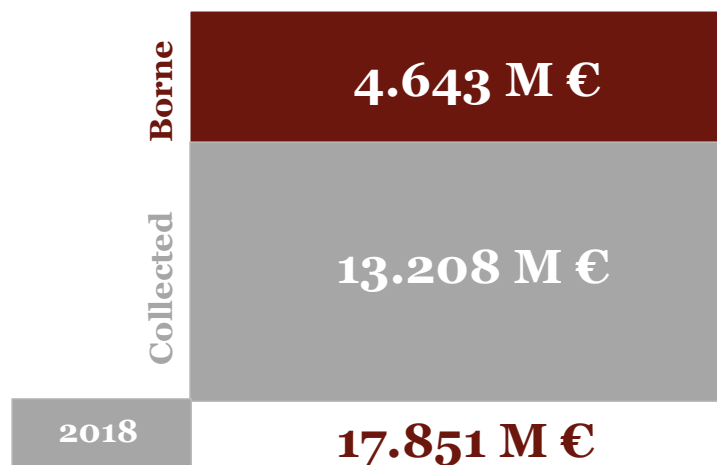
An aerial photograph of a modern building's courtyard. The courtyard is paved with light-colored tiles in a geometric pattern and is surrounded by a multi-story building with large windows. Several people are walking around the courtyard. A large, semi-transparent red rectangle is overlaid on the left side of the image, containing the text "1. Executive Summary".

# *1. Executive Summary*

## 1. Executive Summary

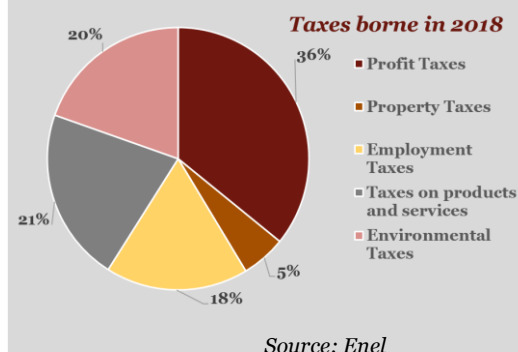
Enel's total tax contribution<sup>1</sup> in 2018 amounted to **Euros 17.851 million**, with an increase of **17%** compared to 2017, in which Enel had a total tax contribution of **Euros 15.231 million**. In 2018, **26%** of the total tax contribution corresponds to taxes borne and the remaining **74%** to taxes collected.

### Total Tax Contribution in 2018



Source: Enel

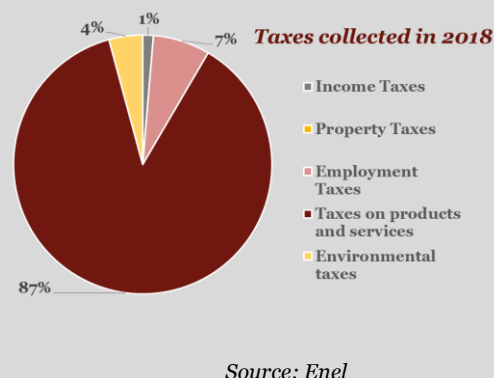
### Taxes borne in 2018



**Taxes borne** by Enel in 2018 amounted to **Euros 4.643 million**. A major part of this total corresponds to **profit taxes**, which account for **36%** of taxes borne. Profit taxes are followed by **Taxes on products and services**, which account for **21%** of taxes borne.

Profit taxes borne by Enel corresponds prominently to taxes paid on corporate income.

### Taxes Collected in 2018



**Taxes collected** by Enel in 2018 amounted to **Euros 13.208 million** with an increase of **21%** compared to 2017.

The increase is mainly explained by the **31% increase** in taxes collected by **Enel Italy**, that is primarily related to higher volume of operations for VAT purposes and to the effect of VAT split payment regime<sup>2</sup> in Italy.

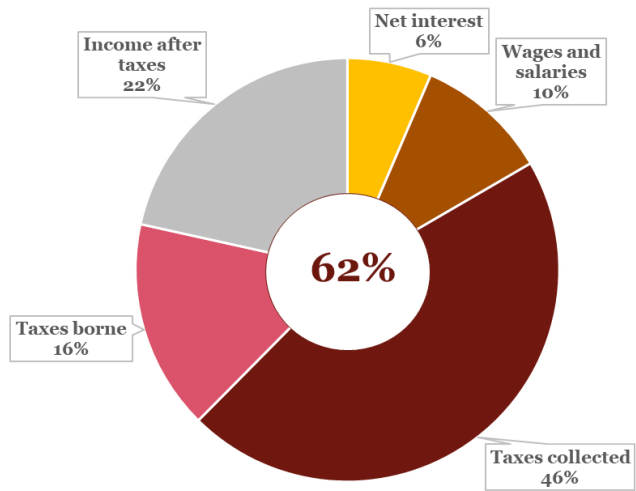
<sup>[1]</sup> Total Tax Contribution considers the total amount of taxes paid in 2018 on cash basis, as opposed to the other components of the economic value distributed that follow an accrual basis. Please refer to the following slides.

<sup>[2]</sup> Starting from 1 July 2017 the Italian companies of the Enel Group are obliged to apply the VAT split payment regime with the consequence that the VAT on purchases must be paid directly to the tax authorities and no longer to the supplier.



# 1. Executive Summary

## Distributed Tax Value\* in 2018



Item	Amount (M€)	Percentage (%)
Net interest	1.857	6%
Wages and salaries	2.934	10%
Taxes collected	13.208	46%
Taxes borne	4.643	16%
Income after taxes	6.209	22%
Total	28.851	100%

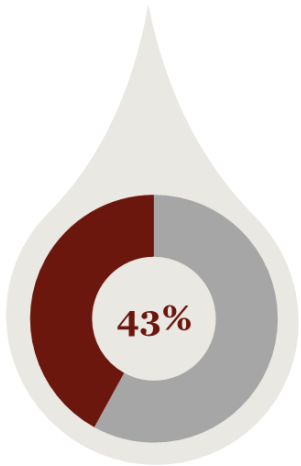
Source: PwC

Enel has paid to the Public Administration around **62% of the total economic value generated** in 2018 in the form of taxes either borne or collected. Distributed tax value of Enel increased approximately **4%** in 2018 compared to the previous year.

For every **100 Euros** of value generated, **62** were used for payment of taxes each year.

***\*Concept explained on page 38.***

## Total Tax Contribution Rate in 2018



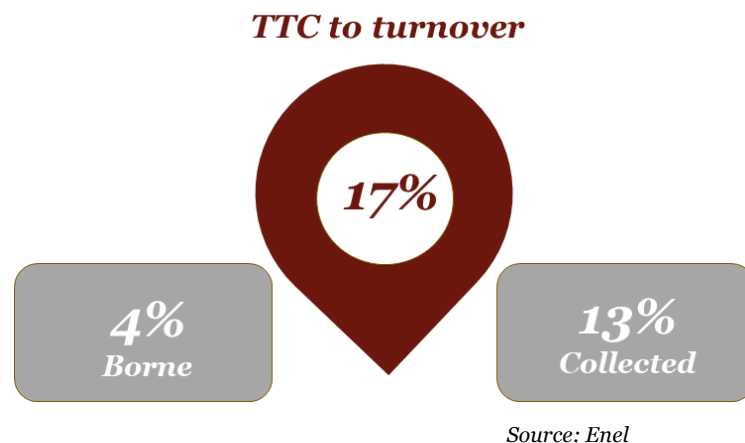
Source: Enel

Enel had a TTCR of **43%** in 2018 and **39%** in 2017. TTCR reveals the share of taxes borne in total income before taxes borne.

Enel's TTCR has **increased 4%** in 2018 with respect to 2017. The trend results from the **8% increase** in total taxes borne and **2% decrease** in total income before taxes borne.

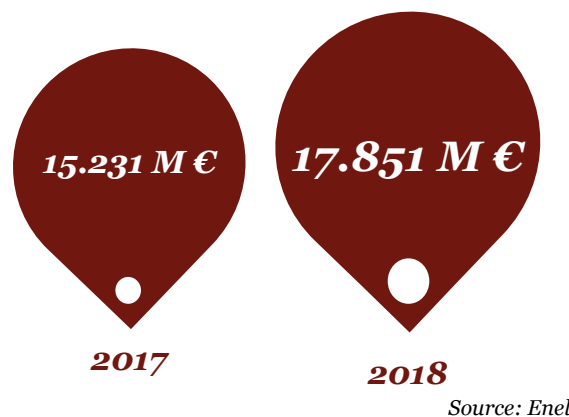
## 1. Executive Summary

### Tax Contribution of Enel with respect to turnover in 2018



In 2018, Taxes paid to the Public Authorities represented **17%** of the total revenues generated. For every **Euros 100 of revenue generated, Euros 17** were used in payment of taxes.

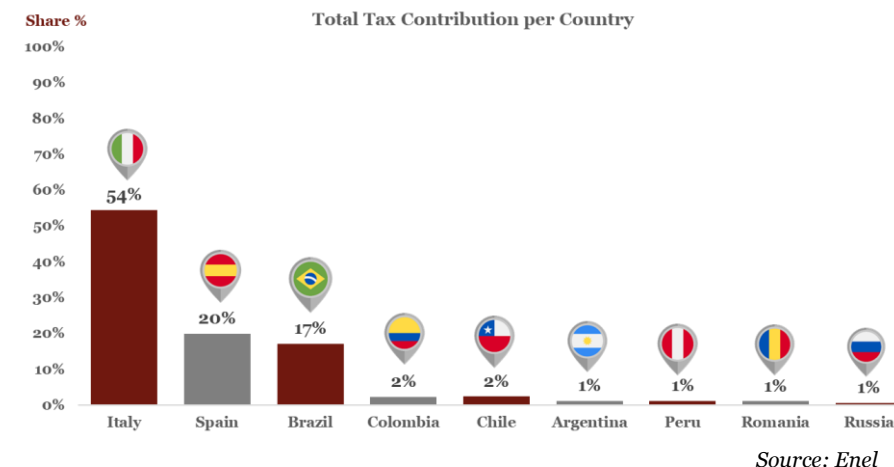
### Trend in TTC 2017-2018



In 2018, Enel's **Tax Contribution** has increased by **17%** with respect to 2017.

This trend is attributable prominently to increases in Total Tax Contributions of **Enel Italy** and **Enel Brazil**, that are **28%** and **55%**, respectively.

### Geographic Distribution of Total Tax Contribution of Enel Group in 2018



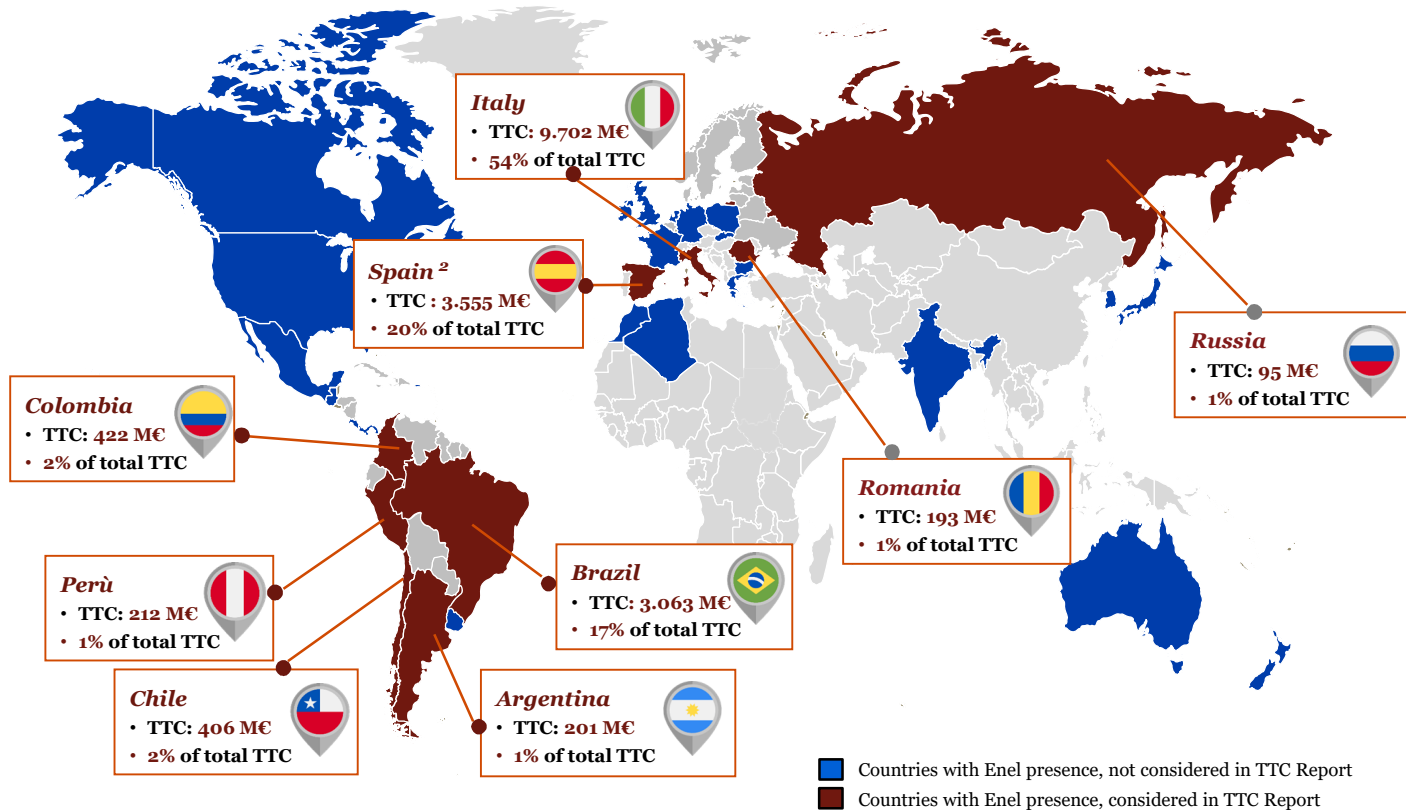
In 2018, Tax contribution in **Italy, Spain<sup>1</sup> and Brazil** amounted to a total of **Euros 16.320 million**, which was equal to **91% of the total tax contribution** of Enel Group.

[1] Data regarding Spain includes aggregated data of Endesa Group and Enel Iberia.

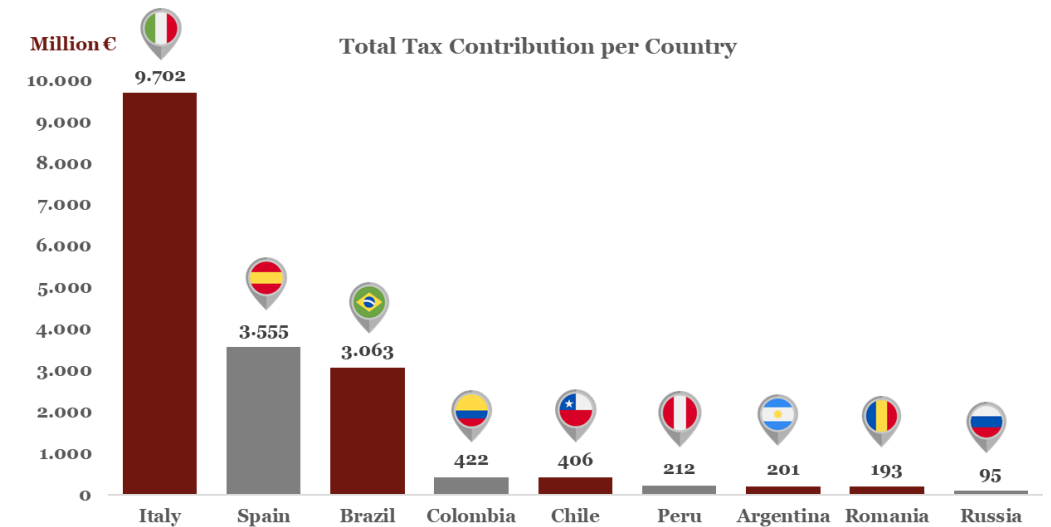
An aerial photograph of a large, open public square with a light-colored tiled floor. The square is populated with various people: some are walking, some are standing in small groups, and two people are riding bicycles. A series of wide, shallow stone steps curves through the middle of the square. Several green lampposts are visible, including one in the foreground and others further back. A semi-transparent red rectangular box is overlaid on the left side of the image, containing white text.

## *2. TTC of the main countries of Enel Group*

## 2. TTC of the Main Countries <sup>1</sup> of Enel Group in 2018



*TTC of **Italy, Spain and Brazil** represent **91%** of the total tax contribution of Enel Group*



Source: Enel

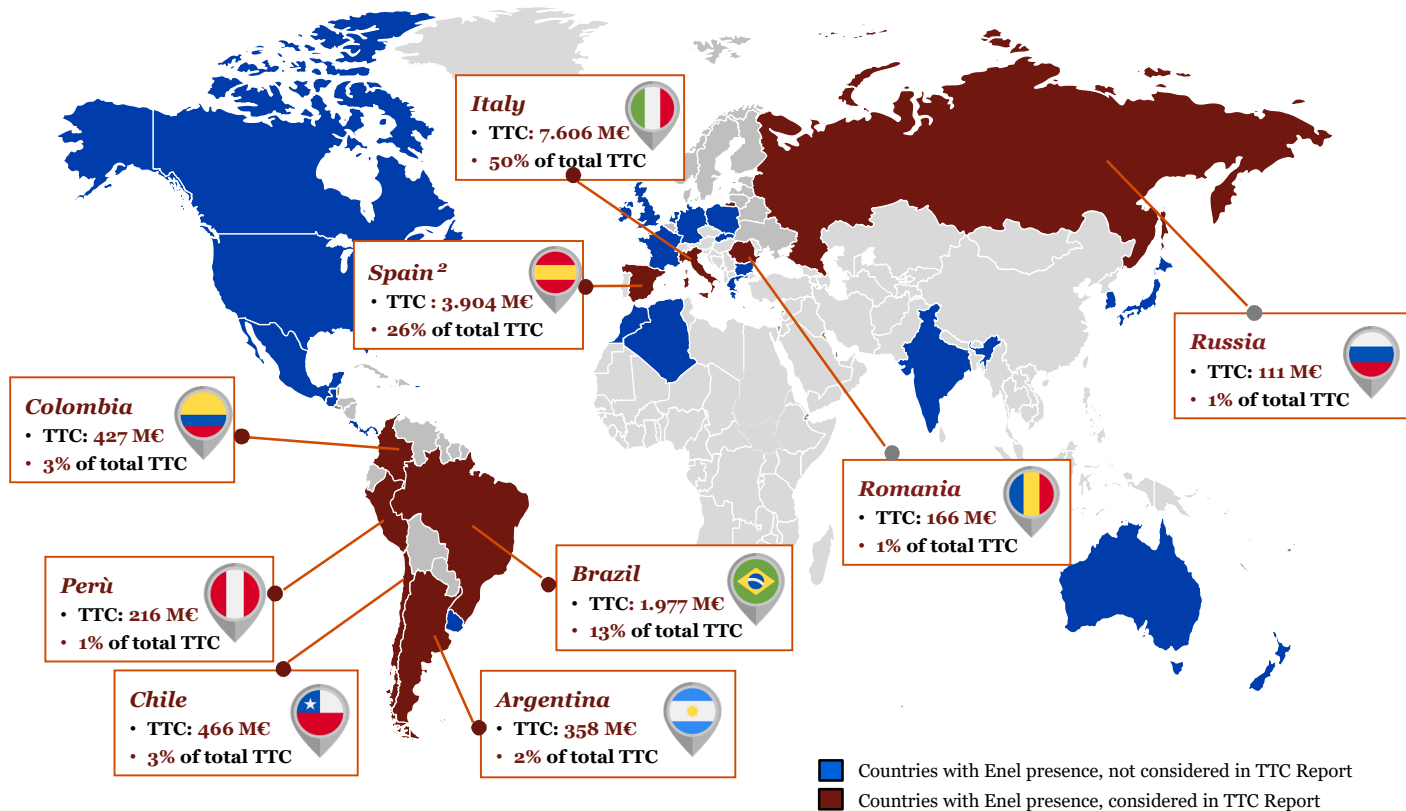
**17.851 million Euros**  
of Total Tax Contribution in 2018

[1] Countries in scope of this report represent 99% of the total revenue generated by Enel Group

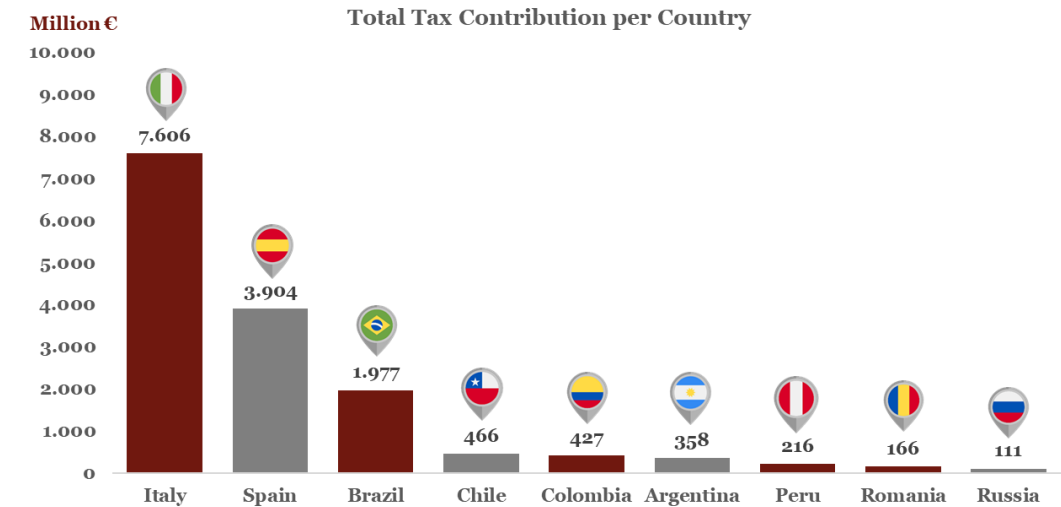
[2] Data regarding Spain includes aggregated data of Endesa Group and Enel Iberia



## 2. TTC of the Main Countries <sup>1</sup> of Enel Group in 2017



*TTC of Italy, Spain and Brazil represent **89%** of the total tax contribution of Enel Group*



Source: Enel

**15.231 million Euros**  
of Total Tax Contribution in 2017

[1] Countries in scope of this report represent 99% of the total revenue generated by Enel Group

[2] Data regarding Spain includes aggregated data of Endesa Group and Enel Iberia

An aerial photograph of a modern urban plaza. On the right, a tall, curved glass building with multiple floors is visible. The plaza floor is paved with grey rectangular tiles. Several trees with green and yellowing leaves are scattered throughout the space. Numerous people are walking across the plaza. A large, dark red rectangular overlay covers the left side of the image, containing white text.

### *3. Total Tax Contribution per Country in 2018*





Share in Total Tax Contribution



46 entities



30.596 Employees



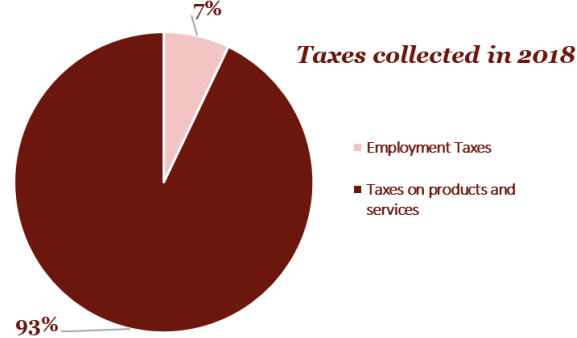
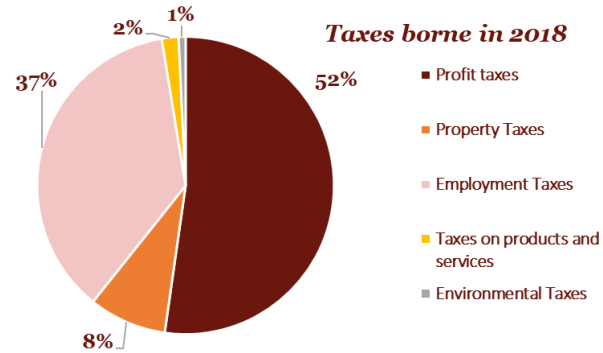
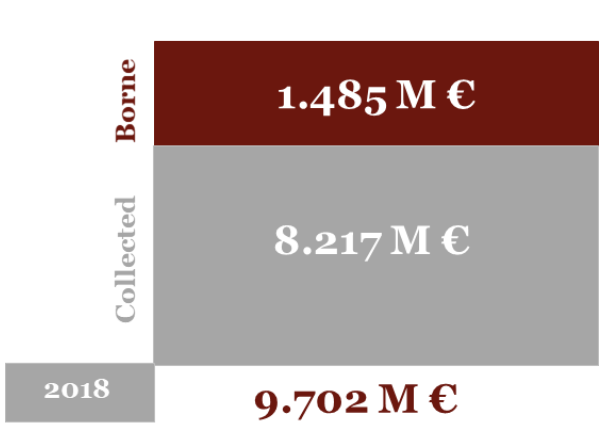
53.069 € of wages per employee



38.884 € of taxes per employee

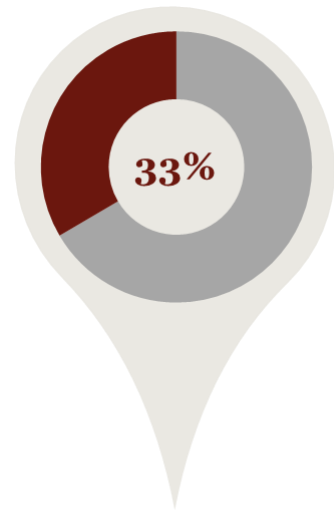
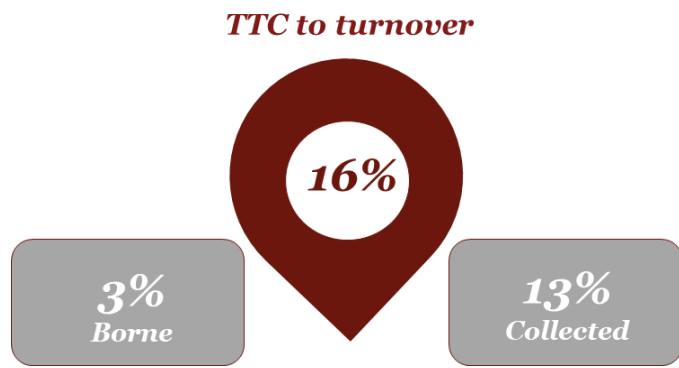
### 3. Total Tax Contribution in Italy in 2018

#### Total Tax Contribution Indicators



**Enel Italy** contributed to a **total of 54% of TTC** of the Group as a whole, amounting to **9.702 M€**. **15%** of the total tax contribution corresponds to taxes borne, while the remaining **85%** corresponds to taxes collected.

In Italy, **VAT collected**, which is a tax collected on product and services, accounts for **47%** of total tax contribution.

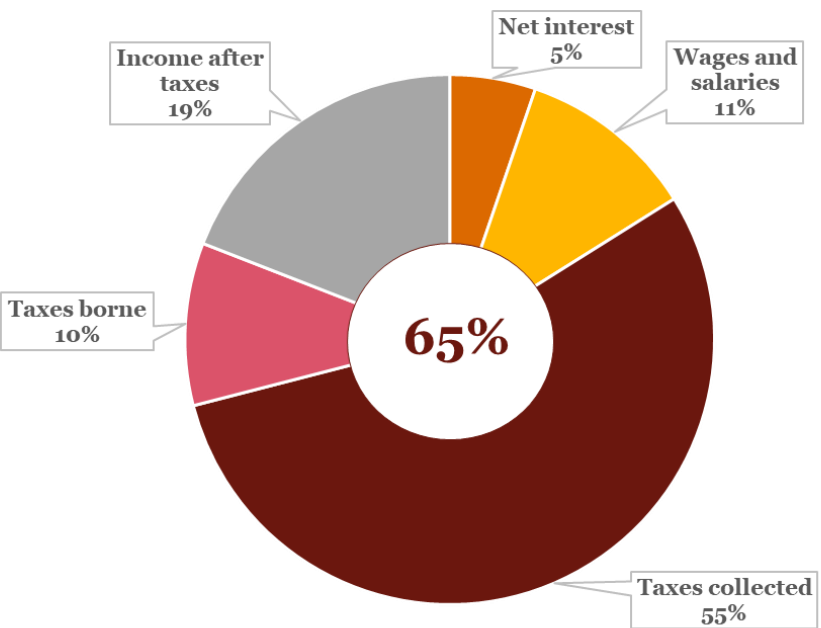


### 3. Total Tax Contribution in Italy in 2018



#### Distributed Tax Value of Enel Italy

#### Tax Value Distributed by Enel Italy in 2018



Source: PwC TLS

In 2018, the total distributed economic value amounted to **Euros 14.969 million**, of which **9.702 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	785	5%
Wages and salaries	1.624	11%
Taxes collected	8.217	55%
Taxes borne	1.485	10%
Income after taxes	2.858	19%
Total	14.969	100%

*65% of the total economic value generated by Enel Italy was provided to society in the form of taxes (either borne or collected) paid in Italy.*





20%

Share in Total  
Tax Contribution



80  
entities



9.835  
Employees



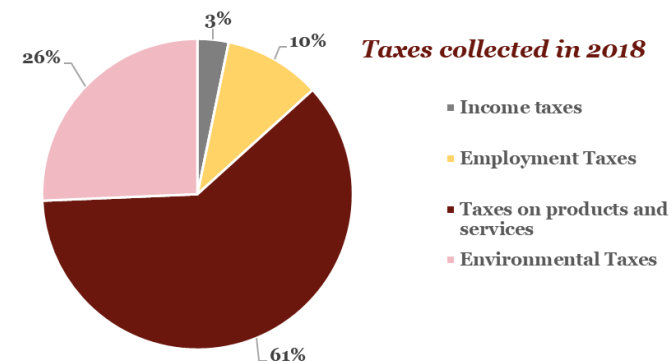
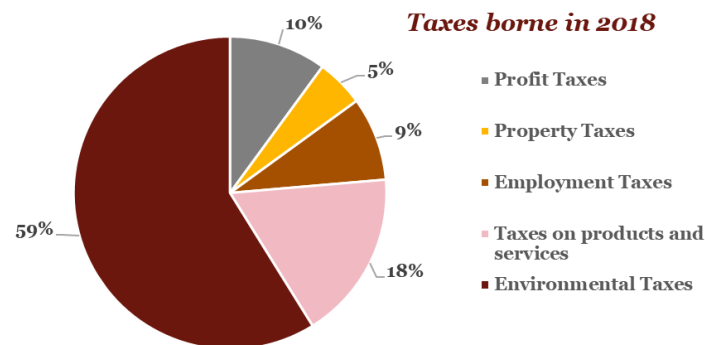
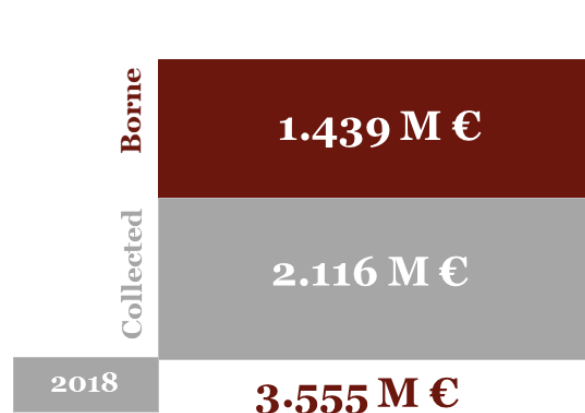
68.971 €  
of wages per  
employee



34.283 €  
of taxes per  
employee

### 3. Total Tax Contribution in Spain<sup>1</sup> in 2018

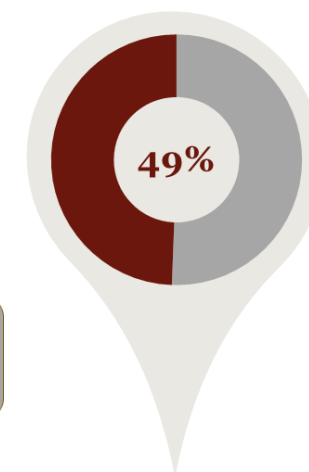
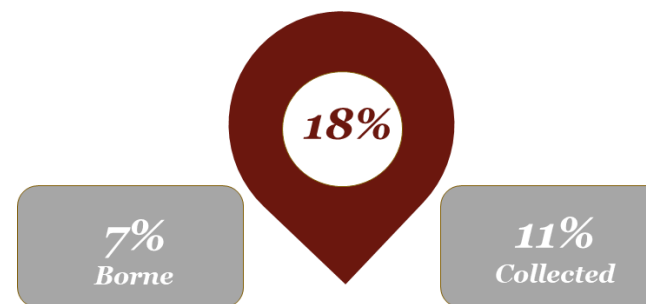
#### Total Tax Contribution Indicators



**Enel Spain (Endesa and Enel Iberia)** contributed to a **total of 20% of TTC** of the Group as a whole, amounting to **3.555 M€**. **40%** of the total tax contribution corresponds to taxes borne, while the remaining **60%** corresponds to taxes collected.

In Spain, **VAT collected** corresponds to approximately **36%** of the total tax contribution.

#### TTC to turnover



**TTCR of Enel Spain\*  
in 2018**

Source: Enel

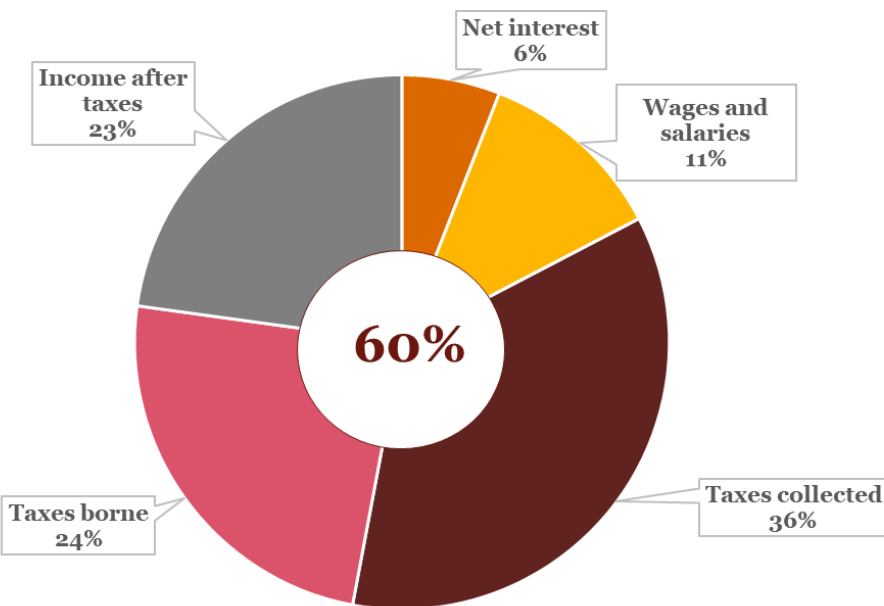
<sup>[1]</sup> Data regarding Spain includes aggregated data of Endesa Group and Enel Iberia

### 3. Total Tax Contribution in Spain in 2018



#### Distributed Tax Value of Enel Spain

#### Tax Value Distributed by Enel Spain in 2018



In 2018, the total distributed economic value amounted to **Euros 5.942 million**, of which **3.555 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	353	6%
Wages and salaries	678	11%
Taxes collected	2.116	36%
Taxes borne	1.439	24%
Income after taxes	1.356	23%
Total	5.942	100%

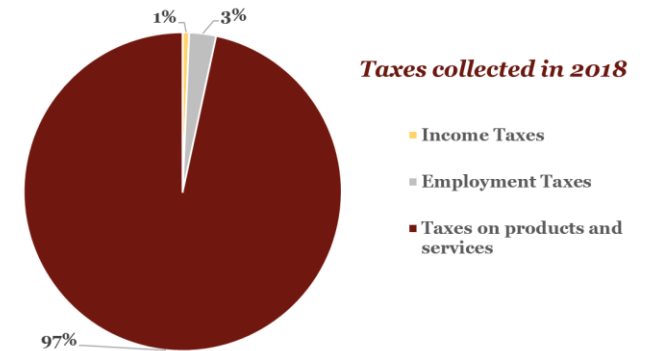
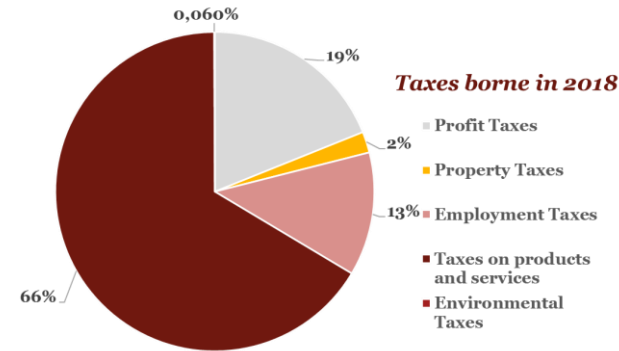
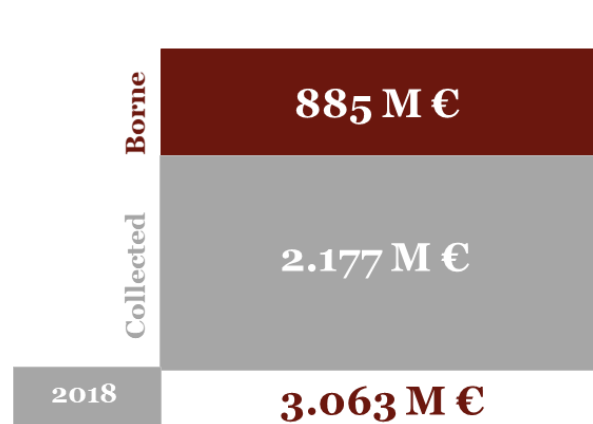
60% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Spain.

Source: PwC TLS



### 3. Total Tax Contribution in Brazil in 2018

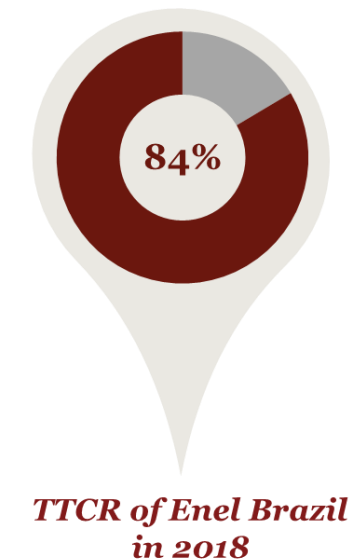
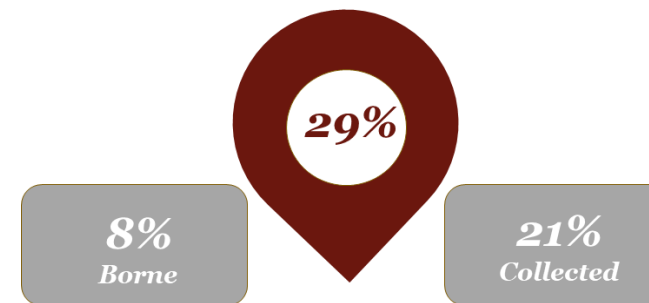
#### Total Tax Contribution Indicators



**Enel Brazil** contributed to a **total of 17% of TTC** of the Group as a whole, amounting to **3.063 M€**. **29%** of the total tax contribution corresponds to taxes borne, while the remaining **71%** corresponds to taxes collected.

In Brazil, **VAT collected** corresponds to approximately **67%** of the total tax contribution.

#### TTC to turnover



17%

Share in Total Tax Contribution



54  
entities



11.270  
Employees



12.204 €  
of wages per  
employee



15.097 €  
of taxes per  
employee

### 3. Total Tax Contribution in Brazil in 2018

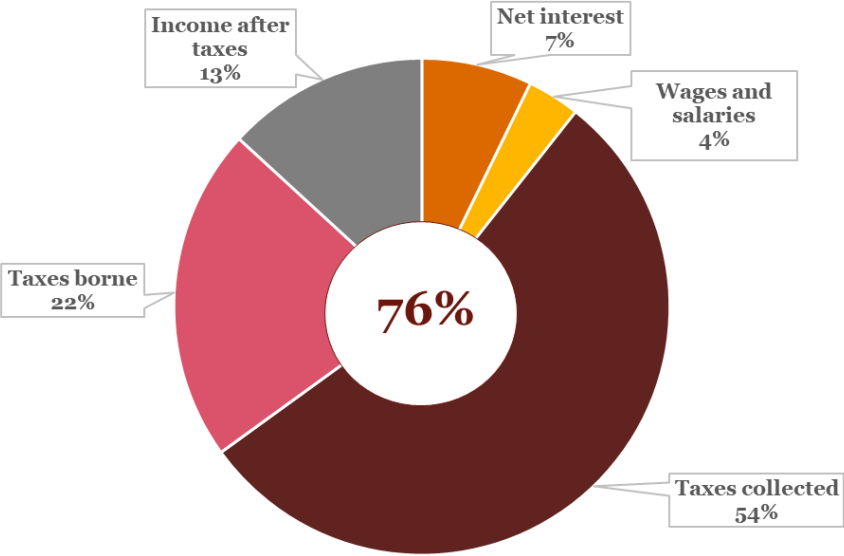


#### Distributed Tax Value of Enel Brazil

#### Tax Value Distributed by Enel Brazil in 2018

In 2018, the total distributed economic value amounted to **Euros 4.017 million**, of which **3.063 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	289	7%
Wages and salaries	138	4%
Taxes collected	2.177	54%
Taxes borne	885	22%
Income after taxes	528	13%
Total	4.017	100%



*76% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Brazil.*

Source: PwC TLS





Share in Total Tax Contribution



8 entities



2.097 Employees



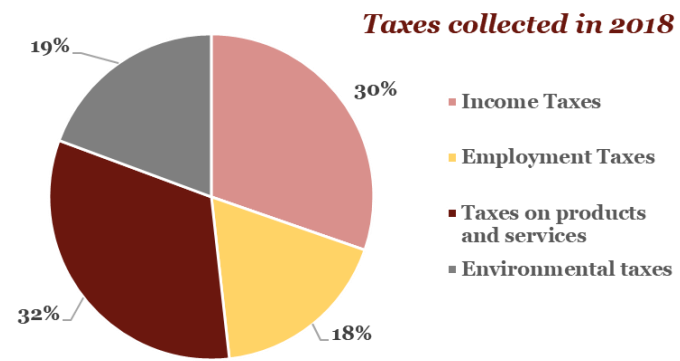
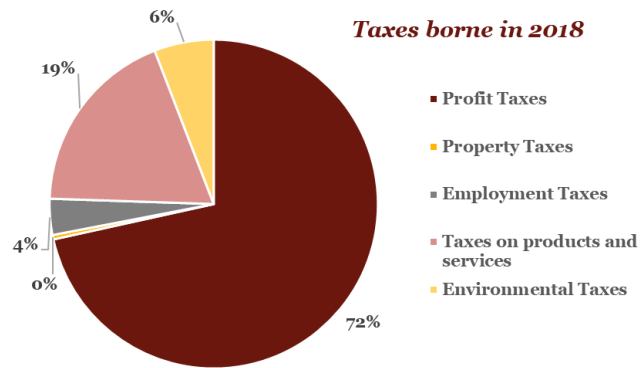
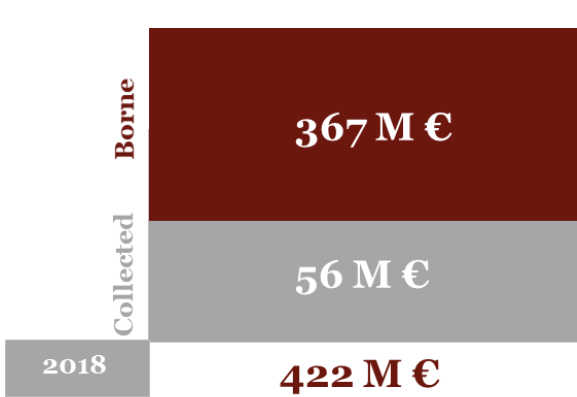
33.073 € of wages per employee



10.952 € of taxes per employee

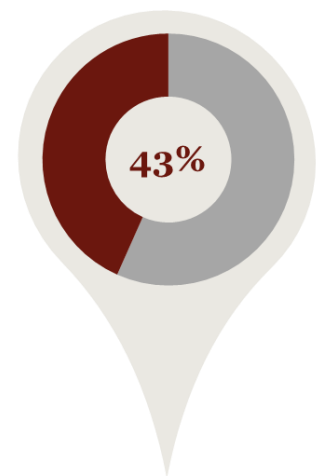
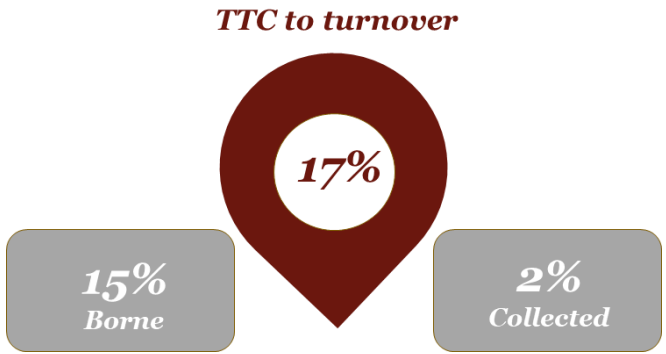
### 3. Total Tax Contribution in Colombia in 2018

#### Total Tax Contribution Indicators



**Enel Colombia** contributed to a **total of 2% of TTC** of the Group as a whole, amounting to **422 M€**. **87%** of the total tax contribution corresponds to taxes borne, while the remaining **13%** corresponds to taxes collected.

In Colombia, **Corporate income taxes borne** corresponds to approximately **58%** of the total tax contribution.



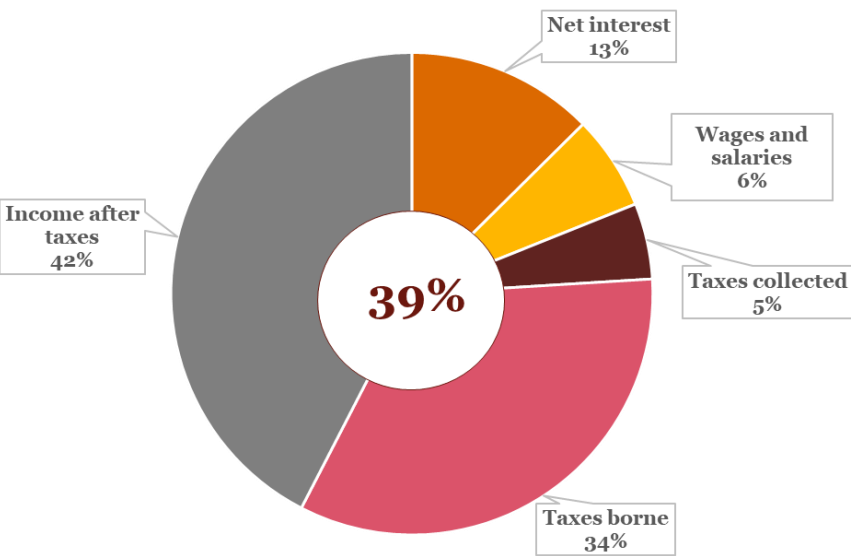
TTCR of Enel Colombia in 2018

### 3. Total Tax Contribution in Colombia in 2018



#### Distributed Tax Value of Enel Colombia

#### Tax Value Distributed by Enel Colombia in 2018



In 2018, the total distributed economic value amounted to **Euros 1.092 million**, of which **422 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	137	13%
Wages and salaries	69	6%
Taxes collected	56	5%
Taxes borne	367	34%
Income after taxes	463	42%
Total	1.092	100%

*39% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Colombia.*

Source: PwC TLS





2%

Share in Total  
Tax Contribution



26  
entities



2.213  
Employees



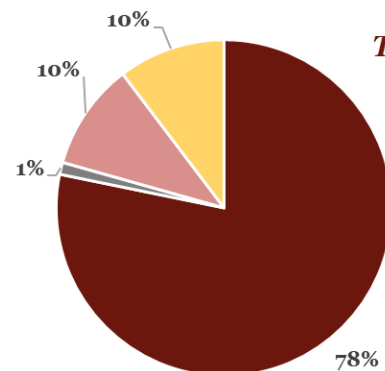
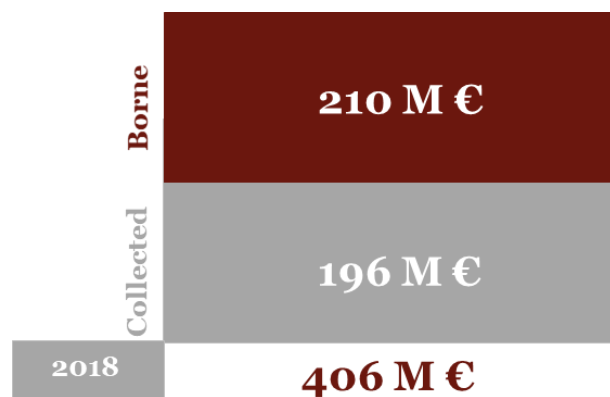
75.929 €  
of wages per  
employee



8.943 €  
of taxes per  
employee

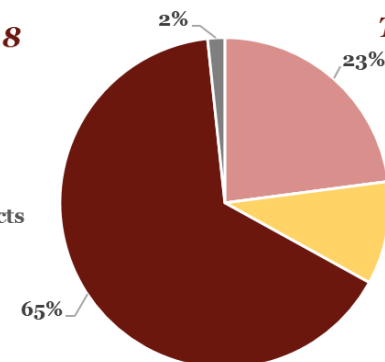
### 3. Total Tax Contribution in Chile in 2018

#### Total Tax Contribution Indicators



#### Taxes borne in 2018

- Profit Taxes
- Property Taxes
- Taxes on products and services
- Environmental Taxes



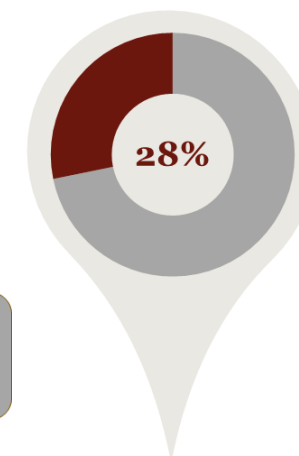
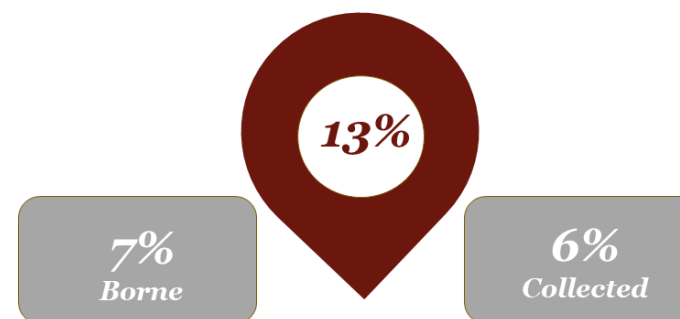
#### Taxes collected in 2018

- Income Taxes
- Employment Taxes
- Taxes on products and services
- Environmental taxes

**Enel Chile** contributed to a **total of 2% of TTC** of the Group as a whole, amounting to **406 M€**. **52%** of the total tax contribution corresponds to taxes borne, while the remaining **48%** corresponds to taxes collected.

In Chile, **VAT collected** corresponds to approximately **35%** of the total tax contribution.

#### TTC to turnover



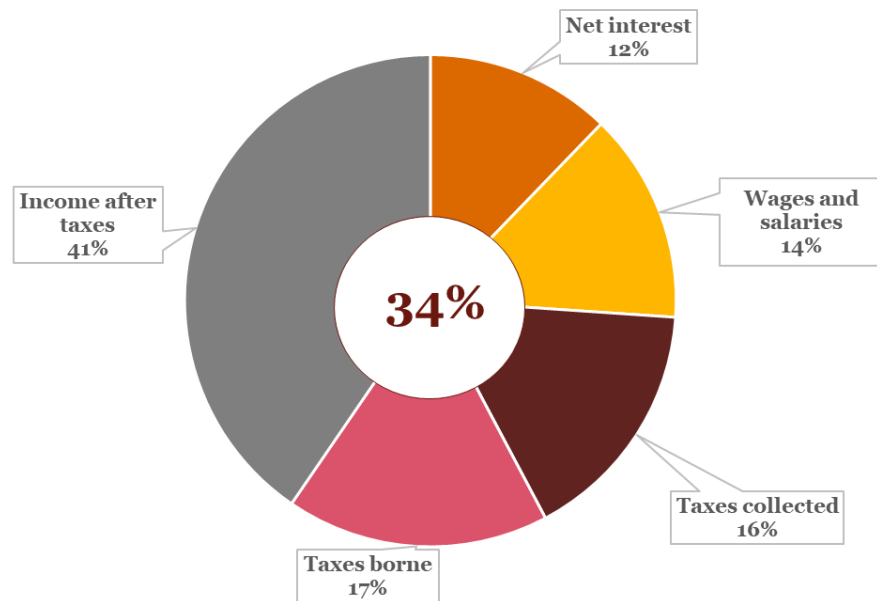
**TTCR of Enel Chile  
in 2018**

### 3. Total Tax Contribution in Chile in 2018



#### Distributed Tax Value of Enel Chile

#### Tax Value Distributed by Enel Chile in 2018



In 2018, the total distributed economic value amounted to **Euros 1.214 million**, of which **406 million** were paid to different public administrations in the form of taxes borne and collected.

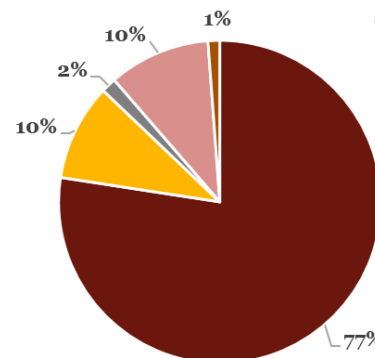
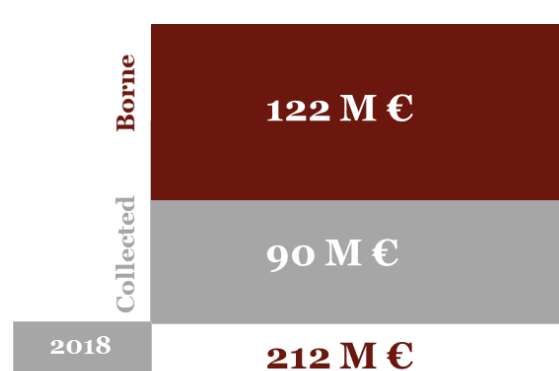
Item	Amount (M€)	Percentage (%)
Net interest	148	12%
Wages and salaries	168	14%
Taxes collected	196	16%
Taxes borne	210	17%
Income after taxes	491	41%
<b>Total</b>	<b>1.214</b>	<b>100%</b>

*34% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Chile.*

Source: PwC TLS

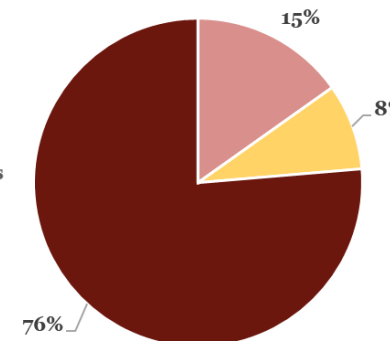
### 3. Total Tax Contribution in Peru in 2018

#### Total Tax Contribution Indicators



#### Taxes borne in 2018

- Profit Taxes
- Property Taxes
- Employment Taxes
- Taxes on products and services
- Environmental Taxes



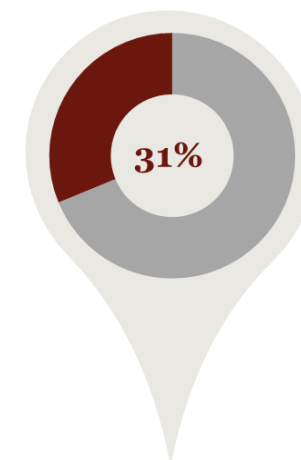
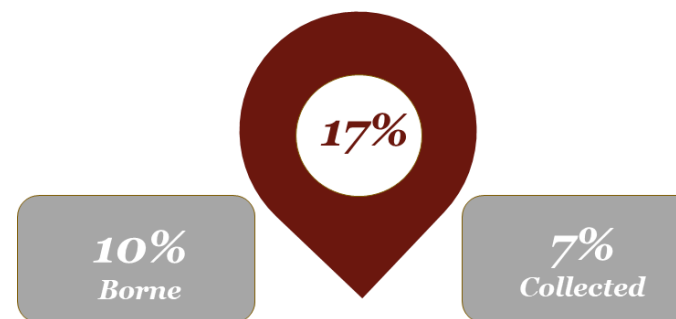
#### Taxes collected in 2018

- Income Taxes
- Employment Taxes
- Taxes on products and services

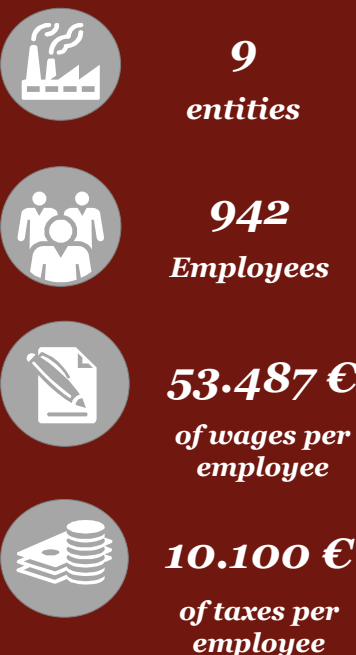
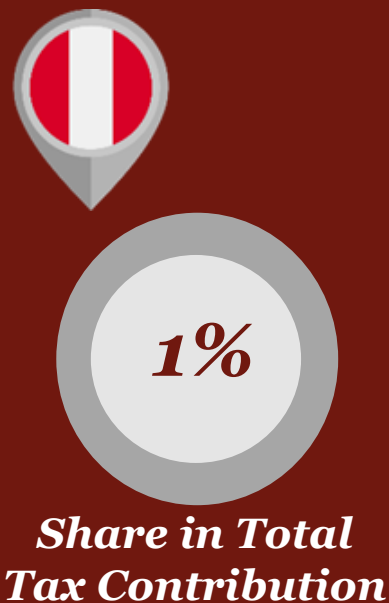
**Enel Peru** contributed to a **total of 1% of TTC** of the Group as a whole, amounting to **212 M€**. **58%** of the total tax contribution corresponds to taxes borne, while the remaining **42%** corresponds to taxes collected.

In Peru, **Corporate income tax borne** corresponds to approximately **44%** of the total tax contribution.

#### TTC to turnover



#### TTCR of Enel Peru in 2018



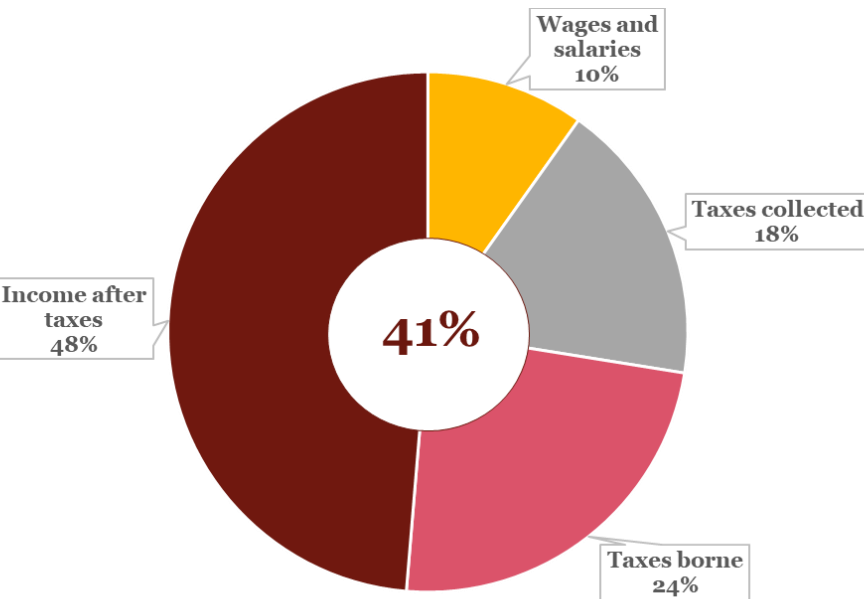


### 3. Total Tax Contribution in Peru in 2018



#### Distributed Tax Value of Enel Peru

#### Tax Value Distributed by Enel Peru in 2018



In 2018, the total distributed economic value amounted to **Euros 512 million**, of which **212 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	-	-
Wages and salaries	50	10%
Taxes collected	90	18%
Taxes borne	122	24%
Income after taxes	249	48%
<b>Total</b>	<b>512</b>	<b>100%</b>

*41% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Peru.*

Source: PwC TLS



Share in Total Tax Contribution



15 entities



4.600 Employees



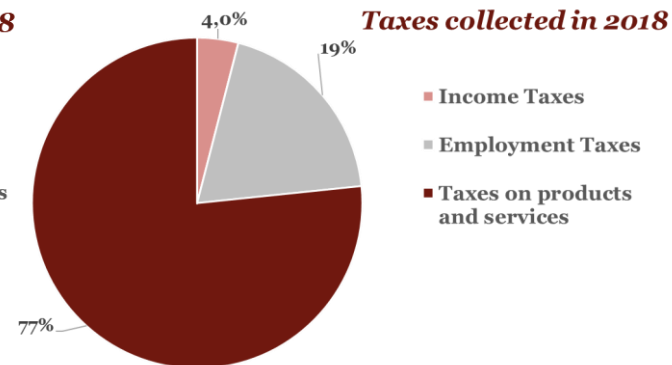
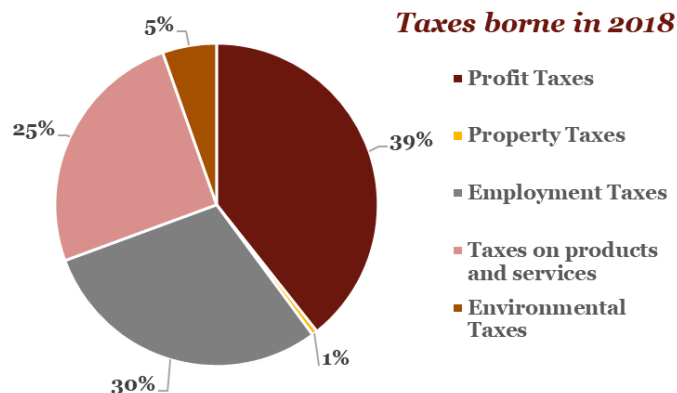
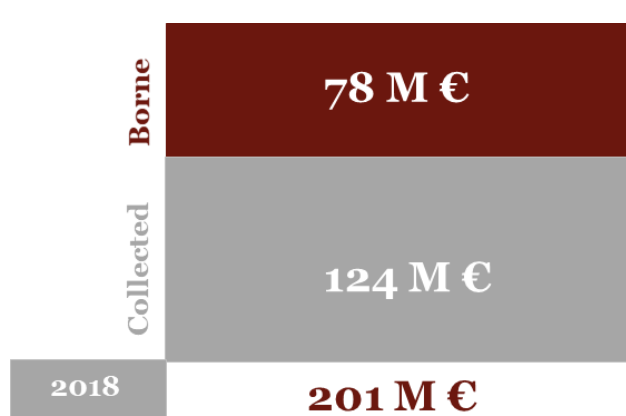
19.865 € of wages per employee



10.186 € of taxes per employee

### 3. Total Tax Contribution in Argentina in 2018

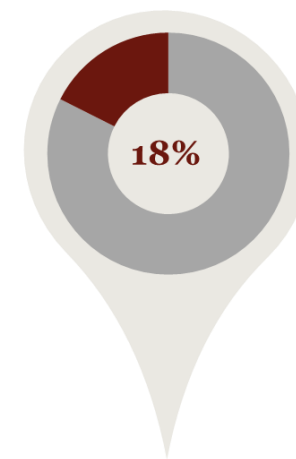
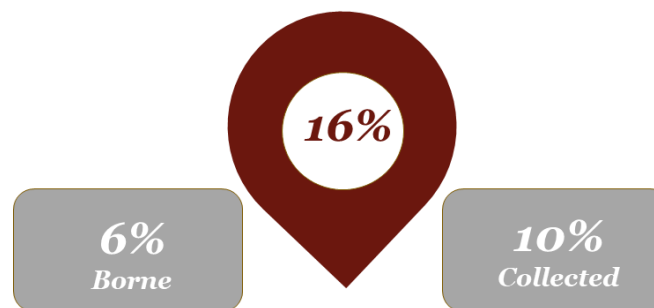
#### Total Tax Contribution Indicators



**Enel Argentina** contributed to a **total of 1% of TTC** of the Group as a whole, amounting to **201 M€**. **39%** of the total tax contribution corresponds to taxes borne, while the remaining **61%** corresponds to taxes collected.

In Argentina, **withholding taxes collected on economic activities** correspond to approximately **30%** of the total tax contribution.

#### TTC to turnover



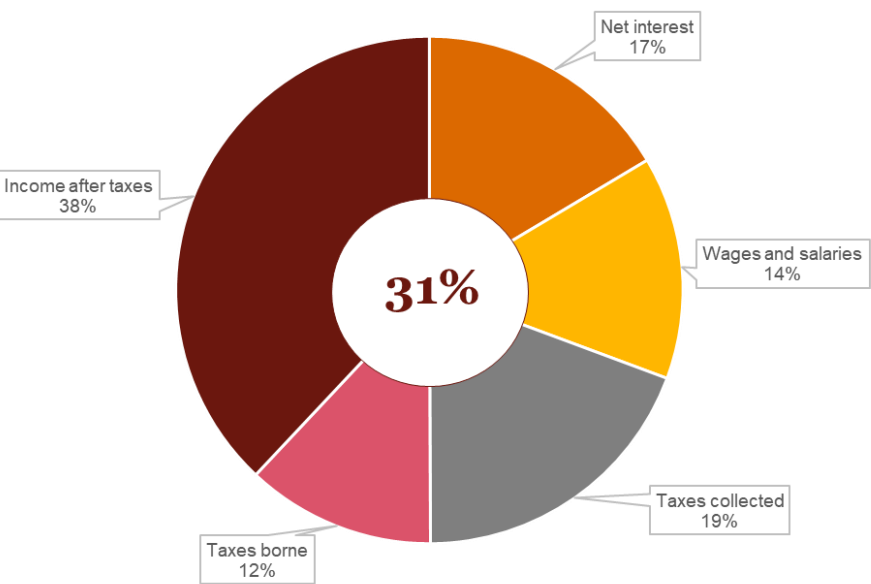
TTCR of Enel Argentina in 2018

### 3. Total Tax Contribution in Argentina in 2018



#### Distributed Tax Value of Enel Argentina

#### Tax Value Distributed by Enel Argentina in 2018



In 2018, the total distributed economic value amounted to **Euros 643 million**, of which **201 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	106	17%
Wages and salaries	91	14%
Taxes collected	124	19%
Taxes borne	78	12%
Income after taxes	244	38%
Total	643	100%

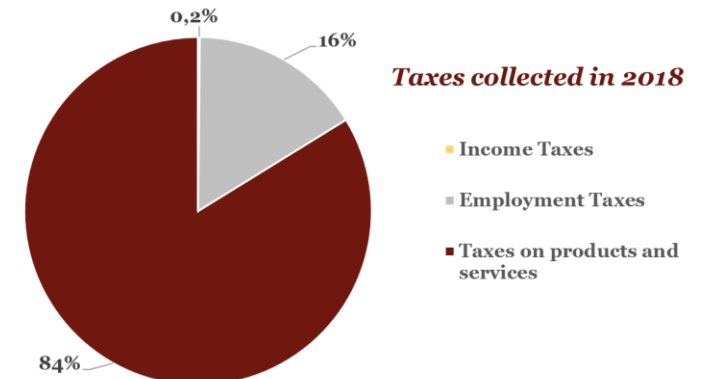
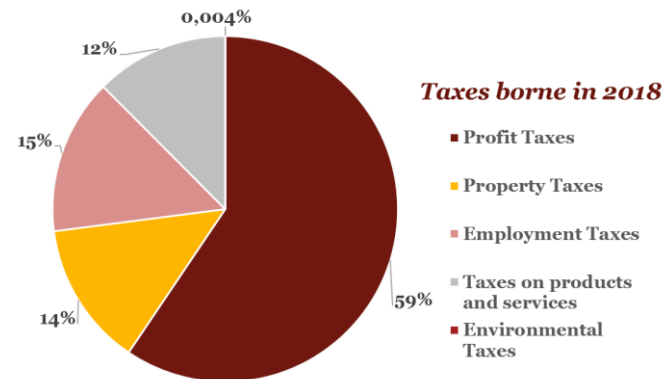
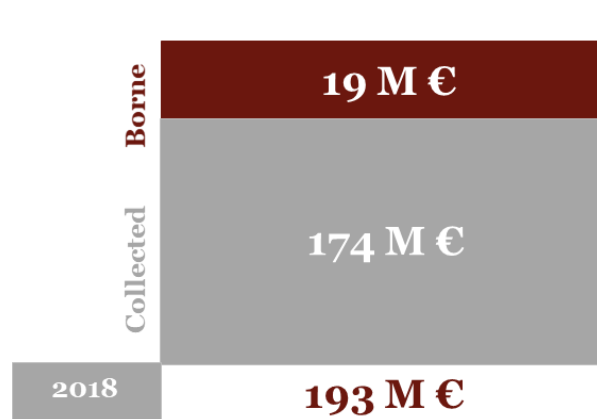
*31% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Argentina.*

Source: PwC TLS



### 3. Total Tax Contribution in Romania in 2018

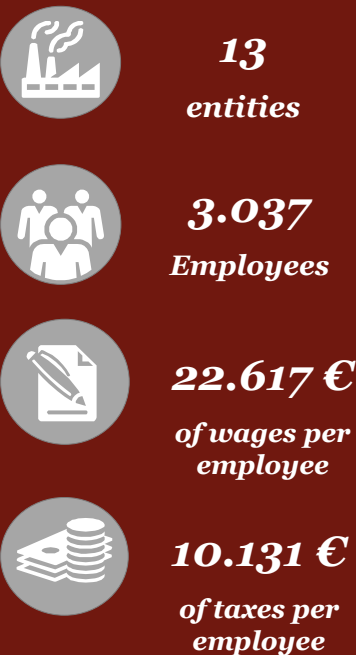
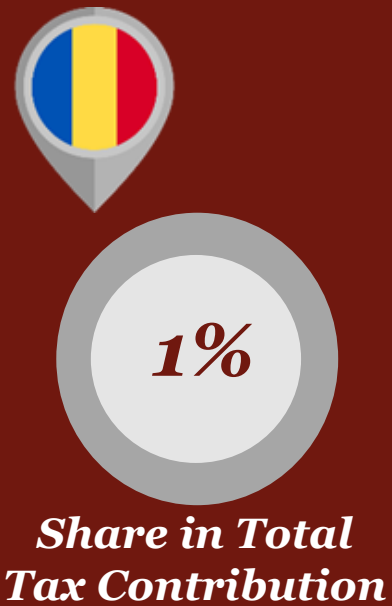
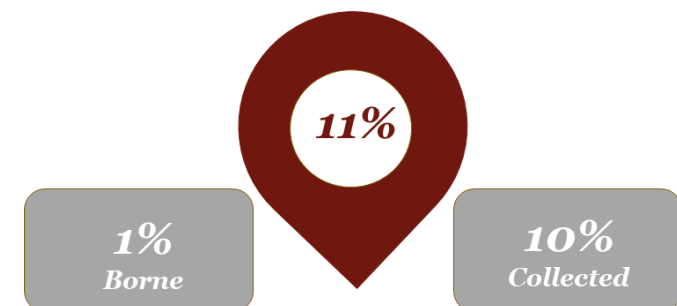
#### Total Tax Contribution Indicators



**Enel Romania** contributed to a **total of 1% of TTC** of the Group as a whole, amounting to **193 M€**. **10%** of the total tax contribution corresponds to taxes borne, while the remaining **90%** corresponds to taxes collected.

In Romania, **VAT collected** corresponds to approximately **71%** of the total tax contribution.

#### TTC to turnover

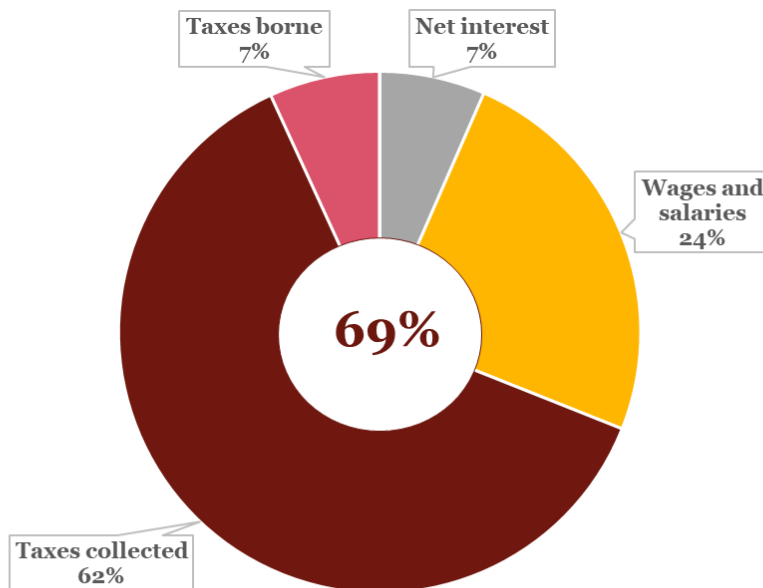


### 3. Total Tax Contribution in Romania in 2018



#### Distributed Tax Value of Enel Romania

#### Tax Value Distributed by Enel Romania in 2018



In 2018, the total distributed economic value amounted to **Euros 280 million**, of which **193 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	18	7%
Wages and salaries	69	24%
Taxes collected	174	62%
Taxes borne	19	7%
<b>Total</b>	<b>280</b>	<b>100%</b>

*69% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Romania.*



1%

Share in Total  
Tax Contribution



10  
entities



2.556  
Employees



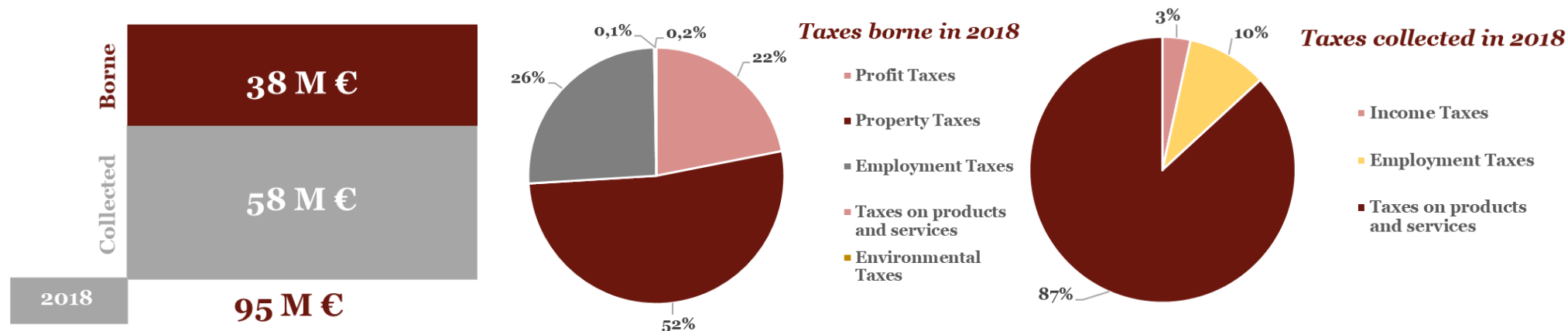
18.069 €  
of wages per  
employee



5.986 €  
of taxes per  
employee

### 3. Total Tax Contribution in Russia in 2018

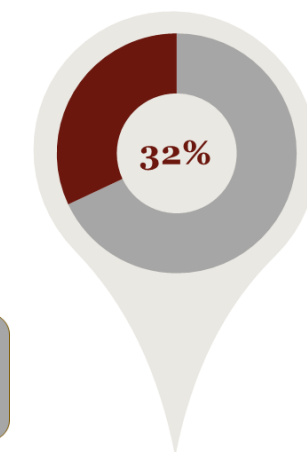
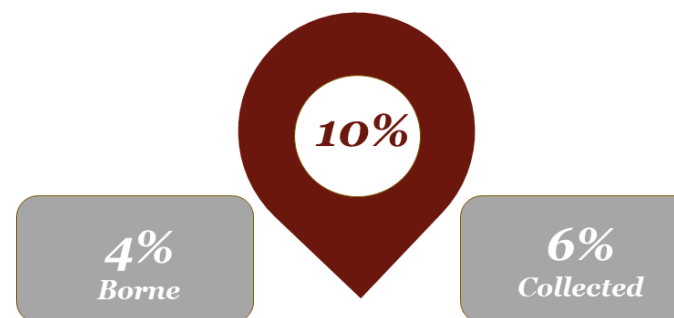
#### Total Tax Contribution Indicators



**Enel Russia** contributed to a **total of 1% of TTC** of the Group as a whole, amounting to **95 M€**. **40%** of the total tax contribution corresponds to taxes borne, while the remaining **60%** corresponds to taxes collected.

In Russia, **VAT collected** corresponds to approximately **52%** of the total tax contribution.

#### TTC to turnover



**TTCR of Enel Russia  
in 2018**

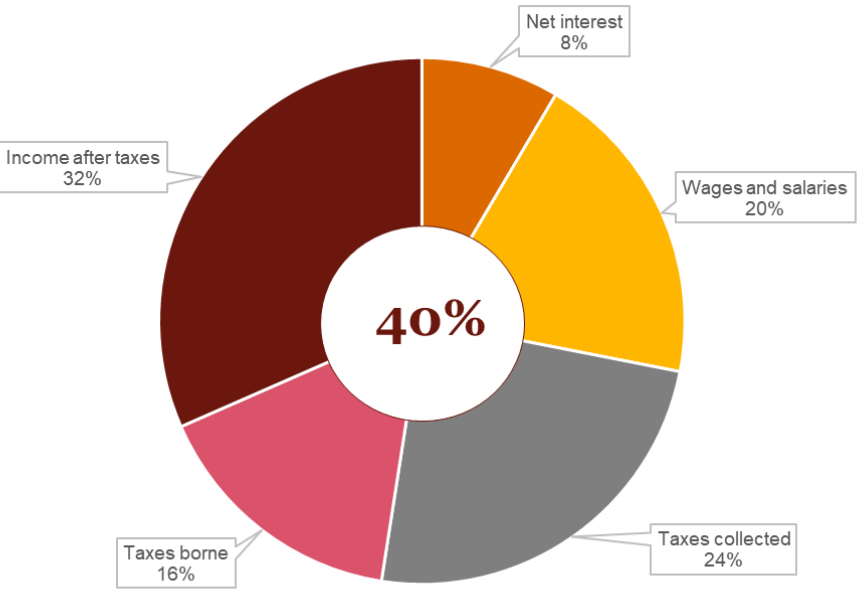


### 3. Total Tax Contribution in Russia in 2018



#### Distributed Tax Value of Enel Russia

#### Tax Value Distributed by Enel Russia in 2018



In 2018, the total distributed economic value amounted to **Euros 236 million**, of which **95 million** were paid to different public administrations in the form of taxes borne and collected.

Item	Amount (M€)	Percentage (%)
Net interest	20	9%
Wages and salaries	46	20%
Taxes collected	58	24%
Taxes borne	38	16%
Income after taxes	75	32%
Total	236	100%

*40% of the economic value generated by Enel benefits society through the payment of taxes borne and collected in Russia.*

Source: PwC

A photograph of a modern glass-walled office building. The glass reflects the surrounding cityscape. Inside, several people are visible: one man in a white shirt is on a staircase, and a group of four people are gathered around a table, seemingly in a meeting. A large, semi-transparent dark red rectangle is overlaid on the left side of the image, containing the section header text.

## *4. Comparative Indicators*

## 4. Comparative Indicators

### Comparison of the ETR of Enel Group with that of the comparable companies in the electricity sector (1/2)

The benchmarking of the effective tax rate was performed on the basis of data of main peers of Enel Group. The potential list of such peers is published on The Statistics Portal<sup>1</sup>. The data represents the largest electric utility companies in the world, as of May 11, 2018. Data used in this analysis refers to the first 20 groups with the highest market shares.

The list of peers included (in the order of reduction of market share): NextEra Energy, Duke Energy, Iberdrola, Southern Company, EDF, Engie, Exelon, National Grid, American Electric, CLP Holdings, E.ON, Consolidated Edison, Tenaga Nasional, Xcel Energy and PG&E<sup>2</sup>.

All the peers that have a significant market share on the electric energy market have been considered while performing the benchmarking study, provided that respective financial data have been available in public sources. Considering that data for 2018 have not been available at the moment of preparation of this report, only data related to 2017 have been analysed. Following page reveals the results of the benchmarking study.

*The Effective Tax Rate of Enel Group for 2017 proved to be within the range of effective tax rates of other energy market players.*

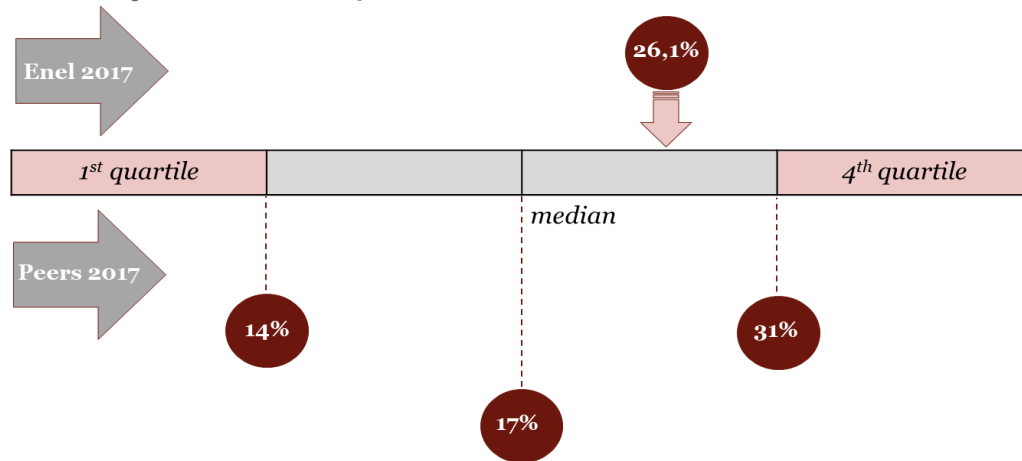
[1] <https://www.statista.com/statistics/263424/the-largest-energy-utility-companies-worldwide-based-on-market-value/>

[2] For some of these entities (in particular, Dominion Resources, China Yangtze Power, Public Service Enterprise and Saudi Electricity), the data was unavailable.



## 4. Comparative Indicators

### Comparison of the ETR of Enel Group with that of the comparable companies in the electricity sector (2/2)



Income taxes accrued by Enel Group in 2017 amounted to **€1.882 million**, which equals **26,1%** of taxable income, while income taxes accrued in 2016 totalled **€1.993 million**, which equals **34,5%** of taxable income. The decrease of €111 million in taxes compared with the previous year essentially reflected:

- A decrease in current taxes in Italy as a result of the reduction of the IRES (corporate income tax) rate from 27,5% to 24%.
- The adjustment of the deferred taxation of companies resident in the United States following the tax reform approved in December 2017, which reduced the corporate tax rate from 35% to 21% (€173 million).
- The recognition of deferred tax assets in Argentina as a result of the improvement in the profit outlook for companies resident in the country (€60 million).

As can be seen, the ETR of Enel Group lies within the market range of ETR. Also, the ETR of Enel Group in 2017, which is **26,1%**, was significantly higher than the median ETR of the industry players.

For the calculation of the effective tax rate, the information about Profit before Tax and Income Taxes was retrieved from the financial statements of the respective entities / groups published on their websites. Considering that data for 2018 have not been available at the moment of preparation of this report, only data related to 2017 have been analysed.

Also, in order to exclude extreme deviations in ETR of peers, the following checks were performed:

- Excluded all entries with loss-making results of the companies, or with negative amount of tax reported in the financial statements (since in such cases the ETR throws a negative figure),
- Excluded the extreme cases by applying the inter-quartile range to the ETR of the peers. This facilitates identification of the range of average results within which the majority of the companies are situated. The approach has been explained in more detail in Appendix III.

A photograph of a modern building with a large, curved glass facade and a light-colored stone or concrete upper section. The building is viewed from a low angle, emphasizing its height and architectural details. A dark red rectangular overlay is positioned on the left side of the image, containing white text.

## *5. Background and the purpose of this report*



***“The Enel Group, in the spirit of its sustainability strategy, manages its tax-related activities in accordance with values of honesty and integrity.”***

## ***5. Background and the purpose of this report***

### **Purpose and scope of the report**

The aim of this report is to obtain and analyse the Total Tax Contribution data of Enel Group (hereinafter Enel or the Group) for the financial years 2017 and 2018, taking into account the territories in which the Group has a strong presence, i.e. Italy, Spain<sup>1</sup>, Brazil, Chile, Colombia, Argentina, Peru, Romania and Russia.

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

The contribution made by multinational companies to the public purse in the jurisdictions in which they are present, and the way in which their tax contribution is distributed, is currently a central topic of socio-economic debate.

In this context, regarding the tax strategy of Enel which is declared to public and shared in the official website of the company, compliance with the tax legislations in which Enel operates carries an utmost importance for the Group.

Fully aware of the fact that the tax revenue is one of the main contributors of the economic and social development in the regions in which the Group operates, Enel gives great importance to tax reporting and transparency.

Enel has decided to publish this Total Tax Contribution Report to show the importance the Group attaches to tax matters and the extent of its commitment to its main stakeholders. Information available in this report renders it possible to identify measure and communicate the business asset, which is Enel's tax contribution, so that it can have a significant impact on its reputational value. The purpose of this report is to enlarge the concept of Corporate Social Responsibility and to reveal the value of the social function deriving from Enel's tax contribution.

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

[1] Data regarding Spain includes aggregated data of Endesa Group and Enel Iberia



## 5. Background and the purpose of this report

The data compiled by PwC TLS includes information received from Enel Group, obtained from its own IT system and its internal working procedures. PwC TLS has analysed the information supplied by Enel and has verified the consistency of the trends and figures reflected. Their origin has neither been verified nor audited.

In relation to the above, this report is based on the tax contribution figures provided as at 26 April 2019. Our fieldwork was concluded on April 26, 2019, and there could be significant events that have taken place since this date, which would not be reflected in this report.



## TTC Methodology

Total Tax Framework provides information on all the taxes companies pay. The framework is straightforward in concept, not tax technical and therefore relatively easy for those who have limited knowledge of tax complexities to understand.

TTC is a universal framework that aims to provide a concise and immediate overview of the taxes paid by the Group in the jurisdictions where it operates and it is pursued through the preparation of reports which contain indicators and benchmarks explaining the overall and significant tax contributions of the Group.

The Framework is built around two essential criteria: the definition of a tax and the distinction between taxes that are the company's costs (**taxes borne**) and taxes that the Company collects on behalf of the governments of the jurisdictions in which it operates (**taxes collected**). The framework can also extend to cover "**other payments**" to governments.

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

### ***1. The definition of tax and separation of taxes which are a cost to Enel Group and taxes collected by Enel Group***

**Taxes borne** are direct costs to Enel, which are the taxes that Enel has paid to the tax authorities of various jurisdictions, i.e. profit taxes, social contributions, property taxes, etc.

**Taxes collected** are the taxes that have been paid as a result of economic activities of Enel, they are not the own costs of Enel. Here the company is collecting taxes from others, on behalf of government, i.e. income taxes collected from employees under a payroll system.

## 5. Background and the purpose of this report

Nevertheless, these taxes should be taken into consideration during the calculation of total tax contribution of Enel, considering these amounts result from the activities of the Group.

Some taxes appear both as taxes borne and taxes collected either from their nature (i.e. irrecoverable VAT is considered as a tax borne and net VAT, which accounts for taxes incurred on products/services supplied by Enel, is considered as a tax collected) or from their incidence (i.e. stamp duty paid by the company is a tax borne, while stamp duty withheld from customers of a company is a tax collected).

In this respect, PwC's TTC methodology adheres to the approach adopted by the OECD, which highlights the relevance of the role played by business groups in the taxation system, both as contributors of taxes which imply a cost ("Legal Tax Liability") and as "collectors" of taxes on behalf of the others ("Legal Remittance Responsibility"), as reflected in working paper no.32. "Legal tax liability, remittance responsibility and tax incidence <sup>1</sup>".

### 2. TTC Framework classifies taxes under 5 categories for clarification purposes:

Total tax contribution has been used by companies in different jurisdictions. Since taxes have different names in different countries, PwC TLS has identified five tax bases under which taxes borne and collected can be categorized – **"the five P's"**.



**(i) Profit taxes:** These include taxes on company profits that are borne (for instance: corporate income tax that may be levied on Federal, State or local level, trade tax on business profits, solidarity surcharge etc.) and collected (such as withholding tax on dividends, interest, royalties, subcontractors, suppliers etc.)



**(ii) Property taxes:** Taxes on the ownership, use or transfer of tangible or intangible property. This may include taxes borne (e.g. taxes on the ownership and use of property; capital tax levied on share capital increase, transfer taxes on the acquisition or disposal of assets, net wealth and capital transactions; registration duties; stamp duties related to transfer of real estate; stamp duty on share transfers; tax on financial operations levied on transactions involving foreign loans or financing, etc.) and taxes collected (e.g. rental of business duty collected by the leaser and paid to the Government).

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

## 5. Background and the purpose of this report



**(iii) People (or Employment) Taxes:** These generally include taxes on employment (including income tax and social security payments). Taxes levied on the employer are considered taxes borne (e.g. social security contributions, health insurance / pension / disablement contributions, payroll tax), and taxes levied on the employee are considered as taxes collected (personal income tax or social security contributions levied on the employees which are normally withheld by the employer).



**(iv) Taxes on Products and Services:** Indirect taxes and duties levied on the production, sale or use of goods and services, including taxes and duties levied on international trade and transactions. It includes taxes and duties, which are borne by companies in relation to their own consumption of goods and services, notwithstanding that these may be paid to the supplier of the goods or services, rather than directly to Government. This section includes taxes borne (e.g. consumption tax; turnover tax; excise duties; custom duties; import duties; taxes on insurance contracts; taxes on use and ownership of motor vehicles; unrecoverable VAT , etc.) and taxes collected (VAT, goods & services tax, etc.).



**(v) Planet (Environmental Taxes):** Taxes and duties levied on the supply, use or consumption of goods and services that are considered harmful to the environment. Examples of taxes borne: tax on value of electricity production, tax on the production of nuclear fuel, carbon taxes, etc.), taxes collected (tax on electricity, tax on hydrocarbons, etc.).

The classification of taxes as environmental is based on the definition agreed upon for the purposes of the harmonized statistical framework developed jointly, in 1997, by Eurostat, the European Commission, the Organization for Economic Cooperation and Development (OECD), and the International Energy Agency (IEA), according to which environmental taxes *"are taxes whose base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific, negative impact on the environment. All taxes on energy and transport are included and all value-added-type taxes are excluded<sup>1</sup>".*

### 3. It includes all tax payments made to Public Administrations.

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

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

**Value added tax (and equivalent taxes)** is classed as a tax on products and services collected, and its amounts reflects the net payments made by Enel to the tax authorities in the corresponding period.

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

## 5. Background and the purpose of this report

In view of the way in which VAT works, the figure presented in this report includes the positive amount paid to the corresponding budget, less VAT received from the budget.

Amounts of VAT which are not recoverable because the continuation of the value chain through the charging of output tax is not possible, are regarded as taxes on product and services borne, since they represent a cost for the Group.

### 5. Main Assumptions made during the preparation of this report

**(i) Perimeter:** This report takes into account 100% of the tax contribution made by companies worldwide whose accounts are consolidated with those of the parent company by the full consolidation method, provided that it has been possible to obtain the necessary information. In particular, this report considers the tax contributions made by 256 entities in 2017 and 261 entities in 2018.

**(ii) Currency:** This report considers Euro as the currency to be referred. As the local data from Enel offices has been collected in local currencies, report refers to the currency conversion rates that have been provided by Enel.

#### (iii) Certain Economic Indicators

**1) Revenues:** The data regarding revenues of individual entities in each country has been provided under local GAAP (Generally Accepted Accounting Principles) or IFRS. For the purposes of this report, such data has been aggregated in order to arrive to an amount at a group level.

The data from consolidated financial statements of Enel has not been used since it includes some countries that are out of the perimeter of this TTC Report (such as Canada, United States of America, South Korea etc.)

**2) Wages and salaries:** The data regarding wages and salaries of individual entities in each country has been provided under local GAAP (Generally Accepted Accounting Principles) or IFRS. For the purposes of this report, such data has been aggregated in order to arrive to an amount at a group level. The amount of total wages and salaries retrieved from the financial statements was generally net of social security contributions, incentives or benefits, severance costs, however the exact principle depends on the accounting standards applied. Where possible, personal taxes were also excluded from wages and salaries for the purpose of calculation.

**3) Profit before Taxes:** Report considers data on profit before taxes, which is provided under local GAAP using the indicator “EBT/ earnings before tax” from the local reporting. For the purposes of this report, such data has been aggregated in order to arrive to an amount at a group level.

The amount of profit before tax excludes intercompany dividends in order to avoid double-counting of the same income of various entities, if that income was distributed as dividends to the other entities of the Group. Such calculation allows to reflect the objective amount of Profit before taxes at country levels, and to calculate the objective ETRs since dividends are usually subject to beneficial tax treatment compared to the other types of income (so-called ‘participation exemption’ regime).



## 5. Background and the purpose of this report

### 4) Total Value Distributed

Total (economic) value distributed to society is composed of:

**4.1) Net interest**, which is calculated as the net value of interest expense and interest income as per information from financial statements of the entities. This amount represents value distributed to the creditors of the entities included in the TTC perimeter.

**4.2) Income after tax**, which is the Net income of the company. For the purposes of this report, such data has been aggregated in order to arrive to an amount at a group level.

The data from consolidated financial statements of Enel has not been used since it includes some countries that are out of the perimeter of this TTC Report (such as Canada, United States of America, South Korea etc.)

(Similarly to Profit before tax, this amount excludes dividends, where relevant).

**4.3) Wages and Salaries**, has been calculated as mentioned in the relevant section above.

**4.4) Taxes borne and collected**, as per the Total Tax Contribution Report.

### 5) Effective Tax Rate

Effective Tax Rate (ETR) shall be calculated as the ratio of “Corporate Income Tax expense” to “Income before Taxes”.

### 6) Nominal Tax Rate

Nominal tax is the statutory corporate income tax in a country that is levied on the profit a company operating in the country. Nominal tax rate indicates the amount of tax liability relative to taxable income, that is defined by the country’s tax laws.

#### iv) Total Tax Contribution Indicators

**1) Total Tax Contribution Rate:** The total tax contribution rate is an indicator of the cost represented by taxes borne in relation to profit obtained. The total tax contribution rate is calculated as the percentage of taxes borne with respect to profit before such taxes, based on Enel’s activity in the countries which are in the perimeter of this report.

**2) TTC with Respect to Turnover:** TTC with respect to turnover is an indicator that reflects the extent of the contribution made by the Group in relation to the size of its business.

The indicator is calculated as total tax contribution divided by revenues.

**3) Taxes paid in respect of wages and salaries per employee:** Taxes paid in respect of annual wages and salaries per employee is an indicator that relates the level of employment to associated taxes.

This indicator is calculated by dividing total taxes linked to employment (borne and collected) by the average number of employees for the year.



## *6. Appendices*

## 6. Appendices

### Appendix I: Average Exchange Rates

Currency	Average Exchange Rates			
	2017		2018	
	Currency/EUR	EUR/Currency	Currency/EUR	EUR/Currency
ARS – Argentine Peso	0,053	18,741	0,023	43,151
BRL – Brazilian Real	0,277	3,605	0,232	4,308
CLP – Chilean Peso	0,001	732,607	0,001	756,901
COP – Colombian Peso	0,000	3336,168	0,000	3486,468
PEN – Peruvian Nuevo Sol	0,271	3,683	0,258	3,879
RON – Romanian Leu	0,219	4,569	0,215	4,654
RUB – Russian Ruble	0,015	65,938	0,014	74,043
USD – USA Dollar	0,885	1,130	0,847	1,181

## 6. Appendices

### Appendix II: TTC summaries of main countries of Enel Group in 2018

TOTAL TAX CONTRIBUTION 2018

	UM	Italy	Endesa (inc Iberia)	Brazil	Chile	Colombia	Argentina	Peru	Russia	Romania	TOTALE
<b>Total Tax Borne (on a cash basis)</b>		<b>1.485</b>	<b>1.439</b>	<b>885</b>	<b>210</b>	<b>367</b>	<b>78</b>	<b>122</b>	<b>38</b>	<b>19</b>	<b>4.643</b>
Profit tax	€/mil	776,15	144,80	168	164,39	262,37	30,53	94	8,26	11,43	1.660
<i>of which CIT accounts for</i>	€/mil	776,15	117,76	167,59	164,39	244,03	24,90	94	8,26	11,43	1.609
Property tax	€/mil	125,90	71,00	19	2,44	1,57	0,42	12	19,65	2,60	254
Employment tax	€/mil	545,06	124,41	111	0,00	13,00	22,91	2	9,68	2,80	831
Tax on product and services	€/mil	27,01	252,00	588	21,66	68,28	19,56	12	0,06	2,40	991
Environmental taxes	€/mil	11,21	847,00	0,53	21,71	21,47	4,20	1	0,04	0,00	908
<b>Total Tax Collected (on a cash basis)</b>		<b>8.217</b>	<b>2.116</b>	<b>2.177</b>	<b>196</b>	<b>56</b>	<b>124</b>	<b>91</b>	<b>58</b>	<b>174</b>	<b>13.208</b>
Income taxes	€/mil	-	68	14	45,00	16,84	4,97	14	1,96	0,29	166
Property tax	€/mil	-	-	-	-	-	0,014	-	0,00	0,00	0
Employment tax	€/mil	583,45	212,76	59	19,79	9,97	23,95	8	5,62	27,97	950
Tax on product and services	€/mil	7.633,71	1.291,56	2.103	128,21	18,01	94,92	69	49,98	145,95	11.535
Environmental taxes	€/mil	-	543	-	3,29	10,76	0,00	-	0,00	0,00	557
<b>Total Tax Contribution (on a cash basis)</b>	€/mil	<b>9.702</b>	<b>3.555</b>	<b>3.063</b>	<b>406</b>	<b>422</b>	<b>201</b>	<b>212</b>	<b>95</b>	<b>193</b>	<b>17.851</b>
<b>Other regulatory payments (on a cash basis)</b>	€/mil	-	119	0,44	8	-	-	-	14	1	143

<b>Economic data</b>	UM	Italy	Endesa (inc. Iberia)	Brazil	Chile	Colombia	Argentina	Peru	Russia	Romania	TOTALE
Income Before Tax (exc dividends)	€/mil	3.731	1.594	339	700	724	389	363	89	-	7.886
Income After Tax	€/mil	2.858	1.356	528	491	463	244	249	75	-	6.209
Income Before Tax Borne	€/mil	4.440	2.915	1.057	746	846	442	390	118	-	10.920
Revenues	€/mil	61.742	20.195	10.507	3.248	2.518	1.298	1.270	1.003	1.745	103.525
Wages and salaries	€/mil	1.624	678	138	168	69	91	50	46	69	2.934
Net Interest	€/mil	785	353	289	148	137	106	-	20	18	1.857

Average number of employees	n.	30.596	9.835	11.270	2.213	2.097	4.600	942	2.556	3.037	67.146
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<b>TTC Indicators</b>	UM	Italy	Endesa (inc. Iberia)	Brazil	Chile	Colombia	Argentina	Peru	Russia	Romania	TOTALE
TTC ratio	%	33,45%	49,4%	83,75%	28,2%	43,33%	17,57%	31,21%	32,0%	N/A	42,52%
TTC in relation to revenues	%	15,71%	17,6%	29,15%	12,5%	16,77%	15,52%	16,72%	9,5%	11,09%	17,24%
Tax borne in relation to revenues	%	2,41%	7,1%	8,43%	6,5%	14,56%	5,98%	9,59%	3,8%	1,10%	4,49%
Tax collected in relation to revenues	%	13,31%	10,5%	20,72%	6,0%	2,21%	9,54%	7,13%	5,7%	9,98%	12,76%
Tax value distributed to society	%	64,82%	59,8%	76,24%	33,5%	38,65%	31,11%	41,48%	40,3%	68,96%	61,88%
Wages and salaries per employee	EUR	53.069	68.971	12.204	75.929	33.073	19.865	53.487	18.069	22.617	43.690
Taxes paid per employee	EUR	36.884	34.283	15.097	8.943	10.952	10.186	10.100	5.986	10.131	26.525
Effective Tax Rate	%	23,40%	14,9%	-55,60%	29,9%	35,98%	37,21%	31,30%	22,0%	N/A	21,26%



## 6. Appendices

### Appendix II: TTC summaries of main countries of Enel Group in 2017

TOTAL TAX CONTRIBUTION 2017											
	UM	Italy	Endesa (incl Iberia)	Brazil	Chile	Colombia	Argentina	Peru	Russia	Romania	TOTALE
<b>Total Tax Borne (on a cash basis)</b>		<b>1.324</b>	<b>1.469</b>	<b>562</b>	<b>206</b>	<b>372</b>	<b>133</b>	<b>136</b>	<b>57</b>	<b>28</b>	<b>4.288</b>
Profit tax	€/mil	629,94	124,80	120,37	194,96	262,64	28,34	107,83	17,80	10,17	1.497
<i>of which CIT accounts for</i>	€/mil	<i>629,94</i>	<i>93,70</i>	<i>120,37</i>	<i>194,96</i>	<i>245,24</i>	<i>15,90</i>	<i>107,83</i>	<i>17,80</i>	<i>10,17</i>	<i>1.436</i>
Property tax	€/mil	124,35	66,00	12,01	2,41	7,63	1,59	12,17	26,97	2,38	256
Employment tax	€/mil	524,70	129,34	59,62	-	12,27	48,79	1,94	12,42	13,25	802
Tax on product and services	€/mil	34,84	197,01	369,51	8,82	70,53	49,11	12,79	0,05	2,54	745
Environmental taxes	€/mil	9,89	952,00	0,43	-	19,43	5,15	1,58	0,04	0,00	989
<b>Total Tax Collected (on a cash basis)</b>		<b>6.282</b>	<b>2.435</b>	<b>1.415</b>	<b>259</b>	<b>55</b>	<b>225</b>	<b>80</b>	<b>53</b>	<b>138</b>	<b>10.942</b>
Income taxes	€/mil	-	69,18	23,81	65,68	16,49	5,30	6,05	1,06	0,01	188
Property tax	€/mil	-	-	-	-	-	0,05	-	-	-	0
Employment tax	€/mil	646,20	238,30	63,52	24,54	9,32	53,91	9,13	6,82	16,96	1.069
Tax on product and services	€/mil	5.636,08	1.479,80	1.327,38	161,85	18,36	165,37	64,63	45,48	120,97	9.020
Environmental taxes	€/mil	-	648,00	-	7,31	10,77	-	-	-	-	666
<b>Total Tax Contribution (on a cash basis)</b>	€/mil	<b>7.606</b>	<b>3.904</b>	<b>1.977</b>	<b>466</b>	<b>427</b>	<b>358</b>	<b>216</b>	<b>111</b>	<b>166</b>	<b>15.231</b>
<b>Other regulatory payments (on a cash basis)</b>	€/mil	<b>-</b>	<b>112</b>	<b>0</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>14</b>	<b>1</b>	<b>154</b>
Economic data											
	UM	Italy	Endesa (incl Iberia)	Brazil	Chile	Colombia	Argentina	Peru	Russia	Romania	TOTALE
Income Before Tax (excl dividends)	€/mil	2.753	1.724	564	1.751	745	57	322	121	139	8.175
Income After Tax	€/mil	1.684	1.414	224	1.531	447	68	216	95	130	5.809
Income Before Tax Borne	€/mil	3.447	3.100	1.005	1.762	872	174	351	161	157	11.028
Revenues	€/mil	58.272	20.058	7.351	3.783	2.388	1.335	1.391	1.136	1.813	97.528
Wages and salaries	€/mil	1.635	690	116	166	63	208	50	52	56	3.036
Net Interest	€/mil	1.238	365	192	112	157	162	-	26	4	2.256
Average number of employees	n.	31.408	10.005	4.173	2.315	1.953	4.972	949	2.613	3.090	61.478
TTC Indicators											
	UM	Italy	Endesa (incl Iberia)	Brazil	Chile	Colombia	Argentina	Peru	Russia	Romania	TOTALE
TTC ratio	%	38,4%	47,4%	55,9%	11,7%	42,7%	76,6%	38,9%	35,6%	18,1%	38,9%
TTC in relation to revenues	%	13,1%	19,5%	26,9%	12,3%	17,9%	26,8%	15,5%	9,7%	9,2%	15,6%
Tax borne in relation to revenues	%	2,3%	7,3%	7,6%	5,5%	15,6%	10,0%	9,8%	5,0%	1,6%	4,4%
Tax collected in relation to revenues	%	10,8%	12,1%	19,2%	6,9%	2,3%	16,8%	5,7%	4,7%	7,6%	11,2%
Tax value distributed to society	%	62,5%	61,3%	79%	20,5%	39,0%	44,9%	44,8%	39,1%	46,7%	57,8%
Wages and salaries per employee	EUR	52.070	68.940	27.792	71.656	32.492	41.882	52.914	19.713	18.048	49.387
Taxes paid per employee	EUR	37.280	36.745	29.509	10.601	11.055	20.655	11.669	7.365	9.776	30.434
Effective Tax Rate	%	39%	18%	10%	13%	40%	-20%	33%	24%	6%	26%

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

The analysis has been based on the publicly available information of peers of Enel Group. The potential list of such peers is published on The Statistics Portal<sup>4</sup>. The data represents the largest electric utility companies in the world, as of May 11, 2018. Data used in this analysis refers to the first 20 groups with the highest market shares.

The effective rate of taxation for Corporate Income Tax purposes (ETR), has been calculated as the ratio of Corporate Income Tax expense to Income before Taxes, with both of these figures being obtained from the consolidated income statement for the year.

The average figure for the last year for which data is available (2017) has been used, as well as the upper and lower quartiles, to illustrate the findings:

- ***Adjusted median***

Our findings in relation to the individual analyses of the companies are based on a statistical analysis of ETRs. In this type of analysis, there are generally elements that distort the average, such as non-recurring transactions or exceptional items (i.e. ETRs with negative values), and these must be eliminated to draw reasonable conclusions from the sample studied.

- ***Quartiles***

The upper (75%) and lower (25%) quartiles are also calculated for the sample of companies, indicating the results obtained. This facilitates identification of the range of average results within which the majority of the companies are situated.

## 6. Appendices

### Appendix IV: List of companies<sup>1</sup> considered in the comparative analysis of effective Corporate Income Tax rates

Name of the Company	Consideration in the benchmark
Nextera Energy	Yes
Duke Energy	Yes
Iberdrola	Yes
Southern Company	Yes
EDF	Yes
Engie	Yes
Exelon	Yes
National Grid	Yes
American Electric	Yes
CLP Holdings	Yes
E.ON	Yes
Consolidated Edison	Yes
Tenega Nasional	Yes
Xcel Energy	Yes
PG&E	Yes
Dominion Resources	No
China Yangtze Power	No
Public service Enterprise	No
Saudi Electricity	No

[1] <https://www.statista.com/statistics/263424/the-largest-energy-utility-companies-worldwide-based-on-market-value/>



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