

Endesa 1H 2018 Results

24/07/2018



endesa

Highlights



Sound performance of the liberalized business EBITDA (+42%) in a context of gradual normalization of market conditions

Stable contribution of regulated businesses

Overall EBITDA increased by 12% in the period

Flat fixed costs evolution absorbing inflation and growth

Strong Net Income growth (+15%)

Financial results



€M	1H 2018	1H 2017	Change
Revenues	9,934	10,004	-1%
Gross Margin	2,823	2,624	8%
EBITDA	1,804	1,605	12%
EBIT	1,053	901	17%
Net attributable income	752	653	15%
Net Capex ⁽¹⁾	460	288	60%
Cash Flow from Operations	639	675	-5%
	30.06.2018	31.12.2017	
Net financial debt	5,956	4,985	19%

(1) Financial investments not included (€25 M in 1H2018 and €42 M in 1H2017) . Does not include business combinations made during the year.

EU energy policy targets

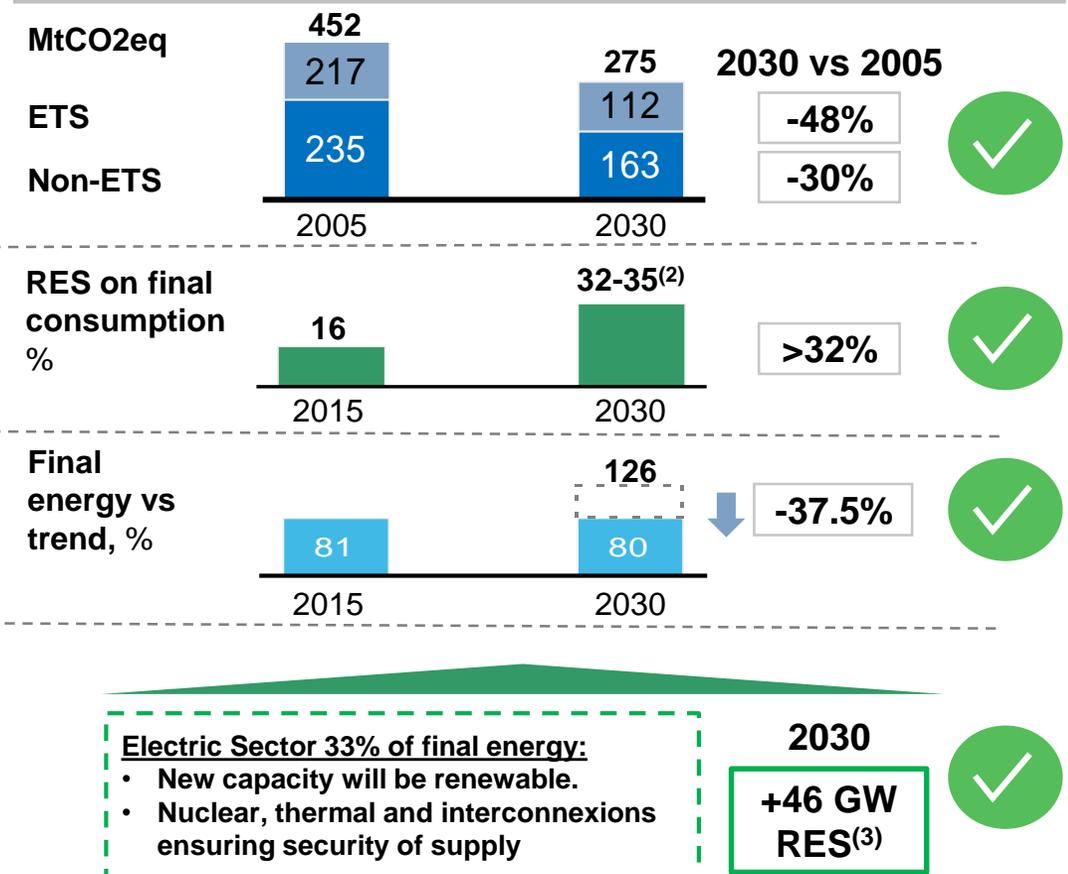
Energy Transition: decarbonization of economy



2030 UE energy policy targets⁽¹⁾

CO2 emissions	<ul style="list-style-type: none"> 40% Reduction vs 1990 <ul style="list-style-type: none"> 43% ETS sectors vs 2005 30% Non ETS sectors vs 2005 (Spain 26%)
Renewables	<ul style="list-style-type: none"> 32% Target vs previous 27%
Energy efficiency	<ul style="list-style-type: none"> Reduction target of 32.5% vs previous 27%
Security of Supply	<ul style="list-style-type: none"> Interconnection capacity 15%

Endesa's strategic vision for Spain



Approved EU policy targets in line with Endesa's strategic vision

(1) Agreement in EU Council June 2018. Targets at European aggregated level.

(2) Reaching 35% renewable penetration by 2030 would require a greater commitment to the non-ETS target, requiring higher levels of electrification.

(3) RES: Renewable Energy Sources

Delivery on industrial strategic pillars

As of 1H 2018



Customer focus

Maximized customer value and leadership with Endesa X

✓ Integrated margin +19%

✓ Endesa X margin +6%

Smart grids

Smart networks and best-in-class operations

✓ Organic and inorganic growth

Generation mix

Decarbonization and security of supply

Digitalization: Digital capex: ~€110 M YTD

Efficiency: Flat fixed costs evolution

Creating value for our stakeholders



Growth in Renewables and Networks

As of 1H 2018



Organic

Inorganic

Renewables

Spanish auctions 2017

- 540 MW Wind and 339 MW PV
- Investment: €870 M
- Equity IRR >11%



Gestinver

- 132 MW Wind
- Investment: ~€170 M
- Ebitda 2019e ~€20 M (~€4 M 1H2018)



Networks

Infrastructures

- RAB Investment 2018 YTD: €180 M
- 97% Smart meters (11.6 M)
- Energy Losses: 9.2% (3% improvement YTD)



Public offer for E. A. E. Ceuta

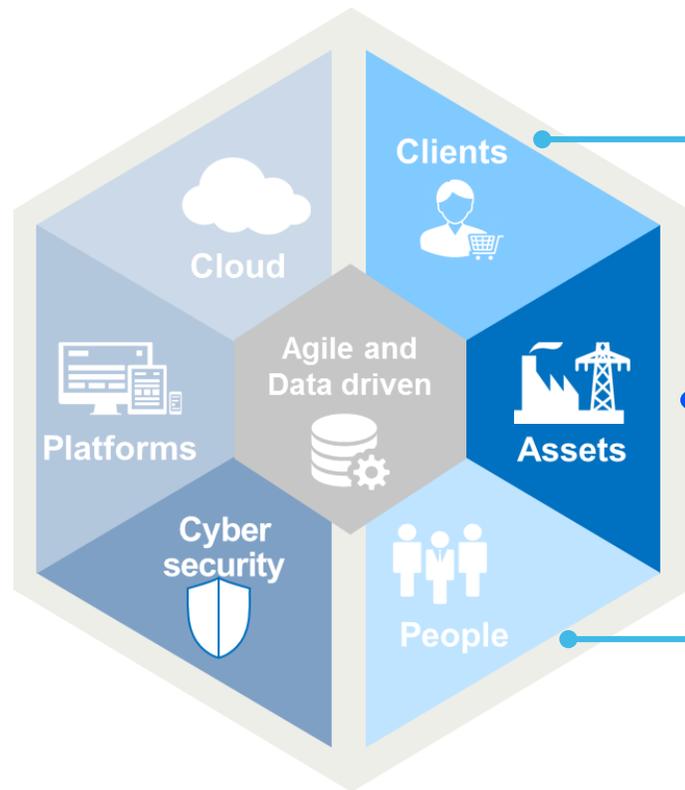


- Over 30,000 customers Sx and points of delivery
- Acceptance: >94%
- Investment: ~€83 M
- Ebitda 2017: €8 M

Progressing on delivering our growth commitment in Renewables and Networks

Digital Transformation

As of 1H 2018 main outcome



CLIENTS

- ❑ 4.1 M digital customers (+0.3M vs 2017)
- ❑ 2.4 M contracts with e-billing system (+0.3M vs 2017)
- ❑ 18% increase on digital sales vs 2017
- ❑ 79% e-care interactions (+10% vs 2017)

ASSETS

- ❑ 11.6 M smart meters installed (97% of the delivery points under 15 kW)
- ❑ Grid automation:
 - + 16,500 smart remotes installed in MV network
 - 131 smart remotes upgraded in HV network
- ❑ Large scale batteries: construction & connection phase of 20 MW pilot project in Litoral completed

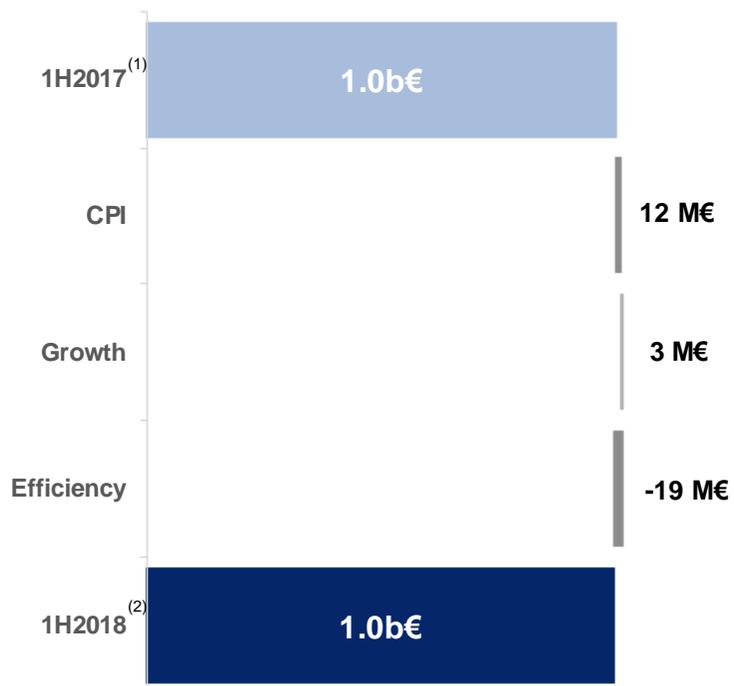
PEOPLE

- ❑ Tech-Bar launched: 490 employees and 88 workshops
- ❑ E- Talent program development 263 employees (400 employees engaged)
- ❑ Digital training program development 819 employees (1,200 employees engaged)

▪ **€ ~110 M invested in 2018 to boost digital transformation of our clients, assets and people**

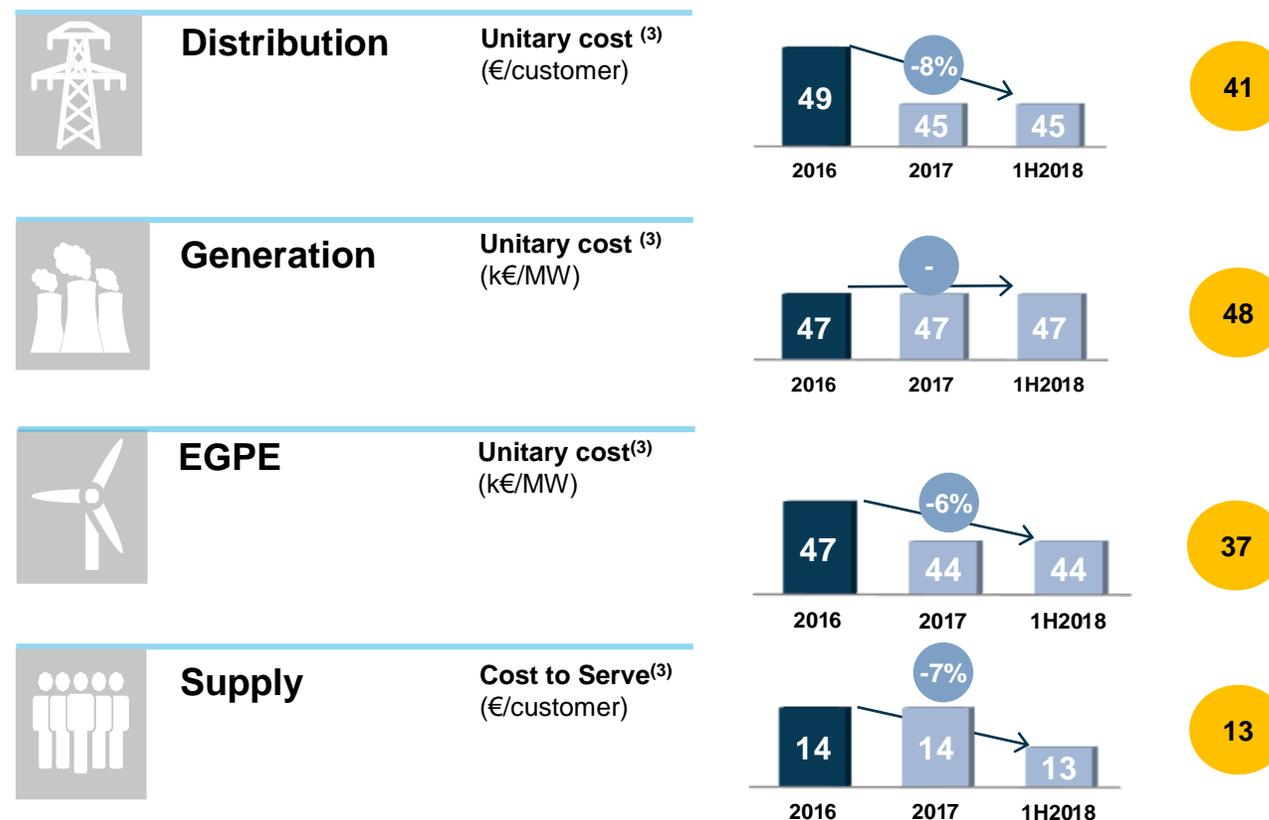
Efficiency

Fixed costs evolution



KPI's evolution and degree of fulfilment

2020 target



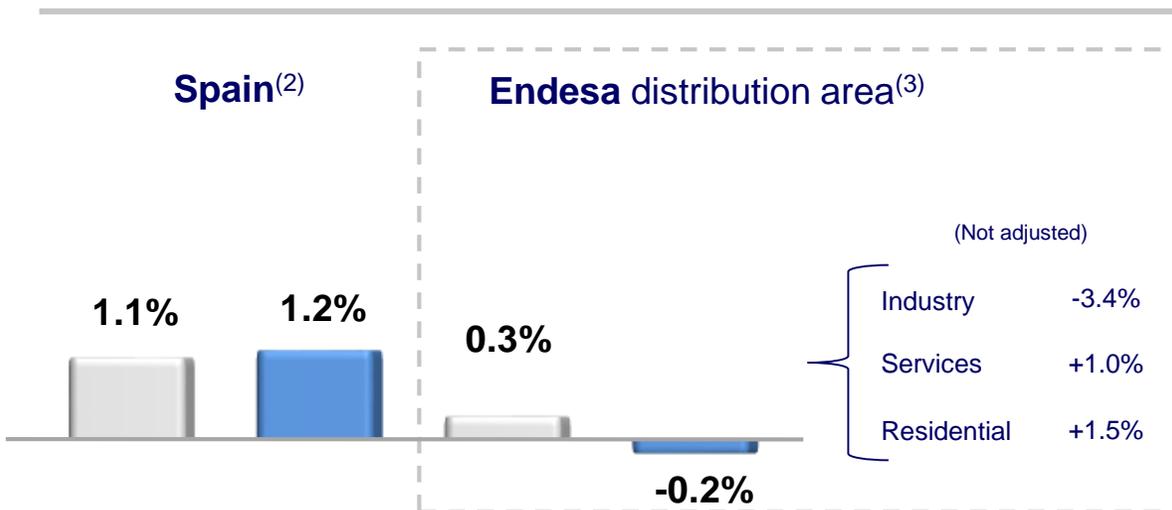
▪ Efficiency plans on track to meet 2020 targets

(1) 1H 2017 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€13 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 4M) and infringement proceedings (-€12 M)
 (2) 1H 2018 Fixed costs adjusted by : Provisions for workforce reduction plans and contract suspension agreements updates (€6 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 24M) and infringement proceedings (€11 M)
 (3) Includes corporate fees

Market context in 1H 2018



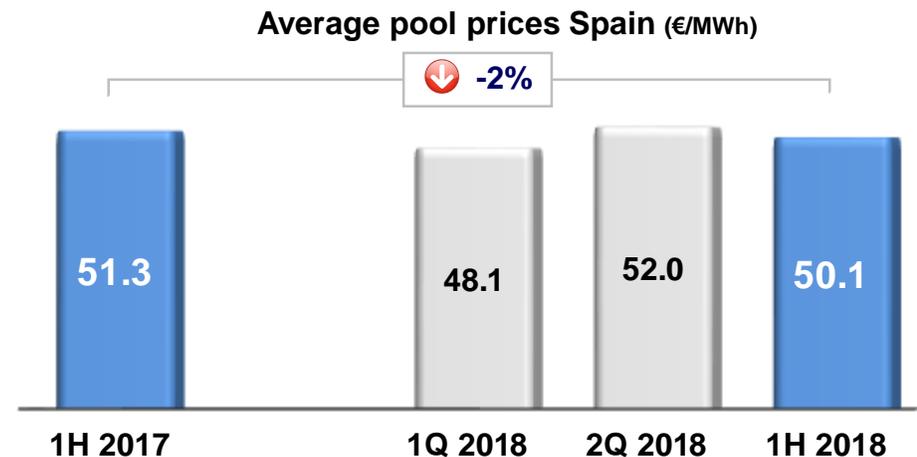
Demand ⁽¹⁾



Adjusted for weather and working days Not adjusted

- Moderate demand increase Year on Year affected by milder temperatures in June and lower industrial activity

Electricity wholesale prices



- Higher hydro output not fully reflected in lower pool prices due to high commodities prices and nuclear stoppage
- Recovery of hydro conditions: reservoir levels above 10 years average and close to 2016 levels
 - 74% increase in hydro system production

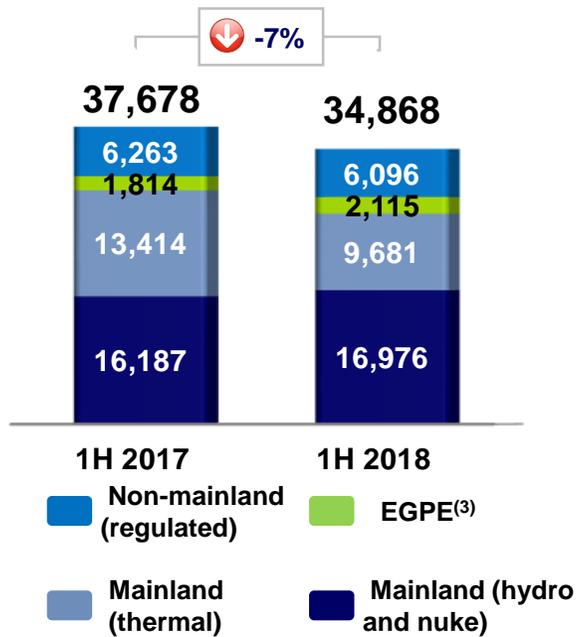
(1) Mainland.
 (2) Source: REE
 (3) Source: Endesa's own estimates

Endesa's performance in 1H 2018 market context

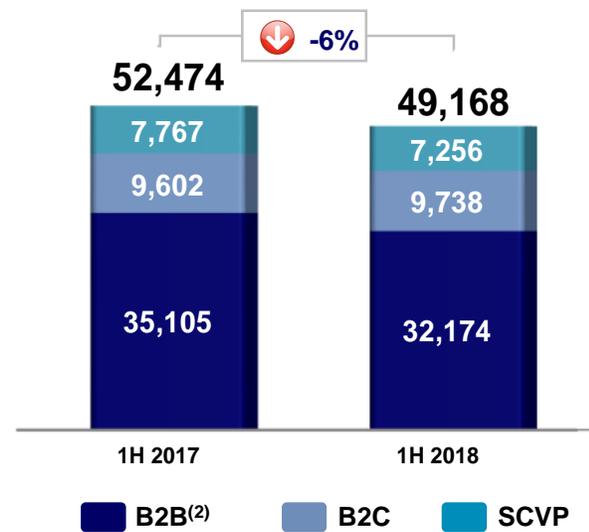
Power operational highlights



Output⁽¹⁾ (GWh)



Electricity sales⁽¹⁾ (GWh)



Number of electricity customers (thous.)



(1) Energy at power plant busbars.

(2) B2B includes Industrial sales in Spain and Portugal, SME and International

(3) Includes 64 GWh in non-mainland in 1H2018 vs 44 GWh in 1H2017

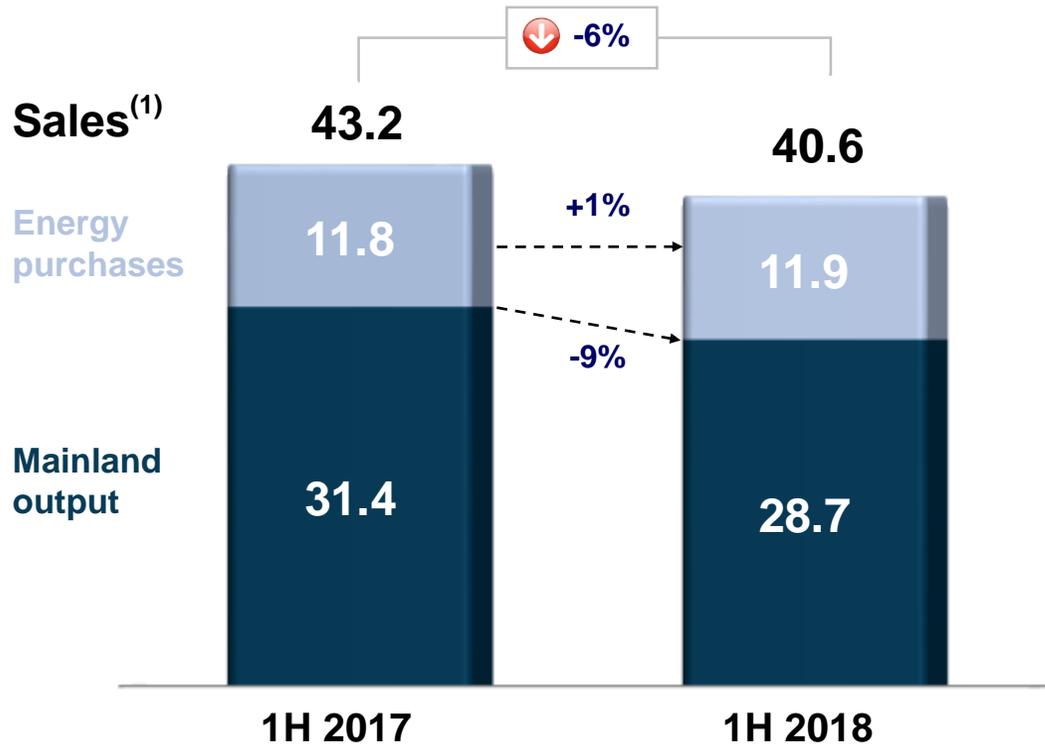


Liberalized business

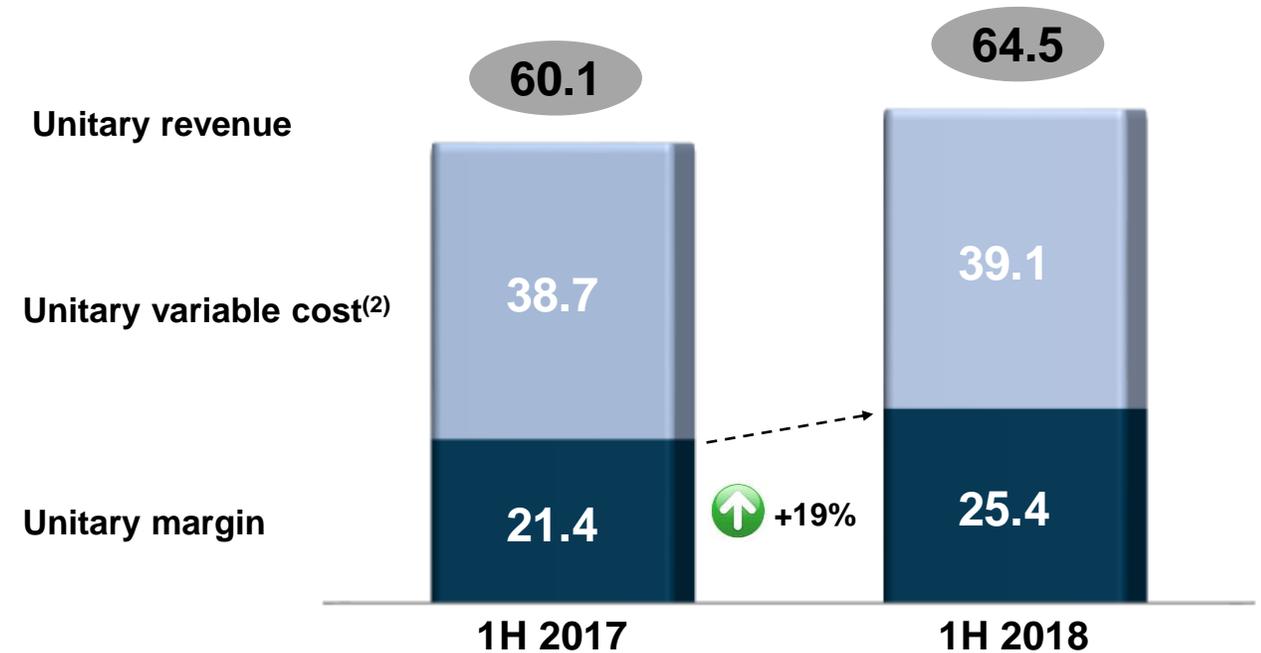
Energy management



Energy (TWh)



Unitary values breakdown (€/MWh)



▪ Sound fundamentals in Gx & Sx, with an increase of 19% of electricity unitary margin (€25.4/MWh)

(1) Total electricity sales (at power plant busbars) -SCVP - International Sales

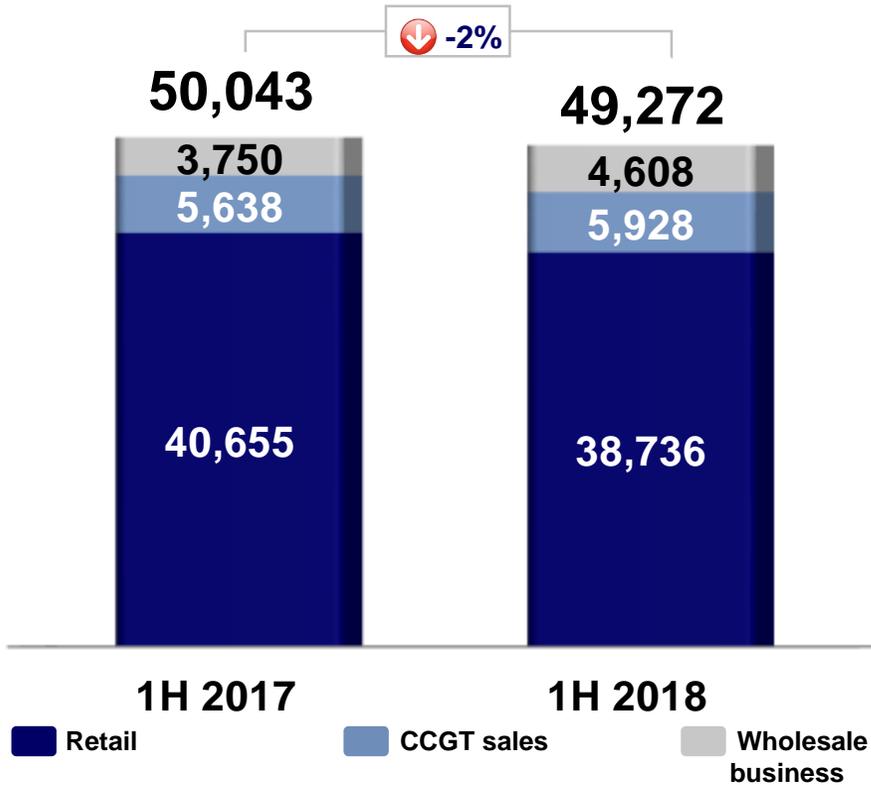
(2) Production cost + energy purchase costs + ancillary services

Endesa's performance in 1H 2018 market context



Gas operational highlights

Sales (GWh)

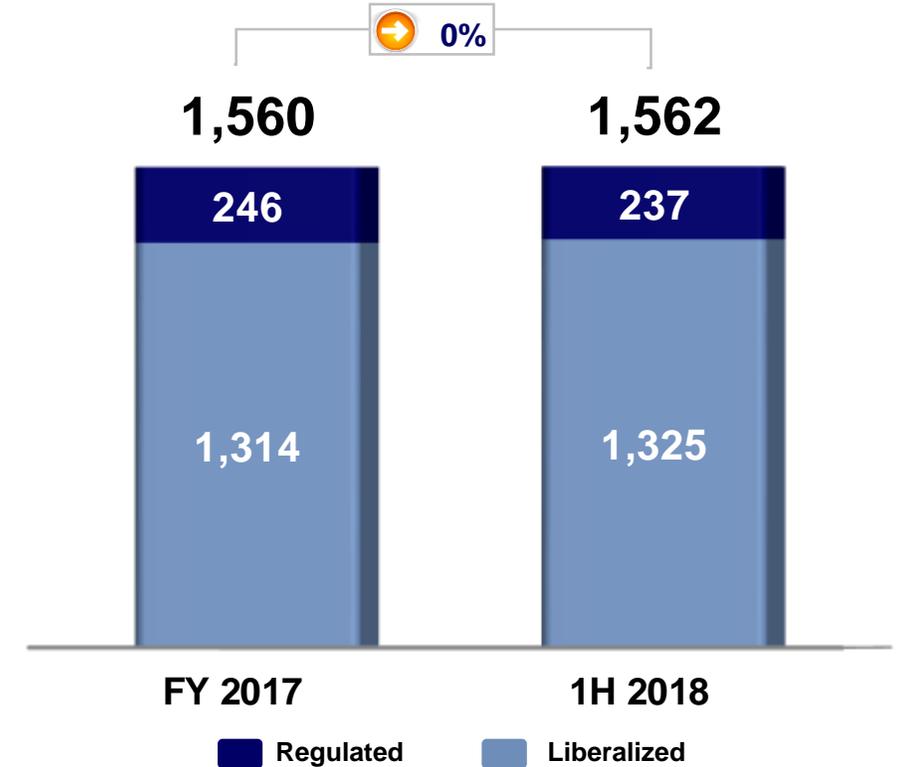


Unitary margin ⁽¹⁾:

1H 2017	1H 2018
€0.8/MWh	€1.1/MWh

YTD Demand increase: 5.8%

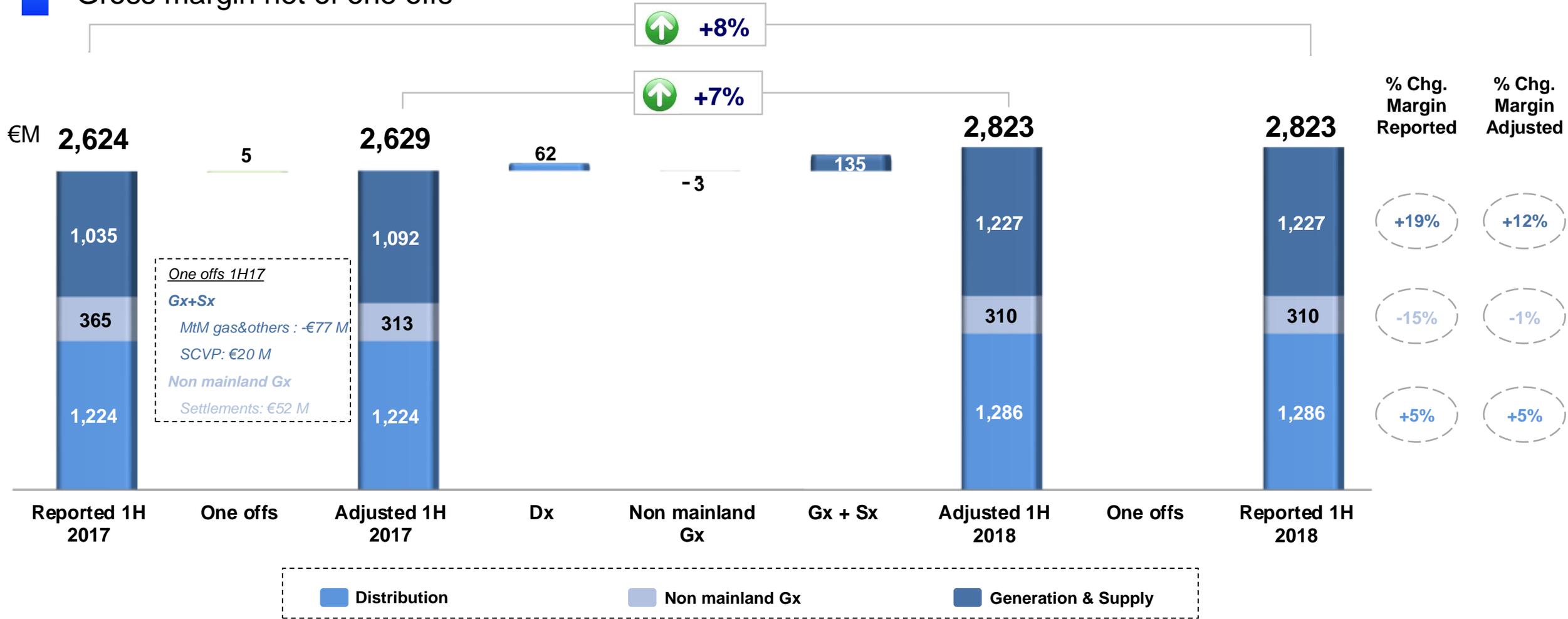
Number of gas customers (thous.)



■ Recovery of gas market conditions

Gross margin evolution

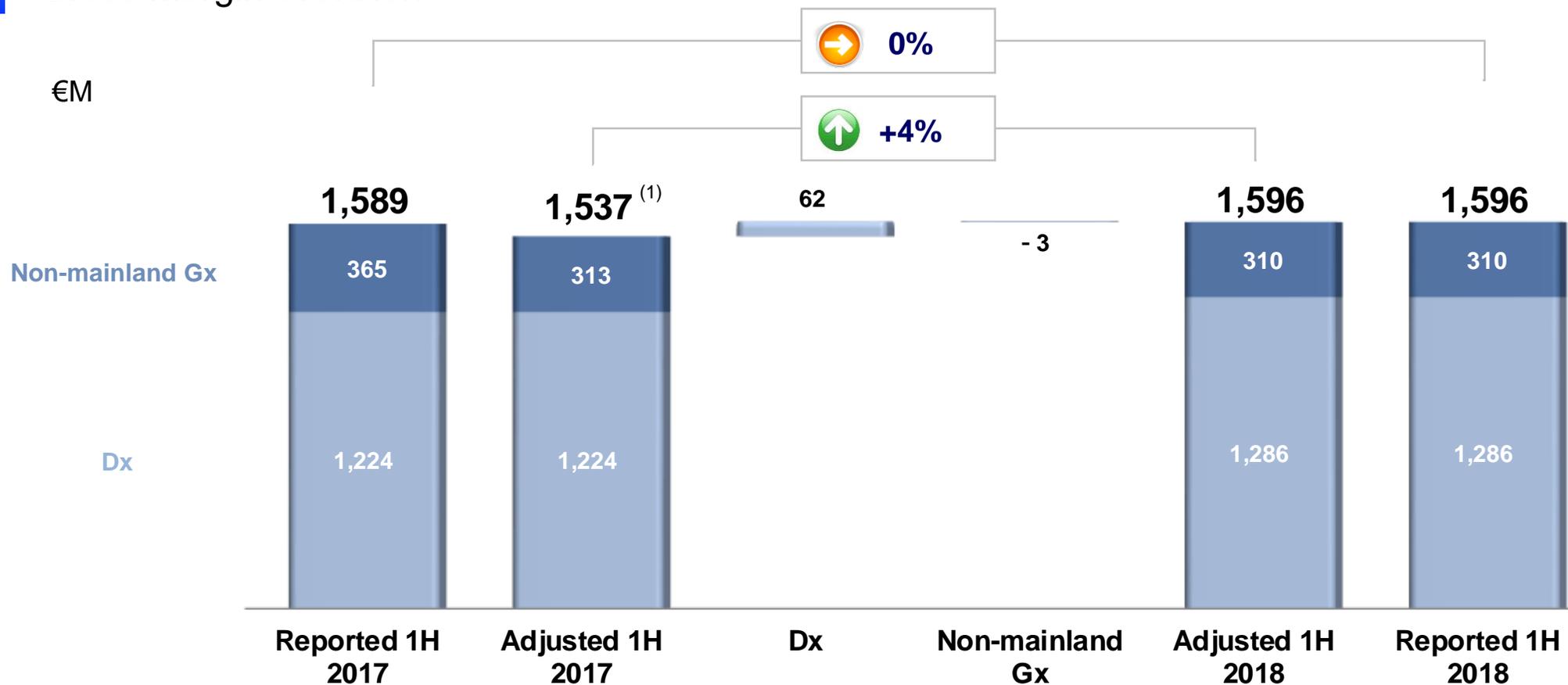
Gross margin net of one offs



■ Improvement of adjusted gross margin in both liberalized and distribution business

Regulated business

Gross margin evolution



■ Regulated gross margin driven by Distribution regulated revenues

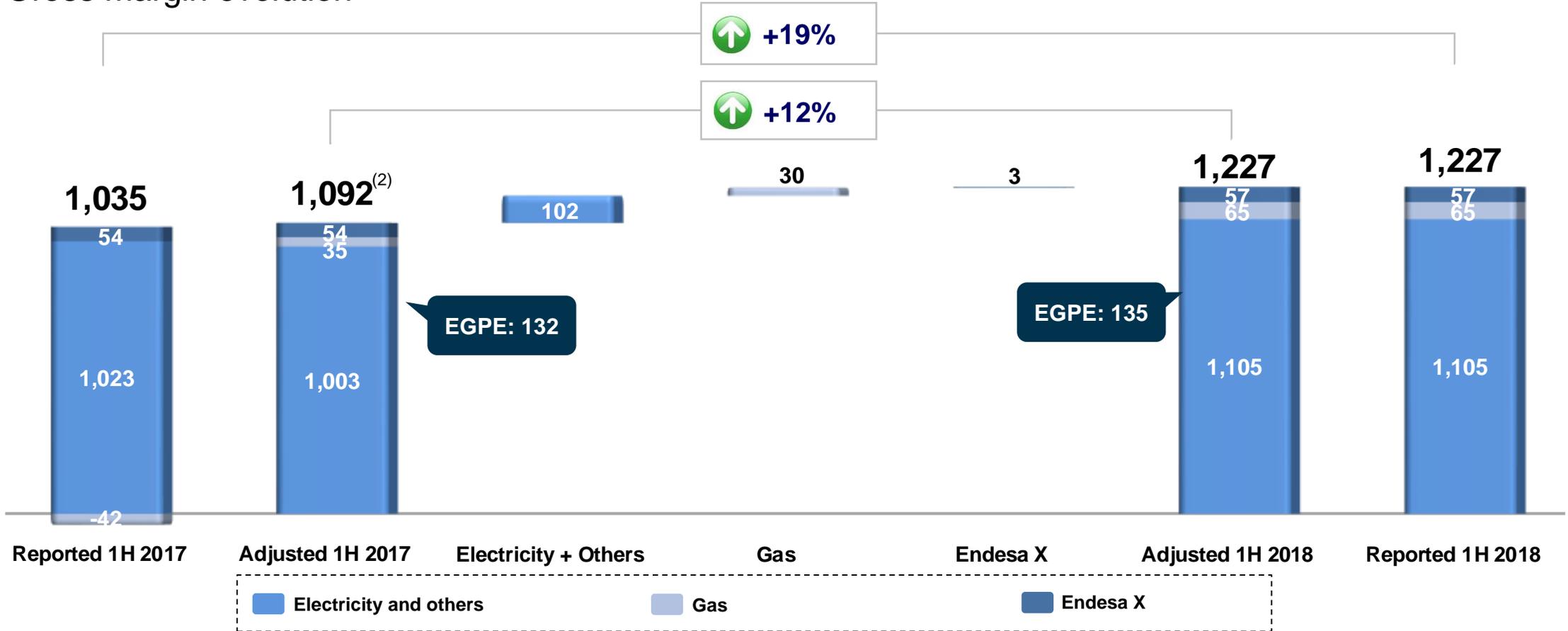


Liberalized business⁽¹⁾

Gross margin evolution



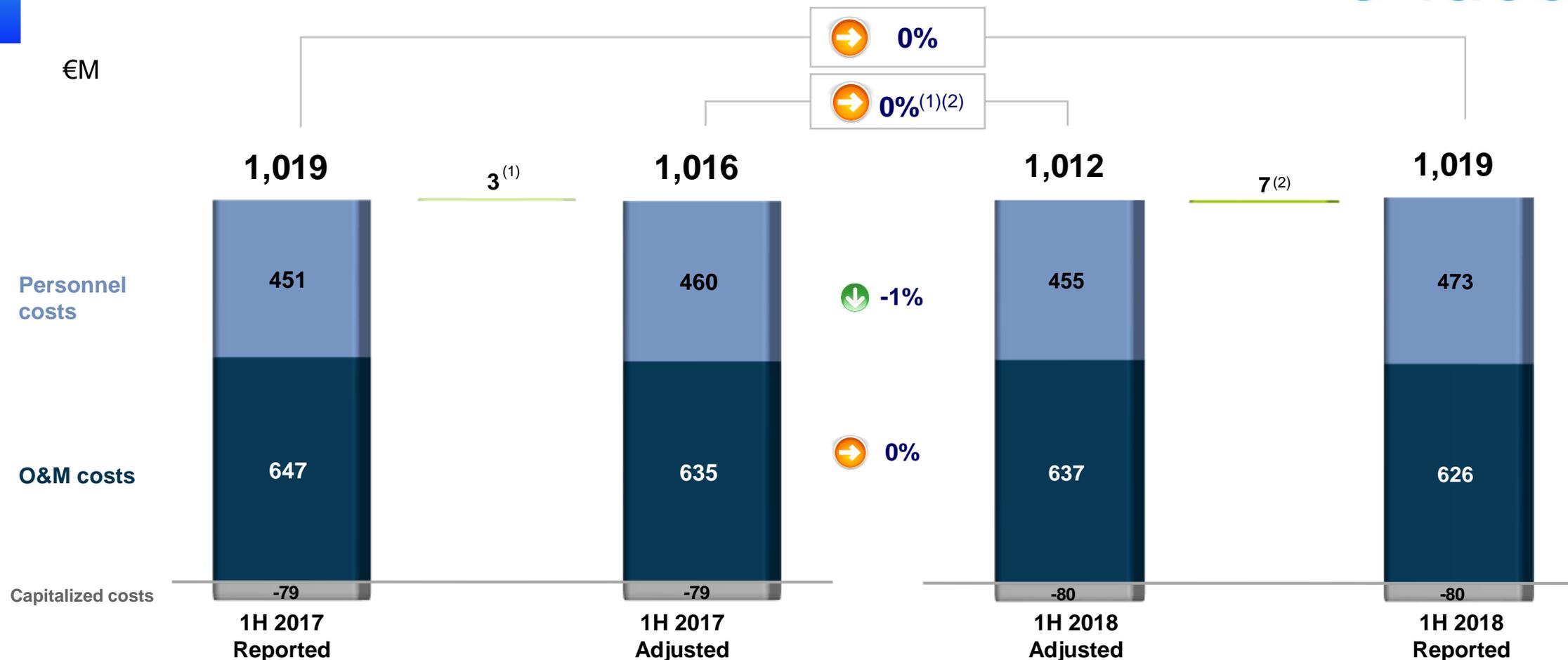
€M



▪ 12% increase driven by recovery in the power and gas businesses

(1) Liberalized business Gross Margin figure includes Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation
 (2) One offs 1H 2017: -€77 M (MtM gas & Others -€63 M and Force Majeure in Argelia -€14 M) and €20 M from SCVP rebilling

Fixed costs evolution



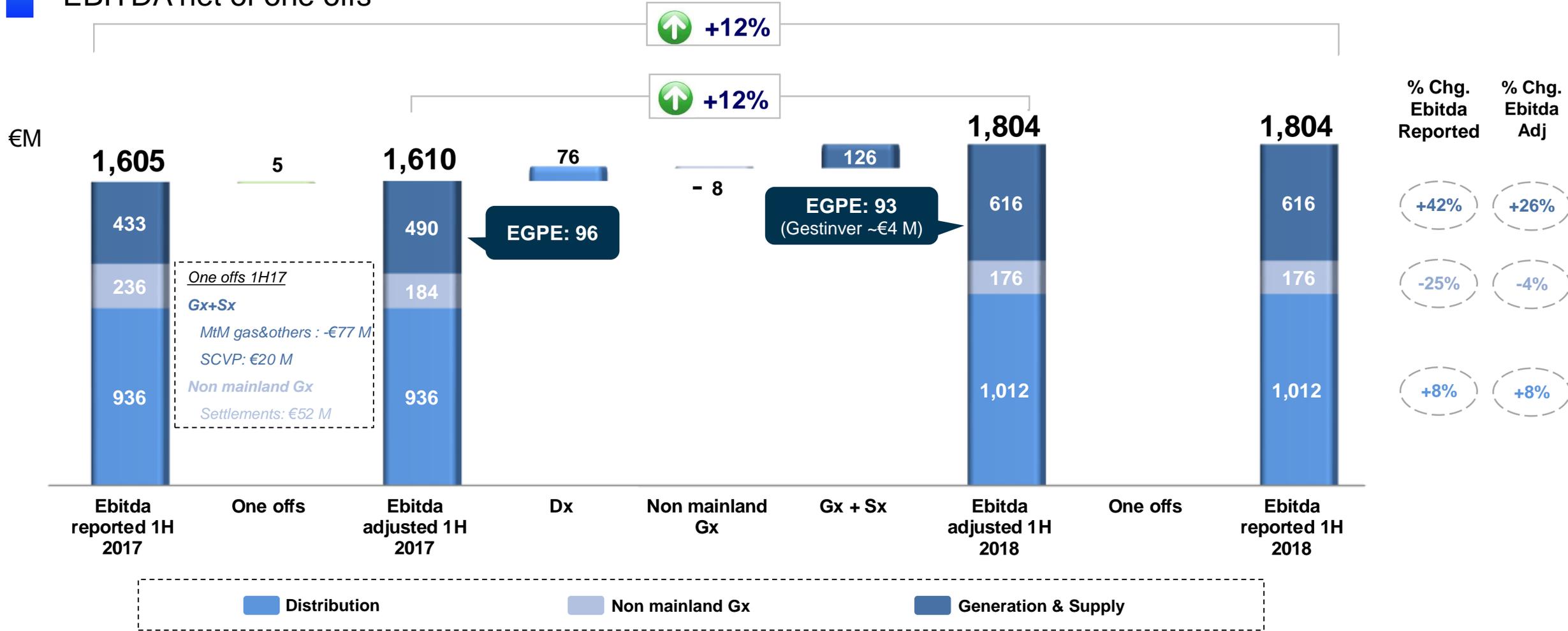
■ Flat fixed costs evolution absorbing inflation and growth ⁽¹⁾⁽²⁾

(1) 1H 2017 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€13 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 4M) and infringement proceedings (-€12 M)

(2) 1H 2018 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€6 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 24M) and infringement proceedings (€11 M)

EBITDA evolution

EBITDA net of one offs

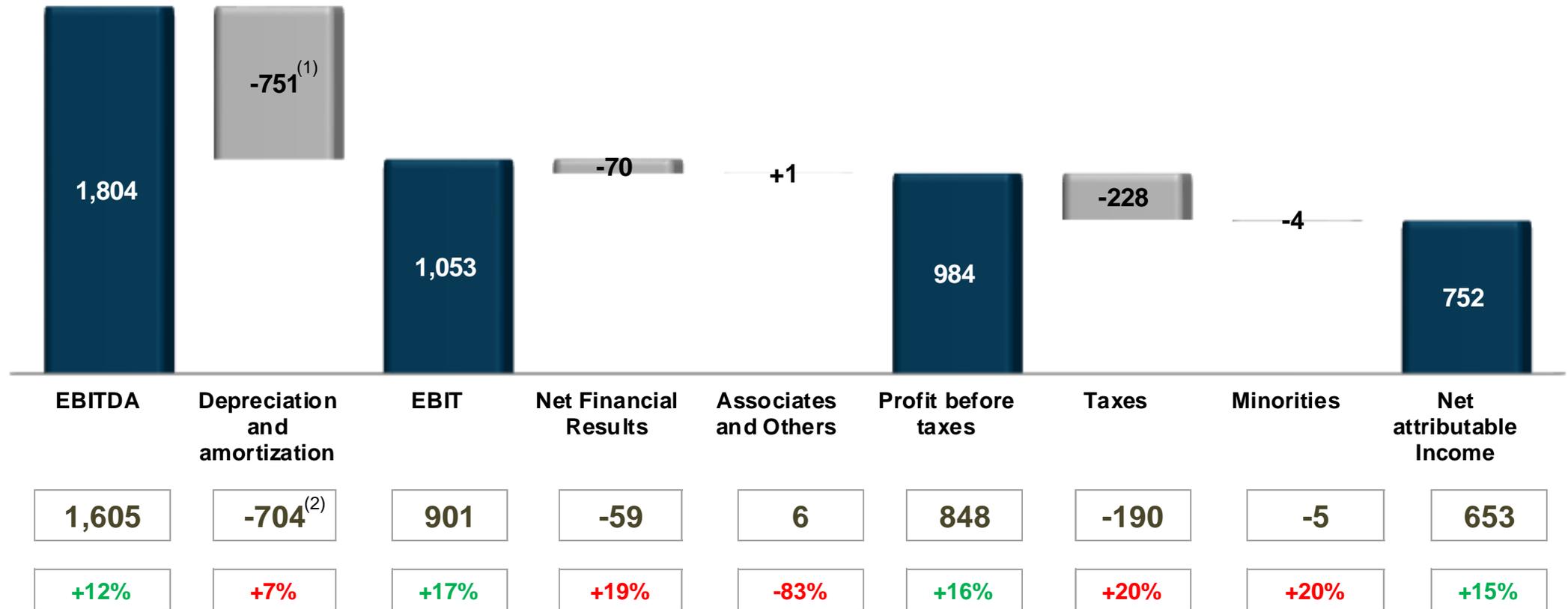


■ Improvement of adjusted EBITDA driven both by liberalized and regulated business

From EBITDA to Net Income



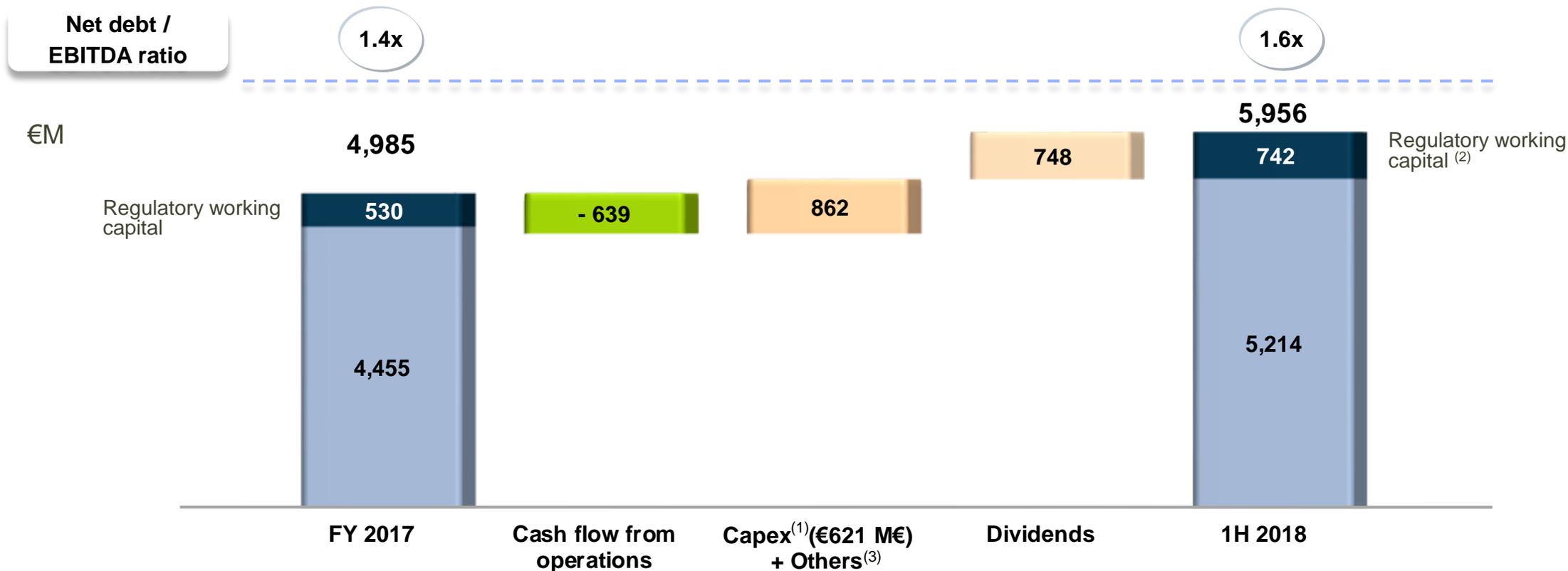
€M



(1) D&A includes additional €23 M as a consequence of the implementation of IFRS 15 (Revenue from contracts with customers).

(2) 2017 D&A included a provision reversal of €15 M.

Net financial debt analysis



■ Cash Flow from Operations stabilizing as expected

(1) Cash based Capex

(2) Net balance with CNMC settlements

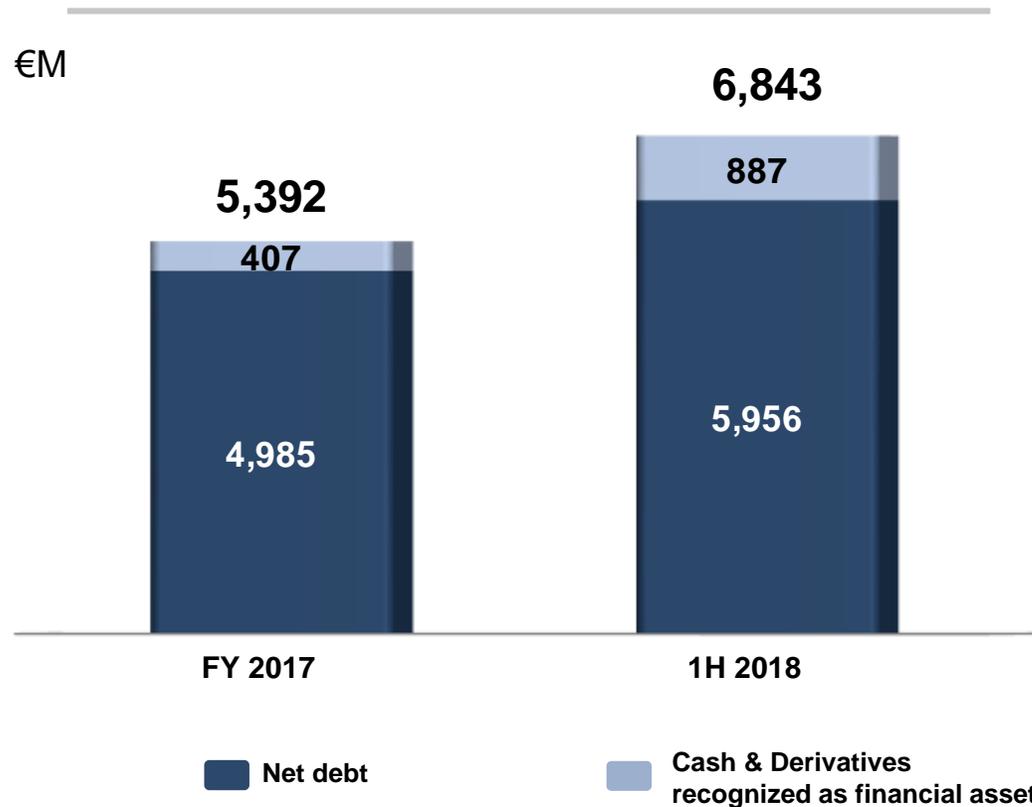
(3) Includes Gestinver: Debt consolidation and cash outflow investment for -€170M

Gross financial debt structure

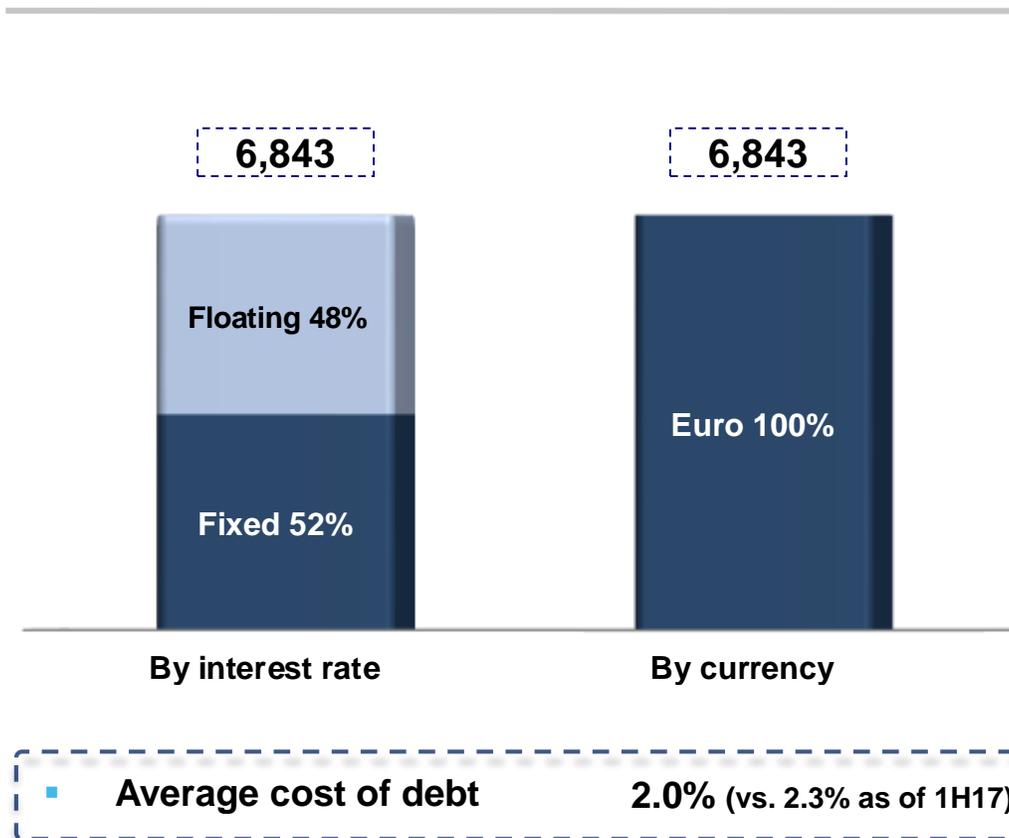
as of 1H 2018



Gross and net debt



Structure of Endesa's gross debt



■ Healthy financial leverage and strong liquidity position

Final Remarks



Continuous delivery on strategic plan and fully committed with the Energy Transition initiatives

Strong EBITDA evolution supported by the very good performance of our liberalized business

Constant effort on fixed cost contention

Sound bottom line figure

Well on track to meet 2018 guidance

Appendix

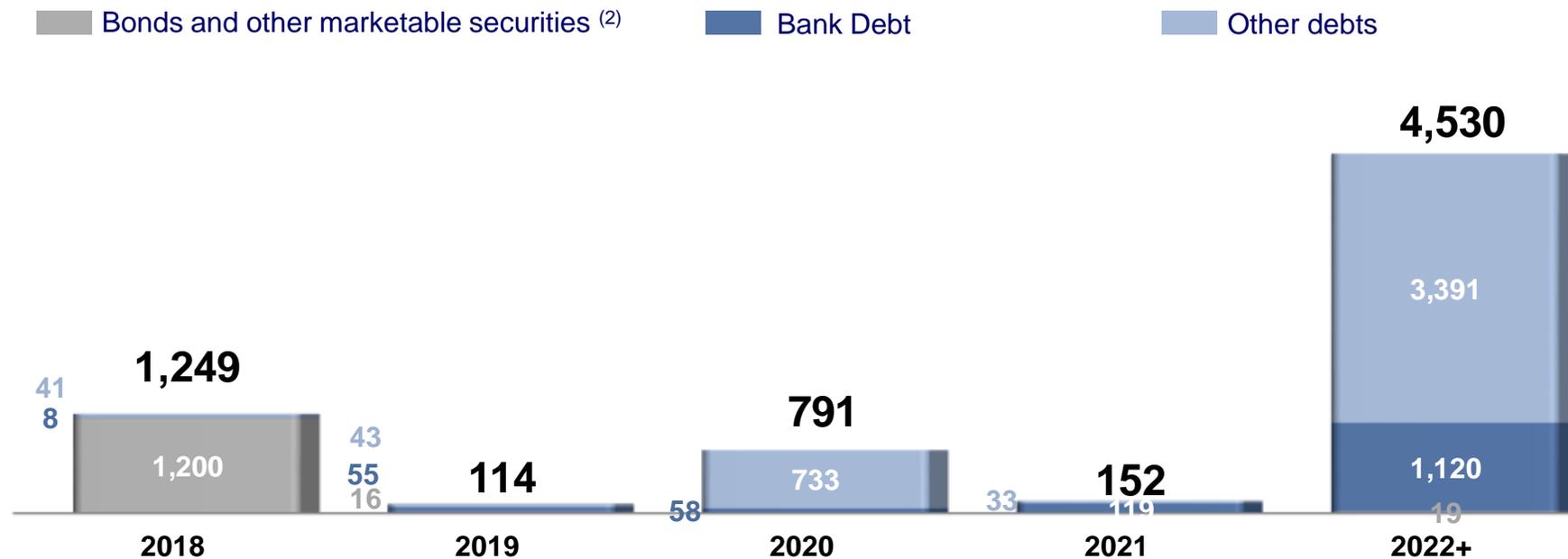
Endesa 1H 2018 Results

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Endesa: financial debt maturity calendar



Gross balance of maturities outstanding at 30 June 2018: €6,843 M⁽¹⁾



Endesa's liquidity covers 32 months of debt maturities

- Liquidity €3,869 M
 - €880 M in cash
 - €2,989 M available in credit lines
- Average life of debt: 5.4 years

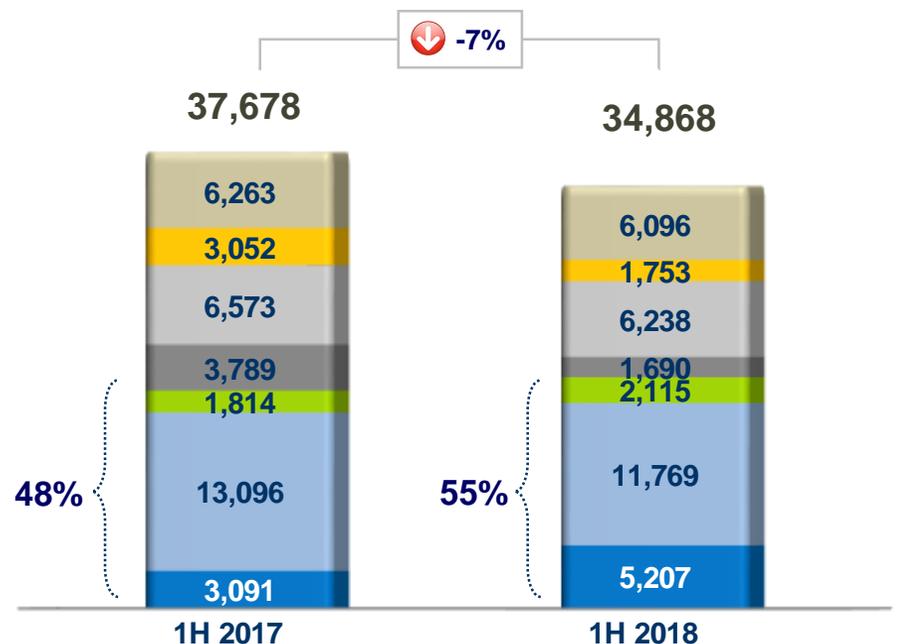
⁽¹⁾ Including €7 M relating to financial derivatives.

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

Installed capacity and output



Total output⁽¹⁾ (GWh)



- 28% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 55% of total output (vs. 48% in 1H 2017)

Total output (GWh)

GWh 1H 2018
(and chg. vs. 1H 2017)

	Total Output ⁽¹⁾	
Total	34,868	-7%
Hydro	5,207	68%
Nuclear	11,769	-10%
Coal	9,080	-22%
Natural gas	3,466	-26%
Oil-gas	3,231	-4%
Renewables	2,115	17%

Total installed capacity (GW)

GW at 1H 2018
(and chg. vs. 31 Dec. 2017)

	Total Installed capacity ⁽²⁾	
Total	22.8	0%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.2	0%
Natural gas	5.4	0%
Oil-gas	2.4	-2%
Renewables	1.8	8%

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

(2) Net Capacity

Endesa: 1H 2018 P&L



	Gx+Sx	Dx	Structure	Adjustments	TOTAL
<i>Income</i>	8,649	1,387	275	-377	9,934
<i>Procurements and services</i>	-7,058	-101	-41	89	-7,111
Gross margin	1,591	1,286	234	-288	2,823
<i>Self-constructed assets</i>	17	57	6	0	80
<i>Personnel expenses</i>	-269	-125	-83	4	-473
<i>Other fixed operating expenses</i>	-544	-206	-159	283	-626
EBITDA	795	1,012	-2	-1	1,804
<i>D&A</i>	-424	-305	-22	0	-751
EBIT	371	707	-24	-1	1,053
<i>Net financial results</i>	-83	-36	49	0	-70
<i>Net results from equity method</i>	14	3	3	0	20
<i>Results from other investments</i>	0	0	324	-324	0
<i>Results on disposal of assets</i>	-19	2	-2	0	-19
PROFIT BEFORE TAX	283	676	350	-325	984
<i>Income Tax Expense</i>	-60	-162	-7	1	-228
<i>Minorities</i>	-4	0	0	0	-4
NET ATTRIBUTABLE INCOME	219	514	343	-324	752

Endesa: 1H 2017 P&L



	Gx+Sx	Dx	Structure	Adjustments	TOTAL
<i>Income</i>	8,818	1,290	261	-365	10,004
<i>Procurements and services</i>	-7,363	-66	-38	87	-7,380
Gross margin	1,455	1,224	223	-278	2,624
<i>Self-constructed assets</i>	11	60	8	0	79
<i>Personnel expenses</i>	-236	-133	-90	8	-451
<i>Other fixed operating expenses</i>	-532	-215	-168	268	-647
EBITDA	698	936	-27	-2	1,605
<i>D&A</i>	-407	-269	-28	0	-704
EBIT	291	667	-55	-2	901
<i>Net financial results</i>	-50	-46	34	3	-59
<i>Net results from equity method</i>	7	3	0	0	10
<i>Results from other investments</i>	1	0	349	-349	1
<i>Results on disposal of assets</i>	-14	5	4	0	-5
PROFIT BEFORE TAX	235	629	332	-348	848
<i>Income Tax Expense</i>	-43	-153	4	2	-190
<i>Minorities</i>	-5	0	0	0	-5
NET ATTRIBUTABLE INCOME	187	476	336	-346	653

Glossary of terms (I/II)



Item	Calculation	Reference note (#) of Consolidated Management Report
Average cost of debt (%)	(Cost of gross financial debt) / gross average financial debt: €64 M x (365/180) / €6,335 M = 2.0%	1.3.3
Average life of debt (number of years)	(Principal x number of days of term) / (Principal in force at the end of the period x number of days of the period): 37,077 / 6,836 = 5.4 years	n/a
Cash flow from operations (€M)	Net cash provided by operating activities (€639 M)	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 32 months	4.1
EBITDA (€M)	Revenues (€9,934 M) – Purchases and Services (€7,111 M) + Work performed by the entity and capitalized (€80 M) – Personnel expenses (€473 M) – Other fixed operating expenses (€626 M) = €1,804 M	1.3
EBIT (€M)	EBITDA (€1,804 M) - Depreciation and amortization (€751 M) = €1,053 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€473 M) + Other fixed operating expenses (€626 M) - Work performed by the entity and capitalized (€80 M) = €1,019 M	1.3.2
Gross margin (€M)	Revenues (€9,934 M) – Purchases and Services (€7,111 M) = €2,823 M	1.4.1
Leverage (times)	Net financial debt (€5,956 M) / EBITDA (€1,937 M from 3Q & 4Q 17 + €1,804 M from 1H 2018) = 1.6x	n/a
Net Capex (€M)	Gross tangible (€458 M) and intangible (€71 M) Capex - assets from clients' contributions and subsidies (€69 M) = €460 M	4.3

Glossary of terms (II/II)



Item	Calculation	Reference note (#) of Consolidated Management Report
Net financial debt (€M)	Long and short term financial debt (€5,556 M + €1,287 M) - Cash and cash equivalents (€880 M) - Derivatives recognized as financial assets (€7 M) = €5,956 M	4.1
Net financial results (€M)	Financial Revenues (€18 M) - Financial Expenses (€87 M) - Foreign Exchanges (€1 M) = -€70 M	1.3.3
Revenues (€M)	Sales (€9,560 M) + Other operating revenues (€374 M) = €9,934 M	1.3.1
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€1,591 M) - Margin SENP (€310 M) - Margin SCVP (€49 M) - Margin gas (€65 M) - Margin Endesa X (€57 M) - Others (€78 M) = €1,033 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €1,033 M / 40.6 TWh = €25.4/MWh	n/a
Gas ordinary unitary margin (€/MWh)	Gas Ordinary Margin / Gas sales excluding Wholesales business: €47.7 M / 44.7 TWh = €1.1/MWh	n/a
Endesa X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Endesa X unit = €57 M	n/a

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 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, counterparties, 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.

In these statements, ENDESA avails itself 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 financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

Economic and industry conditions; factors related to liquidity and financing; operating factors; strategic and regulatory, legal, fiscal, environmental, political and governmental factors; reputational factors and transaction and commercial factors.

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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