

PRESS RELEASE

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ENDESA FREE MARKET BUSINESS DRIVES 5% EBITDA INCREASE IN 1Q 2019

	1Q 2019	1Q 2018	% change
Millions of euros			
REVENUES	5,085	5,169	-2
EBITDA	928	880	5
EBIT	522	508	3
NET INCOME	363	372	-2
NET ORDINARY INCOME ⁽¹⁾	363	372	-2
OPERATING CASH FLOW	335	24	1.300
NET FINANCIAL DEBT	6,897	5,770	20
GROSS INVESTMENT	395	197	100

(1) Net ordinary income = Profit for the year of the Parent company - Gains/(losses) on disposal of non-financial assets, net (of over 10 million euros) - Net impairment losses on non-financial assets (of over 10 million euros).

Madrid, May 7th, 2019 - Endesa posted a good set of earnings in 1Q 2019 that makes to be confident to deliver on the guidance disclosed to financial markets for 2019.

Effective management in the free market business, coupled with stability in the regulated market and the company's cost saving strategy were key to achieve this performance, despite unfavourable conditions both in the gas and electricity markets.

In Spain, during 1Q 2019, overall electricity demand declined on the back of high temperatures and low consumption, especially by large companies, following the country's economic slowdown.

Meanwhile, the price of CO₂ emission allowances increased, while hydro and renewable output fell, driving a 14% increase in wholesale market prices, to 55 euros/MWh.

Against this backdrop, *“Endesa is investing heavily in digitalisation and renewable energies, which are key to be at the leading edge of the energy transition. The 879 MW awarded to the company in the 2017 auctions are due to be on stream by the end of the year”* said Endesa CEO, **José Bogas**. *“During this new investment cycle, we are achieving high levels of efficiency, with a 5% like-for-like reduction in fixed costs”*.

Trends in key financial figures during 1Q 2019 were as follows:

- **EBITDA** increased by 5% year-on-year due to the good performance in the free market business and stability in the regulated business, as well as the implementation of the company's cost saving strategy:
 - ✓ The company's free market strategy paved the way for a 14% increase in EBITDA in that segment to 365 million euros.
 - The **gross margin in the free market business** was 42 million euros. The increase was due mostly to:
 1. The improvement in reference prices more than offset the increase in variable costs caused by higher CO₂ prices and the reduction in sales caused by lower demand.
 2. The positive contribution by Endesa's renewables arm, Enel Green Power España, with the consolidation of the wind capacity in the Gestinver portfolio.
 3. All of these factors allowed the company to withstand the decline in the gas business, which saw its gross margin fall by 30% in the period due to lower revenues in the wholesale market, despite a 1% increase in the number of residential customers.
 - ✓ EBITDA in the **regulated business** was stable (563 million euros) as a result of the higher margin in the distribution business (+2%), which already includes the contribution of Empresa Eléctrica de Ceuta, acquired last year. This increase offset the decline in generation from non-mainland territories. Regulated business EBITDA was equal to 61% of total EBITDA.

- ✓ Endesa went to great lengths to **contain costs**: fixed operating expenses fell by 5% on a like-for-like basis (-2% reported) amid rising investment in renewable energies.
- **EBIT** increased by 3% despite higher depreciation and amortisation expenses due to the investments that were carried out and the impact of the application of IFRS 16, the new regulations that require the inclusion of existing lease contracts under amortisations. The application of these standards has had an impact on depreciation in the quarter of 7 million euros.
- Financial costs increased mostly due to the updating of provisions for workforce restructuring and facilities decommissioning.
- As a result of all these factors, **net income** fell by 2%.

Operating cash flow, net financial debt and investments

- **Operating cash flow** for 1Q 2019 totalled 335 million euros, a 13-fold increase from the same period of 2018. This major increase followed the increase in EBITDA and the improvement in working capital (-39%).
- **Net financial debt** increased by 1.127 million euros from December 31st, 2018 as a result of a number of factors, mainly the impact of the application of IFRS 16 (which led to an increase of 186 million euros in net debt as of December 31st, 2018), the investments carried out to develop new renewable generation assets and payment of an interim dividend of 741 million euros on January 2nd out of 2018 net income.
- The new **debt/EBITDA ratio** is just 1.9x, leaving the company with plenty of room to carry out the necessary investment in the energy transition in both digitalisation and renewable energies.
- **Gross investments** totalled 395 million euros, up 100% year-on-year, mainly due to investments in digital transformation projects as well as new wind and photovoltaic capacity.

Operating results

	1Q 2019	1Q 2018	% Change
GWh			
MAINLAND OUTPUT UNDER THE ORDINARY REGIME	14,139	15,397	-8.2
DEREGULATED MARKET SALES	21,087	21,968	-4.0
REGULATED MARKET SALES	3,806	4,267	-10.8
ELECTRICITY DISTRIBUTED	29,166	29,890	-2.4
GAS SALES ⁽¹⁾	22,754	25,457	-10.6

(1) Net of consumption from own power generation.

- **Electricity demand in mainland Spain** fell by 2.8% in 1Q 2019, or 2.1% adjusted for working days and temperature.
- **Renewable generation** in Spain in the period met 52% of total mainland demand for electricity, up from 57% in 2018.
- **Endesa's peninsular electricity production** fell by 8% on the back of lower hydro and renewable production (-28% and -5%, respectively, in line with the overall performance in Spain).
 - **CO₂ free technology** (hydro, wind, solar and nuclear) represented **57% of Endesa's mainland generation mix through March**, an increase on 53% achieved in 2017.
 - Endesa's production in **Non-Mainland Territories** (TNP, from the Spanish acronym) was 2,893 GWh (-7%).
- In the period, Endesa registered **market shares** of 22.5% in mainland generation, 43.2% in distribution and 32.9% in electricity sales to free market customers, confirming the company's leading position in the Spanish electricity sector.
- Endesa had 5,782,726 **free market electricity customers** as of March 31st, +1% from the year-earlier figure.
- At the end of the first quarter of 2019, **Endesa held a 16% share** of gas sales to free market customers.



Dividends

Endesa's General Shareholders' Meeting held on April 12th, 2019 agreed to distribute a total dividend of **1.427 euros (gross) per share** out of 2018 net income, for an overall dividend amount of 1,511 million euros.

Factoring in the interim dividend of 0.7 euros (gross) per share (741 million euros) paid on January 2nd, 2019, the final dividend on 2018 net income is 0.727 euros (gross) per share (770 million euros) and will be paid out on July 2nd, 2019.