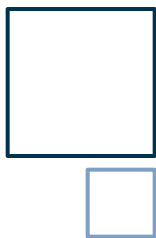


Endesa 9M 2014 Results

Madrid, 31 October 2014





Disclaimer



This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements are not guarantees of future performance and they are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or may be difficult to predict.

Forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated increases in generation and market share; expected increases in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures and other investments; estimated asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are based are related to the regulatory setting, exchange rates, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, assigning of production amongst different technologies, increases in costs associated with higher activity that do not exceed certain limits, electricity prices not below certain levels, the cost of CCGT plants, and the availability and cost of the gas, coal, fuel oil and emission rights necessary to run our business at the desired levels.

In these statements we avail ourselves of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following important factors, in addition to those discussed elsewhere in this document, could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

Economic and industry conditions: significant adverse changes in the conditions of the industry, the general economy or our markets; the effect of the prevailing regulations or changes in them; tariff reductions; the impact of interest rate fluctuations; the impact of exchange rate fluctuations; natural disasters; the impact of more restrictive environmental regulations and the environmental risks inherent to our activity; potential liabilities relating to our nuclear facilities.

Transaction or commercial factors: any delays in or failure to obtain necessary regulatory, antitrust and other approvals for our proposed acquisitions or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments. Delays in or impossibility of obtaining the pertinent permits and rezoning orders in relation to real estate assets. Delays in or impossibility of obtaining regulatory authorisation, including that related to the environment, for the construction of new facilities, repowering or improvement of existing facilities; shortage of or changes in the price of equipment, material or labour; opposition of political or ethnic groups; adverse changes of a political or regulatory nature in the countries where we or our companies operate; adverse weather conditions, natural disasters, accidents or other unforeseen events, and the impossibility of obtaining financing at what we consider satisfactory interest rates.

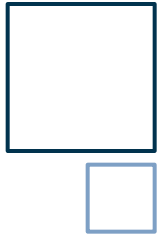
Political/governmental factors: political conditions in Spain and Europe generally; changes in Spanish, European and foreign laws, regulations and taxes.

Operating factors: technical problems; changes in operating conditions and costs; capacity to execute cost-reduction plans; capacity to maintain a stable supply of coal, fuel and gas and the impact of the price fluctuations of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalisation and diversification.

Competitive factors: the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained in this document are given in the Risk Factors section of the current ENDESA regulated information filed with the Comisión Nacional del Mercado de Valores (the Spanish securities regulator or the "CNMV" for its initials in Spanish).

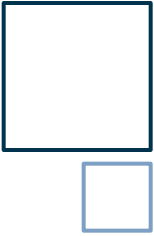
No assurance can be given that the forward-looking statements in this document will be realised. Except as may be required by applicable law, neither Endesa nor any of its affiliates intends to update these forward-looking statements.



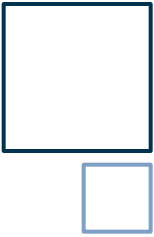
Agenda



- 1. Completion of Endesa's corporate re-organization process**
- 2. Market context and regulatory update**
- 3. Financial results and net debt analysis**
- 4. Business analysis**
- 5. Final remarks**



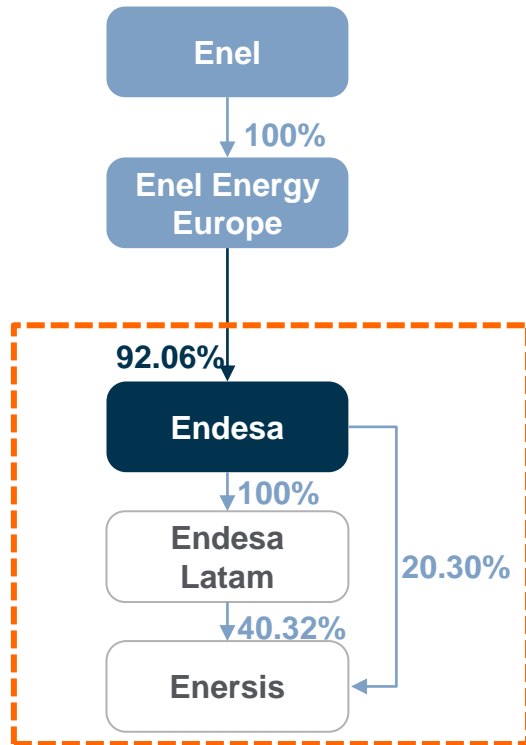
- 1. Completion of Endesa's corporate re-organization process**
2. Market context and regulatory update
3. Financial results and net debt analysis
4. Business analysis
5. Final remarks



Completion of Endesa's corporate re-organization process

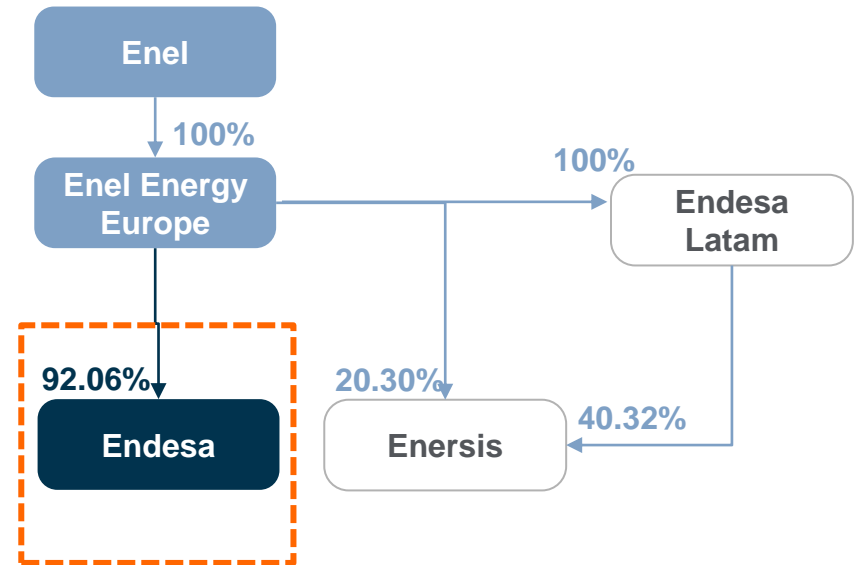


Structure until 23rd October 2014



Old perimeter

From 23rd October 2014 - New structure



New perimeter

Completion of Endesa's corporate re-organization process

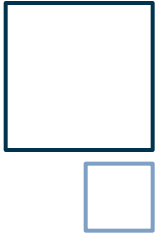
Main decisions approved at Endesa's EGM held on 21st October

- Sale of 20.3% Enersis' stake and 100% Endesa Latinoamerica's stake to Enel E.E. for €8,253 M
- Payment of an extraordinary dividend for the same amount (€8,253 M)

Decisions taken by Endesa's BoD held on 7th October

- Payment of an interim extraordinary dividend amounting to €6,353 M to achieve a more efficient capital structure
- New dividend policy: €0.76 / share against 2014 Results and target of 5% minimum growth in 2015-2016

- **Shareholders received a record extraordinary dividend in 2014 of €13.8 / share**
- **A new and attractive dividend policy is set for 2014-16**
- **~ €1.6 bn net income impact from Latam assets sale will arise in 4Q'14**

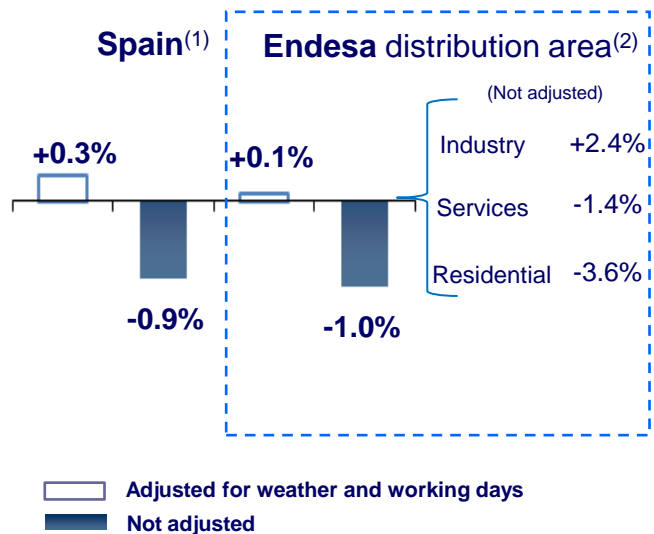


1. Completion of Endesa's corporate re-organization process
- 2. Market context and regulatory update**
3. Financial results and net debt analysis
4. Business analysis
5. Final remarks

Market context in 9M 2014



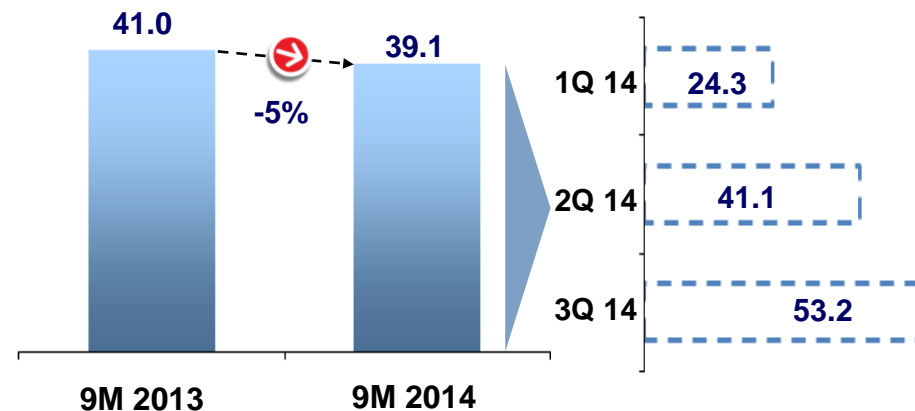
Demand



- Demand recovery mainly supported by industrial segment

Electricity wholesale prices

Weighted average pool prices Spain⁽³⁾ (€/MWh)



- Price recovery since June 2014 due to lower renewable output
- Cumulative pool prices in 9M 2014 close to last year's reference

Regulatory update (I)

Pending chapters of the electricity regulatory reform

REGULATORY

Topic	Latest news	Open questions / next steps
Distribution (explicit RAB mechanism)	<ul style="list-style-type: none"> ▪ CNMC released proposal with unitary investment and O&M standard values 	<ul style="list-style-type: none"> ▪ Government to approve physical units and unitary investment and O&M standard values ▪ New remuneration framework expected to be approved before YE
Non-mainland generation	<ul style="list-style-type: none"> ▪ CNMC recently released a report on 2nd draft: <ul style="list-style-type: none"> ✓ Supports recognition of Law 15/2012 taxes ✓ Proposes no retroactivity 	<ul style="list-style-type: none"> ▪ Government to approve final Royal Decree ▪ New remuneration framework expected to be approved in the coming months
Interruptibility	<ul style="list-style-type: none"> ▪ Resolution on the characteristics of interruptibility auctions procedure 	<ul style="list-style-type: none"> ▪ First auctions to take place in November 2014
Mothballing & capacity payments RD	Supply RD	Distributed generation RD

Pending chapters

Regulatory update (II)

Tariff deficit related issues

Draft RD on 2013 tariff deficit securitization

- Draft released in August pointing to a reasonable mechanism
 - ✓ Access tariffs will recognize 8Y Gvment. Bonds + spread of interest rate
 - ✓ To be recovered in 15 years time
 - ✓ Companies to carry out the securitization process with no State guarantee
- Final RD to be approved before YE

8th CNMC settlement for Year 2014

- €3.5 bn of provisional tariff deficit
- Coverage ratio: 70.3%
- Endesa has financed 17.1% of provisional tariff deficit

Confidence to reach tariff sufficiency in 2014

- ✓ Demand recovery
- ✓ Renewable premium reimbursements
- ✓ Contribution from Law 15/2012 and CO₂
- ✓ System costs and revenues temporary imbalance



1. Completion of Endesa's corporate re-organization process
2. Market context and regulatory update
- 3. Financial results and net debt analysis**
4. Business analysis
5. Final remarks

Financial results



€M

	9M 2014 ⁽¹⁾	9M 2013 ⁽¹⁾	Change	Like-for-like ⁽²⁾
Revenues	15,542	16,234	-4%	
Gross margin	3,965	4,252	-7%	
EBITDA	2,484	2,654	-6%	0%
EBIT ⁽³⁾	1,317	1,427	-8%	
Net finance expenses	114	92	+24%	
Share of profit from associates ⁽⁴⁾	-65	39	-267%	
Net income	1,742	2,319	-25%	
From continued operations	754	1,036	-27%	
From discontinued operations	988	1,283	-23%	
Net attributable income	1,219	1,551	-21%	

- **Regulatory impact in 9M 2014 (vs. 9M 2013): -€537M (RDL 9/2013) of which -€162 M corresponding to new retroactive measures from 2nd draft RD on non-mainland generation**
- **Accumulated regulatory impact 9M 2014: ~ -€1,370M (RDL 13/2013, RDL20/2012, Law 15/2012, RDL 2/2013 and RDL 9/2013)**

(1) 9M 2013 P&L restated following the application of IFRS 11. 9M 2014 and 9M 2013: Latam business results are included in the Net Income from Discontinued Operations line following application of IFRS 5

(2) Excluding new retroactive measures in non-mainland generation

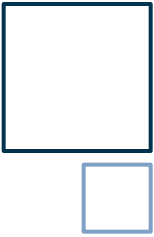
(3) D&A. (I) EUAs write-off : +€15 M reversal provision in 9M 2014 vs. -€80 M in 9M 2013. (II) -€59 M from Supreme Court favorable ruling to Josel, S.L

(4) 9M 2014: -€51 M from Elcogas and -€45 M from Nuclenor

Pro-forma Income Statement for 9M 2014

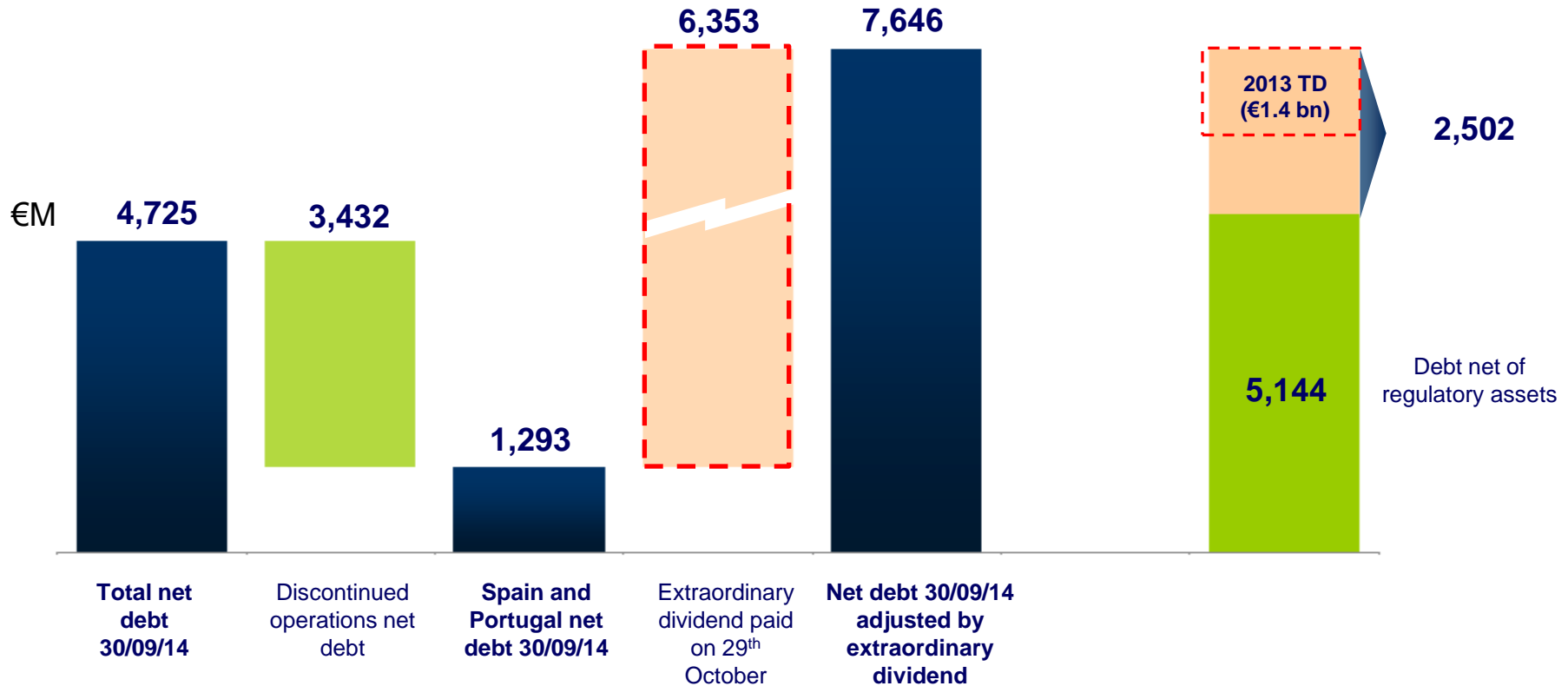


€m	Reported Spain & Portugal 9M 2014	9M 2014 Pro Forma Endesa	Change	Impacts	
				LatAm restructuring	Extr. dividend
Revenues	15,542	15,542	-		
EBITDA	2,484	2,486	+2	✓	
D&A	(1,167)	(1,167)	-		
EBIT	1,317	1,319	+2	✓	
Net financial expenses	(114)	(228)	(114)		✓
Net income continued operations	754	676	78	✓	✓
Net debt	1,293	7,663	+6,370	✓	✓

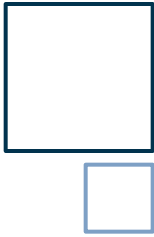


Net debt analysis (I)

Net debt adjusted by reorganization process



- **Considering €6,353 M extraordinary dividend, a more efficient capital structure is reached**



Net debt analysis (II)

New perimeter net debt evolution

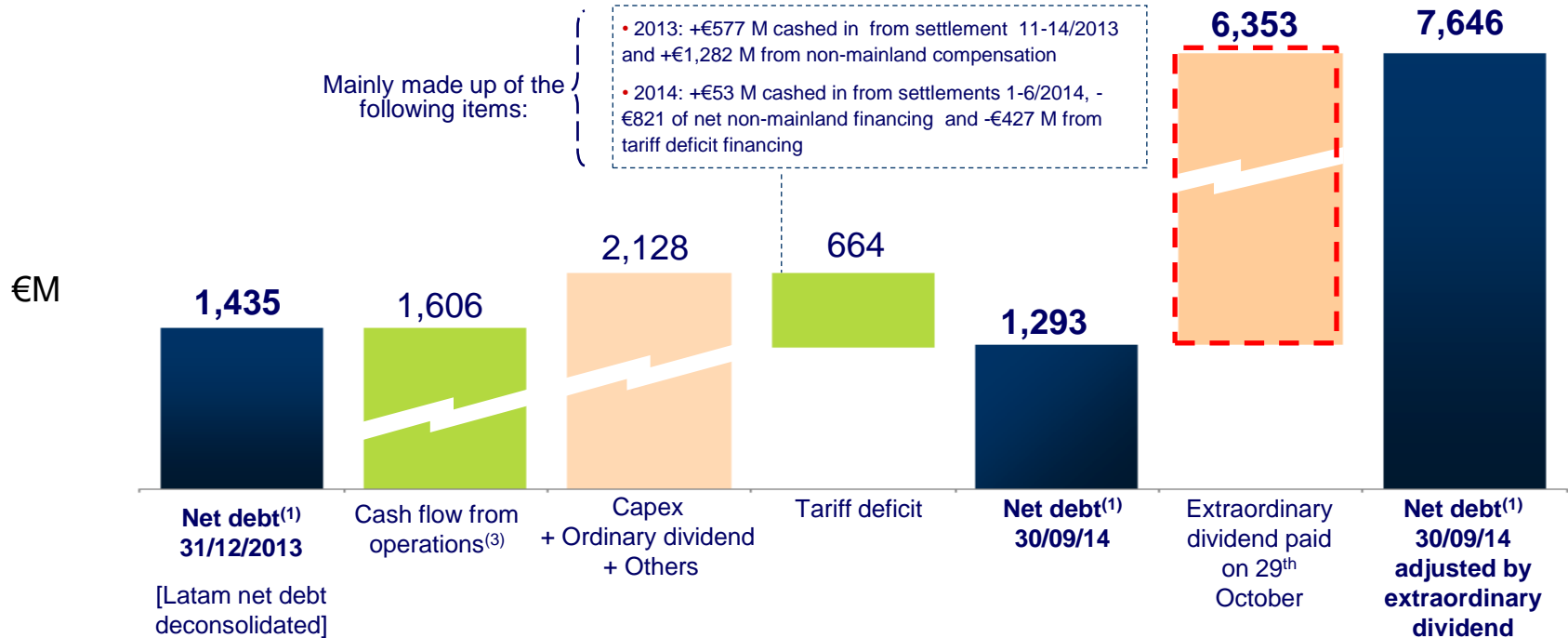


Net debt⁽¹⁾/
EBITDA⁽²⁾ ratio

0.4x

0.4x

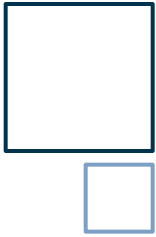
2.5x



- **Healty financial leverage and strong liquidity position**
- **Endesa liquidity covers 25 months of debt maturities**



1. Completion of Endesa's corporate re-organization process
2. Market context and regulatory update
3. Financial results and net debt analysis
- 4. Business analysis**
5. Final remarks



Highlights



Flat EBITDA excluding retroactive measures on non-mainland generation

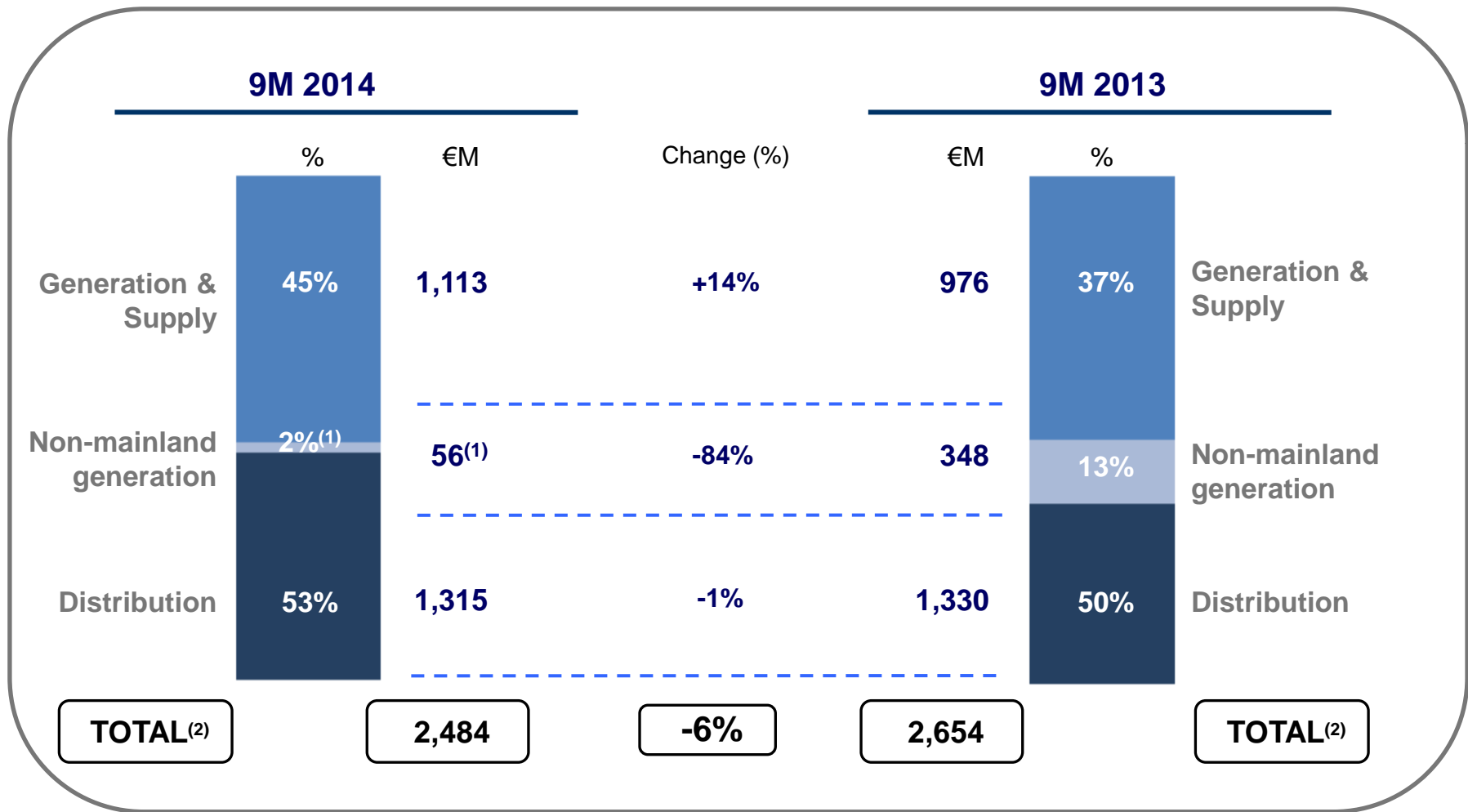
Regulated business impacted by RDL 9/2013 and by draft RD on non mainland generation

Normalization of the liberalized business performance in 3Q 2014 after extraordinary hydro and wind conditions in 1H

Thermal output increase ⁽¹⁾ led by higher thermal gap

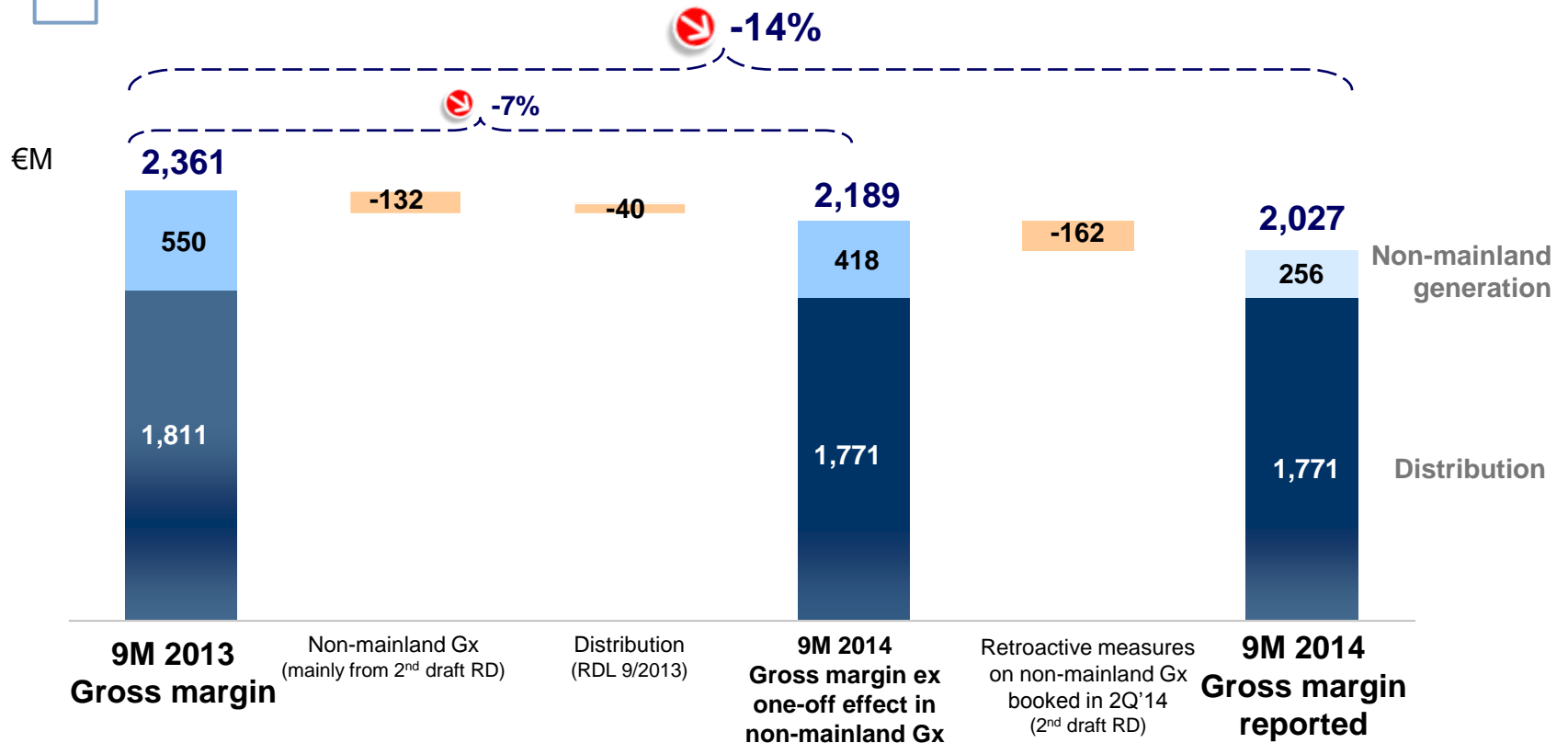
6% fixed costs reduction

9M 2014 EBITDA breakdown



Regulated business

Gross margin evolution of Dx and non-mainland Gx

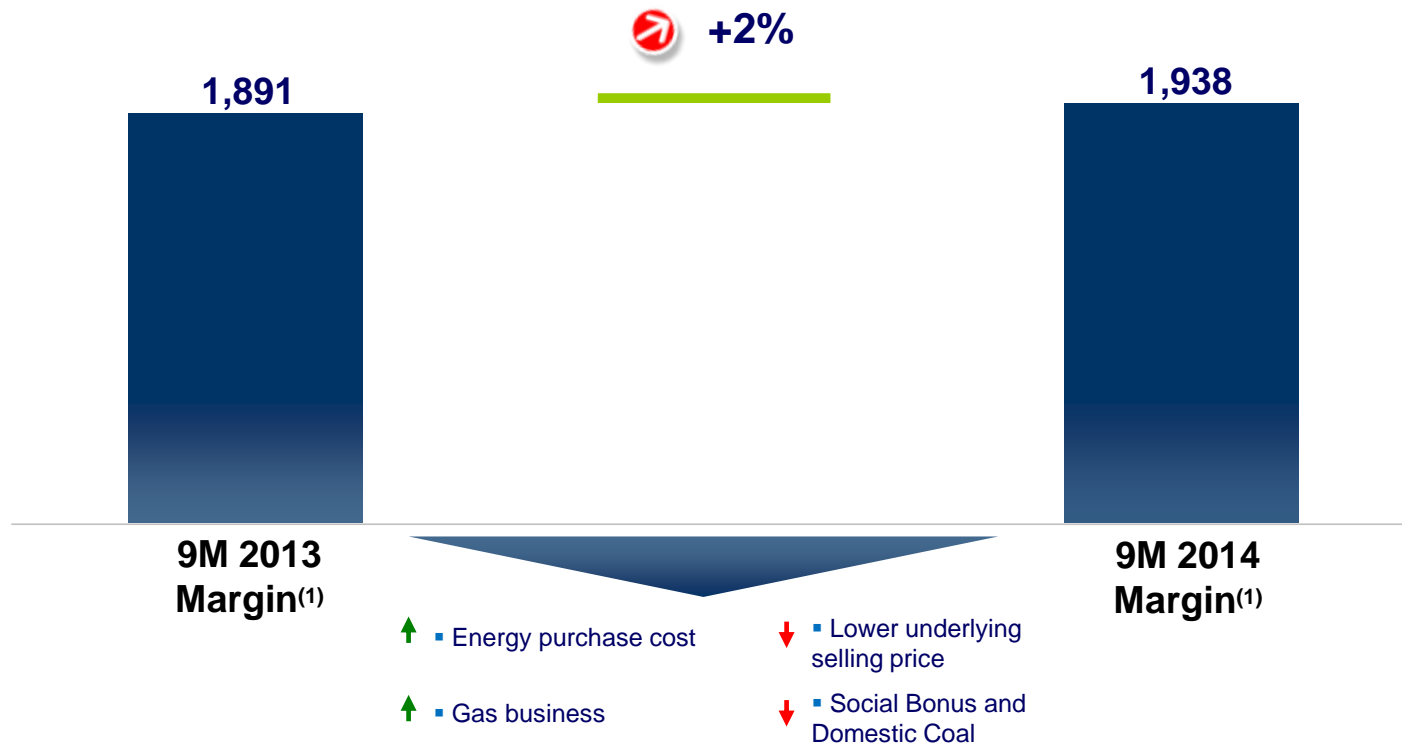


- Distribution:**
- RDL 9/2013 is applied during 9 months in 2014 vs. 6 months in 2013
 - Endesa's distribution company reached its record quality level⁽¹⁾
- Non-mainland Gx:**
- Gross margin impacted by 2nd draft RD setting retroactive measures⁽²⁾

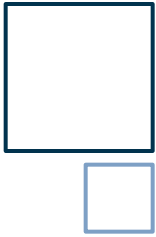
Liberalized business

Gross margin evolution

€M



- Normalization of the liberalized business performance in 3Q 2014 after extraordinary hydro and wind conditions in 1H



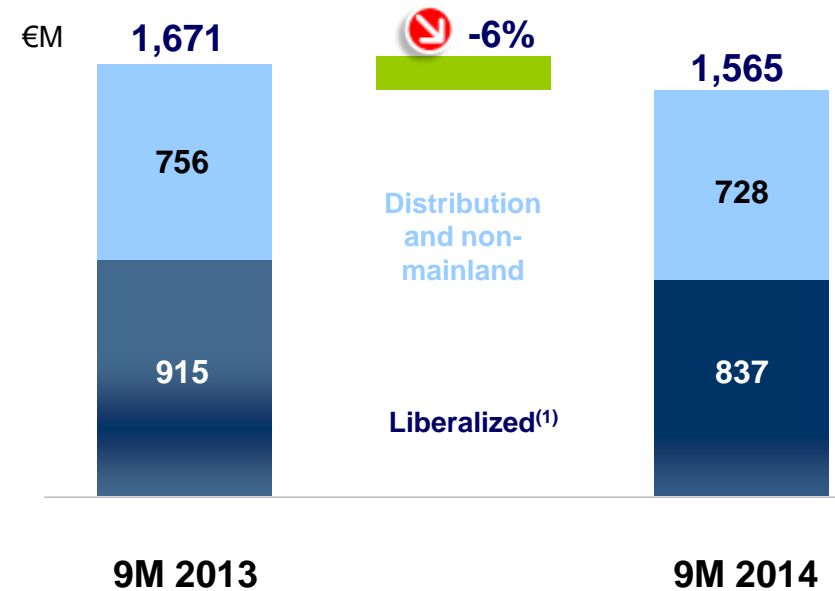
Fixed costs evolution



By cost type



By business line

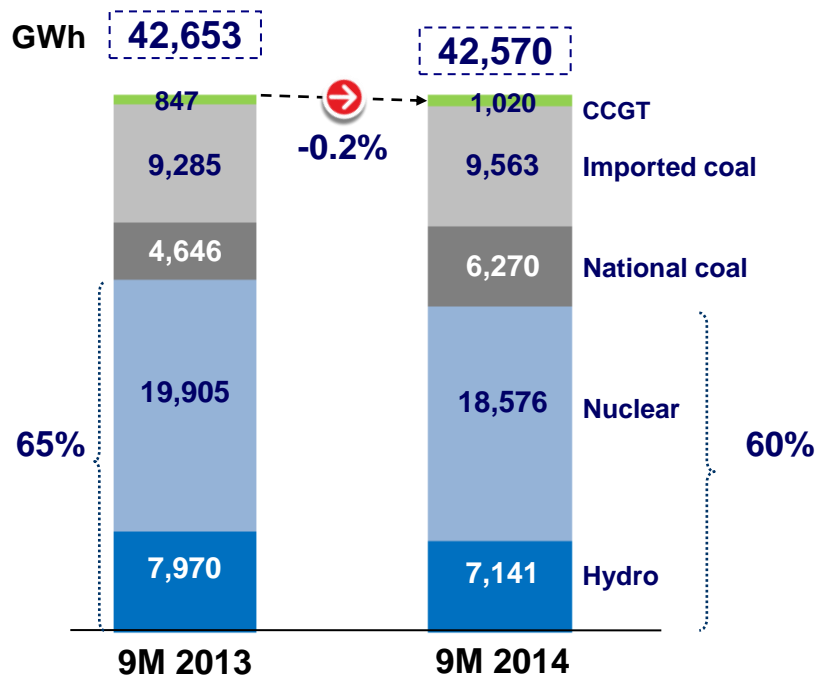


- **Managerial actions focused on cost efficiencies to compensate regulatory measures**

Liberalized business Energy management

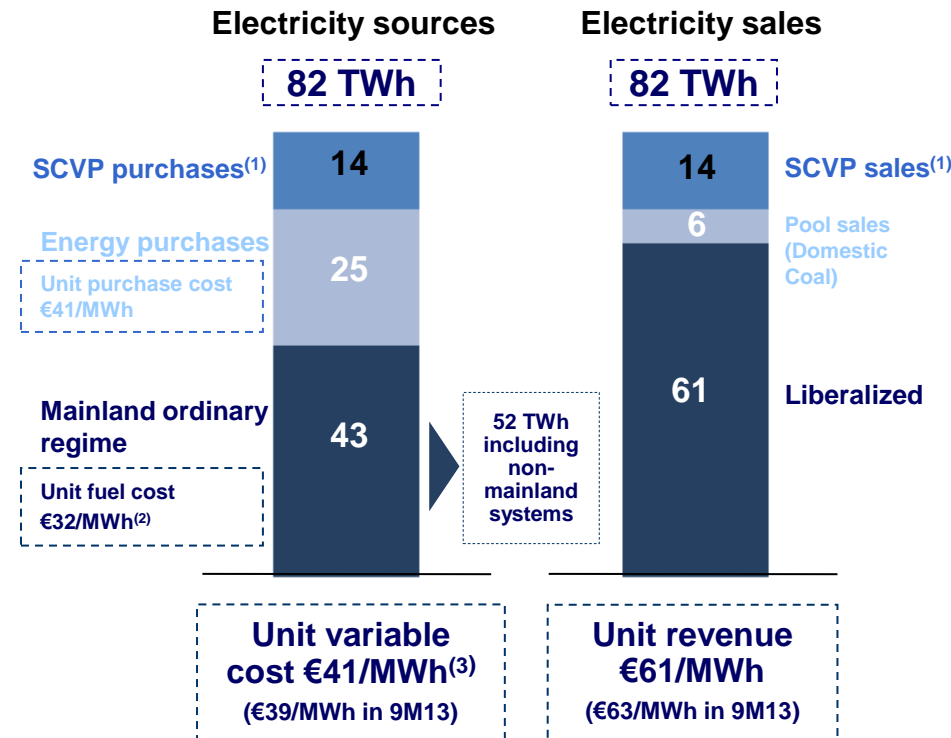


Mainland output

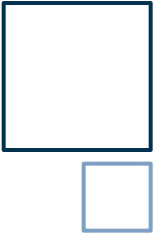


- Demand trend is improving along with thermal gap
- Endesa's nuclear output decrease due to Ascó II planned outage

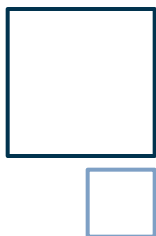
9M 2014 energy management



- Electricity unitary margin decreased by 13%⁽⁴⁾
- ~50% of 2015 estimated output already hedged



1. Completion of Endesa's corporate re-organization process
2. Market context and regulatory update
3. Financial results and net debt analysis
4. Business analysis
5. **Final remarks**



Final remarks



1

Regulated business affected by one off measures

2

Normalization of liberalized margins after extraordinary results in 1H 2014 due to weather conditions

3

Ongoing fixed costs reduction

4

Strong recurrent cash flow generation

- Efficient capital structure post releveraging and dividend distribution (€ 6/share ⁽¹⁾)
 - Attractive dividend policy

Appendix

Endesa 9M 2014 Results



Net installed capacity and output⁽¹⁾



Installed
net
capacity

GW at 30/09/14	Spain&Portugal		Latin America		Total	
Total	21.7	0%	16.5	+4.7%	38.1	+2%
Hydro	4.7	0%	8.8	+1%	13.4	+1%
Nuclear	3.3	0%	-	-	3.3	0%
Coal	5.3	0%	0.8	0%	6.1	0%
Natural gas	5.4	0%	4.2	+22%	9.7	+8%
Oil-gas	2.9	-1%	2.5	-5%	5.4	-3%
CHP/Renewables	na	na	0.1	0%	0.1	0%

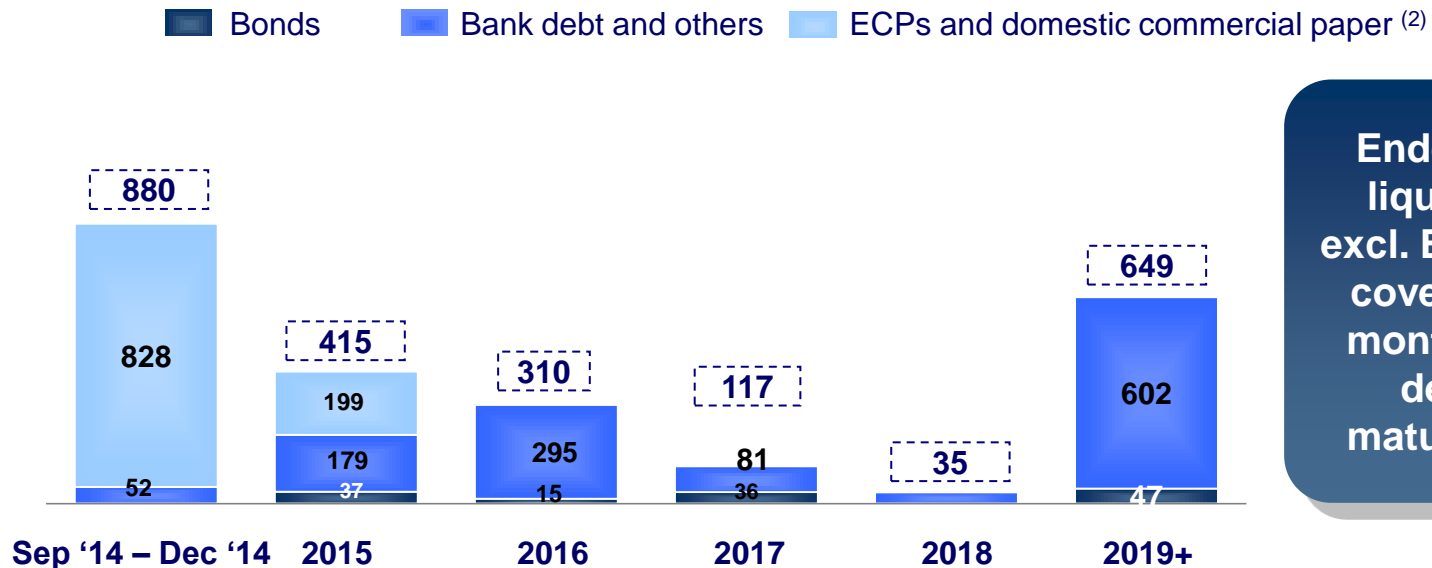
Net output

TWh 9M 2014 (chg. vs. 9M 2013)	Spain&Portugal		Latin America		Total	
Total	51,704		45,107		96,811	
Hydro	7,141		25,001		32,142	
Nuclear	18,576		-		18,576	
Coal	17,603		1,750		19,353	
Natural gas	3,705		14,929		18,634	
Oil-gas	4,679		3,284		7,963	
CHP/Renewables	na		143		143	

Endesa (excl. Energis): financial debt maturity calendar



Gross balance of maturities outstanding at 30 September 2014: €2,406 M⁽¹⁾



Endesa's liquidity excl. Energis covers 25 months of debt maturities

- Liquidity €5,320 M

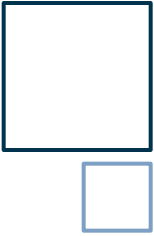
€1,110 M in cash

€4,210 M available in credit lines

- Average life of debt: 4.6 years

(1) This gross balance differs from the total financial debt figure as it does not include outstanding execution costs or the market value of derivatives which do not involve any cash payment.

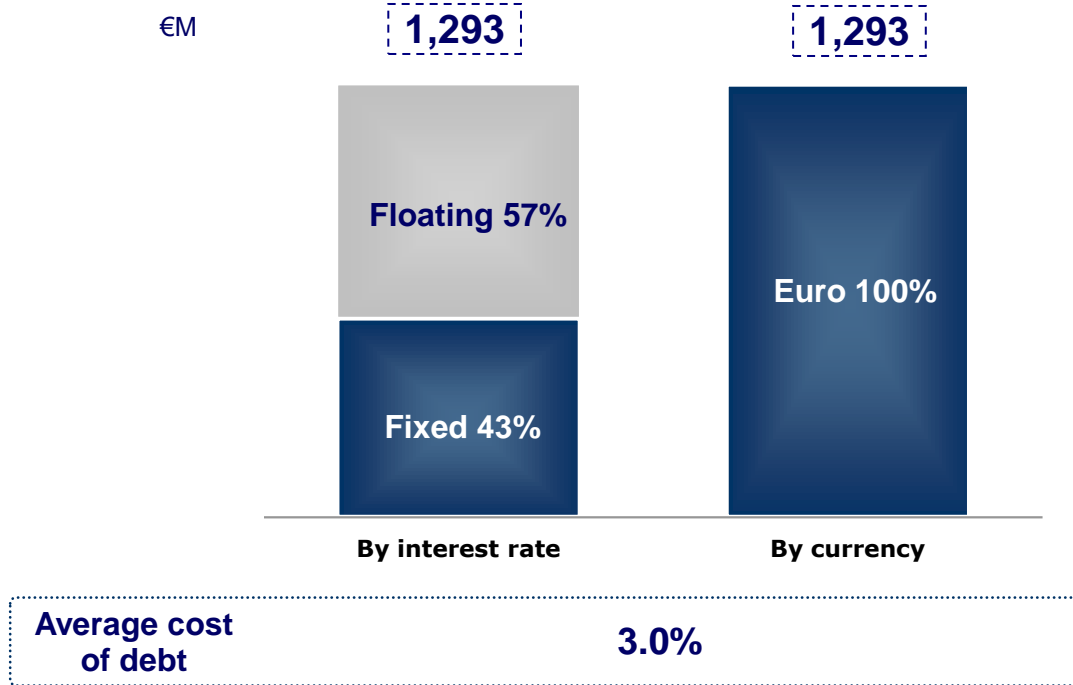
(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.



Net debt structure as of September 30th 2014



Structure of Endesa's net debt new perimeter



Pro-forma Balance Sheet as of September 30, 2014



	A	B	C	D:A+B+C
	Consolidated Statement of financial position at September 30,2014	Pro-Forma Adjustment for Divestment of ENDESA's Latam business	Pro-Forma Adjustment for Dividend Distribution	Pro-Forma Consolidated Statement of financial position at September 30, 2014
Assets				
Non-Current Assets	25,622			25,622
Property, plant and equipment	21,028			21,028
Investment property	24			24
Intangible assets	505			505
Goodwill	-			-
Investments accounted for using the equity method	1,072			1,072
Non-current financial assets	1,876			1,876
Deferred tax assets	1,117			1,117
Current Assets	29,157	(13,919)	(9,105)	6,133
Inventories	1,046			1,046
Trade and other receivables	3,547	10		3,557
Trade and other receivables	3,137	10		3,147
Current Income tax assets	410			410
Other financial assets	1,286			1,286
Cash and cash equivalents	1,110	8,235	(9,105)	240
Non-current assets held for sale and discontinued operations	22,168	(22,164)		4
Total Assets	54,779	(13,919)	(9,105)	31,755
Equity and Liabilities				
Equity	27,423	(3,821)	(14,605)	8,997
Of the Parent	21,417	2,180	(14,605)	8,992
Of non-controlling interests	6,006	(6,001)	-	5
Non-Current Liabilities	11,667		4,500	16,167
Deferred income	4,585		-	4,585
Non-current Provisions	3,040		-	3,040
Provisions for pensions and similar obligations	878		-	878
Other non-current provisions	2,162		-	2,162
Non-current interest-bearing loans and borrowings	2,418		4,500	6,918
Other non-current liabilities	539		-	539
Deferred tax liabilities	1,085			1,085
Current Liabilities	15,689	(10,098)	1,000	6,591
Current interest-bearing loans and borrowings	-		1,000	1,000
Current provisions	447			447
Current provisions for pensions and similar obligations	-			-
Other current provisions	447			447
Trade payables and other current liabilities	5,144			5,144
Suppliers and other payables	4,605			4,605
Current income tax liabilities	539			539
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations	10,098	(10,098)		-
Total Equity and Liabilities	54,779	(13,919)	(9,105)	31,755

(€mm)

Assets

Pro-forma Income Statement for 9M 2014



	A	B	C	D: A+B+C
	Consolidated Income Statement for the nine-month period Ended Sept. 30, 2014	Pro-Forma Adjustment for Divestment of ENDESA's Latam business	Pro-Forma Adjustment for Dividend Distribution	Pro-Forma Consolidated Income Statement for the nine- month period Ended Sept. 30, 2014
(€mm)				
Income	15,542	-	-	15,542
Revenue	14,707	-	-	14,707
Other operating income	835	-	-	835
Procurements and services	(11,577)	-	-	(11,577)
Power purchased	(3,754)	-	-	(3,754)
Cost of fuel consumed	(1,766)	-	-	(1,766)
Transmission costs	(4,440)	-	-	(4,440)
Other variable procurements and services	(1,617)	-	-	(1,617)
Contribution margin	3,965	-	-	3,965
Self-constructed assets	84	-	-	84
Personnel expenses	(695)	2	-	(693)
Other fixed operating expenses	(870)	-	-	(870)
Gross profit from operations (EBITDA)	2,484	2	-	2,486
Depreciation and amortization, and impairment losses	(1,167)	-	-	(1,167)
Profit from operations (EBIT)	1,317	2	-	1,319
Net financial loss	(114)	-	(114)	(228)
Financial income	79	-	(4)	75
Financial expense	(190)	-	(110)	(300)
Net exchange differences	(3)	-	-	(3)
Net profit of companies accounted for using equity method	(65)	-	-	(65)
Gains/(losses) from other investments	-	-	-	-
Gains/(losses) on disposal of assets	(20)	-	-	(20)
Profit before tax	1,118	2	(114)	1,006
Income tax expense	(364)	-	34	(330)
Profit after tax for the year from continuing operations	754	2	(80)	676
Profit after tax for the year from discontinued operations	988	1,133	-	2,121
Profit/(loss) for the year	1,742	1,135	(80)	2,797
Parent company	1,219	1,659	(80)	2,798
Non-controlling interests	523	(524)	-	(1)



"This document is the property of ENDESA and therefore must not be disseminated or published without ENDESA's prior written consent.

The content of this document is provided for information purposes only and therefore has no contractual substance and should not be used as part of or construed as a legal contract.

ENDESA does not assume any responsibility for the information contained in this document and does not offer any implicit or explicit guarantees of the impartiality, accuracy and completeness of this information and the opinions and statements contained therein. It shall also not be liable for any loss or damages that could arise as a result of using this information.

ENDESA does not guarantee that the forward-looking statements in this document will apply in the future in the terms set forth. Neither ENDESA nor its subsidiaries intend to update such estimates, forecasts and objectives contained herein, except where required to do so by law".



Endesa is an Enel Group Company

Endesa Mobile

Get full information of the company on [Endesa Mobile](#), the Endesa App for iPhone, iPad and Android devices.



Download from
App Store



Download from
Google Play

