

Press Office

Phone: +34 91 213 11 02

Fax: +34 91 213 90 95

prensa@endesa.es

endesa.com

THE DEREGULATED MARKET SUPPORTS THE GROWTH OF ENDESA'S RESULTS IN THE FIRST HALF OF THE YEAR

Business robustness in today's environment: net income grows 11%, despite the pandemic and without taking into account the impact of the entry into force of the new Collective Bargaining Agreement and the recognition of certain restructuring provisions (+267 million euros €).

Estimated effect of COVID-19 on the accounts: The negative implications of the economic standstill due to the state of emergency, with the consequent drop in electricity demand and prices, have had a greater impact in the second quarter. Adding the provisions for insolvencies associated with this situation, a negative effect associated with COVID can be estimated at 100 million euros at EBIT level and about 75 million euros in net profit, in the whole of the first half of 2020.

Commitment to economic recovery and job creation. Accelerating the investments envisaged for 2021-2022 by 30% is being considered if they accompany the fiscal and regulatory conditions: an accelerated plan of €7.5 billion. , around 1.7 billion euros more, with a multiplier effect on the country's GDP of 2.7 billion euros . This should be able to generate 12,000 direct and indirect jobs and around 27,000 related jobs annually.

Commitment to society. The second phase of the public responsibility plan is underway, with 13 million euros (25 million euros in total), to support the country in the socioeconomic crisis that has followed the health crisis.

Accelerating the decarbonisation process: the closure of the mainland thermal plants has been brought forward by one year to 2021. In the first half of 2020, the income derived from coal activities barely represents 1% of total sales.

Fair transition: Plans to mitigate the social impact in all regions affected by the closure of thermal power plants.

Committed to renewable energy: seventy-two percent of asset building investment goes to renewable energy (188 million euros); its mainland installed capacity increases by 14% compared to the same period last year and in the first half of 2020, nearly 90% of mainland production is already emission-free.

Confirmation of dividend policy announced in strategic plan and estimations for 2020: the environment is uncertain due to the effects of the pandemic, but Endesa's integrated business and the low

exposure of regulated activity have helped it mitigate the economic consequences and obtain good results in the first half of the year, and also allows it maintain its 2020 estimates of an EBITDA of approximately 3.9 billion euros and an ordinary net profit of approximately 1.7 billion euros.

Financial strength: It maintains the ratio of 1.7 times net debt/EBITDA and has increased its liquidity by 35%, to 4.469 billion euros which covers 23 months of debt maturities.

	1S 2020 Mill.€	1S 2019 Mill.€	Variación (%)	Variación sin Extraord. (%)
INGRESOS	8.883	9.791	-9,3%	
EBITDA	2.315	1.894	+22,2%	+3% ⁽¹⁾
EBIT	1.555	1.100	+41,4%	
BENEFICIO NETO	1.128	776	+45,4%	+11% ⁽²⁾
CASH FLOW OPERATIVO	995	907	+9,7%	
DEUDA FRA. NETA	7.092	6.377 ⁽³⁾	+11,2%	
INVERSIONES BRUTAS	797	956	-16,6%	

(1) EBITDA excluyendo 515 millones de euros del retorno de la provisión de los compromisos del Nuevo Convenio Colectivo y sumando 159 millones de euros de una nueva provisión para reestructuración de plantilla.

(2) Beneficio neto excluyendo +267 millones de euros del efecto del retorno de la provisión de los compromisos del Nuevo Convenio Colectivo y sumando la nueva provisión para reestructuración de plantilla.

(3) Dato a 31 dic 2019.

Madrid, 28 July 2020 - Endesa has closed the first half of 2020 with good results, despite the serious situation in which the whole country has been involved because of the COVID-19 pandemic. The company recorded 1.128 billion euros in net income between January and June, 45.4% more than in the same period in 2019. These results reflect the impact of the entry into force of the new Collective Agreement and the recognition of certain restructuring provisions, which had a positive net effect of 267 million euros. Excluding this extraordinary impact, the increase in net income is still 11%, which shows the strength of the company's accounts despite the current scenario.

The slowdown in economic activity during the months of the state of emergency has had a significant impact on electricity demand and prices in our country, exacerbating growth in the first quarter. At mainland level, demand decreased by 7.8% compared to the same period in 2019, while in non-mainland territories (TNP) declines of 13,2% were registered (18.6% in the Balearic Islands and 10.1% in the Canary Islands). This drop, together with the reduced price of raw

materials, has thus led to lower prices in the wholesale market, with €29/MWh on average, which represents a decrease of 44% compared to the same period in 2019.

Endesa estimates that the effects of COVID-19, with the drop in demand and associated prices, together with the provisions made for insolvencies in accordance with the IFRS9 standard, have had a negative effect of around 100 million euros in the EBIT and about 75 million euros at net profit level.

Although it is not possible to estimate the future impact of COVID-19 today, the company expects a more standardised second half of the year, which, together with the resistance of having an integrated business model and low exposure of regulated companies, it will allow it to keep its estimates for 2020.

The **Chief Executive Officer of Endesa, José Bogas**, highlighted that *"Despite the environment's complicated circumstances, Endesa has shown great strength in a context for which we had no prior references. Not only in the business and the company's accounts, but in the support that Endesa has given to the institutions and citizens at the most critical times. And now, with a complicated economic scenario ahead, we want to continue helping our country, the recovery of the Spanish economy, maintaining and even accelerating our planned investments, helping to create jobs and generating wealth; and fighting for it to be done in the most sustainable way possible"*.

Accelerating the process decarbonisation and support for economic recovery

Endesa is, now more than ever, unequivocal in its investment commitments presented in the company's latest strategic plan and which represent an injection of 7.7 billion euros between 2019 and 2022 of investment, 5.2 million euros of which will be devoted to making possible the decarbonisation process in which the company is immersed.

But in addition, the company wants to play a significant role in Spain's recovery, and thanks to the resilience of its business model and its financial flexibility, and with an adequate framework and the necessary regulatory and fiscal measures, it could increase its investment plan by approximately 30% in the 2020-2022 period.

Endesa has designed an accelerated plan of €7.5 billion. for that period, which involves an additional investment of about €1.7 billion , in which we hope to become one of the Spanish companies with the largest investment plan, with a multiplier effect on the country's GDP of €2.7 billion , and be able to generate 12,000 direct and indirect jobs and around 27,000 related jobs during each year of this plan.

And in this first half of the year, Endesa has reached major milestones along this decarbonisation path:

- About 90% of the mainland generation mix is already emission free.
- Seventy-two percent of the asset building investment has been earmarked for developing the renewable business. The income derived from the coal business barely represents 1% of total sales.
- The closure of its mainland coal-fired plants has been brought forward by one year, with the formal request to close the imported coal plants of Litoral and As Pontes having already been submitted in 2019. On 30 June, 2.1 GW of Endesa's coal generation, which represents more than 43% of the installed capacity of this technology, was formally disconnected, which constitutes a decisive step in the gradual elimination of coal.

Along with these requests, Endesa is developing Fair Transition plans, based on a shared value creation approach for specific generation locations. These plans include significant investments in new renewable energy facilities in the affected areas, which will help create direct jobs, not only through dismantling coal plants, but also through building new ones that improve activity and employment.

Trends in key financial figures

Trends in the company's key figures in the first six months of 2020 were as follows:

- **EBITDA** increased by 22% in this first half of the year, to 2.315 billion euros , largely due to the impact of applying the new measures contained in the Collective Bargaining Agreement approved in January, which resulted in 515 million euros of unused provisions being released and a provision of 159 million euros for workforce restructuring plans. The impact of these two aspects was 356 million euros but, without taking them into account, EBITDA increased by 3.4%, despite the significant drop in electricity demand due to the state of emergency experienced in our country, thanks to the strong performance of the deregulated business.
- ✓ The **deregulated business**, with a growth of its adjusted EBITDA of 21% (903 million euros), has made it possible to offset the drop in business in non-mainland territories. Its gross margin has increased by 12%, reaching 1.497 billion euros. This performance was driven mainly by:

- The strong performance of the electricity business margin, which increased by 6.9%, despite the scenario of falling prices and demand.
 - The good results of the gas business (x2), to reach 140 million euros.
 - Endesa X's contribution of 63 million euros, which has increased by 10.5%.
- ✓ In the **regulated business**, adjusted EBITDA and gross margin have fallen 8% and 9%, to 1.056 billion euros and 1.425 billion euros €.
- The margin in the **distribution business** has decreased slightly (-5%) as a consequence of the application of the new remuneration parameters established for the second regulatory period that came into effect on 1 January.
 - At the same time, the decline in non-mainland territories, the fall in the margin amounted to 69 million euros (-26%), mainly affected by certain regulatory inefficiencies that have not allowed fuel costs to fully recover given the current scenario of raw material prices.
- **Reported EBIT** increased by 41%, to 1.555 billion euros, mainly due to the lower depreciation expenses for coal-fired plants after the accounting adjustment made to the carrying amounts of the plants last year.
 - **Net financial results** have been negative and amount to 48 million euros, improving almost 50% (96 million euros 1H2019).

Sound financial position

Endesa continues to have a sound financial position, which gives it significant strength and flexibility to deal with the situation caused by COVID-19 and undertake the substantial investment in renewable energies and digitalisation that Endesa has committed to in order to meet the objectives of its Strategic Plan and energy transition targets.

The company has unconditional credit lines contracted with first-rate entities available of more than 4 billion euros which, together with the implementation of specific plans for the improvement and efficient management of liquidity, and its position of under-leverage, enables it to easily tackle the difficult economic situation that the country is current going through.

In fact, Endesa has not had to resort to refinancing processes for its borrowings as a consequence of the health crisis caused by COVID-19.

- **Net debt** stood at 7.092 billion euros, 715 million euros higher than at 31 December 2019 (+11.2%), mainly due to the payment of the interim dividend Endesa paid shareholders on 2 January 2020 out of 2019 profit of 0.7 euros per share (gross), for a total amount of 741 million euros.
- The **net debt/EBITDA ratio** continues to be 1.7x.
- **Liquidity** has increased 35% in this first half of the year, to 4.469 billion euros which covers nearly 23 months of debt maturities.
- **Gross investments totalled 797 million euros, down 16.6%**, due mainly to the efforts made by the company in the construction of wind and photovoltaic capacity awarded in the auctions held by the government in 2017 and which were brought into operation in 2019.

Operating results

- In the first half of this year, **electricity demand in mainland Spain** fell by 7.8%, accelerating the decline started in the first quarter by warmer temperatures. Only in the second quarter, demand decreased by 13% (-3% in 1H2020) in Spain as a consequence of the pandemic.

	1S 2020 GWh	1S 2019 GWh	Variación (%)
PRODUCCIÓN ⁽¹⁾	27.575	30.375	-9,2%
VENTAS MERCADO LIBERALIZADO	33.515	37.476	-10,6%
VENTAS MERCADO REGULADO	5.523	5.658	-2,4%
ELECTRICIDAD DISTRIBUIDA	50.274	54.593	-7,9%
VENTAS DE GAS	33.995	39.258	-13,4%

(1) Sin consumos propios de generación.

- Renewable generation in Spain nearly met 60% of total mainland electricity demand in the period, compared to 52.1% in the same period last year.

- **Endesa's mainland energy production** (27,575 GWh) declined 9.2% mainly as a consequence of the drop in electricity demand associated with the emergence of COVID-19.
 - **CO₂-free technologies** (hydro, wind, solar and nuclear) accounted for nearly **90% of the company's mainland generation mix**, above the 73% achieved in 2019.
 - Endesa's production in non-mainland territories (TNP) was 4,974 GWh (-12.2%).
- In the period, Endesa recorded **market shares** of 17.5% in mainland generation, 43.7% in distribution and 33% 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 5.8 billion euros at 30 June 2020, down 1% year-on-year.
- At the end of the first quarter, Endesa had a market share of 14.4% of gas sales to deregulated market customers.

Dividends

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 5 May 2020 to pay shareholders a total dividend charged against 2019 profit for a gross amount of 1.475 euros per share (1.562 billion euros in total). In all, this dividend has entailed an increase of 3.4% more than the dividend charged to 2018 profit.

On 2 January, shareholders received an interim dividend of 0.70 euros per share (741 million euros) and on 1 July, a final dividend charged to the result of the 2019 financial year of 0.775 euros gross per share (821 million euros). €).

The company maintains intact its dividend policy, approved by the Board of Directors on 26 November 2019, and which entails the following shareholder remuneration for the 2019-2022 period:

- 2019 to 2020: The ordinary dividend per share to be distributed in these years will be the equivalent to 100% of ordinary net profit attributable to the Parent set down in the consolidated financial statements of the Group headed by this company.

- For 2021, the ENDESA, S.A. Board of Directors will seek that the ordinary dividend per share agreed to be distributed with a charge to that year be equal to 80% of the ordinary net profit attributed to the Parent Company in the Group's Consolidated Financial Statements.
- For 2022, the ENDESA, S.A. Board of Directors will seek that the ordinary dividend per share agreed to be distributed with a charge to that year be equal to 70% of the ordinary net profit attributed to the Parent Company in the Group's Consolidated Financial Statements.

Public Responsibility Plan - COVID19

Endesa, in its commitment to society, has recently presented the second phase of the Public Responsibility Plan, endowed with 25 million euros, and which was activated last March when the unprecedented health emergency, generated by COVID-19, demanded immediate measures of aid in Spain. The investment of 12 million euros in the direct purchase of medical supplies and donations to public and private institutions devoted to fighting the pandemic have contributed to alleviating that pressing initial need. And these results for the first half of the year, in fact, include an expense amounting to 10 million euros, net of tax effect, corresponding to this plan and purchases of supplies related to the COVID-19 health crisis.

In this second phase, endowed with another 13 million euros, the plan is based on two main axes:

Endesa Familias. Social inclusion is the objective, through projects to support families in vulnerable situations in the most affected territories. Endesa wants to minimise the risk of exclusion and for this it must continue helping to cover their basic needs. In the previous phase of the plan, almost 200,000 vulnerable families were assisted

Endesa Activa. Economic revival. Measures that promote the revival of the Spanish business fabric.

- ✓ Advice, digitisation and financial support to SMEs, the base element of our business fabric. The crisis has made clear the need to continue supporting sectors that have been highly affected economically due to the health crisis and confinement, through the creation of new innovative ways of relating.
- ✓ Specific local reactivation plans through collaborations with entities and institutions specialised in individualised mentoring of companies that allow them to adapt to the post-COVID situation and ensure their subsistence. Endesa is deeply linked to areas that need, more than ever, concrete plans to be developed that are adapted to the idiosyncrasy of the area.

With this second phase, the company wants to reinforce a message that is part of its global strategy: the need to not leave anyone behind in any energy, economic or social transition that may arise. The company has demonstrated an amazing ability to unite efforts with agility and turn



the direction of projects towards a different and supportive focus. *"Fair transition and sustainability require the good to be for everyone," said José Bogas, Chief Executive Officer of Endesa.*