

## FREE MARKET BOOSTS ENDESA'S NET INCOME BY 15%

Millions of euros	1H 2018	1H 2017	Change (%)
Revenues	9,934	10,004	-1
EBITDA	1,804	1,605	12
EBIT	1,053	901	17
Net income	752	653	15
Operating cash flow	639	675	-5
Net financial debt	5,956	4,985 <sup>(1)</sup>	19
Gross investments	554	392	41

1. As of December 31<sup>st</sup>, 2017

**Madrid, 24 July 2018.-** “Following a sound first half of the year, we are on track to deliver the targets disclosed to the market for 2018. Excellent management of the free market, positive trends in the regulated market and the recovery in the gas margin underpinned a healthy set of earnings for the first six months of the year. This combination of factors came amid high energy commodity prices driven, among other things, by the sharp increase in demand from Asia, in addition to the shut-down of several nuclear power plants in Spain and lower wind output. These circumstances were the main reasons of a smaller-than-expected reduction in wholesale market prices, although hydro power output picked up, reaching levels that were above the last years’ average, and wind output increased by 10%. Against this backdrop of high energy purchase prices, yet lower than in 2017, the positive results posted by company are once again testament to the solid management of Endesa’s businesses in a challenging and ever-changing environment”, said Endesa Chief Executive Officer José Bogas.

- The positive **EBITDA** performance (**+12%**) was driven by factors including:

- ✓ The company's strategy in the free market helped pave the way for a 19% margin increase in the business, allowing its EBITDA to grow by 42%. This increase was the result of:
  - A 2.3% drop in wholesale electricity prices.
  - A marked improvement in the gas business, which contributed 65 million euros to Endesa's gross margin in the first half of the year. Excluding one-offs, the improvement in the gas business amounts to 87%. Adjusted EBITDA (i.e. excluding one-offs) from the free market business rose by 26%
- ✓ The regulated business margin increased by 0.4% -4% in adjusted terms-, mainly through improved remuneration of electricity distribution, which resulted in a 1.4% increase in regulated EBITDA.
- Fixed operating expenses were broadly flat year-on-year, offsetting the impact from inflation and company's growth, as envisaged in Endesa's Strategic Plan.
- **EBIT** increased by 17% following the EBITDA increase.
- As a result of all these factors, **net income** grew by 15%.

## Operating cash flow, net financial debt and investments

- **Operating cash flow** picked back up in the second quarter of 2018, in the wake of the exceptional decline of working capital through March, which had adversely affected operating cash flow in the first quarter. This situation should continue to correct over the course of the year.
- **Net financial debt** increased by 970 million euros compared to December 31<sup>st</sup>, 2017 due to several factors, such as payment of 748 million euros in dividends and the acquisition of the five Gestinver wind farms with a total capacity of 132 MW.
- **Gross investments** amounted to 554 million euros, up 41% mainly due to the wind projects that Endesa is developing as a result of the wind and photovoltaic power that the company won in the renewable energy auctions held by the Energy Ministry in 2017.

## Operating results

	1H 2018	1H 2017	Change (%)
<b>GWh</b>			
Production	34,868	37,678	-7
Free Market sales	41,912	44,706	-6.2
Regulated Market sales	7,256	7,767	-6.6
Distributed Electricity	57,351	57,654	-0.5
Gas sales <sup>(1)</sup>	43,344	42,352	2.3

(1) Without own consumption for electricity generation.

- In 1H 2018, **electricity demand in the Spanish mainland system** increased by 1.2%, or 1.1% adjusted for working days and temperature.
- **Renewable generation** in the period met 42.1% of total mainland electricity demand in Spain, up from 36.7% in 1H 2017.
- **Endesa's production** was down 7%. This drop is attributable, as previously noted, to the sharp increase in overall hydro generation in the Spanish electricity system in the first half of the year, resulting in a decrease in output from Endesa's thermal power plants.
  - **CO<sub>2</sub> emissions-free technologies** (hydro, wind, solar and nuclear) represented **55% of Endesa's mainland generation mix in 1H 2018**, up from 48% in 1H 2017.
  - Endesa's production in **Non-Mainland Territories** (NMT) was 6,160 GWh (-2.3%).
- Overall, in the first half of 2018, Endesa reached a 21% **market share** in mainland generation, 43% in distribution and 33.8% in sales to free market customers, underscoring its status as the leader of the Spanish electricity market.
- The company's **free market** customer base stood at 5,668,962 at the end of 1H 2018, a 1.4% increase from December 31<sup>st</sup>, 2017.
- In the first six months of 2018, gas sales in the country increased by 7.7% year-on-year.



- As of June 30<sup>th</sup>, 2018, Endesa's market share in gas sales to free market customers stood at 16.2%.

## Dividend

ENDESA, S.A.'s General Shareholders' Meeting as of April 23<sup>rd</sup>, 2018 resolved to pay shareholders a **total gross dividend of 1.382 euros per share** on 2017 net income, for a total of 1,463 million euros, which matches Endesa's consolidated net income last year.

Considering the gross interim dividend of 0.7 euros per share (741 million euros) paid on January 2<sup>nd</sup>, 2018, the final dividend charged against 2017 net income was 0.682 euros per share, gross (722 million euros), which was paid on July 2<sup>nd</sup>, 2018.