ENDESA 1H 2017 NET INCOME DOWN 18% ON EFFECT OF DEREGRATED MARKET - 2Q SHOWS SIGNS OF RECOVERY

<table>
<thead>
<tr>
<th></th>
<th>1st Half 2017</th>
<th>1st Half 2016</th>
<th>Change %</th>
<th>Change (%) before extraordinary items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million euros</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td>10,004</td>
<td>9,203</td>
<td>8.7</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,605</td>
<td>1,866</td>
<td>-14</td>
<td>-19</td>
</tr>
<tr>
<td>EBIT</td>
<td>901</td>
<td>1,190</td>
<td>-24.3</td>
<td></td>
</tr>
<tr>
<td>NET INCOME</td>
<td>653</td>
<td>796</td>
<td>-18</td>
<td>-27</td>
</tr>
<tr>
<td>OPERATING CASH FLOW</td>
<td>675</td>
<td>1,470</td>
<td>-54</td>
<td></td>
</tr>
<tr>
<td>NET FINANCIAL DEBT</td>
<td>5,614 (2)</td>
<td>4,938 (3)</td>
<td>+13.7</td>
<td></td>
</tr>
<tr>
<td>GROSS INVESTMENTS</td>
<td>392</td>
<td>484</td>
<td>-19</td>
<td></td>
</tr>
</tbody>
</table>

(1) Excluding EGPE contribution in both periods.
(2) As of June 30th, 2017.
(3) As of December 31st 2016.

- Unusual market conditions in both 1H 2016 and 1H 2017 impact comparability of Ebitda and net income.
- Hydro and wind output in 1H 2016 resulted in extraordinarily low prices in wholesale market; 1H of 2017 characterised by a strong reduction of output from those technologies.
- As a result, prices in the electricity market were driven sharply up by thermal generation, with a very unfavourable impact on the company’s deregulated business.

Endesa’s CEO, José Bogas, commented “Despite operating against a very complex backdrop in the first months of the year, during the second quarter the impact of the high prices of the wholesale market was slightly mitigated due to a significant improvement in the deregulated business, our work to contain fixed costs and the consolidation of Enel Green Power España. This improvement shall be strengthened during the second half of the year, and for this reason we remain confident that we will achieve our 2017 objectives.”

Results of Profit and Loss account

Revenues increased by 9%.
- Gross margin 2,642 million euros, -7% over the same period of 2016 due to
  - Higher purchase costs of electricity to be sold to end customers;
  - Significant increase in fuel consumption costs in thermal power plants.

EBITDA down 14% driven by:
- deregulated market margin down 21% in 1H 2017 over 1H 2016, due to:
  - increase in production costs as a result of greater thermal power production (higher taxes on generation and a rise in fuel costs)
  - hike in average electricity purchase costs, due to a 70.4% increase in the average wholesale market price (which reached 51.3/MWh).

  These negative effects were partially offset by the increase in average sale prices and Q2 2017 saw a clear recovery which will be consolidated over the rest of 2017.

- the noteworthy contribution of Enel Green Power España (132 million euros) mitigated the fall in the margin.
  - a strategic investment and a solid growth platform and has been fully consolidated since July 2016.
  - contribution shows the success of the diversification strategy of Endesa’s generation mix;
  - awarded 540 MW of wind power in the Government’s auction on May 17th.

- gross margin of the regulated business 1,589 million euros, +4%, partially offsetting the drop in the deregulated market margins
  - 61% of the total margin

- Fixed costs on a like-for-like basis (net of the acquisitions of Enel Green Power and the upgrades of workforce-related provisions) grew just 1%.
- 2Q 2017 EBITDA was 201 million euros higher than that of Q1 2017 (+30%), driven by the improvement in margins. EBIT down 24.3% mainly reflecting the decrease in EBITDA.

- Amortisation and Impairment Losses increased by 4%, to 704 million euros, mainly due to the consolidation of 100% of Enel Green Power España (54 million euros).

- Endesa has reassessed the useful life of assets in operation and modified the amortisation policy of hydro, wind and photovoltaic plants, enabling the 38 million euros reduction of amortisation costs.

As a result of all the above factors, Endesa’s net income dropped by 18%.

**Cash flow, net financial debt and investments**

- **Operating cash flow** dropped by 795 million euros, mainly due to lower net cash-in amounts from compensations for generation cost overruns in Non-Mainland Territories and due to the decrease in EBITDA.

- Despite Endesa's payment on January 2nd 2017 of a dividend on 2016 results (0.7 euros gross per share, or a total of 741 million euros), Endesa's net financial debt increased by just 676 million euros compared with December 31st 2016.

- During 1H 2017, Endesa’s gross investments dropped (-19%). Out of the 392 million euro investments, 309 million euros relate to investments in tangible, 41 million euros to intangible assets and 42 million euros relate to financial investments.

- Endesa, through Enel Green Power España, was awarded a capacity of 540 MW of wind capacity in the Ministry of Energy, Tourism and Digital Agenda’s auction on May 17th 2017, and plans to invest around 600 million euros in constructing this wind capacity. This new capacity represents an important progress in the company’s strategic role as a major renewable player.
Operating results

<table>
<thead>
<tr>
<th>GWh</th>
<th>1st Half 2017</th>
<th>1st Half 2016</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PENINSULAR OUTPUT UNDER ORDINARY REGIME</td>
<td>29,601</td>
<td>24,512</td>
<td>20.8</td>
</tr>
<tr>
<td>Deregulated Market Sales</td>
<td>40,641</td>
<td>38,825</td>
<td>4.7</td>
</tr>
<tr>
<td>Regulated Market Sales</td>
<td>6,515</td>
<td>6,859</td>
<td>-5</td>
</tr>
<tr>
<td>DISTRIBUTED ELECTRICITY</td>
<td>57,654</td>
<td>55,959</td>
<td>3</td>
</tr>
<tr>
<td>GAS SALES(^{(1)})</td>
<td>42,352</td>
<td>39,402</td>
<td>7.5</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Without consumption pertaining to generation.

- During 1H 2017, the demand for electricity in the Spanish mainland system increased by 1.1% (1.5% adjusted for working days and temperature) over 1H 2016.

- Renewables generation during the period met 36.4% of mainland demand, given the scarcity of hydro and wind resources, compared with 49.6% during the same period of 2016.

- Endesa’s mainland electricity production under ordinary regime increased by 20.8% mainly due to the scarcity of wind and hydro resources, which led to a significant increase in thermal production.

  - Nuclear and hydro technologies (carbon-free technologies) represented just 54.7% of Endesa’s mainland generation mix under ordinary regime, compared with 72.8% in the same period of 2016.

  - Endesa’s production in Non-Peninsular Territories (TNP, from their Spanish acronym) was 6,263 GWh (+5.5%).

  - Endesa’s production from renewable technologies, other than hydro, reached 1,814 GWh.

- Overall, during 1H 2017, Endesa reached a market share of 38% of mainland electricity generation under ordinary regime, 43.6% in distribution and 35.3% in sales to deregulated market customers.

- The number of deregulated market customers was 5,551,461 at the end of the first six
months of this year, with an increase of 2.4% compared with December 31st, 2016.

**Dividends**

Endesa’s General Shareholders Meeting held on April 26th approved the distribution of a **dividend** on 2016 net income for a gross amount of 1,333 euros per share, equivalent to a total dividend amount of 1,411 million euros, equal to Endesa’s consolidated net income of 2016.

In light of the interim dividend of 0.7 euros gross per share (or a total of 741 million euros) paid on January 2nd, 2017, the balance dividend is equivalent to 0.633 euros gross per share (a total of 670 million euros), and was paid on July 3rd, 2017.

Endesa is also expected to pay a dividend per share on 2017 results of at least 1.32 euros per share.