

Press Office

Phone: +34 91 213 11 02
F +34 91 213 90 95
prensa@endesa.es

endesa.com

ENDESA'S FREE MARKET BUSINESS DRIVES NET ORDINARY INCOME UP 3% IN 3Q 2019

Millions of euros	Jan-Sept 2019	Jan-Sept 2018	% change
REVENUES	14,805	15,353	-4
EBITDA	2,898	2,791	4
EBIT	335	1,644	-80
NET INCOME	176 ⁽¹⁾	1,193	-85
ORDINARY NET PROFIT ⁽²⁾	1,228	1,193	3
OPERATING CASH FLOW	1,810	1,141	59
NET FINANCIAL DEBT	7,225	5,770 ⁽³⁾	25
GROSS INVESTMENTS ⁽⁴⁾	1,502	866	73

(1) The accounting record of impairment of the coal-fired plants had an impact of 1,052 million euros on net income.

(2) Net ordinary income = Profit of the Parent - Net gains/(losses) on disposal of non-financial assets (of over 10 million euros) - Net impairment losses on non-financial assets (of over 10 million euros).

(3) At 31 December 2018

(4) Excluding business combinations in the period.

Madrid, 5 November 2019.- Endesa's earnings in the first nine months of year continued to follow the positive trend marked until June, indicating that the company is likely to meet the targets for 2019 set out in its Strategic Plan ahead of time.

These positive results are still predicated on the good management of its deregulated business under complex electricity and gas market conditions, in addition to the stability of the regulated market and successful cost containment policy.

It should also be noted that there was a substantial fall in electricity demand in the first nine months of the year (-3% like-for-like) due to high temperatures during the period and the impact of the economic slowdown on the consumption of large companies.

The higher price of CO₂ emission rights, coupled with a substantial fall in gas prices and reduced hydro output made coal-fired plants significantly less competitive for covering market demand, leading them to be increasingly excluded. Therefore, given that the situation is unlikely to improve in the future, the company announced in September that it was shutting down these plants, and as a result, an accounting record of impairment of 1,398 million euros was recognised, with an impact of 1,052 million euros on net income.

The accounting record of impairment will not affect the company's ordinary net profit, nor will it impact on shareholder remuneration through dividends.

At the same time, the aforementioned market situation is causing the company to step up the decarbonisation of its electricity generation assets in Spain. Therefore, Endesa has substantially increased the investments required to develop 879 MW of new renewable energies capacity awarded in the auctions held by the government in 2017.

Endesa's CEO, José Bogas, confirmed that "the investments in renewable energies and digitalisation being made by the company are key to enabling us to continue producing good results in an increasingly complex market. 50% of all our investments and 80% of all investments in development in the first nine months of this year corresponded to renewables projects. In this way, we will continue to lead the energy transition process in Spain, as evidenced by our portfolio of new renewables projects, some 12,000 MW currently, of which 4,600 MW have already been awarded connection points".

Trends in key financial figures

Trends in the company's key financial figures in the first nine months of 2019 were as follows:

- **EBITDA** rose by 4% year-on-year thanks to the good performance of the deregulated business, stability in the regulated business, and the successful efforts to rein in fixed costs:
 - ✓ The company's strategy on the deregulated market helped pave the way for an **18% increase in EBITDA** to 1,160 million euros.
 - The **gross margin in the deregulated business** to increased 2,043 million euros (+9%). This performance was driven mainly by:

- The resilience of the integrated margin for electricity (variable costs were practically flat) in a market climate shaped by lower demand, falling hydro output and higher CO₂ prices.
 - The positive contribution of Endesa's renewables subsidiary, Enel Green Power España (EGPE), which reported EBITDA of 160 million euros, due mainly to the increased investment in renewables and the consolidation of the facilities acquired from Gestinver.
 - The improvement in the margin in the gas business (+71%), to 183 million euros.
- ✓ EBITDA in the **regulated business** fell 4% to 1,738 million euros, due to the reduction in EBITDA in non-mainland territories generation. However, the margin in the distribution business was stable in the territory covered by this activity as a whole. EBITDA for the regulated business accounted for 60% of the total for Endesa.
- Further, Endesa went to great lengths to **rein in costs**: fixed operating expenses fell by 1% like-for-like in a period characterised by a sharp increase in renewables investments made by the company.
 - **EBIT** decreased by 80% due mainly to the impairment in the value of coal-fired plants for the amount of 1,398 million euros, and the impact of IFRS 16, the new international standard that requires companies to activate lease agreements. Application of this standard resulted in the recognition of 23 million euros under depreciation and amortisation to 30 September.
 - Net financial losses increased by 37 million euros year-on-year due mostly to the update of provisions for workforce restructuring and the dismantling of facilities, in addition to the impact of IFRS 9 and 16.

Operating cash flow, net financial debt and investments

- Endesa's **operating cash flow** in the first nine months of 2019 totalled 1,810 million euros, an increase of 59% on the same period in 2018. This was mainly the result of the rise in EBITDA and the improvement in working capital (+526 million euros).
- **Net financial debt** climbed by 1,455 million euros compared to 31 December 2018 due to various factors, specifically the aforementioned implementation of IFRS 16, which resulted in the recognition of an additional 271 million euros of net debt, the investments made to



develop new renewable generation capacity and the payment of an interim dividend against 2018 profits, for the amount of 1,511 million euros.

- The **net debt/EBITDA** ratio is just 1.9x, leaving the company plenty of room to undertake the substantial investment in renewable energies and digitalisation it has committed to in order to meet the objectives of its Strategic Plan and energy transition targets.
- **Gross investments totalled 1,502 million euros, up 73%**, due mainly to efforts being made by the company in the area of digital transformation and to develop new wind and photovoltaic capacity.

Operating results

	Jan-Sep 2019	Jan-Sep 2018	% change
GWh			
MAINLAND OUTPUT	37,541	45,912	-18.2
SALES TO THE DEREGULATED MARKET	63,733	63,892	-0.2
SALES TO THE REGULATED MARKET	9,961	10,880	-8.4
ELECTRICITY DISTRIBUTED	88,237	88,620	-0.4
GAS SALES ⁽¹⁾	55,529	61,433	-9.6

(1) Net of consumption from own power generation.

- In the first nine months of 2019, **electricity demand in mainland Spain** fell by 2%, or 3% adjusted for working days and temperatures.
- **Renewable generation** in Spain in the period met 41.1% of total mainland electricity demand in the first nine months, compared to 39.1% in the same period the previous year.
- Endesa's **mainland electricity output** dropped by 18.2% due to the lower hydro and coal output (-43.2% and -65.5% respectively).
 - **CO₂ emissions-free technologies** (hydro, wind, solar and nuclear) accounted for **58.2% of the company's generation mix in the first nine months**, outpacing the figure of 50.5% seen in the same period of 2018.
 - Endesa's production in **non-mainland territories** (TNP) was 9,047 GWh (-6.1%).
- In the period, Endesa recorded **market shares** of 18.8% in mainland generation, 44.4% in distribution and 32.8% in electricity sales to customers on the deregulated market, confirming the company's leading position in the Spanish electricity sector.
- The company's **deregulated market** customer base stood at 5,825,091 at 30 September, an increase of 1.7% from the year-earlier figure.
- **At the end of the first nine months, Endesa had a market share** of 15.6% of gas sales to deregulated market customers.



Dividends

Approval was given at Endesa's General Shareholders' Meeting of 12 April to pay shareholders a total dividend **1.427 euros per share (gross)** against 2018 profit, for a total amount of 1,511 million euros.

Factoring in the interim dividend of 0.7 euros (gross) per share paid on 2 January 2019, for a total amount of 741 million euros, the final dividend charged against 2018 profit was 0.727 euros (gross) per share (770 million euros), paid out on 2 July 2019.

The company's dividend policy for 2018-2020 establishes that the ordinary dividend per share agreed to be distributed with a charge to those years shall be equal to 100% of the ordinary net profit attributable to the Parent in the consolidated financial statements of the Group headed by it. Therefore, the accounting record of impairment of the coal-fired plants referred to above will not affect shareholder remuneration through the dividend paid against 2019 profits.