Endesa 1H 2016 Results

27/07/2016
1. 60% EGPE acquisition

2. 1H 2016 Results
   
   2.1. Highlights and key financial figures
   
   2.2. Endesa’s performance in 1H 2016 market context
   
   2.3. Financial results

3. Final remarks
1. 60% EGPE acquisition

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   2.2. Endesa’s performance in 1H 2016 market context
   2.3. Financial results

3. Final remarks
Transaction rationale

- Acquisition in line with Endesa’s strategic priorities
  - Value creation for shareholders
  - Best-in-class renewable portfolio
    - EV: ~€2.0 bn
    - 60% equity: €1,207 M
    - 1,705 MW (93 plants) (1)
    - 700 MW pipeline
  - Diversification & optimization of Endesa’s generation mix
  - Capital structure optimization
  - Synergy potential and growth platform

(1) Equivalent to 1,475 MW of attributable capacity. Additionally, there are 118 MW from associates
Transaction terms

100% EGPE: 2015 financial figures (€M)\(^{(1)}\)

- Revenues: ~290
- EBITDA: ~175
- Net Income: ~20
- FCF\(^{(2)}\): ~140

60% EGPE price

€1,207 M\(^{(3)}\)

Related-party transaction approved by Endesa’s independent directors

- Strong cash flow contribution

(1) Re-expressed figures excluding Portuguese assets sold in November 2015
(2) EBITDA – CAPEX – Taxes – Financial expenses
(3) Transaction price triggers €72 M write-down on 40% EGPE book value
Best-in-class renewable portfolio

✓ 1,705 MW of consolidated operating capacity (93 power plants)

2015 Capacity & output breakdown (MW / TWh)

- 1,705 MW
- 3.9 TWh

Geographical footprint

- Canarias (39 MW)
- Galicia (35 MW)
- Castilla y León (35 MW)
- Castilla La Mancha (54 MW)
- Aragón (267 MW)
- Cataluña (0.4 MW)
- Asturias (466 MW)
- Andalucía (315 MW)

2015 Key Operational Metrics

- Average life (years): 10
- % of regulated assets: 64%
- Load factor (%): 27.5%
- Workforce: 215

Endesa becomes 4th renewable player in Iberia

Average load factors in last 3 years: 6%
Renewal & optimization of Endesa’s generation mix

New energy mix to successfully cope with medium and long term energy outlook

- New renewables will cover demand growth
- Regulatory support needed to ensure emission targets compliance
- EGPE has great capabilities to capture renewables growth in Iberia
- EGPE allows to mitigate future conventional capacity phase-out

Pre and post transaction

<table>
<thead>
<tr>
<th></th>
<th>ELE</th>
<th>ELE + EGPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of FY 2015</td>
<td>21.2</td>
<td>22.9</td>
</tr>
<tr>
<td></td>
<td>Hydro</td>
<td>Nuclear</td>
</tr>
<tr>
<td>2015</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>2016</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>As of FY 2015</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>2016</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>2017</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>2018</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>2019</td>
<td>23%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Endesa’s generation portfolio (GW)

Endesa’s generation mix (TWh)

1H 2016 Results - Madrid, 27 July 2016
Synergy potential and growth platform

- **Annual EBITDA run-rate synergies expected > €10 M / Attractive platform for business development**

### Synergies

- **Revenues synergies**
  - Balancing area integration
  - Coverage of retail sales

- **Cost synergies**
  - Control Center Integration
  - Unification of Bidding andDispatching Systems

### Growth platform

- Asset life extension
- Opex and Capex optimization
- Repowering
- EGPE as the sole renewable platform of Enel Group in Spain:
  - Organic growth
  - Inorganic growth
Capital structure optimization & value creation for shareholders

Financing scheme
Mix funding: ECP’s and credit lines at no significant financing cost

Endesa’s new leverage
- 1.7x 2015 Net Debt / EBITDA

EBITDA, FCF and EPS accretive transaction from 2017

Post vs. pre transaction (1)
- 2017e EBITDA (%): +~6-7%
- 2017e FCF (%): +~10%
- 2017e EPS (%): +~2%

Solid value creation for shareholders

Includes run-rate annual EBITDA synergies
1. 60% EGPE acquisition

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3. Final remarks
Highlights

Regulated business: stable gross margin evolution

Liberalized business: +8% underlying\(^{(1)}\) gross margin

-6% in personnel costs

Sound underlying\(^{(1)}\) EBITDA evolution supported by successful energy management strategy

Strong cash flow generation

\(^{(1)}\) Net of 1H15 CO\(_2\) swap transaction
## Key financial figures

<table>
<thead>
<tr>
<th></th>
<th>1H 2016</th>
<th>1H 2015</th>
<th>Change</th>
<th>Like-for-like</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,866</td>
<td>1,934</td>
<td>-4%</td>
<td>+7%</td>
</tr>
<tr>
<td>Net attributable income</td>
<td>796</td>
<td>870</td>
<td>-9%</td>
<td>+8%</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>1,470</td>
<td>1,194</td>
<td>+23%</td>
<td></td>
</tr>
<tr>
<td>Net financial debt</td>
<td>3,741</td>
<td>4,323</td>
<td>-13%</td>
<td></td>
</tr>
</tbody>
</table>

### 1H 2016 Results

- **Like-for-like**: EBITDA grew by 7%

(1) Excluding +€184 M of CO₂ swap transaction in 1H 2015
(2) Excluding +€132 M of CO₂ swap transaction in 1H 2015
(3) Gross financial debt (€4,428 M) - Cash and cash equivalents (€674 M) – Derivatives recognized as financial assets (€13 M)
1. 60% EGPE acquisition

2. 1H 2016 Results
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Market context in 1H 2016

Demand

Spain\(^{(1)}\)

Endesa distribution area\(^{(2)}\)

+0.1%  +0.2%  -0.1%

Industry 0%
Services +3.4%
Residential -3.7%

Adjusted for weather and working days  Not adjusted

Electricity wholesale prices

Average pool prices Spain (€/MWh)

1H 2015  47
1H 2016  30

-36%

- Flat demand with services segment positive performance offsetting poor residential demand

- Pool price decrease due to better hydro and wind conditions along with drop in commodity prices

\(^{(1)}\) Mainland. Source: REE
\(^{(2)}\) Mainland. Source: Endesa's own estimates
Endesa’s performance in 1H 2016 market context (I/II)

Energy management

**Output (TWh)**

- Mainland (hydro and nuke): 5,938 (+1%)
- Mainland (thermal): 17,835 (+1%)
- Non-mainland (regulated): 6,677 (-44%)
- Non-mainland (regulated): 30,450 (-14%)

**Electricity sales (TWh)**

- Industrial: 8,086 (-11%)
- Residential: 8,920 (+4%)
- SMEs: 3,539 (-7%)
- Portugal: 22,292 (+2%)
- SCVP: 49,224 (-1%)

- Unitary integrated margin (€23.8/MWh)
  - (+12% vs. 1H 2015)

- ~100% of 2016 and ~40% of 2017 estimated output already hedged
Endesa’s performance in 1H 2016 market context (II/II)

Regulated business

Dx: Regulatory news flow

- 2016 final remuneration (Order IET/980/2016):
  - 2014 net RAB: €11.2 bn
  - Regulated revenues: €2,014 M (€2,023 M including quality and fraud incentives)
  - Regulation provides new regulatory framework with high visibility and stability

Dx: Eléctrica del Ebro acquisition

- Electricity distribution and supply company with 20,000 customers
- €38 M 2014 net RAB and €7.4 M 2016 regulated revenues
- €24.7 M of EV
- Approved by CNMC

- Stable regulated gross margin
Agenda

1. 60% EGPE acquisition

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3. Final remarks
## Financial results

<table>
<thead>
<tr>
<th>€M</th>
<th>1H 2016</th>
<th>1H 2015</th>
<th>Change</th>
<th>Like-for-Like</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>9,203</td>
<td>10,314</td>
<td>-11%</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>2,836</td>
<td>2,908</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,866</td>
<td>1,934</td>
<td>-4%</td>
<td>7% (1)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>1,190</td>
<td>1,262</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Financial Expenses</strong></td>
<td>(101)</td>
<td>(94)</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td><strong>Share of profit from associates</strong></td>
<td>(38)</td>
<td>(17)</td>
<td>124%</td>
<td></td>
</tr>
<tr>
<td><strong>Net attributable income</strong></td>
<td>796</td>
<td>870</td>
<td>-9%</td>
<td>8% (2)</td>
</tr>
<tr>
<td><strong>Net Capex (3)</strong></td>
<td>322</td>
<td>270</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

**P&L evolution:**

(+): Underlying EBITDA increase (+7%): good performance of liberalized business

(-): Net attributable income impacted by write-down on 40% EGPE (-€72 M)

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1H 2016 Results- Madrid, 27 July 2016

(1) Excluding +€184 M of CO₂ swap transaction in 1H2015
(2) Excluding +€132 M of CO₂ swap transaction in 1H 2015
(3) Gross Capex - assets from clients' contributions - subsidies
1H 2016 EBITDA breakdown

<table>
<thead>
<tr>
<th></th>
<th>1H 2015</th>
<th></th>
<th>1H 2016</th>
<th></th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>€M</td>
<td>%</td>
<td>€M</td>
<td></td>
</tr>
<tr>
<td>Generation &amp; Supply(1)</td>
<td>47%</td>
<td>902</td>
<td>39%</td>
<td>728</td>
<td>-19%</td>
</tr>
<tr>
<td>Distribution</td>
<td>45%</td>
<td>875</td>
<td>51%</td>
<td>952</td>
<td>+9%</td>
</tr>
<tr>
<td>Non-mainland Gx(2)</td>
<td>8%</td>
<td>157</td>
<td>10%</td>
<td>186</td>
<td>+18%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>1,934</td>
<td></td>
<td>1,866</td>
<td>-4%</td>
</tr>
</tbody>
</table>

Generation & Supply business EBITDA figure also includes Corporate Structure, Services and Adjustments and does not include Non-mainland generation EBITDA.

Non-mainland generation EBITDA figure includes Canary and Balearic Islands, Ceuta and Melilla.

1H 2016 Results - Madrid, 27 July 2016
Regulated business
Gross margin evolution

€M

1H 2015 Gross Margin

Non-mainland generation

Dx

Non-mainland Gross Margin figure includes Canary and Balearic Islands, Ceuta and Melilla

Distribution

1H 2015 Gross Margin
1,206
306

1H 2016 Gross Margin
1,227
306

Stable gross margin (+1%)
Liberalized business (1)

Gross margin evolution

- Increase in underlying gross margin (2) (+8%) supported by successful energy management

- Lower fuel costs, Law 15/2012 taxes and CO₂ cost
- Favorable Constitutional Court ruling on Catalonia nuclear tax

1H 2015 Gross Margin

- Gas business: €1,221
- Selling price
- CO₂ swap transaction in 1H 2015
- GAS business

1H 2016 Gross Margin

- Gas business: €1,157
- Lower fuel costs, Law 15/2012 taxes and CO₂ cost
- Favorable Constitutional Court ruling on Catalonia nuclear tax
- Selling price
- GAS business

Sales (37,419 GWh) in 1H 2015:
- Domestic: €7,211
- Wholesale: €4,806
- International: €25,402

Sales (39,402 GWh) in 1H 2016:
- Domestic: €10,013
- Wholesale: €3,166
- International: €26,223

1H 2015 Results

- Madrid, 27 July 2016
- Generation & Supply business Gross Margin figure also includes Corporate Structure, Services and Adjustments and does not include Non-mainland generation gross margin
- Excluding CO₂ swap transaction in 1H 2015
+12% electricity unitary margin (€23.8/MWh) supported by successful energy management strategy

- Fuel cost: €28/MWh (-16%)
- Energy purchase cost: €35/MWh (-28%)

Fuel costs (including CO₂ and taxes from Law 15/2012), energy purchase costs and ancillary services
Fixed costs evolution

- Personnel costs decrease supported by 2014 and 2015 workforce restructuring plans
From EBITDA to Net Income

€M

EBITDA: 1,866
D&A: -676
EBIT: 1,190
Net Financial Expenses: -101
Associates and Others: -48
PBT: 1,041
Taxes: -245
Net attributable Income: 796

1H 2015
Change (%)
1,934
-4%
-672
+1%
1,262
-6%
-94
+7%
-16
+200%
1,152
-10%
-280
-13%
870
-9%
Net financial debt analysis

Net financial debt evolution

- Healthy financial leverage and strong liquidity position
- Endesa liquidity covers 63 months of debt maturities

<table>
<thead>
<tr>
<th>Regulatory working capital</th>
<th>Cash flow from operations</th>
<th>Capex (€490 M) + Others</th>
<th>Ordinary dividends</th>
<th>Net debt 31/12/2015</th>
<th>Net debt 30/06/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>€M</td>
<td>€M</td>
<td>€M</td>
<td>€M</td>
<td>€M</td>
<td>€M</td>
</tr>
<tr>
<td>4,323</td>
<td>292</td>
<td>1,470</td>
<td>465</td>
<td>424</td>
<td>64</td>
</tr>
<tr>
<td>Net debt 31/12/2015</td>
<td>Net debt 30/06/2016</td>
<td></td>
<td></td>
<td></td>
<td>3,741(2)</td>
</tr>
</tbody>
</table>

Net debt / EBITDA ratio: 1.4x

1.3x(1)

1.4x

1.3x

- Last 12 months EBITDA
- Gross financial debt (€4,428 M) - Cash and cash equivalents (€674 M) – Derivatives recognized as financial assets (€13 M)
- Mainland and non-mainland deficit

1H 2016 Results - Madrid, 27 July 2016

1H 2016 Cash flow
Capex + Others
Dividends
1H 2016
4,031
3,677
292
1,470
465
424
64

Endesa liquidity covers 63 months of debt maturities

\[1.4x \text{ Net debt / EBITDA ratio} \]
1. 60% EGPE acquisition

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Stable results in the regulated business

Sound underlying results in the liberalized business supported by successful energy management strategy

Personnel costs reduction

EGPE acquisition improves Endesa’s generation mix and sets the grounds for a solid future growth

€0.626 final DPS against 2015 Results paid on 1st July 2016
Installed capacity and output

Mainland output (GWh)

<table>
<thead>
<tr>
<th></th>
<th>1H2015</th>
<th>1H2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydro</td>
<td>1,457</td>
<td>990</td>
</tr>
<tr>
<td>Nuclear</td>
<td>7,064</td>
<td>4,796</td>
</tr>
<tr>
<td>Domestic coal</td>
<td>3,357</td>
<td>891</td>
</tr>
<tr>
<td>Hydro</td>
<td>12,913</td>
<td>12,843</td>
</tr>
<tr>
<td>Nuclear</td>
<td>4,680</td>
<td>4,992</td>
</tr>
<tr>
<td>Domestic coal</td>
<td>891</td>
<td>4,796</td>
</tr>
</tbody>
</table>

- 44% thermal output decrease
- Hydro and nuclear represented 73% of total output (vs. 60% in 1H 15)

Total output (GWh)

<table>
<thead>
<tr>
<th></th>
<th>GWh 1H2016 (and chg. vs. 1H 2015)</th>
<th>Total output (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>30,450 -14%</td>
</tr>
<tr>
<td>Hydro</td>
<td>4,992</td>
<td>4,992 7%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>12,843</td>
<td>12,843 -1%</td>
</tr>
<tr>
<td>Coal</td>
<td>6,581</td>
<td>6,581 -42%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>2,836</td>
<td>2,836 -15%</td>
</tr>
<tr>
<td>Oil-gas</td>
<td>3,198</td>
<td>3,198 4%</td>
</tr>
</tbody>
</table>

Total installed capacity (GW)

<table>
<thead>
<tr>
<th></th>
<th>GW at 1H2016 (and chg. vs. 31H2015)</th>
<th>Total Installed capacity (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>21.1 -1%</td>
</tr>
<tr>
<td>Hydro</td>
<td>4.7</td>
<td>4.7 0%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>3.3</td>
<td>3.3 0%</td>
</tr>
<tr>
<td>Coal</td>
<td>5.2</td>
<td>5.2 -3%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>5.4</td>
<td>5.4 0%</td>
</tr>
<tr>
<td>Oil-gas</td>
<td>2.4</td>
<td>2.4 0%</td>
</tr>
</tbody>
</table>

(1) Output at power plant bus bars (Gross output minus self-consumption)
(2) Net Capacity
## Endesa: financial debt maturity calendar

### Gross balance of maturities outstanding at 30 June 2016: €4,428 M\(^{(1)}\)

<table>
<thead>
<tr>
<th>Period</th>
<th>Bonds</th>
<th>Bank debt and others</th>
<th>ECPs and domestic commercial paper (^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>July’ 16 - Dec’ 16</td>
<td>167</td>
<td>107</td>
<td>60</td>
</tr>
<tr>
<td>2017</td>
<td>127</td>
<td>91</td>
<td>163</td>
</tr>
<tr>
<td>2018</td>
<td>163</td>
<td>36</td>
<td>15</td>
</tr>
<tr>
<td>2019</td>
<td>84</td>
<td>69</td>
<td>15</td>
</tr>
<tr>
<td>2020+</td>
<td>3,874</td>
<td>3,842</td>
<td></td>
</tr>
</tbody>
</table>

- **Liquidity €3,762 M**
- **€674M in cash**
- **€3,088 M available in credit lines**
- **Average life of debt: 8 years**

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\(^{(1)}\) This gross balance includes the outstanding amounts of debt and does not include the mark-to-market of derivatives or fair value debt as they do not involve any cash payment (it amounted to €13 M as of 30.06.2016).

\(^{(2)}\) Notes issued are backed by long-term credit lines and are renewed on a regular basis.
Gross financial debt structure
as of June 30th 2016

Structure of Endesa's gross debt

- Fixed 80%
- Floating 20%

By interest rate:
- €M 4,428

By currency:
- Euro 100%
- €M 4,428

Average cost of debt: 2.7%
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 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 the Company which 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).

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.
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