



Endesa 1Q 2017 Results

09/05/2017



endesa

Agenda

- 1. Highlights and key financial figures**
- 2. Endesa's performance in 1Q 2017 market context**
- 3. Financial results**
- 4. Final remarks**

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Highlights

Stable gross margin evolution in the regulated business

Liberalized business performance affected by challenging market conditions in both gas and electricity

Competitive advantages from EGPE acquisition

Like-for-like⁽¹⁾ fixed costs decreased 2%

(1) Includes pension plans obligations provision update (€12 M in 1Q 2017 and €19 M in 1Q 2016), infringement proceedings provision (€3 M in 1Q 2016); EGPE perimeter [-€4 M of personnel and -€15 M of O&M costs] and ICT transaction [-€7 M of personnel costs and -€4 M of homogeneous perimeter in O&M] in 1Q 2017 and -€7 M on O&M costs in 1Q 2016]

Key financial figures



€M	1Q 2017	1Q 2016	Change	Like-for-like
EBITDA	702	801	-12%	-19% ⁽¹⁾
Net attributable income	253	342	-26%	-30% ⁽²⁾
Cash flow from operations	536	665	-19%	
	31.03.2017	31.12.2016	Change	
Net financial debt	5,495 ⁽³⁾	4,938	+11%	

▪ **Exceptional market conditions in both periods affect EBITDA and Net Income comparison**

(1) Net of EGPE contribution in 1Q 2017 (+€57 M)
 (2) Net of EGPE contribution in 1Q 2017 (+€18 M) and 1Q 2016 (+€4 M)

(3) Gross financial debt (€5,902 M) - Cash and cash equivalents (€398 M)
 - Derivatives recognized as financial assets (€9 M)

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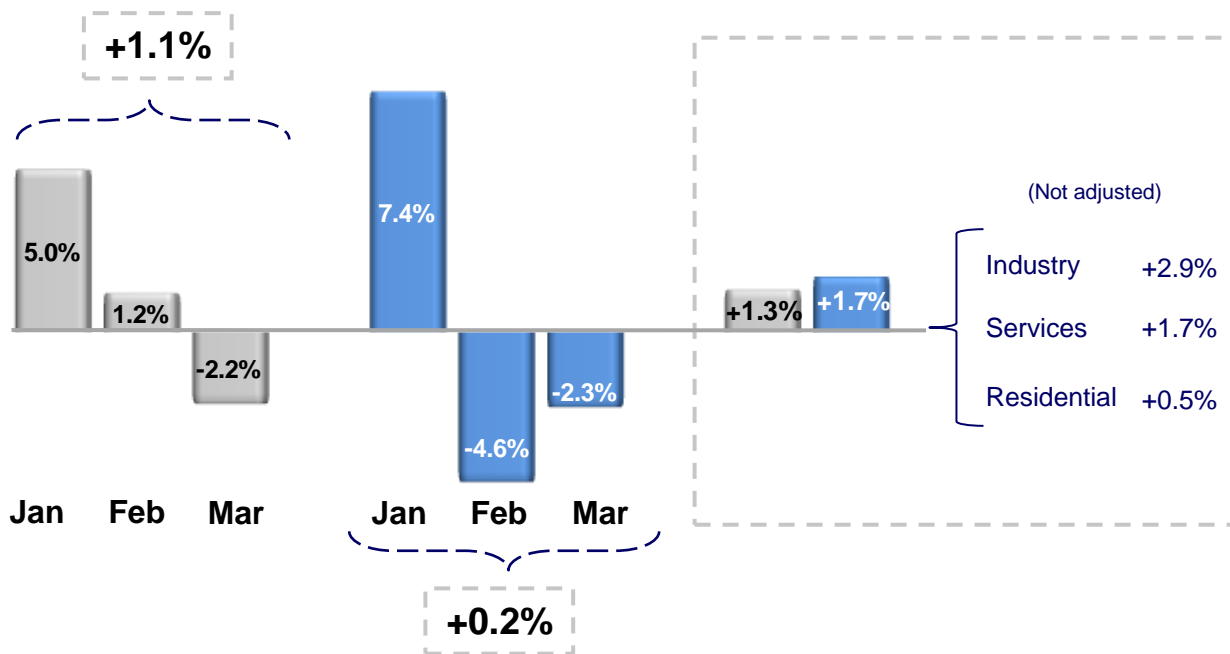
Market context in 1Q 2017



Demand

Spain⁽¹⁾

Endesa distribution area⁽²⁾



(Not adjusted)

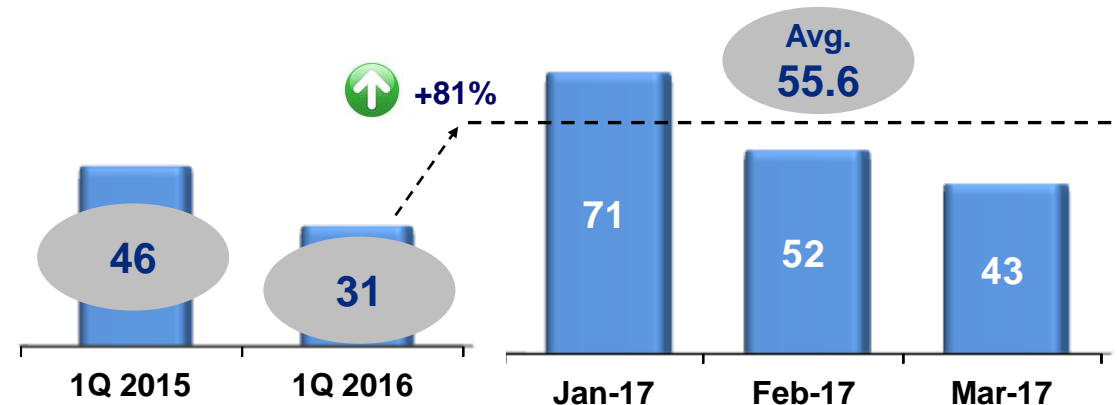
Industry	+2.9%
Services	+1.7%
Residential	+0.5%

Adjusted for weather and working days (grey bar) | Not adjusted (blue bar)

- Demand increase driven by industry and services segments

Electricity wholesale prices Average pool prices Spain (€/MWh)

1Q pool price comparison in 2015-17 period



50% increase in system thermal gap in 1Q 2017

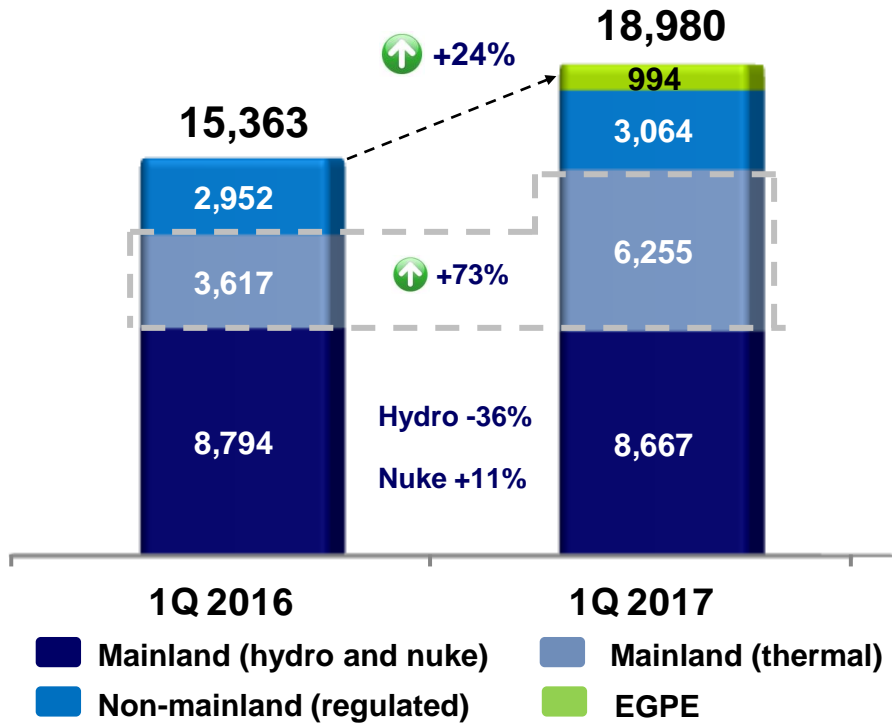
- Remarkable pool price increase due to exceptional market conditions at the beginning of 1Q 2017

Endesa's performance in 1Q 2017 market context

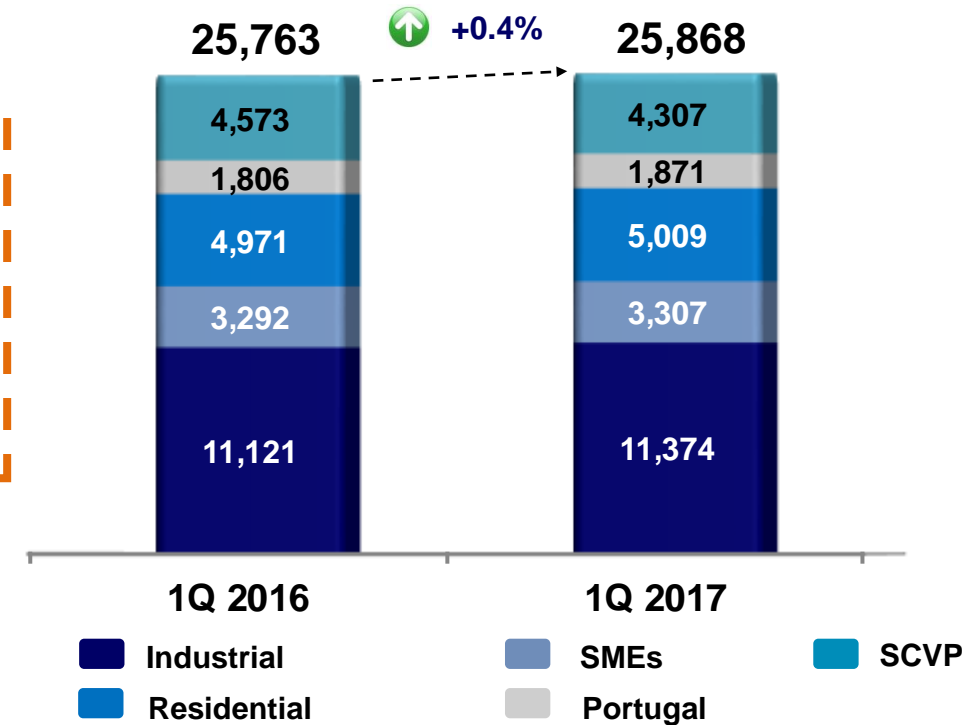


Energy management

Output⁽¹⁾ (GWh)



Electricity sales⁽¹⁾ (GWh)



Unitary integrated margin:
€20.4/MWh
 (-12% vs. 1Q 2016)
 (-25% I-f-I)⁽²⁾

■ Challenging market scenario was partially offset by EGPE contribution

(1) Energy at power plant busbars

(2) Net of EGPE contribution in 1Q 2017

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Financial results



€M	1Q 2017	1Q 2016	Change	Like-f-like
Revenues	5,223	4,878	7%	
Gross Margin	1,236	1,310	-6%	
EBITDA	702	801	-12%	-19% ⁽¹⁾
EBIT	340	468	-27%	
Net Financial Results	(28)	(51)	-45%	
Share of profit from associates	15	28	-46%	
Income tax	(66)	(97)	-32%	
Net attributable income	253	342	-26%	-30% ⁽²⁾
Net Capex	111 ⁽³⁾	134	-17%	

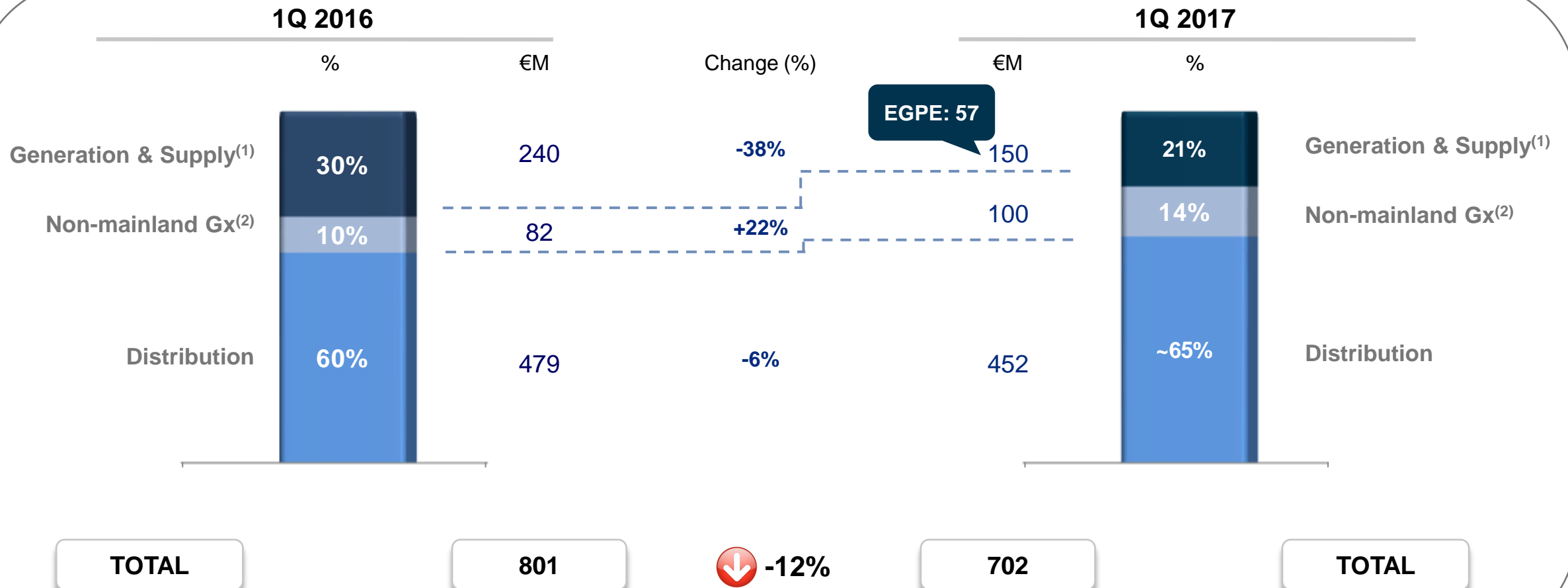
P&L evolution:

- (-)** Negative effect of wholesale price on the liberalized business is partially offset by **(+)** EGPE contribution
- (-)** D&A increase due to EGPE consolidation (€30 M) partially offset by **(+)** hydro and EGPE life extension (€16 M)
- (+)** Net financial expenses decrease due to provisions update effect (+€37 M change Q-o-Q)

(1) Net of EGPE contribution in 1Q 2017 (+€57 M)
 (2) Net of EGPE contribution in 1Q 2017 (+€18 M) and 1Q 2016 (+€4 M)

(3) Gross tangible and intangible Capex (€241 M) - assets from clients' contributions (€33 M) and does not include ICT investments

1Q 2017 EBITDA breakdown



(1) Generation & Supply business EBITDA figure includes EGPE, Corporate Structure, Services and Adjustments and does not include Non-mainland generation

(2) Non-mainland generation EBITDA figure includes Canary and Balearic Islands, Ceuta and Melilla



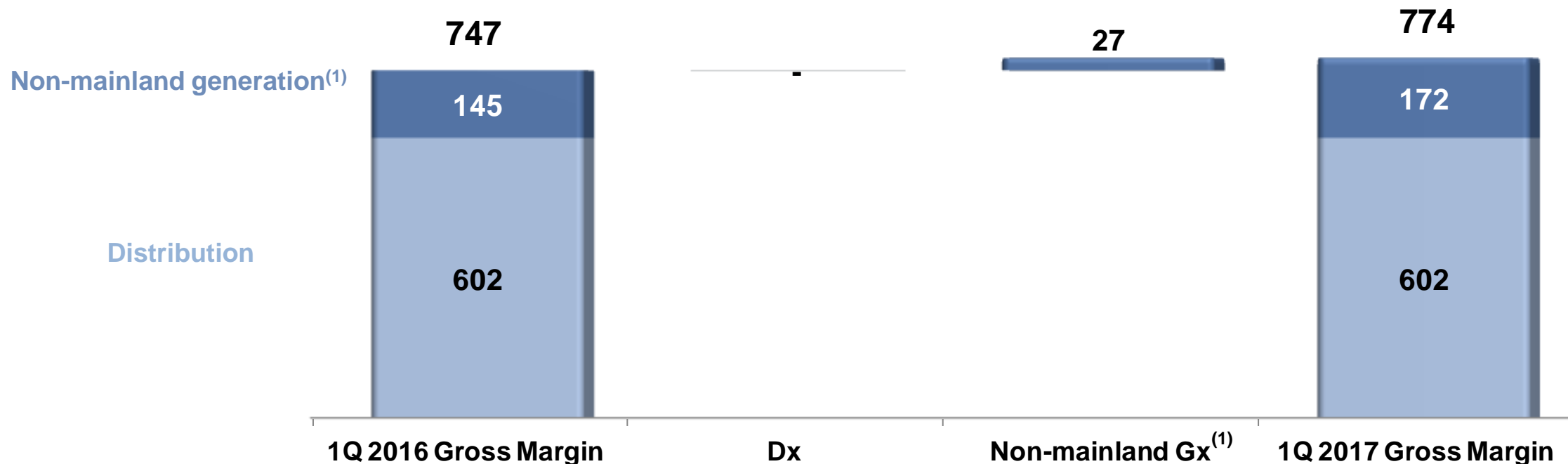
Regulated business

Gross margin evolution



€M

↑ +4%



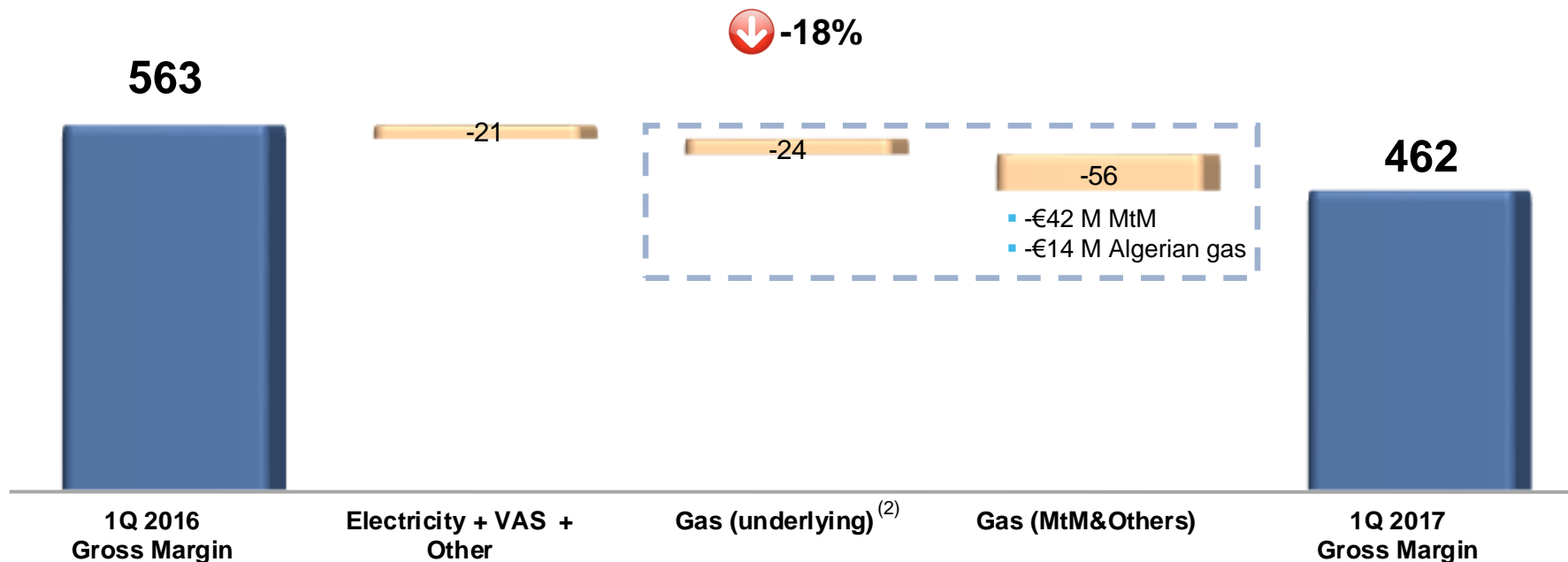
■ **Stable regulated gross margin with non-mainland Gx benefitting from previous years' positive settlements**

Liberalized business⁽¹⁾

Gross margin evolution



€M



- ▼ Lower unitary margin in the liberalized electricity business (with slight increase in sales volumes)
- ▼ GAS business
- ▲ EGPE contribution

▪ **Tough market conditions in both electricity and gas**

⁽¹⁾ Liberalized business Gross Margin figure includes Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation

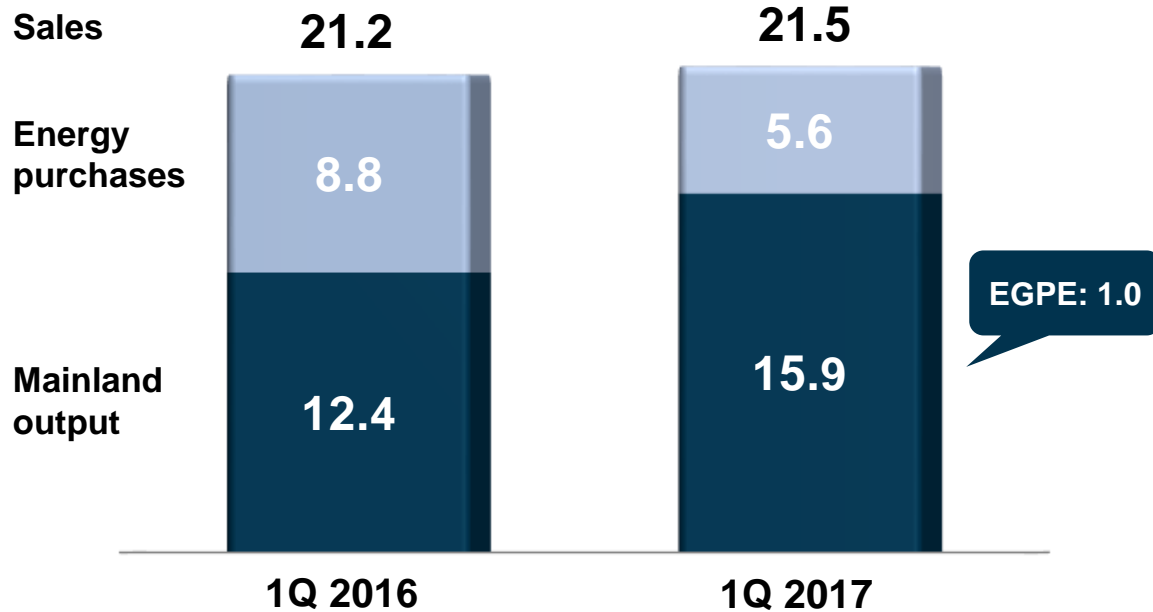
⁽²⁾ Gas business gross margin relates to that obtained in the gas supply activity

Liberalized business

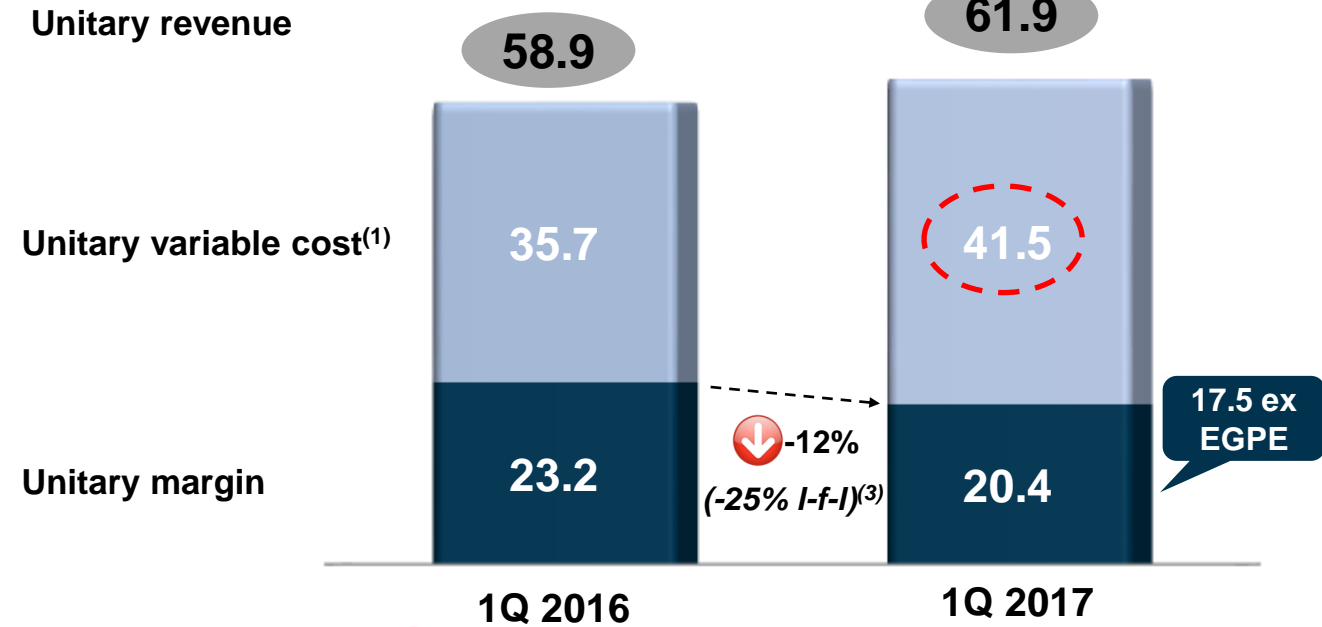
1Q 2017 energy management



Energy (TWh)



Unitary values breakdown (€/MWh)



€41.5/MWh
(+€5.8/MWh vs
1Q'16 variable cost)

- Production cost⁽²⁾: €31.7/MWh (+€2.1/MWh)
- Energy purchase cost: €54.5/MWh (+€20.5/MWh)

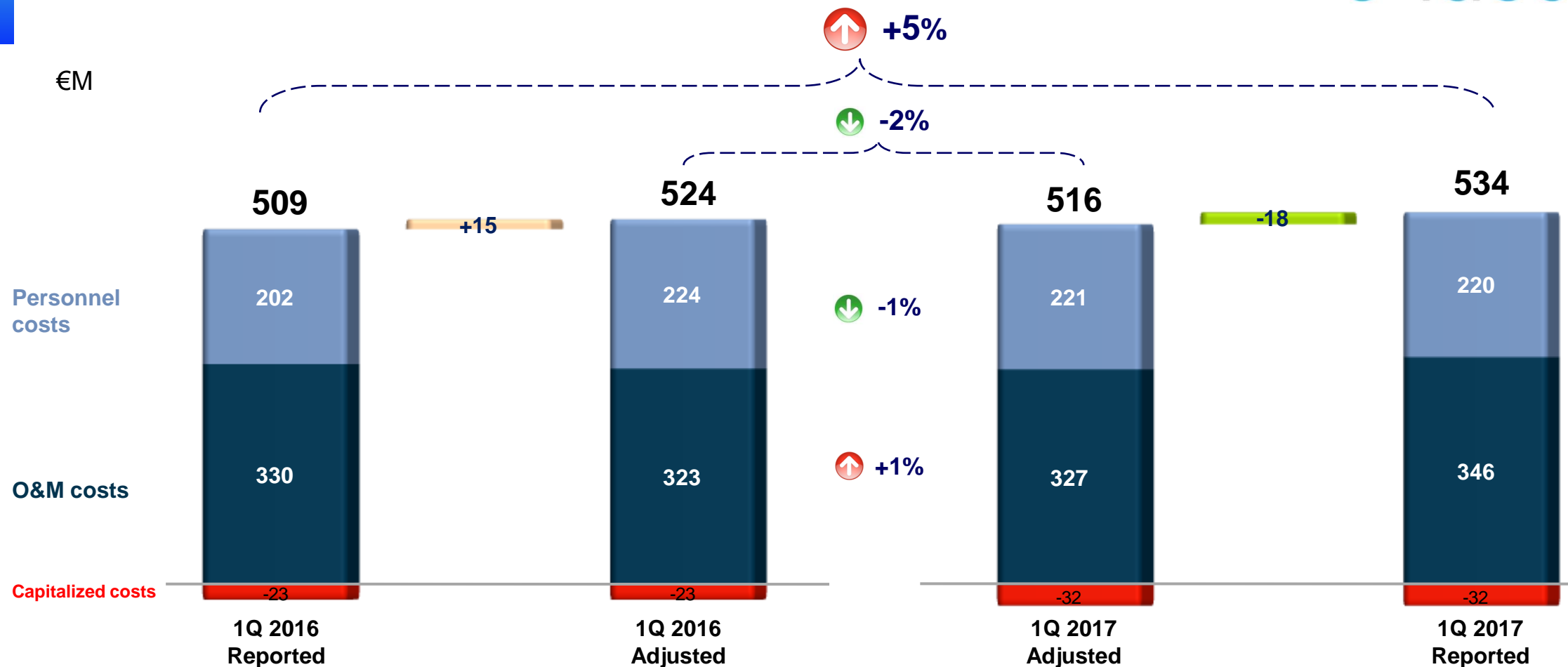
▪ -12% electricity unitary margin (€20.4/MWh) due to higher variable cost

(1) Production cost + energy purchase costs + ancillary services

(2) Production cost = fuel cost + CO₂ + taxes from Law 15/2012

(3) Net of EGPE contribution in 1Q 2017

Fixed costs evolution



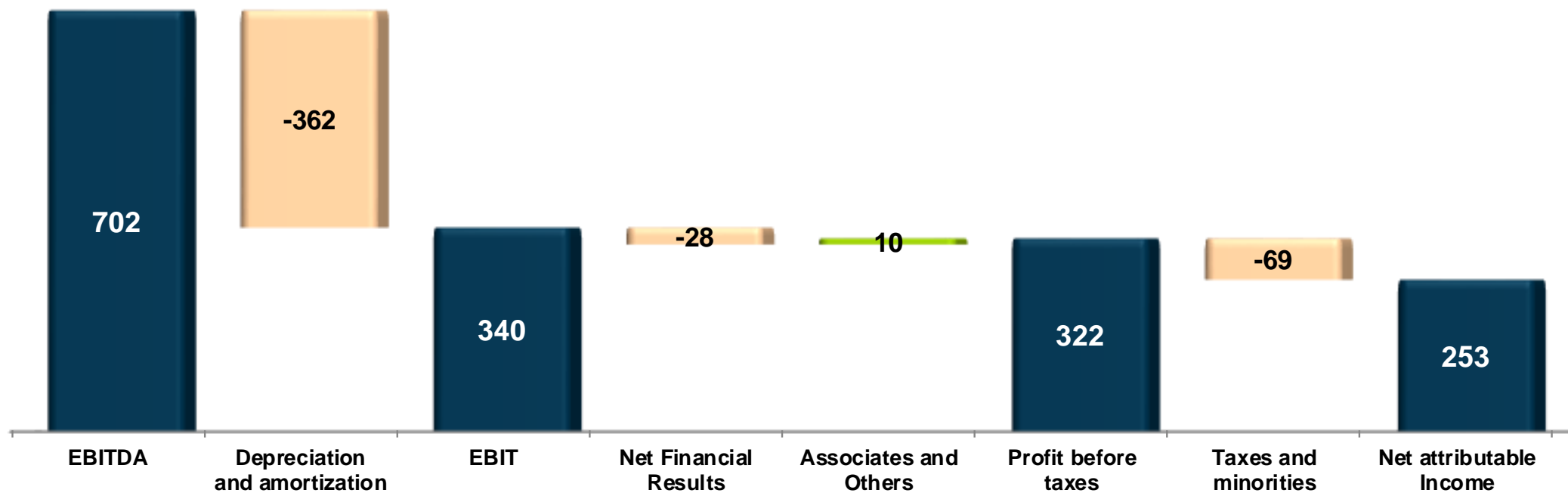
■ 2% Like-for-like⁽¹⁾ fixed costs reduction

(1) Includes pension plans obligations provision update (€12 M in 1Q 2017 and €19 M in 1Q 2016), infringement proceedings provision (€3 M in 1Q 2016); EGPE perimeter [-€4 M of personnel and -€15 M of O&M costs] and ICT transaction [-€7 M of personnel costs and -€4 M of homogeneous perimeter in O&M] in 1Q 2017 and -€7 M on O&M costs in 1Q 2016]

From EBITDA to Net Income



€M



1Q 2016

Change (%)

801

-12%

-333

+9%

468

-27%

-51

-45%

22

-55%

439

-27%

-97

-29%

342

-26%

Net financial debt analysis

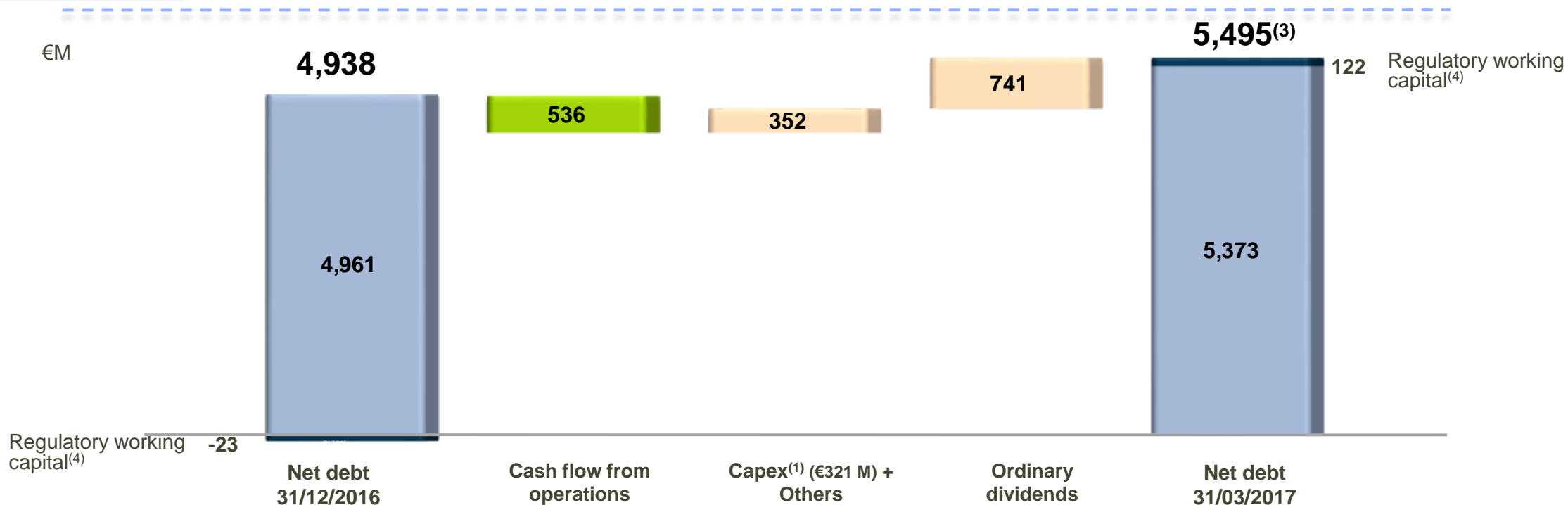
Net financial debt evolution



Net debt / EBITDA ratio

1.4x

1.6x⁽²⁾



- **Healthy financial leverage and strong liquidity position**
- **Endesa liquidity covers 35 months of debt maturities**

(1) Cash based Capex
 (2) Last 12 month EBITDA

(3) Gross financial debt (€5,902 M) - Cash and cash equivalents (€398 M) - Derivatives recognized as financial assets (€9 M)
 (4) Mainland and non-mainland deficit

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Final remarks

Robustness of regulated business

Weak performance of liberalized business partially offset by clear benefits arising from EGPE acquisition

Quarterly exceptional market conditions to normalize during the year

2017 targets supported by additional managerial actions

Efficiency plans will allow for like-for-like fixed costs reduction in a reflationary environment

AGM approved final gross dividend against 2016 Results (€1.333/share)

A floor for 2017 gross DPS of €1.32/share is guaranteed

Appendix

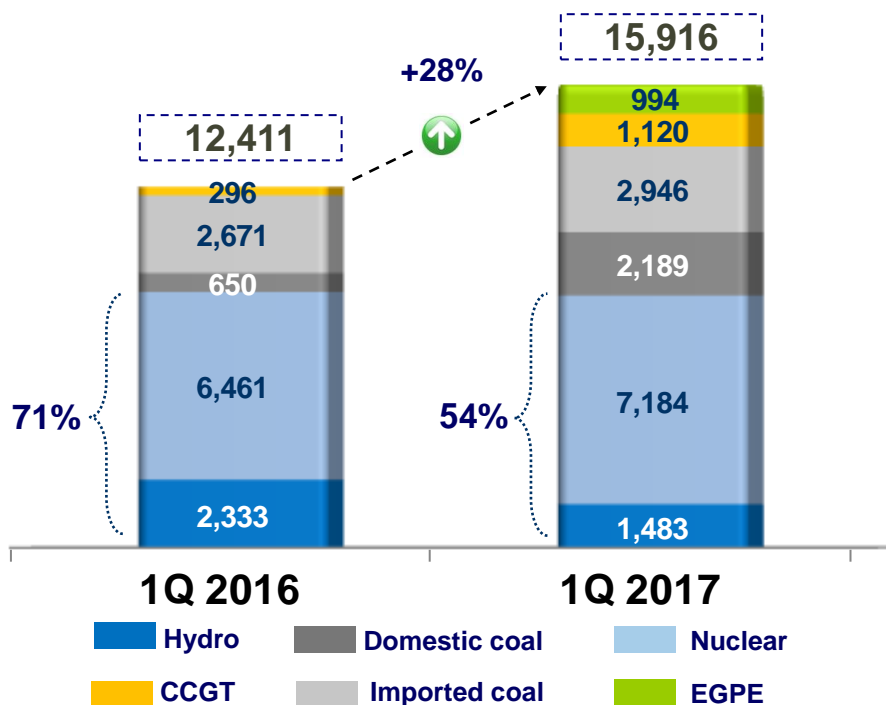
Endesa 1Q 2017 Results

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Installed capacity and output



Mainland output⁽¹⁾ (GWh)



73% thermal output increase

Hydro and nuclear represented 54% ⁽³⁾ of total output (vs. 71% in 1Q 2016)

Total output (GWh)

GWh 1Q 2017
(and chg. vs. 1Q 2016)

	Total Output ⁽¹⁾	
	GWh	% chg.
Total	18,980	24%
Hydro	1,483	-36%
Nuclear	7,184	11%
Coal	5,724	57%
Natural gas	1,992	53%
Oil-gas	1,603	-1%
Renewables	994	n/a

Total installed capacity (GW)

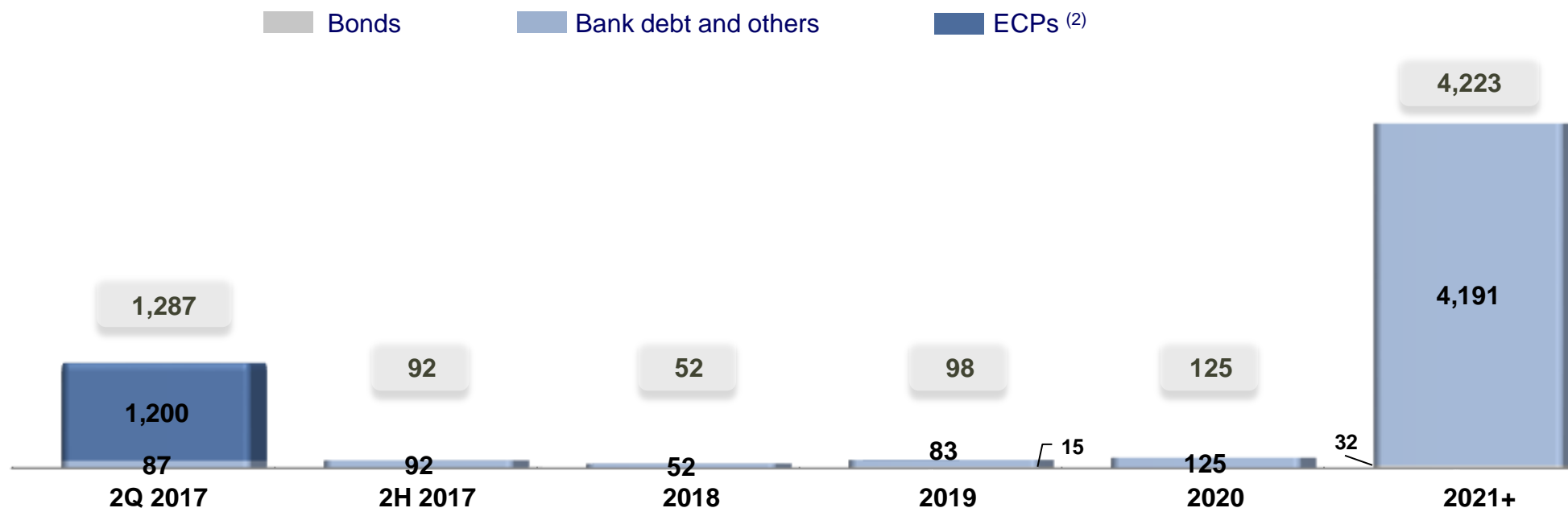
GW at 1Q 2017
(and chg. vs. 1Q 2016)

	Total Installed capacity ⁽²⁾	
	GW	% chg.
Total	22.7	8%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.3	0%
Natural gas	5.4	0%
Oil-gas	2.4	0%
Renewables	1.7	n/a

Endesa: financial debt maturity calendar



Gross balance of maturities outstanding at 31 March 2017: €5,902 M⁽¹⁾



Endesa's liquidity covers 35 months of debt maturities

- Liquidity €3,464 M
 - €398 M in cash
 - €3,066 M available in credit lines
- Average life of debt: 6.4 years

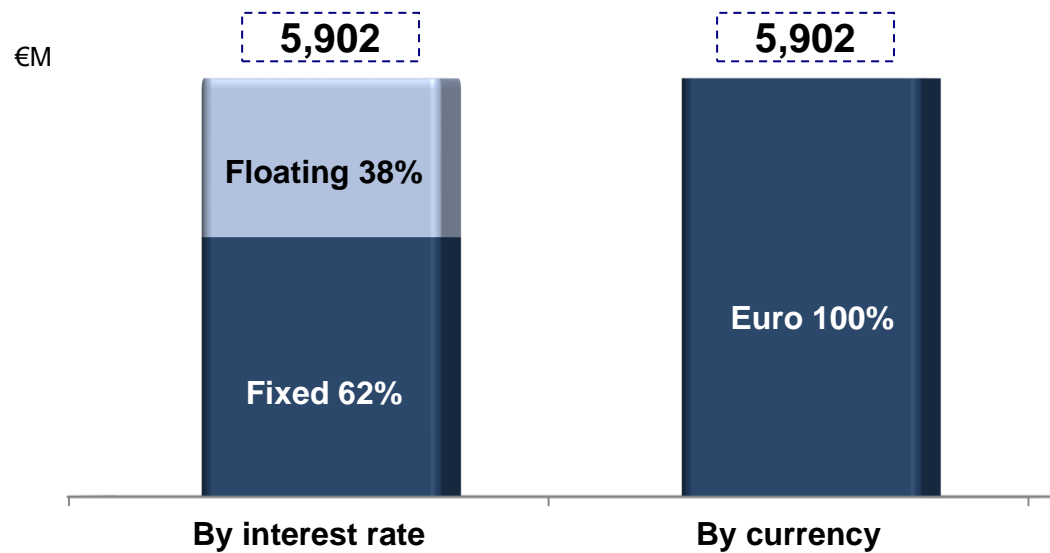
(1) This gross balance includes the outstanding amounts of debt (€5,877 M) and the mark-to-market of derivatives or fair value debt as they do not involve any cash payment (it amounted to €25 M as of 31.3.2017)
 (2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Gross financial debt structure

as of March 31st 2017



Structure of Endesa's gross debt



▪ Average cost of debt 2.4%

Glossary of terms (I/II)



- **Average cost of debt (%)**: $(\text{cost of financial debt}) / \text{gross average financial debt}$
- **Average life of debt**: $(\text{principal} \times \text{number of days of term}) / (\text{principal in force at 31 December} \times 365 \text{ days})$
- **Cash flow from operations**: Net cash provided by operating activities
- **Debt maturities coverage**: maturity period (months) for vegetative debt that could be covered with the liquidity available
- **DPS**: Dividend per Share. Total gross dividend divided by number of outstanding shares as of year end.
- **EBIT**: EBITDA - Depreciation and amortization
- **EBITDA**: Revenues – Purchases and Services + Work performed by the entity and capitalized – Personnel expenses – Other fixed operating expenses
- **Fixed costs / Opex**: Personnel expenses + Other fixed operating expenses - Work performed by the entity and capitalized
- **Gross margin**: Revenues – Purchases and Services
- **Maintenance Capex**: Investment that improves the useful life of an existing capital asset
- **Net Capex**: Gross tangible and intangible Capex - assets from clients' contributions – subsidies
- **Net financial debt**: Gross financial debt - Cash and cash equivalents – Derivatives recognized as financial assets

Glossary of terms (II/II)



- **Net financial results:** Financial Revenues - Financial Expenses + Foreign Exchanges
- **Regulatory working capital:** part of the working capital that is specifically related to the balances of CNMC settlements
- **Revenues:** Sales + Other operating revenues
- **Unitary revenue:** Revenues obtained from i) selling electricity in the liberalized market in Spain and Portugal; ii) generation' ancillary services and capacity payments and iii) renewable generation incentives. All of the above divided by physical electric sales in the liberalized market in Spain and Portugal
- **Unitary variable cost:** i) fuel and CO₂ costs in ordinary regime in mainland Spain and Portugal; ii) taxes related to mainland Gx; iii) purchase energy cost to meet electricity sales in the liberalized market in Iberia; iv) ancillary services and other commercial costs related to retail sales in liberalized market in Iberia. All the above divided by physical electric sales in the liberalized market in Iberia
 - **Production cost:** i) fuel and CO₂ costs in ordinary regime in mainland Spain and Portugal; ii) taxes related to mainland generation. All of them divided by mainland Spain and Portugal generation
 - **Energy purchase cost:** energy cost related to energy purchases to meet electricity sales in the liberalized market in Iberia divided by energy purchases.
- **Unitary integrated margin:** Unitary revenue - Unitary variable cost
- **VAS Business:** in the context of the liberalized retail business, it is referred to energy-related products and services apart from the pure electricity or gas commodity.

Disclaimer



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Forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated changes in generation and market share; expected changes in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures; estimated asset disposals; estimated changes in capacity and capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are related to the regulatory framework, exchange rates, commodities, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, allocation 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.

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