



Financial Statements of International Endesa B.V. at December 31, 2018

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Management Board report

The Managing Directors of International Endesa B.V. (hereinafter: 'the Company') are pleased to present herewith the financial statements for the year ended 31 December 2018.

General

The Company was incorporated on 10 June 1993 under the laws of the Netherlands. Registration number with Chamber of Commerce is 33248762

The principal activity of the Company is to issue and manage notes and other financial instruments (refer to below), and to lend the funds to its parent company and other affiliated companies.

The result for the year 2018 was in accordance with management's expectations.

Operating results

In order to present the results of the Company and analyze its financial structure, several performance indicators has been presented, obtained directly from the financial statements, which management feels are useful in monitoring performance of the Company business.

Shareholder's equity amounts to Euro 21,809 thousand up 724 thousand over 2018 year ended, as a result of the net income of the period.

Long-term debt came to Euro 12,000 thousand, a decrease of Euro 15,000 thousand compared to 31 December 2017 as a result of reclassification borrowing maturing in October 2019 into short-term liabilities.

Long-term loan decreased by Euro 15,000 thousand due to reclassification of current portion of loan.

Net income of the Company for the period ended 31 December 2018 totalled to Euro 724 thousand increased by Euro 154 thousand as a result of negative interest expenses from commercial papers, that was partly offset by negative interest income earned from short-term loans granted to Endesa Group companies, and decrease of operating expenses. This improvement has been partly offset by an increase of income tax expenses.

Management ensures liquidity is available under the facilities and manages the debts to ensure it mirrors the funding needs from the Endesa Group. The equity is maintained at a relative low level, but should be seen in conjunction with the guarantees obtained from the Endesa Group.

The loan receivables representing the funding needs from the Endesa Group are yearly monitored for recoverability, where no indicators exist that could potentially impact the current valuation of these receivables.

Principal activities in 2018

The Company focused on its financing activities under its Euro Commercial Paper (ECP) Programme and on the managing of its outstanding financial debt and assets.

During 2018, the Company regularly issued a short-term debt under its Euro Commercial Paper Programme. The maximum amount of the outstanding debt under this programme is EUR 3,000 million. The volume issued in 2018 is EUR 7,422 million and the average debt has been EUR 1,167 million. All funds have been lent to affiliated companies of Endesa Group.

The Company performed the management and administration activities on its financial assets and liabilities, including ECP, MTNP, intercompany loans, credit lines and financial derivatives.

On April 26, 2018, the shareholder resolved to adopt the statutory financial statements for the year 2017 and to allocate as retained earnings the 2017 net profit of EUR 570 thousand.

Main Risks and uncertainties

In compliance with the provisions in Dutch Accounting Standard 400, the Company has drawn up elements of its risk section as follows.

Methodology

In order to mitigate its exposure to risks described below, International Endesa B.V. conducts specific analysis, monitoring, management and control activities. The Company adopts governance arrangements been in place within Enel Group and applicable for all wholly owned companies and companies with controlling interest for managing and controlling financial risks (market, credit and liquidity risks).

The Company continues to maintain a system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations.

This internal control ensures that risk is properly measured and managed.

The most significant risks and the risk reduction measures taken

Market risk

The Company's activities expose it primarily to market risks. Market risk is defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices.

The Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rate will affect the Company's financial position and cash flows. Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. Interest rate exposure on the debt is fully mitigated using interest rate swap agreements.

Based on back-to-back financing the risk is immaterial.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect in Company's financial position and cash flow.

The risks relating to the different currencies usually is covered using swap agreements. The swap contracts mature in accordance with the terms of the related assets and liabilities.

During 2018 the Company didn't have any significant transaction denominated in foreign currency.

With regard to both exchange rate risk and interest rate risk, all financial derivatives entered into by the Company are intended for hedging and not for trading purposes.

Liquidity risk

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. The risks are managed to an acceptable level by balancing the maturity profile of all financial assets and liabilities and adequate level of available resources.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. In order to minimize such risks, the Company assesses the creditworthiness of the counterparties to which it plans to maintain its largest exposures on the basis of information supplied by independent providers and internal rating models. As the Company lends funds only intragroup to Endesa S.A and affiliates, and the Company is supported by Endesa S.A., one of the largest energy companies in Spain, the credit risk is considered low.

The Company has not entered into any other transactions that might generate credit risk.

Compliance risks

The Company is committed to a high level of compliance with relevant legislation, regulation, and standards as well as internal policies. Identified breaches of compliance will be remedied as soon as practicable. The Company has no appetite for deliberate or purposeful violations of legislative or regulatory requirements, moreover the Company adopt a strong and effective internal control system to avoid fraud and misleading representation on its financial reports.

Appetite for significant risks

In terms of operational issues, the Company has a low or no appetite for risk. The Company has developed operational processes that ensure the systematic coverage of exposures through appropriate hedging strategies, which typically involve the use of financial derivatives.

Risk tolerance for the Company's activities in financial markets are outlined in policies approved by Enel Group. Performance against these measures are monitored regularly.

Current or planned improvements in the risk management system

The risk management methodology meets the wishes and requirements of the management of the Company. Further actions to improve the risk management may be taken in reporting process and defining the system of key risk indicators.

Future outlook

The Company should evolve normally during 2019, the principal activities will concentrate on the financial operations. No significant changes are expected in the size and nature of operations.

Board of Directors composition

Taking into account the legislation that entered into force in the Netherlands on 1 January 2013 and concerning the composition of the companies' Board of Directors, we highlight that currently there are no female members on the Board of directors, which is mainly due to the small size of the board. Nonetheless, the Company believes that the composition of its Board of directors has a broad diversity of experience, expertise and backgrounds, and that the backgrounds and qualifications of the directors,

considered as a group, provide a significant mix of experience, knowledge, abilities and independence that we believe will allow our board of directors to fulfil its responsibilities and properly execute its duties.

The distribution of board seats between men and women in the board of directors of the parent company is in line with this Act.

The Company is a so-called Public Interest Entity ("Organisatie van Openbaar Belang") which requires the establishment of an audit committee. The Company however makes use of the exemption in Article 3(a) of the Dutch Decree on the Audit Committee ("Besluit instelling auditcommissie") as foreseen in Article 39(3)(a) of Directive 2006/43/CE, as amended by Directive 2014/56/EU of the European Parliament and of the Council, as its Parent Company (Endesa S.A.) is an entity that fulfils the requirements set out in paragraphs 39(1), (2) and (5) of Directive 2006/43/CE, as amended by Directive 2014/56 EU, Article 11(1), Article 11(2) and Article 16(5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Subsequent events

There have been no significant subsequent events to be mentioned.

Personnel

As at 31 December 2018 the Company employs one person.

Statement ex Article 5:25c Paragraph 2 Financial Markets Supervision Act ('Wet op het Financieel Toezicht')

To our knowledge,

1. the financial statements give a true and fair view of assets, liabilities, financial position and profit of International Endesa B.V.;
2. the Management Board report gives a true and fair view of the Company's position as per 31 December 2018 and developments during the financial year 2018;
3. the Management Board report describes the material risks the issuer is facing and provides a fair view as mentioned in article 5:25 paragraph 8 and if applicable 9.

Amsterdam, 15 April 2019

Ernesto di Giacomo

Alessandro Canta

International Endesa B.V.

Adolfo García Nombela

Hans Marseille

Financial statements

for the year ended 31 December 2018

Profit and loss account for the year January – December 2018

Thousands of Euro	Note	2018	2017
Other revenues and income		-	-
Services	1	(152)	(231)
Personnel	1	(107)	(145)
Result from operating activities		(259)	(376)
Financial income	2	(1,012)	592
Financial expense	2	2,223	496
Total		1,211	1,088
Profit before income taxes		952	712
Income tax expense	3	(228)	(142)
Net income for the year		724	570

Balance sheet as at 31 December 2018

(before appropriation of net income)

Thousands of Euro	Note	31-Dec-18	31-Dec-17
ASSETS			
Non-current assets			
Long-term loans and financial receivables	4	12,000	27,000
	<i>Total</i>	12,000	27,000
Current assets			
Current loans and financial receivables	5	942,514	910,961
Cash and cash equivalents	6	82	27
	<i>Total</i>	942,596	910,988
TOTAL ASSETS		954,596	937,988
Thousands of Euro			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	7	15,429	15,429
Share premium reserve	7	4,660	4,660
Retained earnings	7	996	426
Net income for the period		724	570
Shareholder's equity	<i>Total</i>	21,809	21,085
Non-current liabilities			
Long-term loans and borrowings	8	12,000	27,000
	<i>Total</i>	12,000	27,000
Current liabilities			
Short-term bonds and borrowings	9	920,253	889,361
Other current financial liabilities	10	249	249
Income Tax payable		120	106
Other current liabilities		165	187
	<i>Total</i>	920,787	889,903
TOTAL EQUITY AND LIABILITIES		954,596	937,988

Statement of changes in shareholder's equity

Thousands of Euro

	Share capital	Share premium reserve	Retained earnings	Net income for the period	Equity attributable to the shareholders
1-Jan-17	15,429	4,660	98	328	20,515
Allocation of net income from the previous year	-	-	328	(328)	-
Net income for the period	-	-	-	570	570
31-Dec-17	15,429	4,660	426	570	21,085
1-Jan-18	15,429	4,660	426	570	21,085
Allocation of net income from the previous year	-	-	570	(570)	-
Net income for the period	-	-	-	724	724
31-Dec-18	15,429	4,660	996	724	21,809

Notes to the 2018 financial statements

Form and content of the financial statement

International Endesa B.V. ('the Company') was incorporated under the laws of the Netherlands on 10 June 1993 and has its statutory seat in Amsterdam, the Netherlands, with offices at Herengracht 471, 1017 BS Amsterdam. . Registration number with Chamber of Commerce is 33248762. The Company is a wholly-owned subsidiary of Endesa S.A. ('the parent'), a Spanish company having its registered office at Ribera del Loira 60, 28042 Madrid, Spain. Endesa S.A. and its subsidiaries form part of the Enel Group, of which Enel Iberia S.L. is the parent company in Spain.

The principal activity of the Company is to issue commercial paper notes and other financial debt instruments (refer to below), and provide these funds to its parent and other affiliated companies.

Company's financial statements are included into consolidated financial statements of the parent company which can be obtained from the investor relations section of Endesa S.A. official website (<http://endesa.com>)

Debt issuance program and ECP Program

On 17 January 1995, the Company entered into a USD 750 million Debt Issuance Program, arranged by Morgan Stanley & Co. International Limited. On 5 July 1998, this Debt Issuance Program was increased up to USD 4,000 million. On 9 July 1999, the initial maximum program amount has been increased up to Euro 7,000 million from the former USD 4,000 million. On 20 September 2001, the maximum program amount has been increased up to Euro 9,000 million from the former Euro 7,000 million. On 15 November 2002, the maximum program amount has been increased up to Euro 10,000 million from the former Euro 9,000 million. As from 2004, no new loans are issued under the program. In 2014 the Company repaid USD private placement, having the residual notes denominated in Euro only.

These notes are listed on several European stock exchanges.

On 29 April 1998, the Company established a Euro Commercial Paper Program pursuant to which the Company may issue and have outstanding short-term notes up to a maximum aggregate amount of USD 2,000 million. On 13 December 2006, the existing program was updated to Euro 2,000 million. On 18 December 2009, the existing program was updated to Euro 3,000 million. The proceeds of the notes issued are passed on to the parent company and other affiliated companies.

International Endesa B.V.'s external debt, composed by Euro Medium-Term Notes, Euro Commercial Papers, is guaranteed by the parent company, Endesa S.A, by an agreement dated 20 October 2016.

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands (Dutch GAAP) and Part 9 of Book 2 of the Netherlands Civil Code. The financial statements have been prepared under the historical cost convention. Assets and liabilities are recorded at face value, unless indicated otherwise.

The accounting policies set out below have been applied consistently to all periods presented in the Company's financial statements.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Accounting principles

The principal accounting policies adopted in preparation of these financial statements are set out below.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the profit and loss account when an increase in economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be estimated with a sufficient reliability. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be estimated with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate. Reference is also made to the items financial instruments and financial income and expense.

Accounting policies and measurement criteria

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences. Significant estimates includes valuation of loan receivable balances. Impairment valuation estimates are included in the impairment of financial assets section.

Comparative figures

The accounting policies have been consistently applied to all years presented. When applicable the comparative figures have been reclassified to match the current year classification, which did not occur in 2018.

Cash flow statements

As permitted under RJ 360.104, the cash flows of the Company are included in the cash flows statement of the ultimate holding company. The ultimate holding company's financial statement are available on Endesa's corporate website: www.endesa.com.

Financial instruments

Financial instruments include investments in shares and bonds, loans granted and other receivables, cash items, loans and other financing commitments and other payables. Financial instruments also include derivative financial instruments that are stated at cost or lower market value, unless cost price hedge accounting is applied.

Purchased loans and bonds

Purchased loans and bonds which the Company intends to hold to maturity (and is capable of doing so), are measured at amortised cost after initial recognition using the effective interest method, less impairment losses.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost after initial recognition using the effective interest method, less impairment losses.

Derivatives and hedge accounting

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations.

Conditions for hedge accounting

The company documents its hedging relationships in specific hedging documentation and regularly checks the effectiveness of the hedging relationships by establishing whether the hedge is effective or that there is no over-hedging.

At each balance sheet date, the company assesses the degree of ineffectiveness of the combination of the hedge instrument and the hedged position (the hedging relationship). The degree of ineffectiveness of the hedging relationship is determined by comparing the critical features of the hedging instrument against the hedged position. For this comparison, the company uses the critical features: amount; term; hedged risk; and method of settlement of the hedging instrument and the hedged position.

If the critical features, assessed in the context of the hedging relationship match, there is no ineffectiveness.

If the critical features, assessed in the context of the hedging relationship, do not match, there is ineffectiveness. In that case, the degree of ineffectiveness is determined by comparing the fair value change of the hedging instrument with the fair value change of the hedged position. If there is a cumulative loss on the hedging relationship over the period between initial recognition of the hedging instrument and the balance sheet date, the ineffectiveness (loss) is directly recognised in the profit and loss account.

Impairment of financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it needs to be impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Financial assets and liabilities are translated at the exchange rate prevailing at balance sheet date.

Accounts receivable

Accounts receivable are stated at amortized cost, less an allowance for possible uncollectable amounts.

Shareholders' equity

Ordinary shares are classified as equity. Investment costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Non-current liabilities

The valuation and measurement of non-current liabilities is explained under the heading 'Financial instruments'.

Current liabilities

The valuation and measurement of current liabilities is explained under the heading 'Financial instruments'.

Financial income and expense

Financial income comprises interest income on loans to Endesa group companies, dividend income and foreign currency gain. Interest income is recognised as is accrued, using the effective interest method.

Financial expenses comprise interest of the Euro Medium Term Notes, United States Private Placements, Euro Commercial Papers, the interest of the intercompany loan with Endesa Capital Finance, LLC and losses on hedging instruments that are recognised in profit and loss.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax receivable and deductible for the reporting period.

Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax receivable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Determination of fair value

A number of accounting principles and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. For measurement and disclosure purposes, the fair value is determined as described below, or in the relevant paragraph of the financial instrument. Where applicable, detailed information concerning the principles for determining the fair value are included in the section that specifically relates to the relevant asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows.

Non-derivative financial obligations

The fair value of non-derivative financial obligations is only determined for disclosure purposes and is calculated on the basis of the net present value of future repayments and interest payments, discounted at the market interest rate, including a margin for the relevant risks as at the reporting date.

Risk management

In normal course of business, the Company uses various types of financial instruments. Financial instruments include those recognized in the balance sheet (on-balance sheet) and off-balance sheet financial instruments.

The estimated fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed markets prices, price quotations from banks or from pricing models.

The Company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The Company's management is involved in the risk management process.

The Company attempts to minimise the counterparty credit risk associated with the financial instruments used by selecting counter parties that are creditworthy, given their high credit ratings.

Financial instruments in the balance sheet substantially include long-term receivables and payables, short-term loans receivable and payable, and cash.

Interest rate risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rate will affect the Company's financial position and cash flows. Interest rate exposure on the debt is fully mitigated using interest rate swap agreements.

At year end the outstanding derivative instruments are as follows:

Thousands
of Euro

Series	Outstanding	Interest payable	Interest receivable	Start date	End date
39	15,000	6m EURIBOR+ 10bpt	4.50%	07/10/1999	07/10/2019
68	12,000	6m EURIBOR+ 33bpt	5.74%	12/11/2001	12/11/2031

Interest rate swaps are used to adjust the fixed rate or floating rate nature in financing arrangements. The interest payables are based on the Euribor plus a mark-up and are compatible with the interest rates received from financial receivables.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect in Company's financial position and cash flow.

The risks relating to the different currencies have been covered using hedge and swap agreements. The swap contracts mature in accordance with the terms of the related assets and liabilities. As per 31 December 2018, no foreign currency transactions are included in the balance sheet.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As the Company lends funds only intragroup to Endesa S.A. and affiliates the credit risk is considered low.

The Company has not entered into any other transactions that might generate credit risk, except for the financial derivatives contracted with financial institutions which may generate credit risk under certain circumstances.

Liquidity risk

The Company manages its financial assets invested in Endesa Group companies ensuring that the terms and conditions correspond with its liabilities. In order to mitigate this risk the Company meets liquidity requirements primarily through cash flows generated by ordinary operations and drawing on a range of financing sources while managing any liquidity excess as appropriate. Furthermore Endesa S.A., one of the largest energy companies in Spain, agreed with the company on 20 October 2016 the guarantee for payments of the Company's receivables due from Endesa S.A. and affiliated companies as long as the intercompany financing activity exist.

Fair value

The fair value of most of the financial instruments stated on the balance sheet, including receivables, securities, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount. The fair value of the long term debt can be specified as follows:

Thousands of Euro

	Fair value	Carrying amount	Fair value	Carrying amount
	2018	2018	2017	2017
Financial fixed assets				
Accounts receivable from affiliated companies	27,000	27,000	27,000	27,000
Other receivables				
Long-term liabilities				
Debts to credit institutions	(32,205)	(27,000)	(33,123)	(27,000)
Debts to shareholders	(21,809)	(21,809)	(21,085)	(21,085)
Total	(27,014)	(21,809)	(27,208)	(21,085)

Thousands of Euro

	Fair value change since initial recognition	Fair value change within 2018
Interest rate swaps in a hedging relationship	6,838	(844)
Effective part of the hedging relationship	6,838	(844)
Ineffective part of the hedging relationship (total ineffectiveness)	-	-
Ineffective recognised in the profit and loss account 2018	-	-

Notes to the profit and loss

1 Result from operating activities – Euro (259) thousand

Result from operating activities is negative for Euro 259 thousand (2017: Euro 376 thousand negative) with a decrease of Euro 117 thousand mainly due to decrease of service costs (Euro 79 thousand) and personnel costs (Euro 38 thousand).

The costs refer to services (mainly related to the service agreement with Enel Investment Holding B.V.) for Euro 152 thousand (2017: Euro 231 thousand) and to personnel costs for Euro 107 thousand (2017: Euro 145 thousand).

2 Financial income/(expense) – Euro 1,211 thousand

Thousands of Euro

	31-Dec-18	31-Dec-17	Change
Financial income:			
interest and other income from financial assets	(2,394)	(1,836)	(558)
income from IRS derivatives instruments	1,382	2,428	(1,046)
Total financial income	(1,012)	592	(1,604)
Financial expenses:			
Interest on bonds	(1,363)	(2,553)	1,190
Interest on commercial papers	3,586	3,049	537
Total financial income/ (expenses)	2,223	496	1,727
Net financial result recognised	1,211	1,088	123

Negative interest and other income from financial assets driven by negative reference interest rate (Euribor) led to decrease of total financial income by Euro 1,604 thousand compared to the same period of prior year. The variation is mainly due to a decrease of interest income from Endesa S.A. (Euro 444 thousand) and Endesa Financiacio Filiales S.A. (Euro 114 thousand, mainly driven by the early termination in December 2017 of the Loan LCI076) and decrease of income from interest rate swap (Euro 1,046 thousand, due to the pre-cancellation of the deal).

Financial expenses decreased to negative Euro 2,223 thousand by Euro 1,727 thousand due to decrease of interest charges (Euro 1,190 thousand) attributed to the early repayment of the bond (series 76) and increase of interest income earned from commercial papers (Euro 537 thousand).

3 Income tax expense– Euro 228 thousand

Corporate income tax expense for 2018 totals to Euro 228 thousand having an increase by Euro 86 thousand.

The 2018 income tax has been calculated according to the agreed APA.

Notes to the balance sheet

4 Long-term financial assets – Euro 12,000 thousand

Thousands of Euro

	31 Dec 2018	31 Dec 2017	Change
Loans and receivables			
- Loans to affiliated companies	12,000	27,000	(15,000)
Total loans and receivables	12,000	27,000	(15,000)
Total long-term financial assets	12,000	27,000	(15,000)

Loan to affiliated companies

The specification of the loans to affiliated companies is set out below:

Thousands of Euro

	31 Dec 2018	31 Dec 2017	Change
Loan receivable from Endesa Financiación Filiales S.A. (LC1039)	-	15,000	(15,000)
Loan receivable from Endesa Financiación Filiales S.A. (LC1068)	12,000	12,000	-
Total loans to affiliated companies	12,000	27,000	(15,000)

The loans to affiliated companies have variable interest rates related to EURIBOR plus a mark-up.

The proceeds of the notes issued by the Company under the private placement are lent to the Sole shareholder and other affiliated companies of Endesa Group. Consequently, the maturity date of the intercompany receivables is exactly the same as the maturity date of the notes issued and included in note 8.

5 Current loans and financial receivables – Euro 942,514 thousand

Thousands of Euro

	31-Dec-18	31-Dec-17	Change
Current portion of long-term loan	15,000	-	15,000
Financial receivables	927,446	911,048	16,398
Interest receivable on interest rate swaps	252	252	-
Other current financial assets	(184)	(339)	155
Total	942,514	910,961	31,553

Current financial assets essentially consist of short-term loans granted to affiliated companies.

Financial receivables

Thousands of Euro

	31 Dec 2018	31 Dec 2017	Change
Short-term loan with Endesa S.A.	905,489	889,768	15,721
Credit Line with Endesa Financiación Filiales S.A.	21,957	6,657	15,300
Credit line with Endesa S.A.	-	14,623	(14,623)
Total	927,446	911,048	16,398

Interest receivable on interest rate swaps

Interest receivables on interest rate swaps refer to the accrued interest that will be paid by the market counterparties at the end of the agreed interest period and totalled Euro 252 thousand remained unchanged compared with year ended at 31 December 2017.

Other current financial assets

Other current financial assets aggregate refers to accrued income related to the long-term loans and short-term credit lines granted to affiliated companies and totalled Euro 184 thousand negative (2017: Euro 339 thousand negative).

6 Cash and cash equivalents – Euro 82 thousand

As at 31 December 2018 cash and cash equivalent amount to Euro 82 thousand (2017: Euro 27 thousand). No restrictions on usage of cash exist.

7 Shareholder's equity – Euro 21,809 thousand

Share capital – Euro 15,429 thousand

The authorised share capital amounts to Euro 15,882,308, consisting of 35,000 common shares with a par value of Euro 453,78 per share. As at 31 December 2017, 34,000 shares were issued and paid in.

Share premium reserve – Euro 4,660 thousand

The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares.

At least Euro 4,660,501 of the share premium can be considered as freely distributable share premium as referred to in the 1964 Income Tax Act.

Retained earnings and profit for the period – Euro 1,720 thousand

The retained earnings as at 31 December 2018 are Euro 996 thousand. The net income for the period is Euro 724 thousand.

Proposal for profit appropriation

The Board of Directors proposes to the shareholder the allocation of the net result of the year 2018 amounting of Euro 724 thousand to the company's retained earnings

8 Long-term bonds and borrowings – Euro 12,000 thousand

The notes issued by the Company under the Debt Issuance Program are presented under the Long-term loans and borrowings and amount to Euro 12,000 thousand as at 31 December 2018.

The notes under the Debt Issuance Program are unconditionally guaranteed by the parent company.

The interest on the individual EMTN notes is either fixed or floating. By the use of interest rate swaps, net interest payable is mostly related to LIBOR or EURIBOR rates plus a mark-up.

The following table shows long-term debt and repayment schedules as at 31 December 2018:

Thousands of Euro

		Balance	Nominal amount	Balance	Fair value		
Series	Currency	31 Dec 2018	31 Dec 2018	31 Dec 2017	31 Dec 2018	Maturity	Interest rate
N1068	EUR	12,000	12,000	12,000	16,693	Nov.2031	5.74
Total		12,000	12,000	12,000	16,693		

Debt Issuance Programme

On 17 January 1995, the Company entered into a USD 750 million Debt Issuance Programme, arranged by Morgan Stanley & Co. International Limited.

Starting from 1998 until 2002 the Debt Issuance Program has been updated and increased several times up to the maximum amount of Euro 10,000 million.

Notes issued under the program are listed on several European stock exchanges.

9 Short-term loans and borrowings – Euro 920,253 thousand

Thousands of Euro

	31 Dec 2018	31 Dec 2017	Change
Current portion of long-term bonds and borrowing	15,000	-	15,000
Commercial papers	905,489	889,768	15,721
Interest payable for liabilities under the commercial paper	(236)	(407)	171
Short-term loans and borrowings	920,253	889,361	30,892

Thousands of Euro

In thousands of EUR							
		Balance	Nominal amount	Balance	Fair value		
Series	Currency	31 Dec 2018	31 Dec 2018	31 Dec 2017	31 Dec 2018	Maturity	Interest rate
N1039	EUR	15,000	15,000	15,000	15,511	Oct.2019	10yearGBP/CMS*
Total		15,000	15,000	15,000	15,511		

*As of 9 October 2018 the rate was fixed at 4.5%

Commercial Paper

As at 31 December 2018 the outstanding amount of commercial paper is Euro 905,489 thousand. During the year ended as of 31 December 2018 commercial papers were issued with a nominal amount totalled to Euro 7,422,000 thousand and redeemed in amount of Euro 7,406,000 thousand.

The commercial papers issuance is performed in the context of the Euro Commercial Paper Program (hereinafter, also “ECP Program”) launched by the Company in 1998.

On 29 April 1998, the Company established a Euro Commercial Paper Program pursuant to which the Company may issue and have outstanding short-term notes up to a maximum aggregate amount of USD

International Endesa B.V.

2,000 million. On 13 December 2006, the existing program was updated to Euro 2,000 million and finally, on 18 December 2009, updated to Euro 3,000 million.

The ECP notes issued under the Euro Commercial Paper Program are unconditionally guaranteed by the parent company.

10 Other current financial liabilities – Euro 249 thousand

Other current financial liabilities refer to interest payables for notes payable and liabilities under the ECP programme (notes 8 and 9) and total to Euro 249 thousand remain unchanged compared with year ended at 31 December 2017.

Interest payables are due within one year.

Related parties

Transactions between International Endesa B.V. and other companies of Enel Group involve Financing and Treasury management.

These transactions are part of the ordinary operations of the Company and are settled on the basis of Standard intra-Group contract market prices. International Endesa B.V. has no business relations with Key management during the period.

The following table summarizes the financial relationships between the Company and Endesa Group entities :

Thousands of Euro

	Receivables	Payables	Income	Cost
	31-Dec-18	31-Dec-18	2018	2018
ENDESA	905,489	-	(2,425)	-
Endesa Financiación Filiales S.A.	48,957	-	30	-
Total	954,446	-	(2,395)	-

Thousands of Euro

	Receivables	Payables	Income	Cost
	31-Dec-17	31-Dec-17	2017	2017
ENDESA	904,391	-	(1,980)	-
Endesa Financiación Filiales S.A.	33,655	-	148	-
Total	938,046	-	(1,832)	-

Statutory Directors

The emoluments of the company's Directors charged in 2018, as per section 2.383 (1) of the Netherlands Civil Code, amounted to Euro nil (2017: nil).

Auditor's fee

Ernst & Young Accountants LLP has acted as external auditor for the company since 2011. With reference to Section 2:382 a (1) and (2) of the Netherlands Civil Code, below a summary is provided of services performed by Ernst & Young Accountants LLP and fees paid during the year:

Thousands of Euro		
	31 Dec 2018	31 Dec 2017
Audit	30	31
Total	30	31

Contingent assets and liabilities

There are not any contingent assets and liabilities

Subsequent events

There have been no significant subsequent events to be mentioned.

Amsterdam, 15 April 2019

Ernesto di Giacomo

Alessandro Canta

Adolfo García Nombela

Hans Marseille

Other information

Independent auditor's report

The independent audit's report is set forth on the following pages.

Independent auditor's report

To: the shareholders and managing directors of International Endesa B.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of International Endesa B.V., based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of International Endesa B.V. as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet as at 31 December 2018
- ▶ The profit and loss account for 2018
- ▶ The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of International Endesa B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€7.6 million
Benchmark applied	0.8% of total assets
Explanation	The main activity of International Endesa B.V. is to operate as a financing company of the Enel Group, raising funds from third party lenders through bonds issuance, loans and other facilities and in turn lending the funds raised to companies belonging to the Enel Group. Considering these financing activities, we consider the amount of total assets to be the most relevant benchmark for the stakeholders of the company.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the managing directors that misstatements in excess of €380.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters are consistent with prior year;

Risk	Our audit approach	Key observations
<p>Valuation of intercompany loans and other financial receivables</p> <p>The main activity of International Endesa B.V. (the Company) is to operate as a financing company of the Enel Group, raising funds from third party lenders through bonds issuance, loans and other facilities and in turn lending the funds raised to companies belonging to the Enel Group (the Enel Group Companies). The Company incurs the risk that an Enel Group Company defaults on meeting its obligations to International Endesa B.V. As the loans to and receivables from the Enel Group Companies represent almost all assets of the Company, any impairment may have a material effect on the financial statements.</p> <p>To mitigate the risk, the Company obtained a support letter from the parent company (Endesa S.A.), in which the parent Company confirmed its commitment to provide the Company with financial support until next year's approval date of the financial statements, should the Company remain under the control of the Enel Group.</p> <p>The managing directors did not identify any objective evidence triggering that a loan might be impaired.</p>	<p>Our audit response includes a consideration of the appropriateness of assumptions and estimates in relation to the recoverability of the Enel Group Companies loans and receivables. We challenged those assumptions and estimates based on, amongst others, our analysis of the financial position of significant Enel Group Companies and by identification of indicators of non-recoverability of intercompany loans and receivables including an assessment on whether Enel Group Companies throughout the year have not been able to meet their financial obligations towards the Company. Further we have assessed the ability of the parent Company to provide financial support.</p>	<p>Based on the procedures performed we concur with the managing directors that no objective evidence is available that triggers impairment of the loans and receivables portfolio.</p>

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ The management board's report
- ▶ Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of International Endesa B.V. for the audit for the year 2011 and have operated as statutory auditor since that year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- ▶ Obtaining 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 company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's 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 company'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 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 a company to cease to continue as a going concern
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and 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 or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 18 April 2019

Ernst & Young Accountants LLP

signed by K.W. Tang