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## PRESS RELEASE

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# Endesa has reinforced its outlook for 2030 with a 22% increase in investment to €31,000 million

The electricity company has given advance notice of its goal of becoming a 100% renewable company by 2040, in line with the goal announced by its parent company Enel

In the short term, the new strategic plan for 2022-2024 has established investment amounting to €7,500 million, with 80% destined to renewable energies and distribution networks

- The company has updated its Energy Transition strategy for 2022-2024, which is based on two main pillars. First, a 48% growth in installed capacity for renewable sources, up to 12,300 MW. This will enable 92% of Endesa's mainland production to be free of CO<sub>2</sub> emissions by the end of 2024. Total investment in renewable energies amounts to €3,100 million
- Endesa's energy mix will see the addition of 4,000MW of new renewable energy capacity. 90% of this will be solar and the rest will be wind energy. Deployment of renewable energy will increase by an average of 1,300MW per year. This will mean that 63% of energy generated in mainland Spain will be free of emissions by the end of 2024
- The second pillar is the promotion of the digitalisation of the network: It will involve a further €2,900 million, 12% more than in the 2021-2023 plan. Of this amount, €1,300 million will be allocated to the digitalisation of these infrastructures. This will lead to improved quality of service and a reduction of losses
- Endesa will also increase investment in the marketing business by 25% to €500 million during this period, with an increase of its client portfolio in the free market to €5.8 million
- Investment aimed at developing the energy use electrification area, Endesa X, will increase by 30% to €220 million compared to the previous plan. Of this amount, approximately €100 million will be used to underpin the company's leadership in the network of charging stations for electric vehicles in Spain which will reach around 46 thousand at the end of the period, up from the 11 thousand expected at the end of 2021
- 89% of the planned investment is directly related to the UN Sustainable Development Goals. And more than 80% is in line with European Union taxonomy. In the same regard, the percentage of corporate debt linked to sustainability objectives will increase from the 59% expected in 2021 to 80% in 2024.

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- With regard to the main financial objectives, Endesa expects a solid increase in gross operating profit (EBITDA) from an estimated €4,000 million at the end of 2021 to €4,700 million in 2024. As a result of this, ordinary net profit will increase by 18% to €2,000 million.
- The dividend policy will remain the same, extending 70% of pay out by one more year, to 2024
- The company has also updated the outlook for the current decade. Endesa is prepared to increase investment in the second half of the decade to total €31,000 million between 2021 and 2030, 22% more than the amount announced last year
- The estimated investment by 2030 will include €12,000 million to be allocated to new renewable power to reach an operational level of 24,000MW. This investment is 20% higher than estimated a year ago. With this, the volume of renewable power will triple the 8,300MW expected at the end of 2021
- Another €12,000 million, also 20% more than expected last year, will be allocated to the digitalisation and modernisation of the network to improve quality of service and increase the regulated asset base to more than €13,000 million.
- With regard to the electric vehicle charging network, operations are estimated to exceed 400 thousand (total public and private) by 2030
- Endesa is also bringing forward its conversion to a completely decarbonised company by 2040, a goal it plans to achieve without using carbon capture techniques or emissions compensation. In this way, Endesa is collaborating with the goal established at group level by the parent company, Enel. This will enable the company to accelerate the exit from the business of production with emissions, as well as the sale of gas, and will thus become a 100% renewable electricity company with no links to production technologies or fuels that cause emissions

Today, Endesa presented to the investment community an update for its strategic plan for 2022-2024 as well as, for the second consecutive year, a forecast of what the company will be at the end of the decade, in 2030, a period in which investment will grow by 22% compared to that estimated in 2020 to reach 31,000 million euros. A new feature is that Endesa has announced that, in line with the parent company Enel, it will bring forward to 2040 the end of all electricity production from technologies that cause emissions, which will make it a company with 100% of its production linked to renewable sources. It will also cease to market gas to all types of customers.

José Bogas, CEO of Endesa, notified investors of some of the key factors surrounding these ambitious objectives for the company to make the largest industrial reconversion it has undertaken in its almost eight decades of history: "With this update of our strategic plan, accompanied by a renewed outlook for 2030 and a new key milestone such as complete decarbonisation by 2040, Endesa aims to maintain its leadership in the Iberian market based on top-level assets and successful management as a vertically integrated company. Bringing forward from 2050 to 2040 our aim to become a totally emission-free company is based on a solid portfolio of renewable projects totalling 80 gigawatts. Reaching this key milestone will go together with a firm commitment to the electrification of consumption, earning the loyalty of our customers by generating value for both them and the company."

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In the short term, for the next three years, Endesa announced continuous progress in terms of the volume of investment programmed, allocating €7,500 million to growth in the Spanish Mainland between 2022 and 2024.

Planned investment for the development of renewable power will be €3,100 million, which will enable the commissioning of 4 gigawatts of new clean power: 90% will correspond to solar plants and the rest to wind farms.

This will enable the company to reach 12.3 thousand MW of solar, wind and hydraulic energy by the end of the plan, growing by 48% compared to the 8.3 thousand MW with which it expects to end 2021. The growth in renewables will enable 92% of energy production in the Spanish Mainland to be free of CO<sub>2</sub> emissions by the end of 2024, six percentage points more than at the end of 2021.

Endesa's portfolio of renewable projects has grown dramatically during 2021, multiplying by more than three, to 80 gigawatts, compared to the previous plan. Of this portfolio, 63% corresponds to solar plants, 19% to storage projects and another 12% to wind farms. At the date of presentation of this plan, Endesa had 2 gigawatts under construction and another 9 gigawatts in a high state of maturity.

This new clean power will far exceed the reduction of that of thermal origin due to the closure of coal plants in the Spanish Mainland, a process in which the company continues to make progress after receiving authorisation for the Litoral plant (Almería) in 2021, as well as the scheduled end of production at the Pego coal plant (Portugal), in which Endesa is a minority shareholder. The only permit pending authorisation would be that for As Pontes (A Coruña). All this means that 63% of the company's generating capacity in the mainland will be of renewable origin by the end of 2024, from the current 54%.

### **Efforts in networks and the promotion of electrification**

The second major feature of investments in the new plan involves those destined for the distribution network. Investment will rise by 12% compared to the previous plan, and reach €2,900 million. With this investment is expected to reduce both the number of power cuts and their duration by 10% and 25% respectively. Digitalisation will also support a decrease in network losses, estimated at an improvement of 3%.

On this basis, Endesa plans to increase the investment in electrification of demand that it has been making for a number of years. The investment planned for growth in the marketing business will increase by 25% to €500 million. As a result of this and a recovery in demand, total sales of electricity will grow by 2% in 2024 compared to 2021, to 93 terawatt/hour. This increase will be based on marketing to customers in the deregulated market.

The company estimates that these free market customers will increase by 200,000, up to 5.8 million, which represents an increase of 4% and would mean that 58% of the client portfolio would be in the

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free market by the end of 2024. The focus will be on customer loyalty, based on offering customised services adapted to their needs.

One of the levers for commercial development is the Única subscription platform, launched last year, with which it is expected to add 180,000 contracts throughout 2021 after a renewal of the offer in September for a fixed price of €58/MWh for two years.

With regard to Endesa X, Endesa's subsidiary geared towards decarbonising energy consumption by families, companies and public administrations, the investment managed will also grow by 30% to €220 million. This will include about €100 million that will be aimed at developing the electric mobility business. This will involve the number of charging stations for electric cars exceeding 46,000 by the end of 2024 (from 11,000 foreseen for the end of 2021) and charging stations for electric buses are expected to reach 125 by the end of the plan (23 are expected for this business year). The number of e-home contracts for electricity and gas maintenance is also expected to rise sharply to 2.7 million (35% increase). All this will mean that both the EBITDA and the gross margin for the division will double by the end of the plan.

In the words of **Luca Passa**, General Economic-Financial Director of Endesa: "Foreseen investment in the plan for 2022-2024 will enable solid growth in both EBITDA and net profit, in both cases of 18%, to €4,700 million and €2,000 million, respectively. This growth will be based on the deployment of new renewable power, an improvement in the market context, and an expected improved performance of the electricity and gas marketing business based on the electrification trend and our own commercial strategy."

### **Growth in profitability and financial sustainability**

With regard to financial performance, Endesa expects to increase gross profit (EBITDA) by 18% during the period, from an estimated €4,000 million for 2021 to €4,700 million in 2024 as a result of the investment made and an improvement in the market context. Specifically, the contribution of the renewables business to the EBITDA will increase from €500 million to €800 million between 2022 and 2024. An additional €300 million in EBITDA will come from the marketing business and Endesa X. And finally, the contribution of the distribution activity to gross profit will remain stable at €2,000 million annually throughout the period.

Endesa has confirmed a pay out policy of 80% in 2021 and 70% for the period 2022-2023, extending that same pay out for another year until 2024. The company thus maintains a dividend policy that is adapted to the growth profile derived from this strategic plan.

With regard to developments in indebtedness, this is expected to grow very moderately between 2022 and 2024. At the end of this year it will be between €9,500 and €10,500 million, a range that will depend on the final impact on the company's working capital of this year's extraordinary market conditions and the fiscal and regulatory measures adopted by the Government to contain the rise in electricity prices. Starting in 2022, the planned investment and estimated dividend payment will be covered by cash flow

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for the most part, bringing the increase in debt to an additional €300 million that would bring total liability to about €10,700 million by the end of the plan. All this is within a context in which Endesa expects to benefit from cost of debt at historic lows, going from an average of 1.5% in 2021 to 1.4% in 2024.

Debt management will have a stronger link to sustainability criteria, so the percentage of gross debt linked to sustainability objectives will increase from 59% of the total estimated in 2021, to 80% in 2024.

### **Renewed outlook for 2030: Up to €31,000 million in investments**

Together with an update to the strategic plan to 2024, Endesa now applies more ambitious criteria to the outlook for the main business objectives on the 2030 horizon, which it presented last year for the first time. The company maintains this prospective exercise to convey the strategy to be followed in a key decade for the sector due to the multiple and profound changes faced by the energy activity in Spain and Portugal arising from decarbonisation, a massive electrification of demand and respect for the criteria of sustainability and circularity of business activity. Endesa is a key player in the reconfiguration of the sector, as it is the largest distributor, and the second largest producer of electricity in the Spanish Mainland, as well as having the largest customer base.

To take advantage of the opportunities arising from both the Spanish Integrated National Energy and Climate Plan and the European Union's new Fit for 55 strategy, Endesa estimates there will be investments of €31,000 million between 2021 and 2030, 22% more than in the outlook for 2030 presented last year.

Of these, 40% will go to increasing renewable generation capacity to reach 24,000 MW, that is, 16 thousand MW additional to those in operation at the end of 2020. With this, production from clean sources will be multiplied by four up to 48 terawatts/hour and the proportion of emission-free generation in the mainland will reach 95%. The growth in renewables, together with a total exit from the coal business by 2027, are confronted from a circular economy point of view.

A further 40% will go to the distribution network, with €12,000 million, which will increase the base for regulated assets from €11,700 million to €13,000 million by the end of 2030. The aim of this is to go further in the improvement of security and the quality of supply, make the grid more efficient and flexible to meet the requirements of the new renewable generation planned, in addition to the new needs of customers. This means that the number of end users of Endesa's network will grow by 6% to 13.1 million, from 11.7 million at the end of this year.

Finally, the marketing business and Endesa X will absorb €4,100 million until the end of the decade. With this, the number of customers in the free market segment is expected to grow by 23%, to reach about 6.9 million by 2030, up from the 5.6 million expected at the end of this year 2021. The electrification of demand will also be promoted as there will be about 400,000 electric vehicle charging stations by the end of this decade. At the same time, there is expected to be a base of up to 2.6 thousand megawatts in demand management installations, which will enable the use of new systems and management models based on the new functionalities of the distribution network.

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### **Strategic milestone: Full decarbonisation by 2040**

The climax for this strategic planning for 2024 and 2030 will be Endesa's alignment with the parent company Enel in the ambitious goal of bringing forward to 2040 the full decarbonisation of all its activities. This will be achieved on the basis of four main lines of action:

- The deployment of new renewable capacity that makes all generation activity 100% emission-free (inside and outside Mainland Spain), from 40% in 2021 and 70% estimated for 2030
- Hybridisation of renewable installations with green hydrogen storage and production technologies
- Exit from the coal business by 2027 and the production of electricity using gas by 2040
- Exit from the retail gas marketing business

#### **About Endesa**

[Endesa](#) is the largest electricity company in Spain and the second largest in Portugal. The company is also the second largest gas operator in the Spanish market. Endesa operates an end-to-end generation, distribution and marketing business. Through [Endesa X](#) it also offers value-added services aimed at the electrification of energy usage in homes, companies, industries and Public Administrations. Endesa is firmly committed to the [United Nations SDGs](#) and strongly supports the development of renewable energies through [Enel Green Power España](#), the digitalisation of grids through e-distribution and corporate social responsibility (CSR). The Endesa Foundation is also active in CSR. Our workforce numbers around 9,600 employees. Endesa is a division of Enel, the largest electricity group in Europe.