



# Endesa 2015 Results

23/02/2016



# Agenda



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

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# Highlights



**Financial performance above targets**

**Continued activities profit after taxes (+16%)**

**Resilient EBITDA performance (-2%) in a challenging scenario**

**€380 M early retirement provision booked allowing achievement of efficiency targets**

**Recurrent fixed costs decreased by 6%**

**€1.026 DPS<sup>(1)</sup>: 35% increase vs. 2014 ordinary DPS**

# Key financial figures



€M	2015	2014	Change
EBITDA	3,039	3,090	-2%
Continued activities profit after taxes	1,090	943	+16%
Net attributable income	1,086	3,337 <sup>(1)</sup>	-67%
Net financial debt	4,323	5,420	-20%

**Strong free cash flow generation**

# Agenda

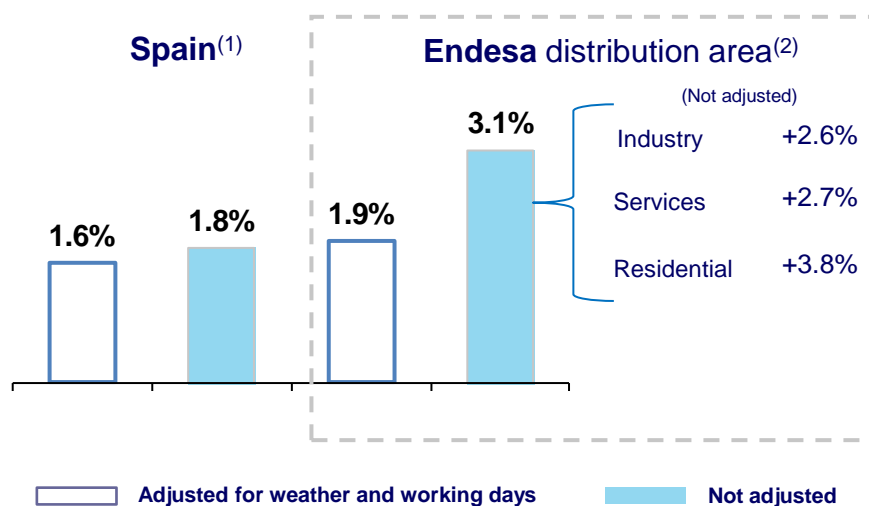


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# Market context in 2015



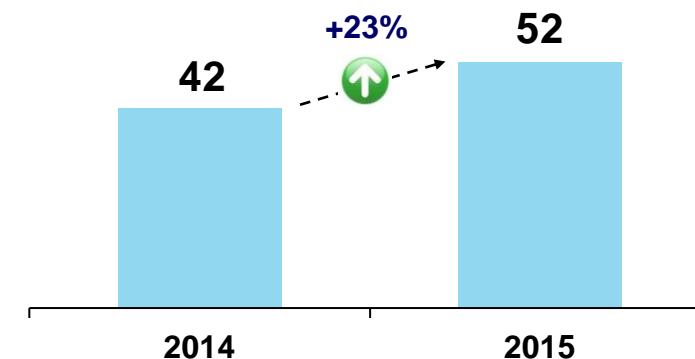
## Demand



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

## Electricity wholesale prices

Weighted average pool prices Spain<sup>(3)</sup> (€/MWh)



- Pool price increase due to normalization of weather conditions, demand increase and higher thermal gap

# Regulatory update

4Q 2015: regulatory news and CNMC settlements



## Distribution

- RD 1073/2015: annual update of unitary standard values no longer linked to CPI
- Order IET/2660/2015: unitary standard values for investment and O&M approved
- 2016 remuneration:
  - ✓ CNMC proposal still pending
  - ✓ Meanwhile, temporarily settled according to 2015 remuneration

Neutral final outcome expected

## 2016 access costs Ministerial Order

- Access tariffs unchanged except for certain high voltage clients (6.1.B tariff)
- Decrease in customers' capacity payments by ~ €500 M
- €24 M of tariff surplus according to Ministry of Industry estimates

## Domestic coal

- Closure of Compostilla's Group II (148 MW domestic coal) authorized by Ministry of Industry
- Interim Government committed with Domestic Coal IED investments to guarantee security of supply

## 12<sup>th</sup> CNMC settlement for Year 2015

&

## 15<sup>th</sup> CNMC settlement for Year 2014

- €1.0 bn of provisional imbalance of regulated cost/revenues (vs. €2.6 bn in settlement 12/14)
- Coverage ratio: 93.5% (vs. 84.1% in settlement 12/14)
- €550 M of surplus



# Latest regulatory reform supports business perspectives



## Distribution and Transmission

- Regulatory stability: remuneration set until 2020 based on Investment Plans to be authorized by the Ministry

## Non-mainland generation

- Regulatory stability: remuneration set until 2020

## Renewables

- Regulatory stability setting an orderly development
- New capacity through competitive auctions scheme

**Sustained tariff sufficiency looking forward**

- **Achieved a visible and sustainable regulatory framework**
  - **Sector stability key for future country growth**

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# Financial results



€M	2015	2014 <sup>(1)</sup>	Change
<b>Revenues</b>	<b>20,299</b>	<b>21,512</b>	<b>-6%</b>
<b>Gross Margin</b>	<b>5,481</b>	<b>5,538</b>	<b>-1%</b>
<b>EBITDA</b>	<b>3,039</b>	<b>3,090</b>	<b>-2%</b>
<b>EBIT <sup>(2)</sup></b>	<b>1,598</b>	<b>1,472</b>	<b>9%</b>
<b>Net Financial Expenses <sup>(3)</sup></b>	<b>(186)</b>	<b>(166)</b>	<b>12%</b>
<b>Share of profit from associates <sup>(4)</sup></b>	<b>(15)</b>	<b>(44)</b>	<b>N/A</b>
<b>Continued activities profit after taxes</b>	<b>1,090</b>	<b>943</b>	<b>16%</b>
<b>Discontinued activities profit after taxes</b>	<b>-</b>	<b>3,045</b>	<b>-100%</b>
<b>Net attributable income</b>	<b>1,086</b>	<b>3,337</b>	<b>-67%</b>
<b>Net Capex <sup>(5)</sup></b>	<b>786</b>	<b>776</b>	<b>1%</b>

## P&L evolution:

- ✓ (-) 2014 Non-mainland Gx non-recurrent results (according to 3<sup>rd</sup> draft RD) and normalization of weather conditions
- ✓ (+) Other Operating Results (CO<sub>2</sub> transaction) and lower D&A
- ✓ (+) Increase of Continued activities profit after taxes (+16%)

(1) 2014 Latam business results are included in the Net Income from Discontinued Operations line as per IFRS 5

(2) 2015: lower D&A due to assets life extension (€129 M) and lower impairment losses

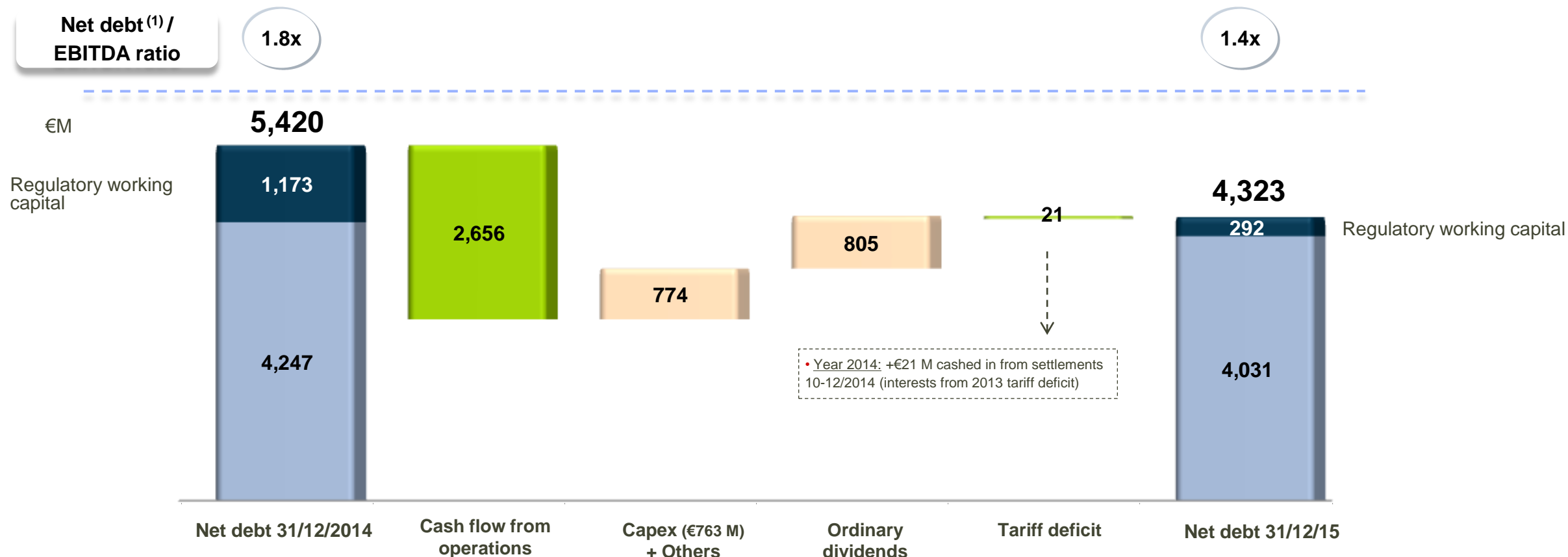
(3) Provision adjustment on workforce restructuring plans: €47 M in 2015 vs. -2€ M in 2014. Year 2014 also includes €24 M interests from tariff deficit financing.

(4) 2015: Nuclenor negative results (-€58 M). 2014: Nuclenor negative results (-€56 M) and Elcogas negative results (-€51 M)

(5) Accounting figure that excludes the amount of assets from clients' contributions

# Net financial debt analysis

Net financial debt evolution



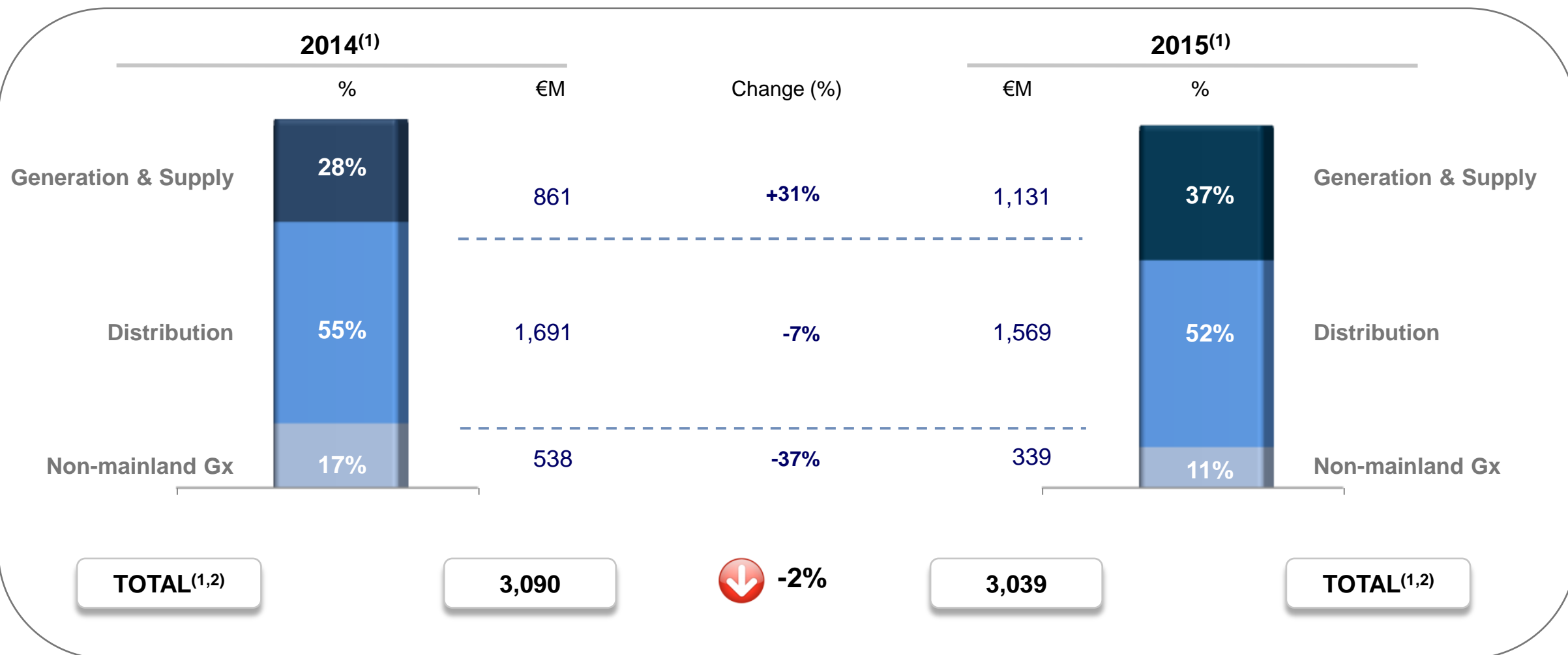
**Healthy financial leverage and strong liquidity position**  
**Endesa liquidity covers 29 months of debt maturities**

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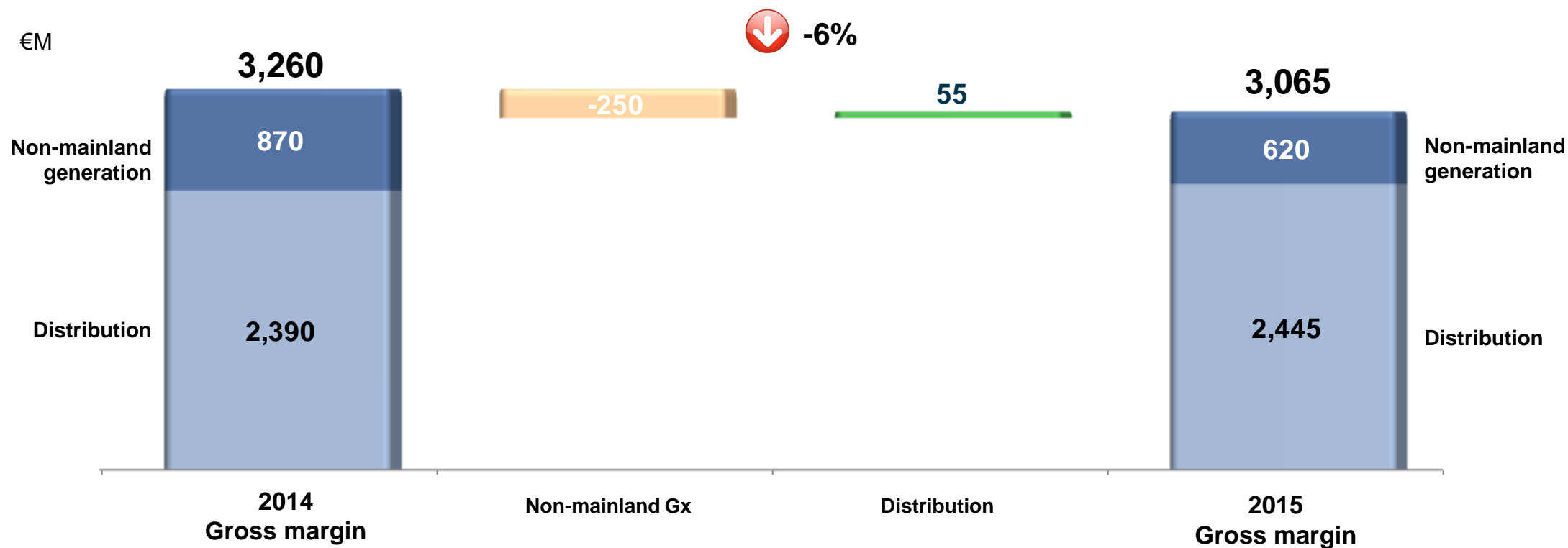
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# 2015 EBITDA breakdown



# Regulated business

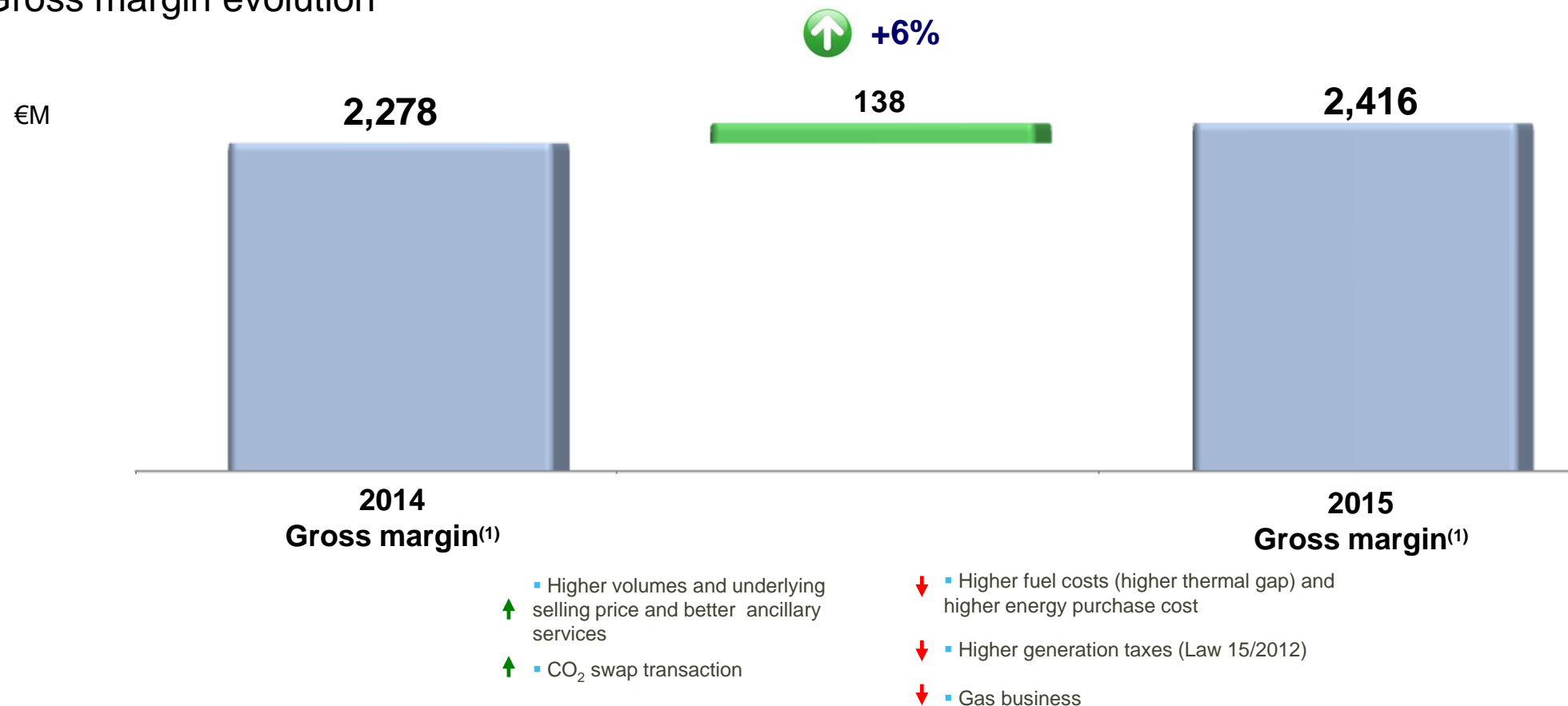
Gross margin evolution of non-mainland Gx and Dx



Non-mainland Gx: 3<sup>rd</sup> draft RD positive effects booked on 4Q 2014

# Liberalized business

## Gross margin evolution



**Increase in gross margin supported by successful energy management strategy**

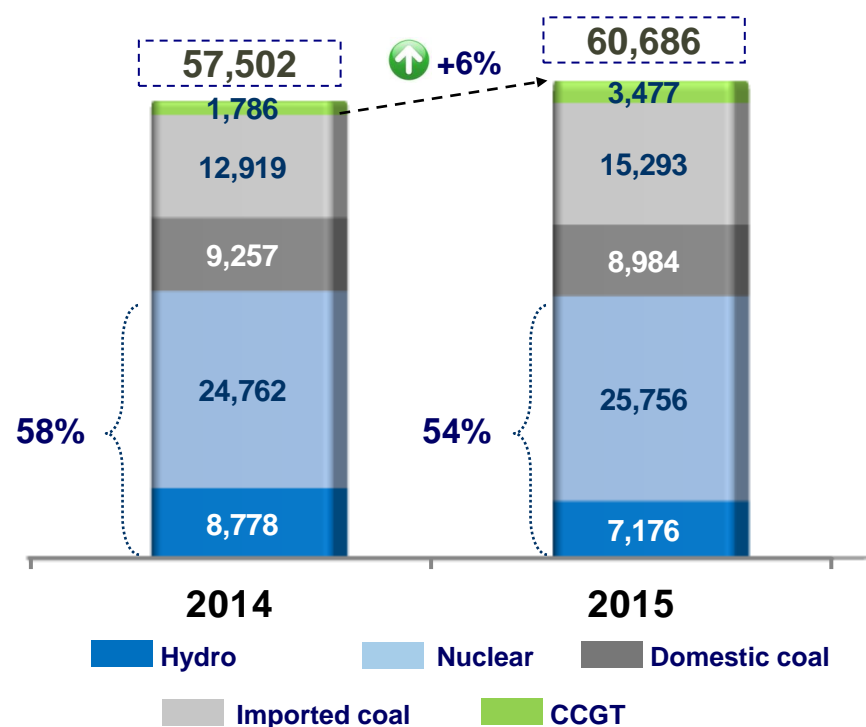


# Liberalized business

Energy management

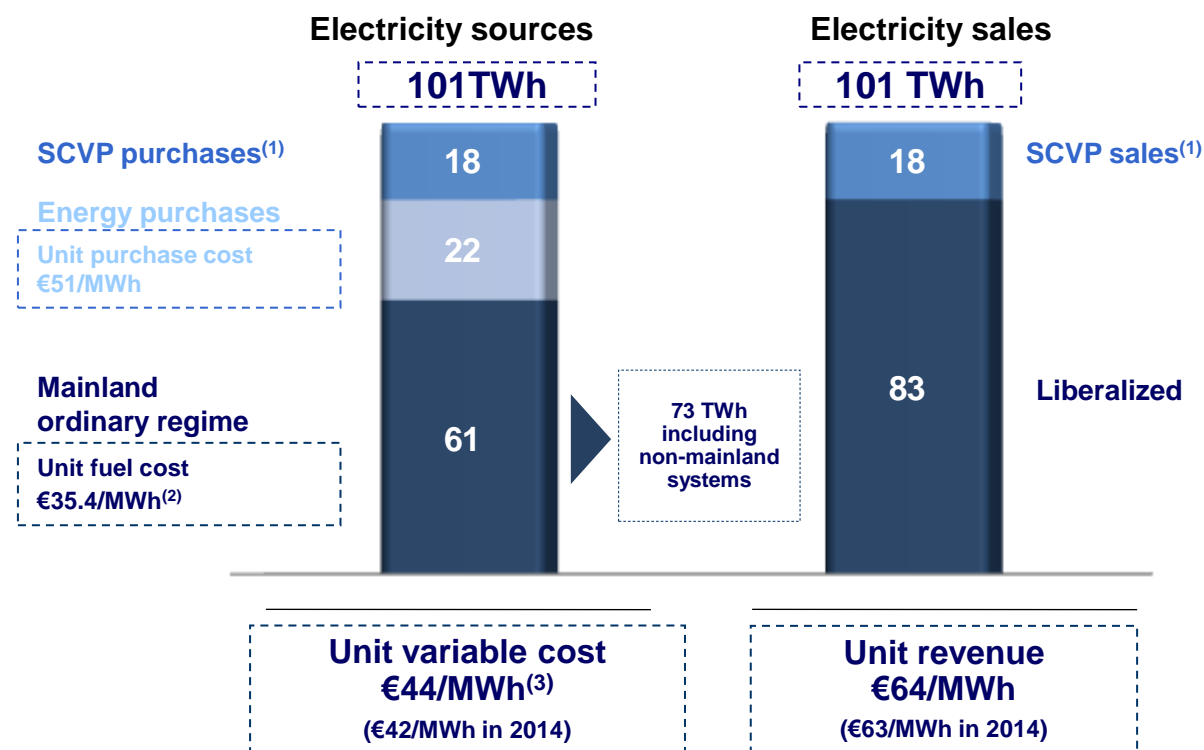


## Mainland output (GWh)



- Thermal output increase due to hydro normalization
- Hydro and nuclear represented 54% of total output (vs. 58% in 2014)

## 2015 energy management



- Electricity unitary margin: €20.3/MWh (-5%)
- ~65% of 2016 estimated output hedged as of Year End 2015

# 2014 and 2015 workforce restructuring plans



## Details

## Action plan

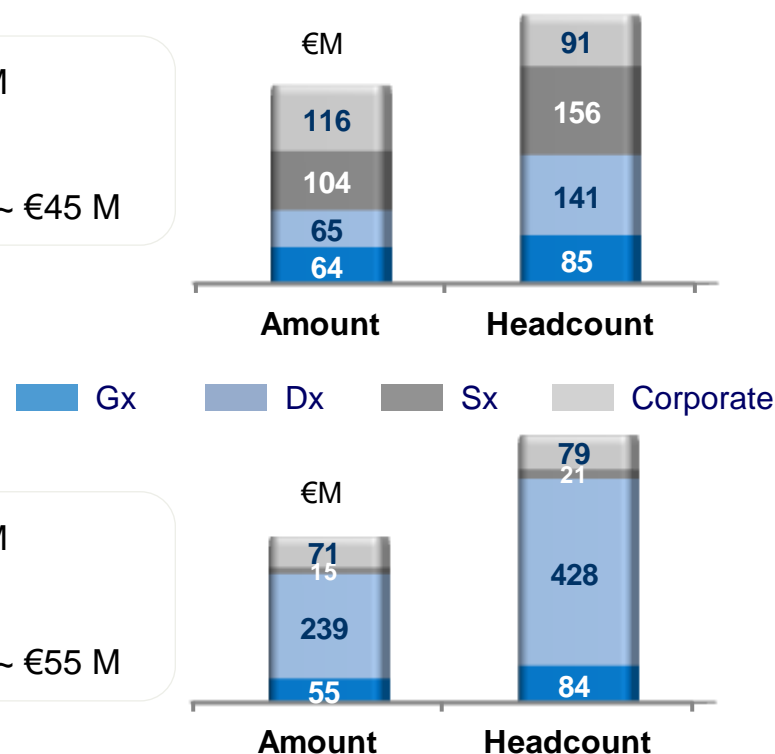
2014

- Provision amount: €349 M
- People involved: 473
- Annual average savings: ~ €45 M

2015

- Provision amount: €380 M
- People involved: 612
- Annual average savings: ~ €55 M

Amount and headcount breakdown by business line



### Generation

- Virtual mothballing in CCGTs
- Coal plants cost reduction
- Management optimization of power plants in Balearic Islands



### Distribution

- New organization with simplified processes and geographical areas
- Full deployment of smart metering
- Investment in efficiency oriented innovative technologies.



### Supply

- Focus on digitalization of all processes and products.
- Optimization of customer service and back office processes

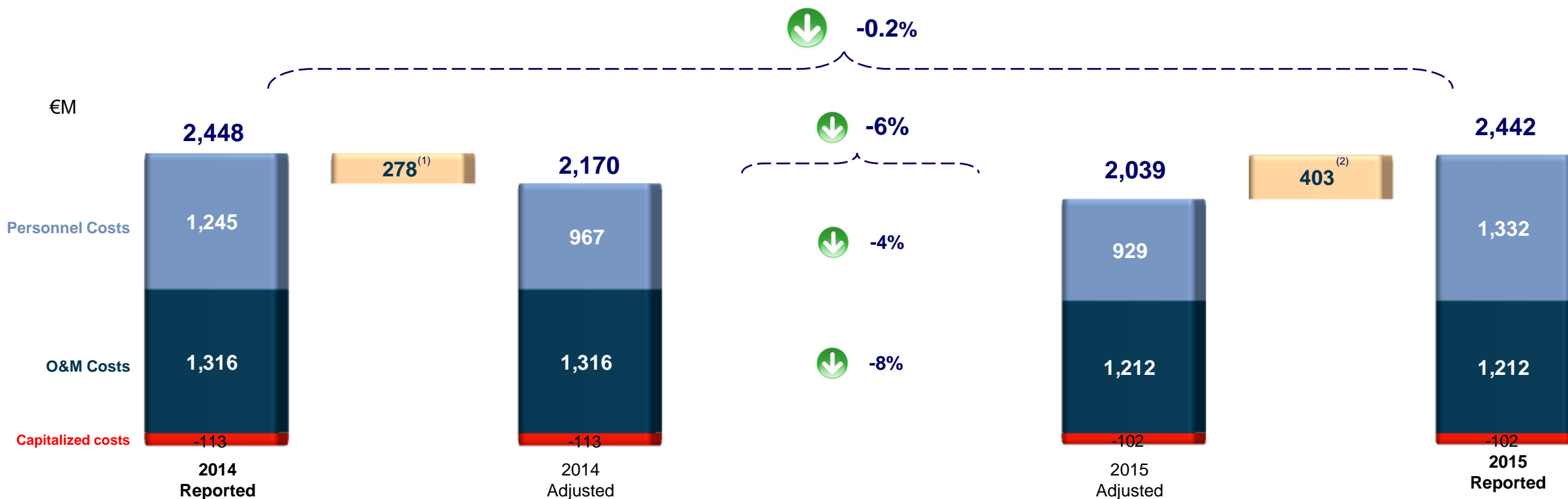


### Corporate

- Zero base budget revision and reorganization
- Corporate process streamlining

**2014 and 2015 workforce restructuring plans allow for an average annual decrease of ~ €100 M in personnel costs**

# Fixed costs evolution (I/II)



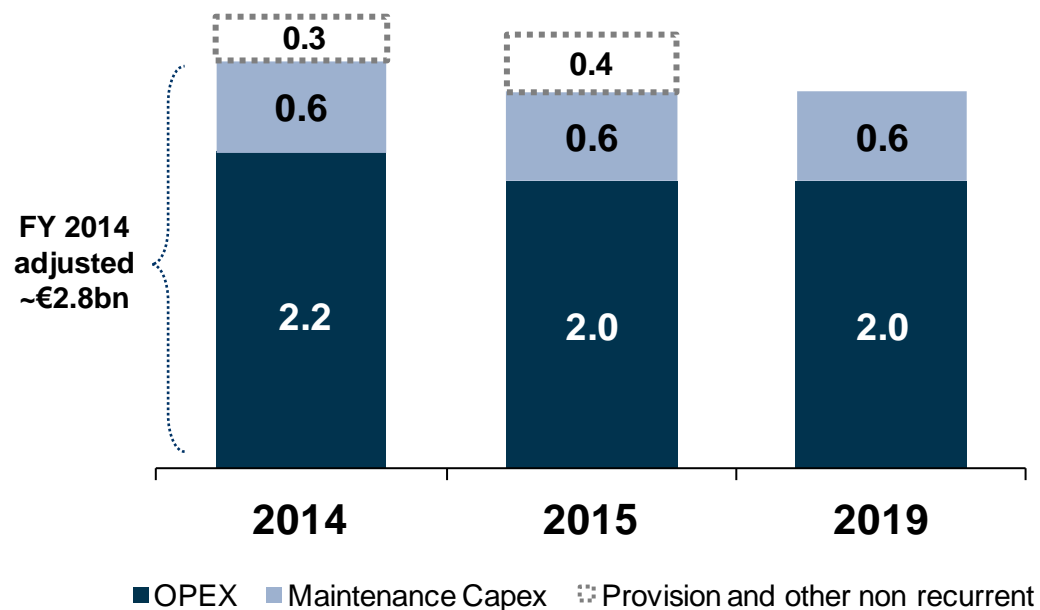
**Reported fixed costs flat**  
**Adjusted by non-recurrent items, fixed costs decreased by 6%**

# Fixed costs evolution (II/II)

Monitoring cash cost and key performance indicators

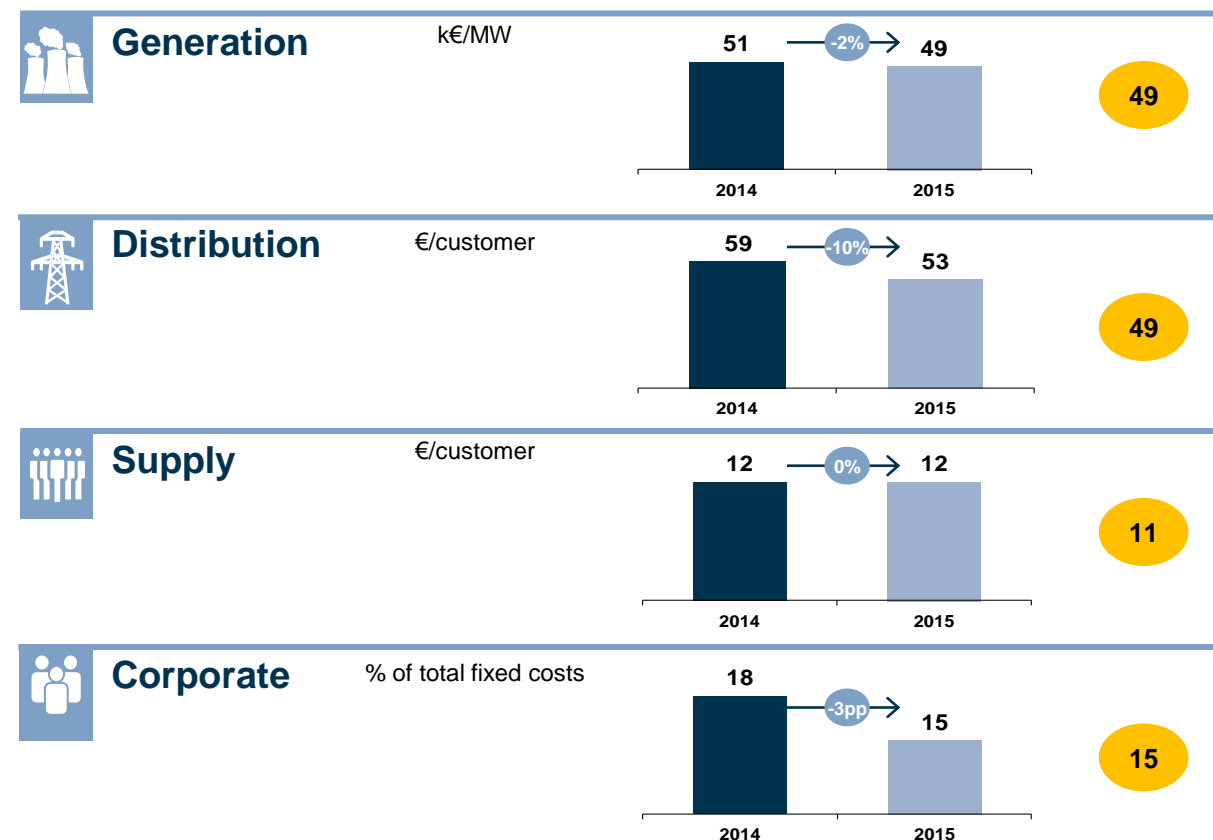


Cash cost (€bn)



Committed KPI's

2019 target



Well on track on achieving efficiency targets

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# Corporate social responsibility

Endesa is committed with all stakeholders



- Outstanding position in most relevant **SRI indexes** (DJSI, CDP, Euronext Vigeo, ECPI...)

- Emission free production **>45%**

- **100%** Energy certified by ISO 14001

- Total Tax Contribution ~ **€4bn**

- Public-private partnerships to tackle fuel poverty (**90 initiatives**)

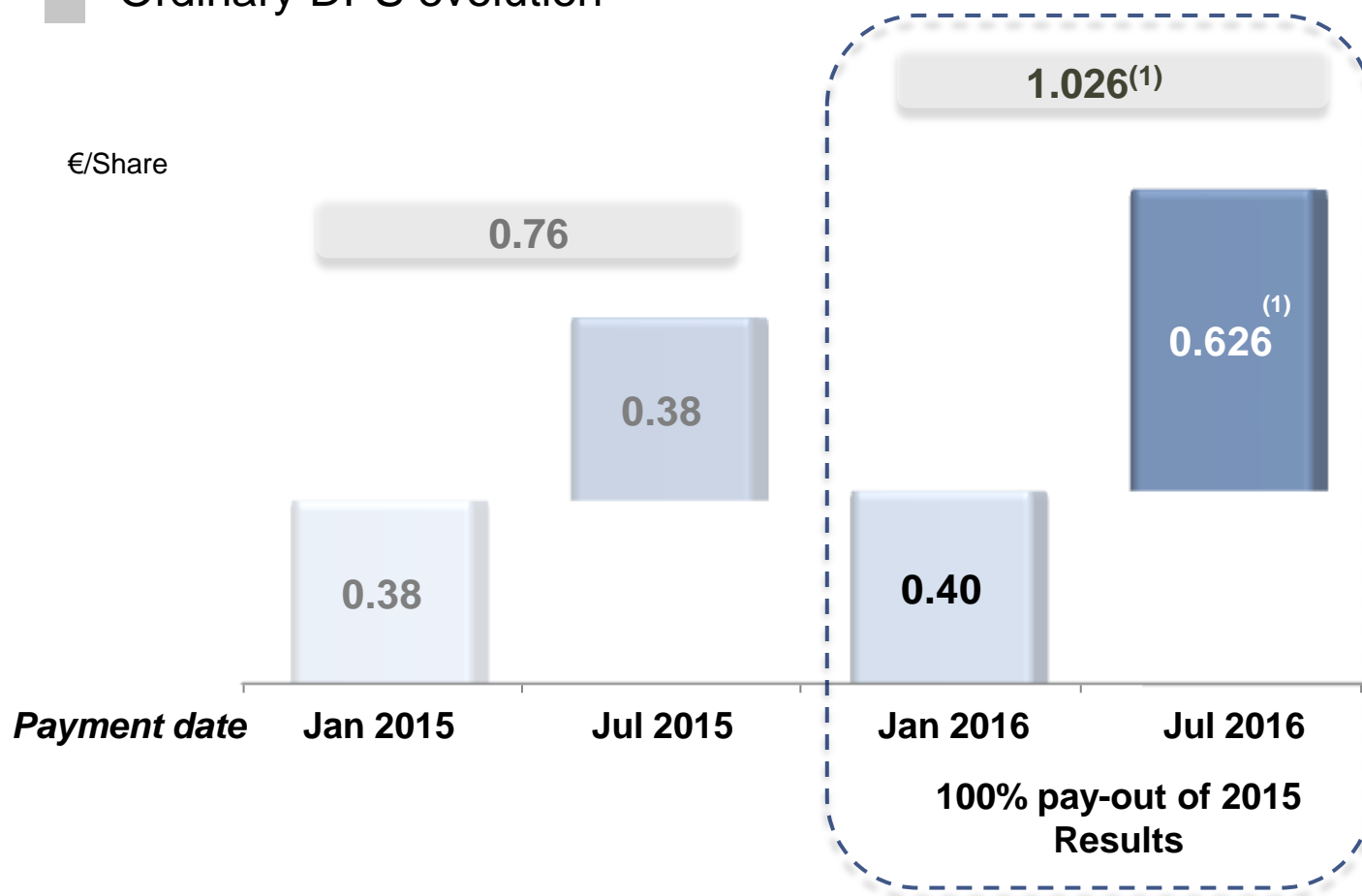
- ~ **€1,4bn** value of purchases from ~6,300 suppliers

- Board of Directors: **45%** External Independent Directors

**Endesa leader in transparency in climate change information (CDP)**

# Shareholder remuneration

## Ordinary DPS evolution



### 2016<sup>(2)</sup>

- **Maximum amount per share between**
  - 100% Pay-out
  - Minimum annual growth of 5% on the ordinary DPS paid against 2015 year's profit

### 2017-2019<sup>(2)</sup>

- **100% Pay-out of ordinary net attributable income**

**2015 DPS: €1.026<sup>(1)</sup> (100% pay-out), an increase of 35% vs. 2014 ordinary DPS**

# Final remarks



Exceeding financial targets

Resilient results supported by efficiencies and successful energy management strategy

~ 65% of total EBITDA coming from regulated business

High cash flow generation allows net financial debt reduction ...

...and supports our attractive dividend policy



# Appendix

## Endesa 2015 Results

endesa

# Installed capacity and output<sup>(1)</sup>



GW at 31/12/15  
(and chg. vs. 31/12/14)

	Installed capacity <sup>(2)</sup>	
<b>Total</b>	<b>21.2</b>	<b>-2%</b>
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.3	0%
Natural gas	5.4	0%
Oil-gas	2.4	-17%

GWh 2015  
(and chg. vs. 2014)

	Output <sup>(3)</sup>	
	<b>73,061</b>	<b>+4.9%</b>
	7,176	-18%
	25,756	+4%
	26,139	+7%
	7,495	+35%
	6,495	+4%



(1) Includes data for fully consolidated companies and jointly-controlled companies accounted for using proportionate consolidation

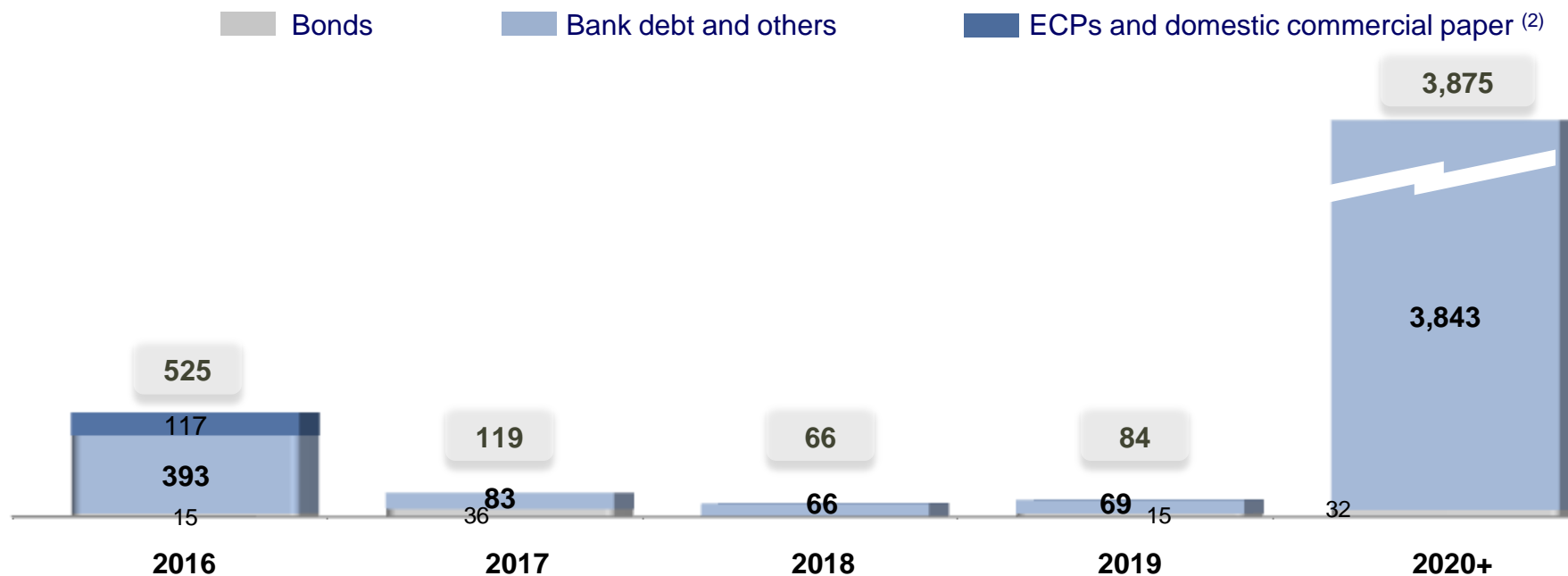
(2) Net Capacity

(3) Output at power plant bus bars (Gross output minus self-consumption)

# Endesa: financial debt maturity calendar



**Gross balance of maturities outstanding at 31 December 2015: €4,669 M<sup>(1)</sup>**



**Endesa's liquidity covers 29 months of debt maturities**

▪ Liquidity €3,533 M

▪ Average life of debt: 8 years

€346 M in cash

€3,187 M available in credit lines

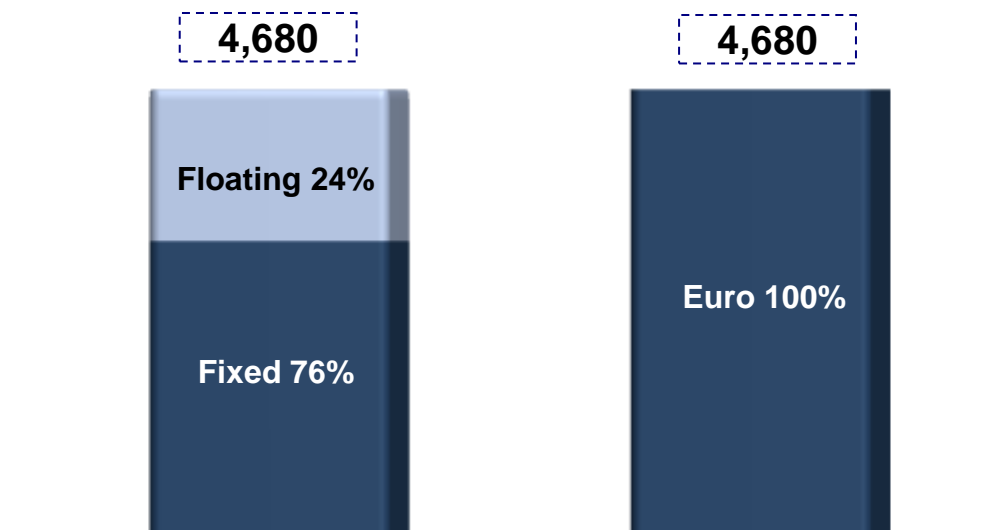
# Gross financial debt structure

as of December 31<sup>st</sup> 2015



## Structure of Endesa's gross debt

€M



■ Average cost of debt 2.7%

# 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; the impact of energy commodities price 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 or its closure or decommissioning; 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, defaults quantifiable of monetary obligations by the counterparties to which the Company has effectively granted net credit and the impossibility of obtaining financing at what we consider satisfactory interest rates.

Regulatory, environmental and 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; 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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