

ENDESA OBTAINS ORDINARY NET PROFIT OF EURO 832 MILLION IN THE FIRST HALF OF 2021 AND MAINTAINS TARGETS IN AN ADVERSE MARKET ENVIRONMENT

Gross operating income (EBITDA) totalled Euro 1,879 million to June

- *Endesa posted net ordinary income of Euro 832 million between January and June, down 26%. On a like-for-like basis compared to 2020 (excluding the net effect of the provisions recorded the previous year), the decline was 3%*
- *Gross operating income (EBITDA) stood at Euro 1,879 million in an unfavourable market context characterised by the rise in raw material prices. In comparable terms with last year, the decline is reduced from 19% to 4%*
- *The financial targets for the current year have been reconfirmed on the back of an expected improved performance in the second half and the expected impact of various management measures aimed at business efficiency*
- *Endesa remains open to dialogue with public administrations to find the most efficient solutions to the current context of wholesale market prices, which on average have doubled compared to the first half of 2020*
- *The company finalises the complete closure of its coal business in mainland Spain and achieves 88% of its production free of CO₂ emissions in the first half of the year*
- *Renewable plants under construction as of June total 2,500 megawatts (MW), covering the 2021 new capacity connection target of approximately 700 MW and 2022 targets of a further 1,400 MW*
- *The company resumed its growth in domestic customers in the free market in the second quarter of the year and maintained its leadership in the charging stations network in Spain, with 8,000 at the end of the first half of the year*



Madrid, 27 July 2021. Endesa has reached the halfway point of 2021, reconfirming its main financial targets for the year: EBITDA of Euro 4,000 million and net ordinary income of Euro 1,700 million. These figures have been generated against an adverse market backdrop due to the sharp rise in energy commodity prices, particularly gas, and also the average price of CO₂ emission rights. This context has led the price of electricity on the wholesale market to double, on average, compared to the first half of 2020. In view of the measures announced by the Spanish Government to mitigate the impact of this rise, Endesa maintains its position of open dialogue to find the most efficient solutions to deal with this situation of high prices, which the market is already discounting for the remainder of 2021.

In terms of the company's main highlights, EBITDA (gross operating profit) was Euro 1,879 million, 19% lower than in the first half of the previous year. On a comparable basis, excluding the net effect of the 2020 provisions, the decline is 4%. The aforementioned adverse economic situation affected the performance of the deregulated businesses (Generation and Supply), which are the ones that reduced their EBITDA in the first six months of 2021 compared to 2020.

Ordinary net profit fell 26% year-on-year to Euro 832 million. Similarly, on a comparable basis excluding the net effect of the 2020 provisions, this decline would be only 3%. Endesa expects a gradual normalisation of market conditions in the second half of the year. In addition, it is making management decisions to offset the effect of the volatility of commodities on our income statement. All this will enable it to meet the targets set for the full year in terms of both EBITDA and ordinary net profit.

With regard to the decarbonisation path, Endesa's CO₂ emission-free mainland Spain output in the first half of the year reached 88% of the total, in line with the target of reaching 89% by 2023. The company will also close all its coal-fired generation business on the Spanish mainland this year. This is only pending the necessary administrative authorisations.

The company is making parallel progress in promoting its renewable portfolio. The total portfolio amounts to 52,900 MW, 11,000 MW more than at the end of 2020 and has 7,000 MW with access point and grid connection granted (300 MW more than at the end of last year). It currently has 2,500 MW of solar and wind power plants under construction, which gives confidence that it will meet its targets for commissioning new clean capacity by 2021 (a total of 700 MW). Of those, 900MW are scheduled to come on stream in 2022, part of which may also accelerate construction. In addition, Endesa has a storage project portfolio of 9,700 MW, of which 1,600 MW are assigned to renewable projects at a high level of government permit maturity.

With regard to the evolution of the electricity supply market, Endesa recorded a 9% increase in energy distributed through its networks and a 2% increase in energy sold to all its end customers. The company's commercial initiatives based on digitalisation are already bearing fruit: in the second quarter of the year, it resumed growth in the domestic customer segment in the deregulated market, with an increase of 41,000 MW.

In electric mobility, the company maintained its leadership in Spain in terms of the charging stations network, with 8,000 at the end of the first half, 6.6% more than the 7,500 at the end of March.

In total, Endesa invested more than Euro 700 million in the first half of the year to promote its decarbonisation and electrification strategy, 15% more than in the same period in 2020. Of this investment, 85% is linked to four of the Sustainable Development Goals (SDGs) defined by the United Nations.



José Bogas, Chief Executive Officer, said: "The situation of the energy market in Spain, with the sharp increase in wholesale market prices, is not benefiting electricity companies such as Endesa, as we have sold energy to customers at prices lower than those set by the pool. Our company believes that, in addition to the measures to be implemented by the Spanish Government in the short and medium term, there are other more efficient and structural measures that could be implemented. In particular, the reform of the regulated tariff to protect domestic customers from market volatility".

Regarding the proposal to reduce the remuneration of nuclear, wind and hydroelectric plants in operation since before 2005 by deducting CO₂ costs, the company's top executive explained to analysts: "We have expressed that this proposal is based on erroneous grounds, such as that these facilities are fully depreciated, despite the huge investments made in them since the year indicated in the draft bill. We are confident that, following the proposed changes to the draft text suggested by the CNMC and as a result of the parliamentary process in which all parties involved will be heard, the final outcome will be more reasonable, especially for nuclear and hydroelectric facilities."

Financial performance

Analysing the various activities in greater depth, the performance of the regulated business (distribution and non-mainland systems) met expectations and increased its gross margin and EBITDA by 2% and 5%, respectively. The standardisation of the remuneration levels for fuel used in the non-mainland systems and the reduction in fixed costs offset the slight fall in the distribution margin as a result of the new remuneration parameters.

In the deregulated segment, Endesa managed to offset the challenging environment in the electricity and gas supply business with some extraordinary results. Specifically, revenues from the recovery of CO₂ costs from 2006 of Euro 188 million, already recognised in the first quarter, and the return of the hydroelectric levy following the Supreme Court ruling in the second quarter, which amounted to a further Euro 48 million.

The company continues to deepen, in parallel with this market situation, its strategy of reducing fixed costs and obtaining efficiencies through the digitalisation of its operations. Fixed costs, in adjusted terms, declined by almost 3% compared to the first half of 2020, to Euro 959 million. Digitisation, strongly driven by the pandemic during 2020, has multiplied the volume of e-invoices to 5.5 million (from 4.2 million at the end of the first half of last year), exceeding the target envisaged for 2023. And the number of digital contracts grew 16% year-on-year to 5.9 million.

The company's net debt reached an approximate value of EUR 8.2 billion, an increase of EUR 1.3 billion due to the negative free cash flow and the payment of the interim dividend against 2020 results in January. The leverage ratio (net debt to EBITDA) stood at 2.1x, in comparable terms with the first half of 2020. The cost of debt remains extraordinarily low, with an average interest rate of 1.7% (the same as at the end of last year). This makes Endesa one of the European integrated utilities with the lowest cost of debt at the end of the first half in an environment of rising interest rates.

In terms of its sustainable finance strategy, Endesa ended the first half of the year with all of its liquidity facilities totalling Euro 4,075 million linked to sustainability objectives (SDGs). And also with 95% of its guarantee lines, amounting to Euro 3,315 million, also linked to these sustainable development goals. The company has 49% of its liabilities linked to sustainability goals as of June, progressing towards the target of reaching 60% by 2023 set in the strategic plan.

Luca Passa, CFO, told investors during the presentation of the half-year results: "Our guidance for 2021 as a whole, with EBITDA of Euro 4 billion and ordinary net profit of Euro 1.7 billion, remains on track despite the exceptional conditions experienced in the first half of the year. We expect the situation to normalise in



the second half of the year, supported by an improved business performance, making the second half of the year similar to that of 2020. Specifically, we expect margins to improve in both electricity and gas once price volatility has been managed; efficiency improvements in addition to those recorded so far; and an upward performance of the regulated business driven by the increase in consumption and the acceleration of investments".

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 business from generation to marketing and through Endesa X also offers value-added services aimed at the decarbonisation of energy uses in homes, companies, industries and public administrations. Endesa is firmly committed to the United Nations SDGs and therefore strongly supports the development of renewable energies through Enel Green Power España, the electrification of the economy and Corporate Social Responsibility. The Endesa Foundation is also active in CSR. Our workforce numbers around 9,600 employees. Endesa is a division of Enel, Europe's largest electricity group.

	1H 2021 €Mill.	1H 2020 €Mill.	Change (%)
REVENUE	10,272	8,883	+15.6%
EBITDA	1,879	2,315	-18.8%
EBIT	1,094	1,555	-29.6%
NET INCOME	832	1,128	-26.2%
OPERATING CASH FLOW	492	995	-50.6%
NET FIN. DEBT	8,184	6,899 ⁽¹⁾	+18.6%
GROSS INVESTMENT	908	797	+13.4%

(1) Data at 31 Dec 2020

	1H 2021 GWh	1H 2020 GWh	Change (%)
OUTPUT ⁽¹⁾	27,592	27,575	+0.1%
DEREGULATED MARKET SALES	33,979	33,515	+1.4%
REGULATED MARKET SALES	5,441	5,523	-1.5%
ELECTRICITY DISTRIBUTED	64,191	58,788	+9.2%
GAS SALES ⁽¹⁾	40,724	33,995	+19.8%

(1) Excluding own generation consumption.