Endesa 1H 2015 Results

Madrid, 28 July 2015

Agenda

1. **Highlights and key financial figures**
2. **Market context and regulatory update**
3. **Financial results and net debt analysis**
4. **Business analysis**
5. **Final remarks**

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Highlights

13% production increase due to higher thermal output (+46%) [1]

Positive EBITDA growth (+16%) and Net income evolution (+17%)

Regulated business positive evolution driven by non-mainland generation

Liberalized business margin outperforming expectations

Decrease in both reported fixed costs (-1%) and recurrent fixed cost (-4%)

Purchase agreement to acquire Galp's liberalized gas customer business

(1) Information is referred to Mainland conventional thermal output

Key financial figures

€M	1H 2015	1H 2014	Change
EBITDA	*1,934*	*1,663*	*+16%*
Net attributable income	*870*	*743*	*+17%*

€M	1H 2015	FY 2014	Change
Net debt	*4,992*	*5,420*	*-8%*

Strong cash flow generation

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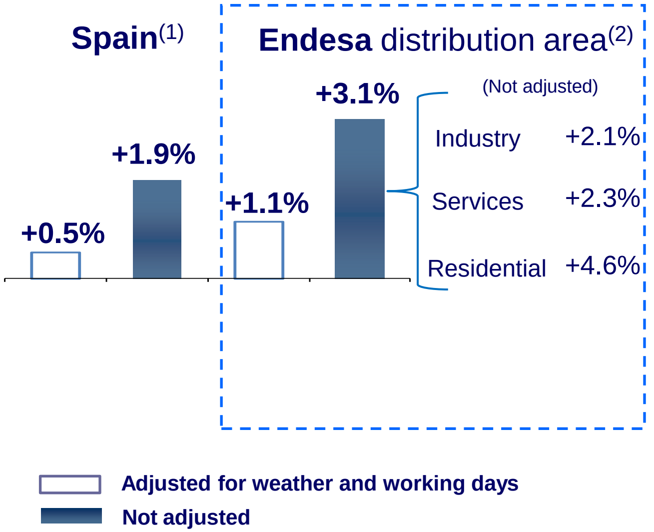
Market context in 1H2015

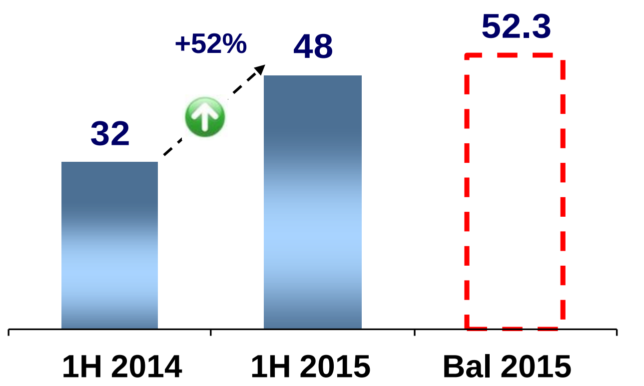
Demand



- **Positive adjusted demand trend driven by industrial recovery**
- **Strong residential demand performance mainly driven by weather conditions**

Electricity wholesale prices

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



- **Exceptional weather conditions characterized 1H 2014 prices**
- **Thermal Gap increase: ~50% vs. 1H 2014**

(1) *Mainland. Source: REE*
(2) *Mainland. Source: Endesa's own estimates*
(3) *Excluding ancillary services and capacity payments. €47.1/MWh average baseload equivalent (1H 2015).*

Regulatory update
Latest regulatory news (I)

Distribution

- New draft Ministerial Order with standard unitary values for investment and O&M
- Allegation period still open
- From first assessment neutral impact

Generation

- Domestic coal:
  - ✓ 3rd Draft Ministerial Order to support IED investments sent to CNMC
  - ✓ Pending submission to European Commission
- Ministry of Industry approved Foix fuel-gas (520 MW) power plant closure while T.S.O. submitted a recommendation against Colon CCGT (398 MW) closure
- Non-mainland Gx final RD pending to be approved. European Commission already informed

Catalonian Nuclear Tax

- At the request of the Spanish Government, the Constitutional Court has provisionally suspended its application, although a decision on the subject is still pending
- No relevant impact in the short term

SCVP tariff hourly billing

- Starting on 1st October 2015
- Endesa's systems ready to bill according to new framework

Regulatory update

Latest regulatory news (II) and CNMC settlements

RDL 9/2015

- Decrease in customers' capacity payments:
  - ✓ €250 M annual reduction of system revenues
  - ✓ Equivalent to 2.1% average reduction in the electricity bill in 2015 …
  - ✓ …and 0.9% average reduction on annual basis in 2016
  - ✓ No impact for utilities
  - ✓ Implying a reduction of the estimated tariff surplus
- Self-consumption: reduction in access cost, charges and other costs for customers with contracted power < 10 kW

5th CNMC settlement for Year 2015

- €1.5 bn of provisional imbalance of regulated cost/revenues
- Coverage ratio: 76.3% (vs. 58.1% in settlement 5/2014)
- Endesa owns ~20.2% of regulatory working capital receivables

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Financial results

€M

	1H 2015	1H 2014 (1,2)	Change
Revenues	10,314	10,280	0%
Gross Margin	2,908	2,645	10%
EBITDA	**1,934**	**1,663**	**16%**
EBIT (3)	1,262	934	35%
Net Financial Expenses (4)	(91)	(66)	38%
Share of profit from associates (5)	(17)	(28)	-39%
Net attributable income	**870**	**743**	**17%**
From continued operations	**870**	**557**	**56%**
Fom discontinued operations	-	186	-100%
Net Capex	269	218	24%

- **P&L positive evolution:**
  - ✓ **(+) Other Operating Results (CO_2 transaction), €162 M provision booked in 1H 2014 in non-mainland Gx, fixed costs containment and lower D&A**
  - ✓ **(-) Normalization of weather conditions, higher financial expenses**
- **Strong increase of Net attributable Income from continued operations (+56%)**

(1) 1H 2014 re-stated following the application of IFRIC 21

(2) 1H 2014 Latam business results are included in the Net Income from Discontinued Operations line following IFRS 5

(3) Lower D&A due to assets life extension

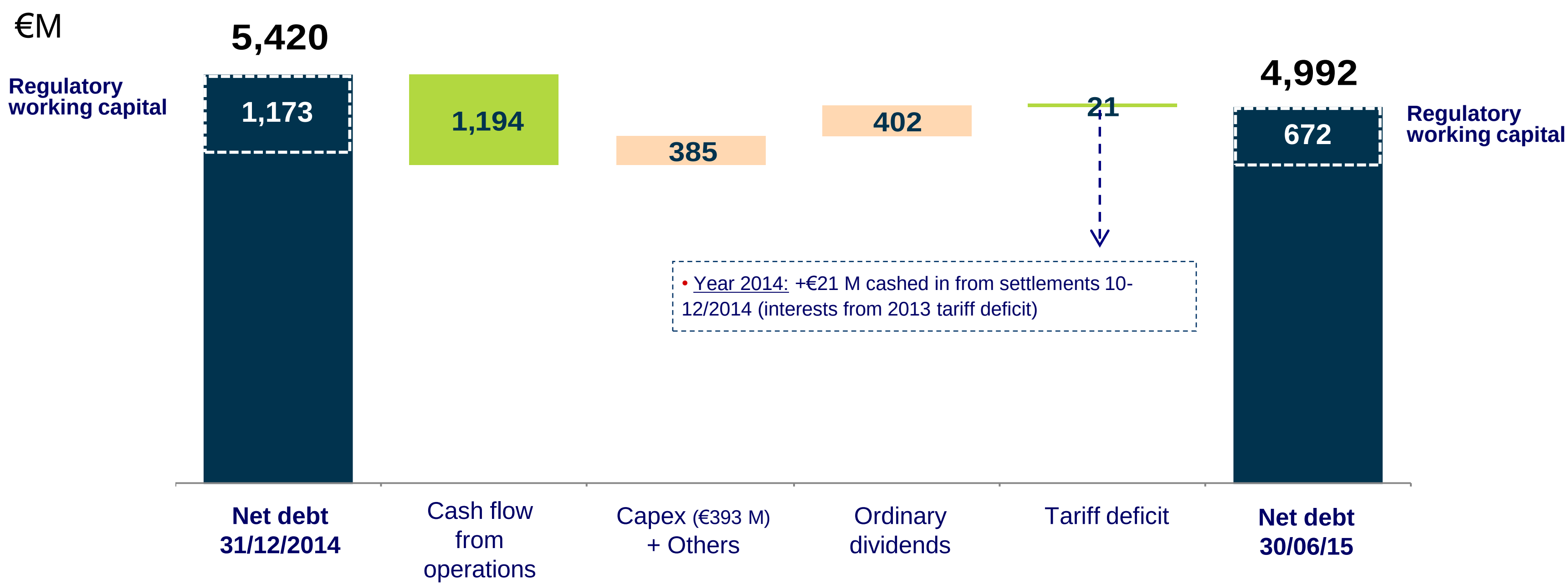
(4) Provision adjustment on workforce restructuring plans: -€4 M in 1H2015 vs. €19 M in 1H 2014

(5) 1H 2015: Nuclenor negative results (-€40 M). 1H 2014: Elcogas negative results (-€51 M)

Net debt analysis

Net debt evolution

Net debt (1) / EBITDA ratio: 1.8x → 1.5x(2)



- **Healthy financial leverage and strong liquidity position**
- **Endesa liquidity covers 35 months of debt maturities**
- **€1.5 bn fixed rate loan refinanced through floating rate instruments**

(1) Net debt figure includes regulatory working capital
(2) Last 12 months EBITDA

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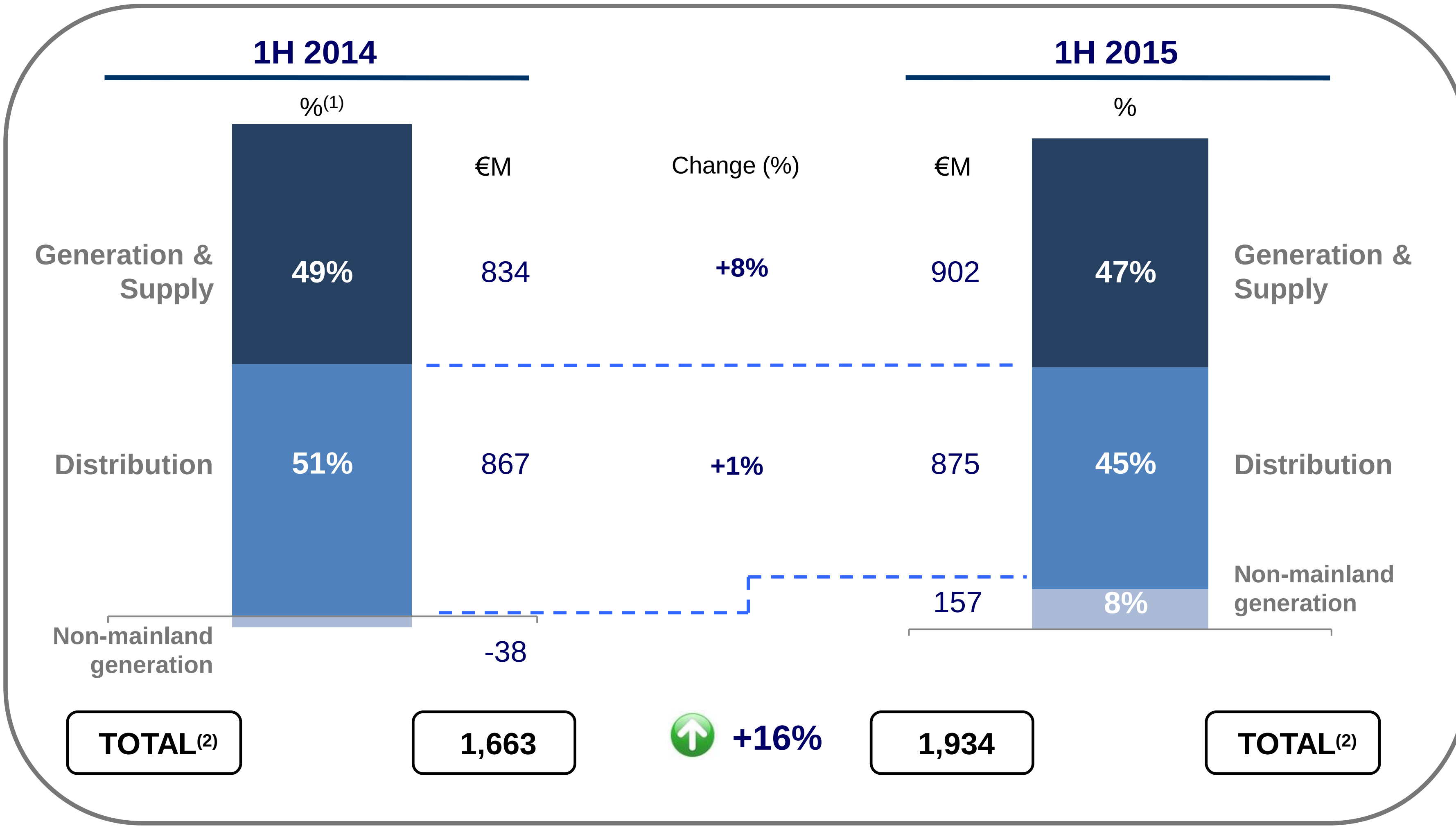
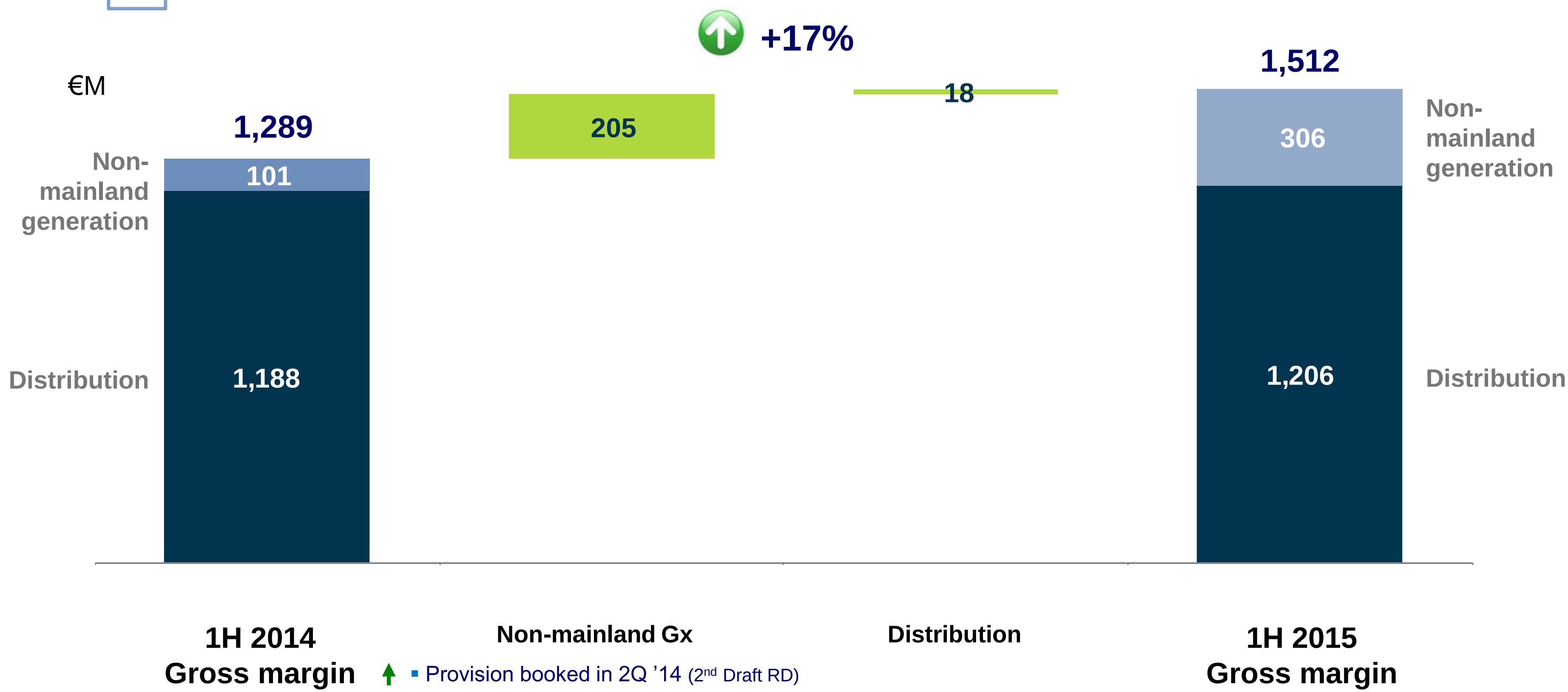
1H 2015 EBITDA breakdown



(1) *Percentage calculated excluding Non-mainland generation EBITDA*
(2) *Corporate Structure, Services and Adjustments EBITDA figure is allocated within the Generation & Supply business*

Regulated business

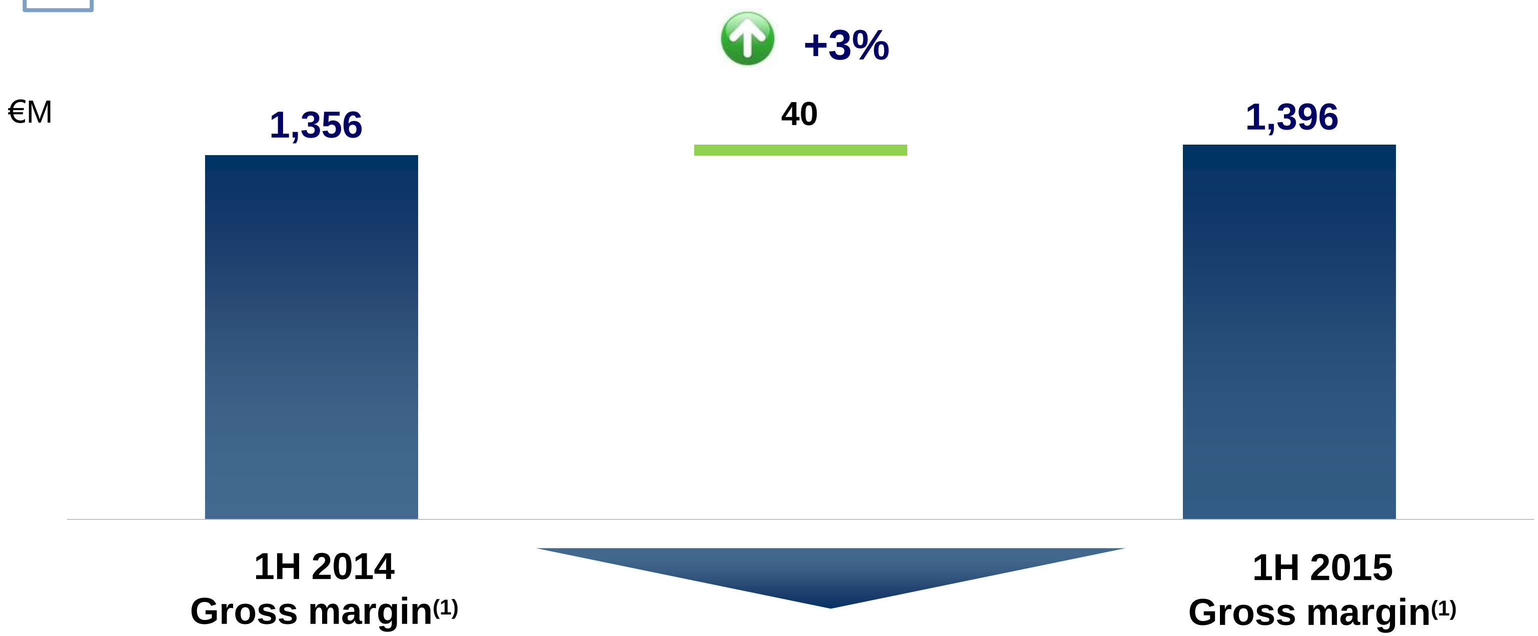
Gross margin evolution of non-mainland Gx and Dx



- Provision booked in 2Q '14 (2nd Draft RD)
- Latest draft RD (Law 15/2012 taxes recognized as variable costs)

- **Non-mainland Gx:** €162 M provision booked in 2Q 2014 and Law 15/2012 taxes recognized as variable costs in 1H 2015

Liberalized business
Gross margin evolution



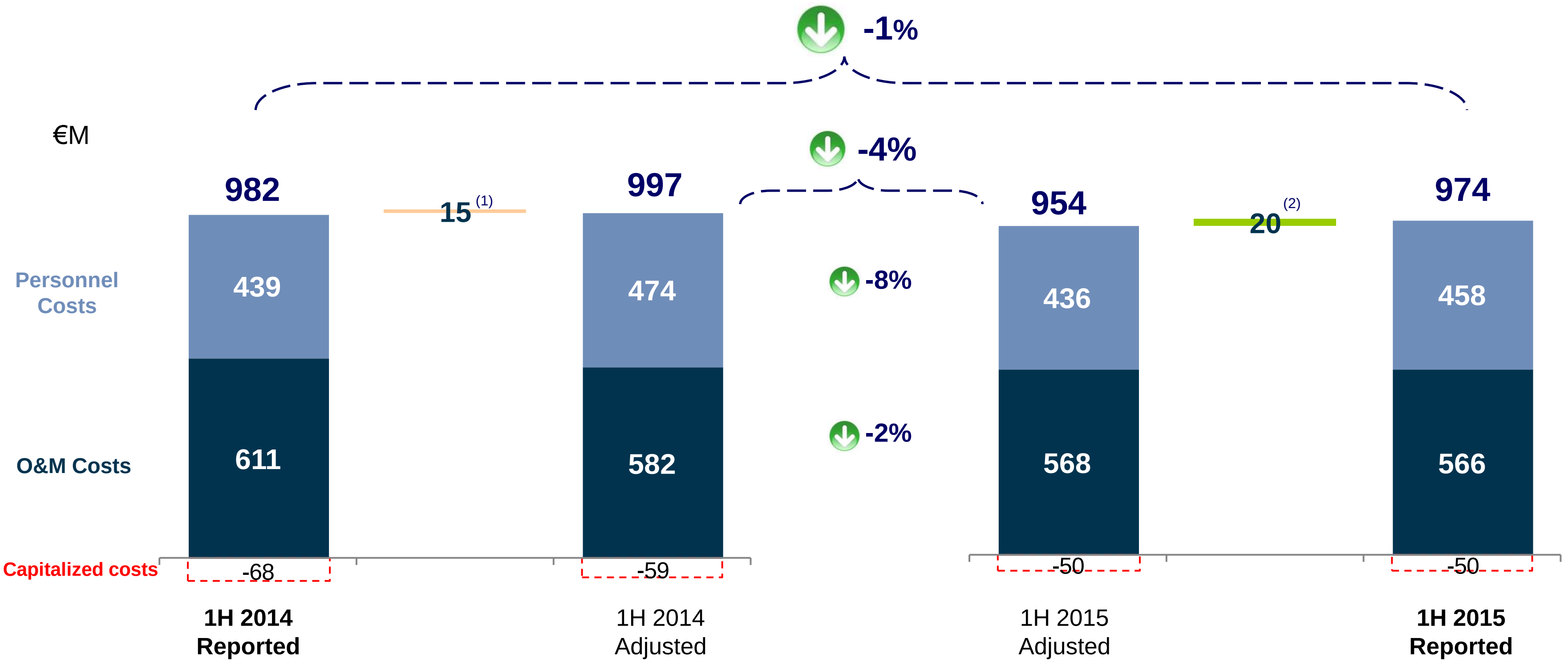
- Higher underlying selling price
- CO_2 swap transaction

- Higher fuel costs (higher thermal gap)
- Gas Business
- Higher Law 15/2012 taxes

- **Strong integrated position results driving liberalized business margin above expectations**

(1) *Corporate Structure, Services and Adjustments gross margin figure is allocated within the Liberalized business*

Fixed costs evolution

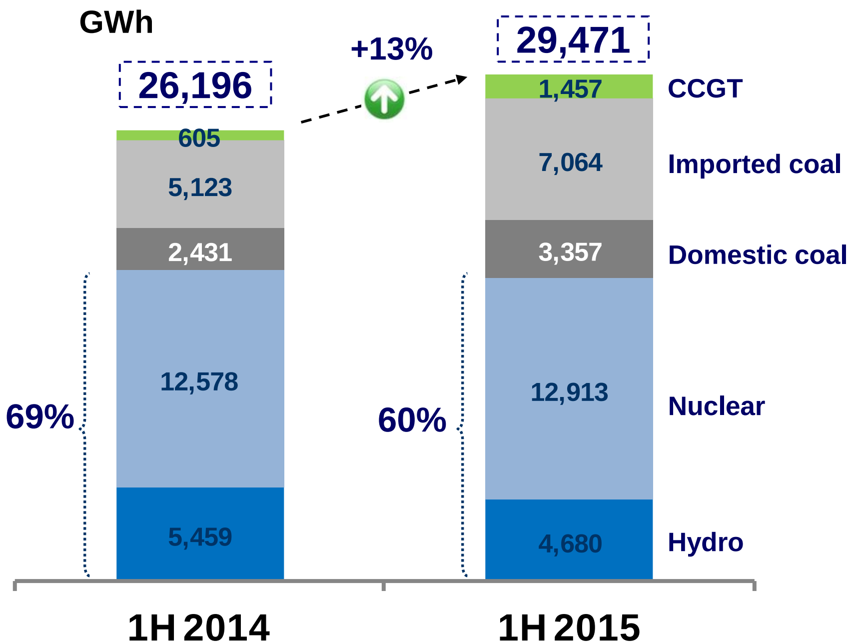


- **Flat reported fixed costs**
- **Adjusted by non-recurrent items, fixed costs decreased 4%**

(1) Labor risk provision (€35 M), potential infringement proceedings in O&M (-€29 M) and capitalized costs (€9 M)
(2) Labor risk provision (-€22 M), potential infringement proceedings in O&M (€2 M)

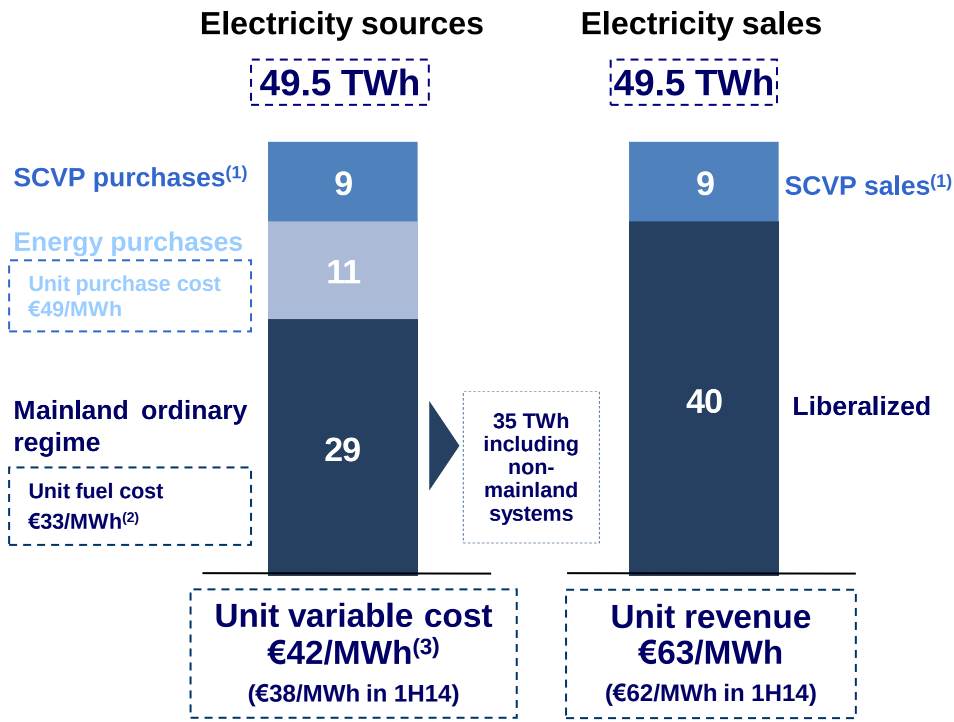
Liberalized business
Energy management

Mainland output



- Strong thermal output increase due to hydro normalization
- Hydro and nuclear represented 60% of total output (vs. 69% in 1H 2014)

1H 2015 energy management



- Electricity unitary margin decreased by 15% (21.1€/MWh)
- 23% of 2016 estimated output hedged as of 1H 2015

(1) *SCVP not considered in calculations for unit variable cost, unit revenue and unitary margin*
(2) *Includes fuel cost, CO_2 and taxes from Law 15/2012*
(3) *Includes fuel costs as in footnote 2, energy purchase costs and ancillary services*

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Final remarks

1. Regulated business positive performance driven by non mainland Gx
2. Liberalized business margin outperforming expectations despite normalization of weather conditions
3. Recurrent fixed costs reduction
4. Strong cash flow generation…
5. …supporting an attractive dividend policy
6. 1H 2015 Results confirms 2016-17 guidance

Appendix

Endesa 1H 2015 Results

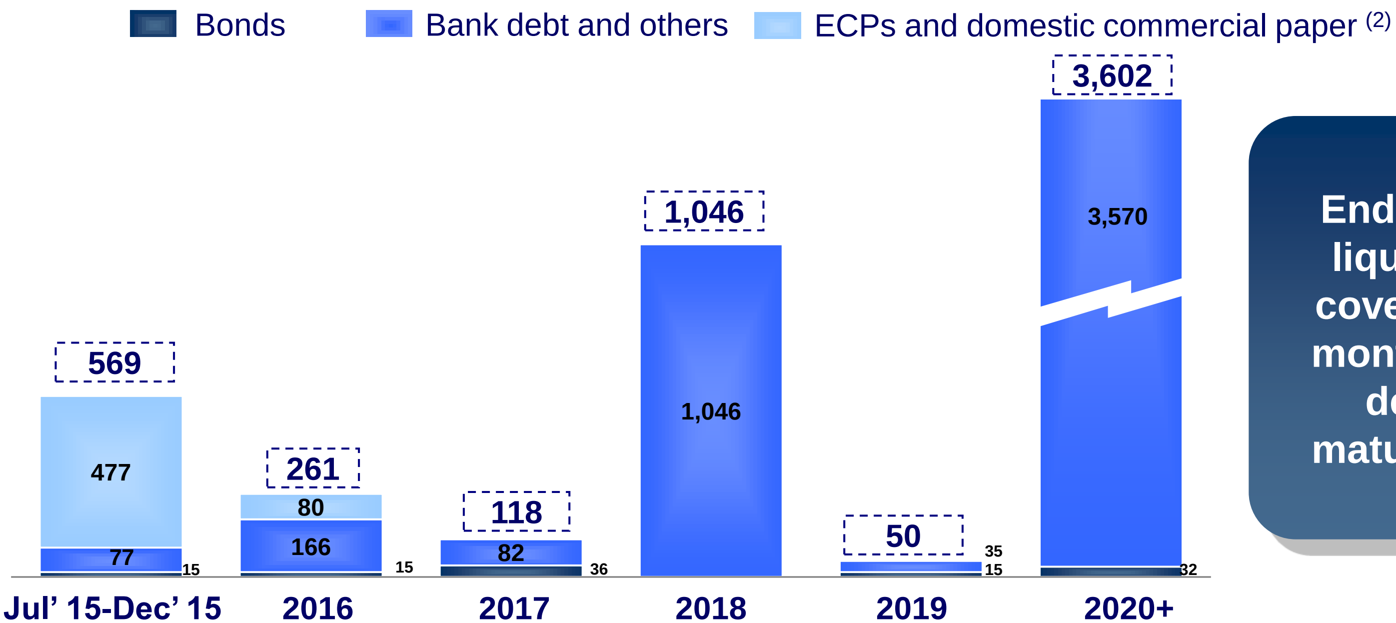
Installed capacity and output(1)

GW at 30/06/15 (and chg. vs. 30/06/14)	**Installed capacity(2)**		*GWh 1H 2015 (and chg. vs. 1H 2014)* **Output(3)**	
Total	**21.2**	**-2%**	**35,332**	**+10.5%**
Hydro	4.7	+1%	4,680	-14%
Nuclear	3.3	0%	12,913	+3%
Coal	5.3	0%	11,331	+31%
Natural gas	5.4	0%	3,334	+41%
Oil-gas	2.4	-17%	3,075	+4%

(1) Includes data for fully consolidated companies and jointly-controlled companies accounted for using proportionate consolidation
(2) Net Capacity
(3) Output at power plant bus bars (Gross output minus self-consumption)

Endesa: financial debt maturity calendar

Gross balance of maturities outstanding at 30 June 2015: €5,937 M(1)



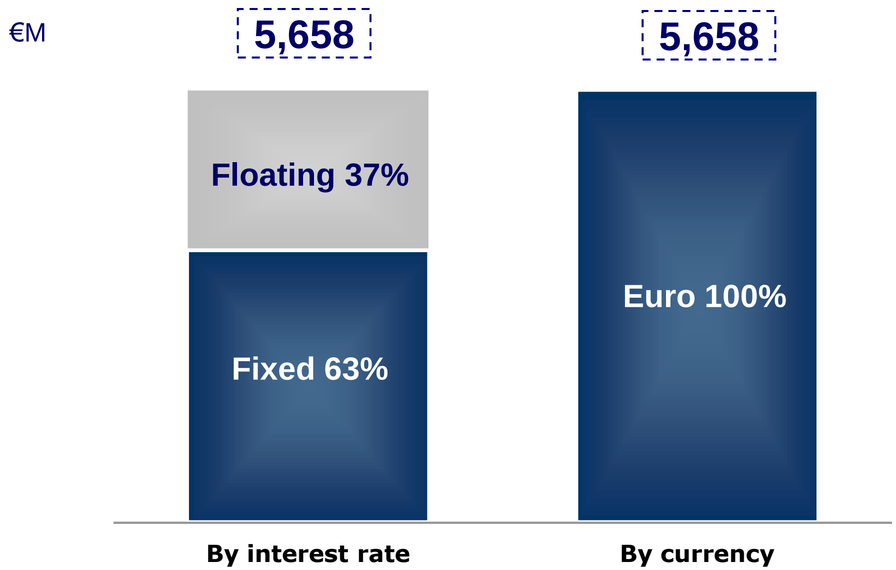
Endesa's liquidity covers 35 months of debt maturities

- **Liquidity €3,853 M**
  - **€653 M in cash**
  - **€3,200 M available in credit lines**
- **Average life of debt: 7.0 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.

Gross debt structure
as of June 30th 2015

Structure of Endesa's gross debt



Average cost of debt	**3.0%**

Endesa is an Enel Group Company

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).

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