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ENDESA INCREASED ITS ORDINARY NET PROFIT BY 38%, RELYING ON THE RESILIENCE OF ITS INTEGRATED BUSINESS AGAINST COVID

- *The ordinary net result reached 1.7 billion in the first nine months of the year. Endesa has kept to its financial and dividend targets for the year as a whole*
- *The company estimates an impact of 81 million in ebitda as a result of the pandemic so far this year. Despite this, this level has increased by 8% year-on-year to 3.136 billion*
- *The comprehensive management of the electricity business allows Endesa to mitigate the drop in electricity demand (-6% on average in the Iberian Peninsula) and in wholesale electricity prices (-36% compared to the same period in 2019).*
- *The growth in the production of energy with renewable sources meant that between January and September (excluding non-peninsular territories) the objective of generating 85% of electricity without CO2 emissions was met, a goal that was set for 2022.*

Madrid, 4th de November, 2020.- Endesa has managed to weather the effects of the coronavirus pandemic, as well as the growing competition in the deregulated business (which includes peninsular generation, commercialisation, services, adjustments and costs), in the first nine months of this year. The company remains committed to meeting the financial targets set for 2020, while making progress in the process of decarbonisation and growth of the renewable energy fleet in both Spain and Portugal.

The energy group obtained an ordinary net profit of 1.7 billion euros between January and September, 38.4% more than in the same period of the previous year. This figure was affected by the net effect of the reversal of the provision for certain social benefits due to the application of the new collective agreement (which contributed 515 million to the gross operating profit (EBITDA) and 386 million to the net result). And, on the other hand, the impact of the provision for staff cuts recorded in the first quarter (which deducted 159 million from EBITDA and 119 million from net profit). In other words, both items contributed a total of 356 million to EBITDA and 267 million to net income.

This healthy performance is supported, on the one hand, by the 8.2% increase in EBITDA, reaching 3.136 billion. The estimated impact of the covid on this magnitude amounts to 81 million up to September, only one million euros more than at the end of the first half of the year. And, on the other hand, by the decrease in provisions compared to the same period of 2019 by 57%, to

1.104 billion. Last year, Endesa discontinued its coal business in the Iberian Peninsula, which was a huge loss.

	Ene-Sept 2020 Mill.€	Ene-Sept 2019 Mill.€	Variación (%)
INGRESOS	12.959	14.805	-12,5%
EBITDA	3.136	2.898	+8, %
EBIT	2.032	335	+506,6%
BENEFICIO NETO	1.511	176	+758,5%
BENEFICIO NETO ORDINARIO	1.700 ⁽¹⁾	1.228 ⁽²⁾	+38,4%
CASH FLOW OPERATIVO	1.969	1.810	+8,8%
DEUDA FRA. NETA	7.407	6.377 ⁽³⁾	+16,2%
INVERSIONES BRUTAS	1.173	1.502	-21,9%

(1) Resultado Neto Ordinario 9M2020: Resultado Neto reportado (1.511 Mill.€) - Pérdidas Netas por Deterioro de Activos no Financieros superiores a 10 Mill.€ (-14 Mill.€) - Dotación inicial neta de gastos de personal por planes de reestructuración de plantilla relativos al plan de descarbonización (-160 Mill.€) - gastos netos correspondientes al Plan de Responsabilidad Pública por la crisis sanitaria COVID-19 (-15 Mill.€) = 1.700 Mill.€.

(2) Resultado Neto Ordinario 9M2019: Resultado Neto reportado (176 Mill.€) - ganancias/(pérdidas) por cesiones de activos no financieros de más de 10 Mill.€ (0 Mill.€) - Pérdidas netas por deterioro de activos no financieros de más de 10 Mill.€ (-1.052 Mill.€) = 1.228 Mill.€.

(3) Dato a 31 dic 2019.

Business model resilience

The evolution of business margins makes it possible to visualise Endesa's resistance and ability to adapt to a scenario of reduced energy demand (electricity and gas) and falling prices both in the wholesale market (pool) and in the commodity markets.

In the words of José Bogas, Endesa's CEO, "The Endesa model has allowed us to end the third quarter of the year with solid results, despite the difficult environment. During these months, in addition to managing the company with rigour, commitment and rolling out an intense decarbonisation plan, installation of renewable capacity and electrification of demand, our priority has been to meet the needs of thousands of our customers and lessen the effect of the pandemic in the communities where we are present"

Electricity demand decreased 6.1% in the Iberian Peninsula, 21.3% in the Balearic Islands and 10.1% in the Canary Islands between January and September. At the same time, the average pool price fell 36.1%. In gas, where Endesa is the second operator in Spain with a 15.6% share in sales in the deregulated market, demand fell 7.1% in year-on-year terms.

In this scenario, Endesa maintained the growth of the results of the deregulated business. The gross margin increased by 9%, to 2.225 billion, and the EBITDA increased by 20%, reaching

1.390 billion (excluding the net impact of provisions). Fixed costs in this area of activity decreased by 48 million to 835 million (also excluding the net impact of provisions).

At the same time, in regulated businesses Endesa has been affected by the entry into force of the new remuneration parameters for the 2020–2025 period, which is the main cause of the 7% decrease in its gross margin. The reduction in fixed costs by 40 million (excluding the impact of provisions) in relation to January-September 2019 has helped to partially mitigate the drop in EBITDA (-8%, to 1.603 billion, not counting the impact net of provisions) and gross margin (-7%, to 2.172 billion).

The ability to adapt to the pandemic and competitive environment is also reflected in the evolution of the number of clients, whose base remains mainly stable compared to the end of 2019. Endesa has added 10.5 million in electricity, of which 5.7 million came from the free market (5.8 million at the end of 2019) and 4.8 million of which are covered by the regulated market (in line with the end of the previous year). In terms of gas, the customer base has increased by 1.2% since the end of 2019, reaching 1.67 million, increasing the commercial base both in the regulated sector (+ 0.9%) and in the deregulated sector (+ 1.2%).

Progress in renewables

The company also continues to take decisive steps in its decarbonisation process. In this sense, it increased its solar and wind generator fleet by 800 MW (13% more) compared to January-September of last year, reaching 7,478 MW in operation. This last figure is approximately 44% of its peninsular generation fleet.

Renewable technologies plus hydraulic power contributed almost 10 TWh of generation which, added to the 19.5 TWh from nuclear power, brought the proportion of peninsular generation free of CO₂ emissions to 85% in the first three quarters of the year. This means that the objective that Endesa set itself in its strategic plan, for 2022 in annual terms, will be met in 2020.

Endesa has a total portfolio of renewable projects in different stages of development of 25,700 MW. Of these, 6,900 MW (65% solar and 35% wind) has been granted an access point and connection to the evacuation network. It is noteworthy that in the third quarter of the year, the company was awarded a 99 MW photovoltaic project with an additional 20 MW storage system in the tendering procedure held in Portugal, which will come into operation in 2024 and will require an investment of 90 million.

This acceleration of the decarbonisation plans for the electricity generation mix is also reflected, first, during the months of September and October in the awarding of the contracts for the dismantling of the Andorra (Teruel) and Compostilla (León) plants. And secondly, in the reduction in 2020 in thermal production compared to January-September of last year, after both facilities ceased production: 5.1 TWh, less than half the 10.5 TWh in 2019.

Specifically, the figure for thermal generation from coal plants was slightly less than one TWh in these first nine months of the year: 975 GW/h, 80% less compared to the January-September 2019 period.

	Ene-Sept 2020 GWh	Ene-Sept 2019 GWh	Variación (%)
PRODUCCIÓN	42.150	46.588	-9,5%
VENTAS MERCADO LIBERALIZADO ⁽¹⁾	52.062	58.497	-11%
VENTAS MERCADO REGULADO ⁽¹⁾	8.523	8.521	0
ELECTRICIDAD DISTRIBUIDA	79.211	84.367	-6,1%
VENTAS DE GAS	48.762	55.529	-12,2%

(1) Ventas netas a cliente final

Sustainable debt and commitment to dividends

Regarding the company's debt, in gross terms this stands at 7.684 billion euros, up from 6.607 billion at the end of 2019. 47% of Endesa's financial gross debt is linked to sustainability criteria.

Financial net debt amounts to 7.407 billion euros, with a level of leverage (net debt over EBITDA) of 1.8 times, remaining practically unchanged compared to the end of last year (1.7 times). In addition, the average cost of debt has been reduced even further, to 1.7%, a historical low for Endesa, which is even lower than the level it closed 2019 with (1.8%).

In line with maintaining its commitment to its main financial objectives, Endesa reiterates its forecast to distribute 100% of the 2020 annual profit to its shareholders.

Mitigating the socio-economic impact of the pandemic

Within the framework of the Public Responsibility Plan and purchases of supplies related to the Covid-19 health crisis, Endesa accumulated expenses of 17 million euros in the period January-September 2020. This plan, launched by the company last March, is backed by 25 million euros for the whole of the current year.

Now that the first phase has been executed, which used up 12 million euros and focused on mitigating the health effects, Endesa has now started the second phase. This phase is focused on counteracting the impact of the pandemic on education and work, and is backed by 13 million euros. The objective of this second phase is to help families and promote economic recovery.

Specific steps in this second phase include, for example, the distribution of 5,000 computers and Internet connection cards, as well as training in technological skills, among students and teachers of 500 public schools in Ceuta, Melilla, Andalusia, Canary Islands, Balearic Islands, Catalonia, Castilla y León, Aragon, Galicia and Extremadura. 5,000 students and 500 teachers are expected



to benefit directly from this action. In addition, there is the agreement with the Altius Foundation to improve the employability conditions of 12,150 people in vulnerable situations.

About Endesa

Endesa is the leading electricity company in Spain and the second in Portugal. It is also the second gas operator in the Spanish market. It has developed an integrated business ranging from generation to commercialisation and also offers, through Endesa X, added value services aimed at decarbonising energy uses in homes, companies, industries and Public Administrations. Endesa is firmly committed to the United Nations SDGs and, as such, decisively promotes the development of renewable energy, the electrification of the economy and Corporate Social Responsibility. In the latter area, we also work from the Endesa Foundation. Our human team has around 10,000 employees. Endesa is part of Enel, the largest electricity group in Europe.