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REPORT RELATING TO THE PROPOSED DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO ISSUE DEBT INSTRUMENTS WHICH ARE BOTH SIMPLE AND EXCHANGEABLE AND/OR CONVERTIBLE INTO SHARES OF THE COMPANY, AS WELL AS WARRANTS

endesa

Report relating to the proposed delegation to the Board of Directors of the power to issue debt instruments which are both simple and exchangeable and/or convertible into shares of the Company, as well as warrants.

1 Introduction

This report is issued by the Board of Directors of ENDESA, S.A. ("**ENDESA**" or the "**Company**") in relation to the proposed delegation to the Board of Directors of the power to issue debt instruments both non-convertible and exchangeable and/or convertible into shares of the Company, as well as warrants, with the power to exclude shareholders' preferential subscription rights, limited to 10% of the share capital, which is submitted to the approval of the General Shareholders' Meeting called for 5 May 2020, in a single call (the "**Proposed Delegation**").

In order to facilitate understanding and follow-up of the explanations and justifications that make up this report, we have considered it appropriate to structure it in the following three different sections: (i) this introductory section; (ii) the second section, which includes the purpose and justification of the Proposed Delegation; and (iii) the final section, which contains the full text of the Proposed Delegation

2 Statement of the purpose and justification of the Proposed Delegation

The Board of Directors considers it appropriate for it to have the delegated powers permitted by current legislation so as to be in a position at all times to raise such funds as may be necessary for the proper management of corporate interests in the primary securities markets. From this perspective, the Proposed Delegation aims to provide the Company's management body with the room for manoeuvre and the response capability demanded by the competitive environment in which it operates, in which the success of a strategic initiative or a financial transaction often depends on the possibility of undertaking it quickly, without the delays and costs inevitably entailed by convening and holding a General Meeting.

Issuing convertible and/or exchangeable securities is a way of raising finance by attracting external resources which, depending on the particular market circumstances at any given time, may be more appropriate to the corporate interest than other sources of financing.

Similarly, the power to exclude the preferential subscription right in the event of an issue of shares or convertible and/or exchangeable securities is justified on the following grounds:

- (i) The power to exclude the preferential subscription right can mean savings in terms of the costs associated with the execution of a transaction with these characteristics.
- (ii) If the preferential subscription right is excluded, trading in the Company's shares during the issue period is less distorted than it would otherwise be.

- (iii) The power to exclude the preferential subscription right provides significantly more room for manoeuvre and response capability than the mere delegation of the power to issue convertible securities, and is justified by the flexibility and agility with which it is necessary to act in today's financial markets in order to be able to take advantage of market conditions at moments when they are most favourable.

For this reason, it is considered essential to provide the management body with the necessary tools so that, in the event that the Company needs external financing, it can choose the method it considers most appropriate at any given time, taking into account not only quantitative metrics but also qualitative ones, and this is contributed to not only by the power to issue securities exchangeable and/or convertible into shares but also by the power to be able to exclude the preferential subscription right in such issues.

In view of the reasons set forth, the Proposed Delegation expressly envisages the Board of Directors being authorised to determine in each case whether such securities as are issued are compulsorily or voluntarily convertible or exchangeable, and to decide, in the case of convertibles, the capital increase necessary to cater to the conversion, provided that this increase by delegation does not exceed half the amount of the share capital, in accordance with the provisions of Article 297.1 b) of the Spanish Corporate Enterprises Act, or 10% of said total share capital if shareholders' preferential subscription right is excluded in the issue of the convertible securities.

The proposal also contains the criteria for determining the bases and *modi operandi* for the conversion and/or exchange of the securities into shares, in the event that the Board of Directors should decide to make use of the authorisation to issue convertible and/or exchangeable securities, although it delegates to the Board of Directors itself the specification of said bases and modalities for the conversion and/or exchange for each specific issue within the limits and in accordance with the criteria established by the General Shareholder's Meeting. Thus, it will be the Board of Directors that decides whether the securities issued are convertible and/or exchangeable; whether such conversion and/or exchange is compulsory or voluntary, and, if voluntary, whether at the holder's or the issuer's option; and that also determines the conversion and/or exchange ratio of the shares issued for the conversion or those used for the exchange of the securities, which may be fixed or variable.

In any case, in accordance with the provisions of Article 415 of the Corporate Enterprises Act, bonds may not be converted into shares when the nominal value of the former is less than that of the latter. Likewise, in no case may the value of the share for the purposes of the conversion ratio be less than its nominal value.

It must be borne in mind that the exclusion of the preferential subscription right is a faculty that the General Shareholders' Meeting delegates to the Board of Directors, and that it is for the Board to decide in each case, in view of the specific circumstances and with regard to the legal requirements, whether or not it is appropriate to exclude this right. In any case, if the Board should decide to exclude the preferential subscription right in relation to a specific issue of convertible securities that it may decide to carry out under the authorisation requested from the General Shareholders'

Meeting, it shall issue the directors' report and provide the auditor's report as required in Article 417.2 of the Corporate Enterprises Act and as established in Article 511 of said Act. Both reports shall be made available to shareholders and communicated to the first General Shareholders' Meeting held after the decision to carry out the issue.

Likewise, in view of the fact that, in certain circumstances, it may be appropriate for the activity of raising financial resources to be carried out by companies belonging to the Company's group, and since it is an essential condition in such cases for the success of the operation that any such issue carried out by a group company must have the full backing and guarantee of the Company, the Board of Directors also requests the express authorisation of the General Shareholders' Meeting for the Company to be allowed to guarantee all such obligations of any kind as may arise for group companies deriving from the issues carried out by them in order to attract financing for the Endesa Group.

It is further proposed that the aggregate amount of the issue(s) of securities decided on under the Proposed Delegation not be allowed at any time to exceed Euros 6 billion or its equivalent in another currency, of which, at most, Euros 4 billion may correspond to promissory notes, the maximum amount of which will be calculated based on the outstanding balance of those issued under the delegation. Also for the purposes of the foregoing limit, in the case of warrants, it is proposed that the sum of premiums and exercise prices of the warrants of each issue approved under this delegation be taken into account.

Finally, the proposal is completed with the request that, where appropriate, the securities issued under this authorisation be admitted to trading on any secondary market, organised or not, official or not, national or foreign, and that the Board of Directors be authorised to carry out such procedures as may be pertinent to this end.

3 Proposed resolution

ITEM 6 ON THE AGENDA

Delegation to the Board of Directors for a period of five years, of the power to issue long-term bonds, medium-term bonds, promissory notes or other securities, both non-convertible and exchangeable and/or convertible into shares of the Company, as well as warrants, with the power to exclude shareholders' preferential subscription right, limited to 10% of the share capital.

To delegate to the Board of Directors, in accordance with the general regime on the issue of bonds and under the provisions of Articles 286, 297, 417 and 511 of the Corporate Enterprises Act and Article 319 of the Regulations of the Trade & Companies Register, the power to issue negotiable securities in accordance with the following conditions:

- 1. The negotiable securities to which this delegation refers may be long-term bonds, medium-term bonds, promissory notes and other debt securities, non-convertible or exchangeable for outstanding shares of the Company and/or convertible into newly issued shares of the Company. Likewise, this delegation may also be used to issue warrants or other similar securities that may directly*

or indirectly confer the right to subscribe or acquire shares of the Company, either newly issued or already in circulation, and long-term and medium-term bonds exchangeable for shares of other companies in circulation.

- 2. The issue of the aforementioned securities may be carried out once or several times within the maximum period of five years from the date of adoption of this resolution.*
- 3. The delegation shall extend to the establishment of the various aspects and conditions of each issue, including, but not limited to, nominal value, type of issue, redemption price, interest rate, exchange ratio, amortisation, subordination clauses, anti-dilution mechanisms, issue guarantees, admission to listing, applicable legislation, and, in general, any other condition of the issue, as well as, where applicable, the appointment of the commissioner of the bondholders' syndicate, if it is necessary to create or it is decided to create such syndicate.*
- 4. The aggregate amount of the issue or issues of securities agreed upon under this delegation may not exceed, at any time, Euros 6 billion or the equivalent in another currency, of which, at most, Euros 4 billion may correspond to promissory notes, this maximum amount being calculated based on the outstanding balance of those issued under the delegation. Also for the purposes of the foregoing limit, in the case of warrants, the sum of premiums and exercise prices of the warrants of each issue approved under this delegation shall be taken into account.*
- 5. For the purposes of the provisions of Article 414 of the Corporate Enterprises Act and as regards the issue of long- or medium-term bonds convertible into new shares of the Company and/or exchangeable for outstanding shares of the Company, the following bases and modi operandi are established for the conversion and/or exchange:*
 - i) The securities will be convertible into new shares of the Company and/or exchangeable for outstanding shares of the Company in accordance with a conversion and/or exchange ratio that may be fixed or variable, as determined by the Board of Directors. The Board of Directors is empowered to determine whether the securities are convertible and/or exchangeable, as well as establishing whether they are voluntarily or compulsorily convertible and/or exchangeable and, if voluntarily, whether at the holder's or the issuer's option or both, and the frequency and term of such conversion and/or exchange, which will be established in the issue agreement. In the event that the securities are both convertible and exchangeable, the Board of Directors may agree that the issuer reserves the right to choose at any time between conversion into new shares or exchange for outstanding shares, specifying the nature of the shares to be delivered at the time of the conversion or exchange, and being authorised to deliver a combination of newly issued and pre-existing shares and even to settle the difference in cash.*
 - ii) If a fixed conversion and/or exchange ratio is established, the securities will be valued at their nominal amount and the shares at the fixed exchange rate*

established by the resolution of the Board of Directors that makes use of this delegation, or at the determinable rate at such date or dates as may be indicated in said resolution and depending on the listed price of the shares of the Company on the date or dates or period or periods that are taken as reference, with or without a discount and, in any case, with a minimum that may not be less than the greater of (i) the arithmetic mean of the closing prices of the Company's shares in the Spanish Computer-Assisted Trading System during the period to be determined by the Board of Directors, not more than three months or less than fifteen days, prior to the date of the meeting of the Board of Directors that, using this delegation, approves the issue of the securities; and (ii) the closing price of the shares on the same Spanish Computer-Assisted Trading System on the day prior to the date on which said meeting of the Board of Directors was held. The maximum discount that may be applied to said minimum price may not exceed 25%.

- iii) In the case of establishing a variable conversion and/or exchange ratio, the securities will also be valued at their nominal amount and the price of the shares for the purposes of the conversion and/or exchange will be the arithmetic mean of the closing prices of the Company's shares in the Spanish Computer-Assisted Trading System during a period to be determined by the Board of Directors, not more than three months or less than five days before the date of conversion and/or exchange, with a premium or, as the case may be, a discount on said price per share. The premium or discount may be different for each conversion and/or exchange date of each issue (or, where applicable, each tranche of an issue), although in the case of setting a discount on the price per share, this may not be more than 25%.*
- iv) Pursuant to the provisions of Article 415 of the Corporate Enterprises Act, bonds may not be converted into shares when the nominal value of the former is less than that of the latter. Likewise, convertible bonds may not be issued for less than their nominal value.*
- v) Upon conversion and/or exchange, any fractions of shares that might be due to a holder of debt securities will be rounded down by default to the nearest whole number, and holders will receive the difference in cash.*

At the time of approving an issue of convertible and/or exchangeable long- or medium-term bonds under this authorisation, the Board of Directors shall comply with the provisions of Article 414 of the Corporate Enterprises Act.

With regard to the issuance of warrants or other securities of a similar nature that give the right to acquire or subscribe shares in the Company, the Board of Directors is empowered to determine, in the broadest terms, the criteria applicable to the exercise of the rights of subscription or acquisition of shares of the Company incorporated into said securities, applying in relation to such issues the criteria established in this section 5 for the valuation of the shares, with the necessary adaptations in order to make them compatible with the legal and financial regime of this class of securities.

- 6. The delegation to the Board of Directors also includes, without limitation, the following powers:*

- i) *The power to increase capital by the amount necessary to meet conversion or subscription requests. Said power may be exercised only to the extent that the capital increase approved by the Board does not exceed the unused limit authorised by the General Shareholders' Meeting under the provisions of Article 297.1 b) of the Corporate Enterprises Act, or [10%] of said total share capital in the event that shareholders' preferential subscription right is excluded in the issue of the convertible securities. This authorisation to increase the capital includes authorisation to issue and put into circulation, once or several times, the shares necessary to carry out the conversion or subscription, and to amend the Article in the By-laws relating to the amount of the share capital.*
 - ii) *The power to totally or partially exclude shareholders' preferential subscription right when this is necessary in order to attract financial resources in national or international markets or is otherwise required by the corporate interest. In any case, if the Board of Directors should decide to exclude the preferential subscription right in relation to a specific issue of securities that it may decide to carry out under this authorisation, it shall, when approving the issue, produce a report detailing the specific reasons of corporate interest that justify said measure, and this report shall in turn be the subject of a report by an auditor other than the Company's auditor, designated for this purpose by the Trade & Companies Register, as referred to in sections a) and b) of Article 417.2 of the Corporate Enterprises Act. Both reports will be made available to shareholders and will be communicated to the first General Shareholders' Meeting held after the adoption of the decision to carry out the issue.*
 - iii) *The power to develop and specify the bases and procedures of the conversion, exchange and/or exercise of the rights of subscription and/or acquisition of shares, deriving from the securities to be issued, taking into account the criteria established in section 5 above, and, in general, all such matters and conditions as may prove necessary or conducive to the issue.*
7. *The Board of Directors is also authorised to guarantee, on behalf of the Company, the issue of the securities mentioned in section 1 above by companies belonging to its group.*
8. *The Board of Directors is empowered to request admission to trading on official or unofficial secondary markets, organised or not, national or foreign, of the securities issued by the Company under this delegation, this power extending, with express authorisation of substitution in favour of the CEO, to the performance of the necessary procedures and actions for admission to listing with the competent bodies of the various national or foreign securities markets.*

It is expressly stated that, in the event that the delisting of the securities issued by virtue of this delegation should subsequently be requested, this will be adopted with the same formalities as are applicable and, in such case, the interests of shareholders or bondholders opposing or abstaining from the resolution will be guaranteed, complying with the requirements established in the Corporate Enterprises Act and concordant provisions, and all in accordance with the provisions of the Securities Market Act and the provisions that develop

it. Likewise, the Company's submission to the rules that are in place or may be dictated in the future regarding Stock Exchanges and, especially, regarding initial and ongoing admission to and exclusion from trading is expressly declared.

The Board of Directors is authorised, in turn, to sub delegate in favour of the CEO, with express power of substitution, the delegated powers referred to in this resolution under the provisions of Article 249-a 1) of the Corporate Enterprises Act.