



Endesa 9M 2018 Results

05/11/2018



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Highlights



Sound performance of the liberalized business EBITDA (+23%) in a context of normalization of market conditions

Stable contribution of regulated businesses

Overall EBITDA increased by 10% in the period

Flat adjusted fixed costs evolution absorbing inflation and growth

Sound Net Income growth (+10%)

Financial results

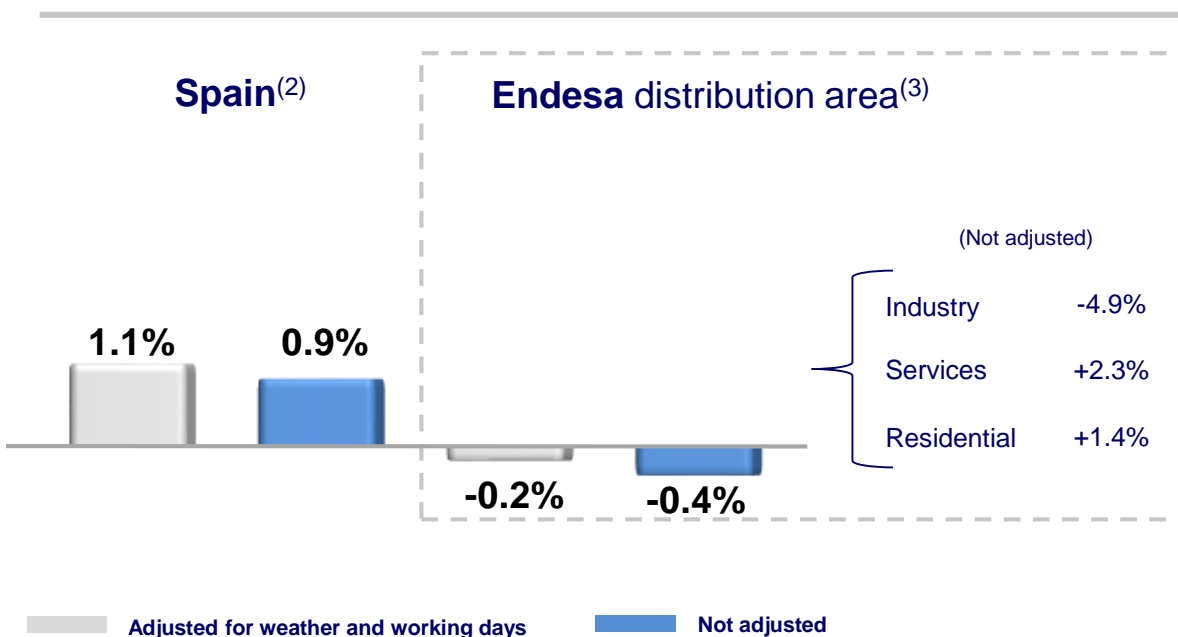


€M	9M 2018	9M 2017	Change
Revenues	15,353	14,824	4%
Gross Margin	4,271	4,006	7%
EBITDA	2,791	2,548	10%
EBIT	1,644	1,476	11%
Net attributable income	1,193	1,085	10%
Net Capex ⁽¹⁾	735	472	56%
Cash Flow from Operations	1,141	1,375	-17%
	30.09.2018	31.12.2017	
Net financial debt	6,640	4,985	33%

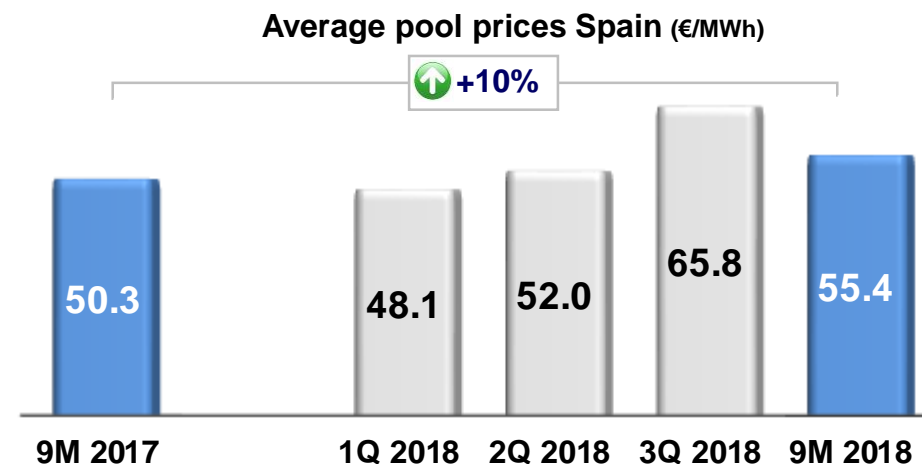
Market context in 9M 2018



Demand ⁽¹⁾



Electricity wholesale prices



- Endesa distribution areas mainly affected by lower demand in the industrial segment

- The strong increase in commodity prices has more than compensated the effect of higher hydro output, with a rise in pool price of 10%
- 80% increase in hydro system production

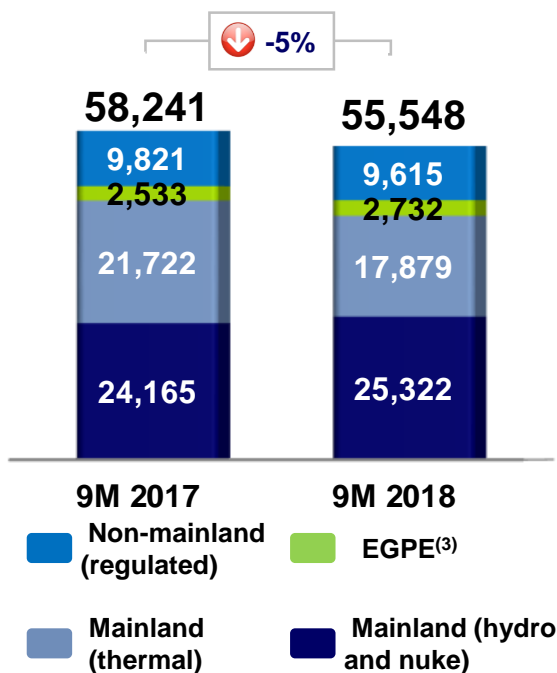
(1) Mainland.
 (2) Source: REE
 (3) Source: Endesa's own estimates

Endesa's performance in 9M 2018 market context

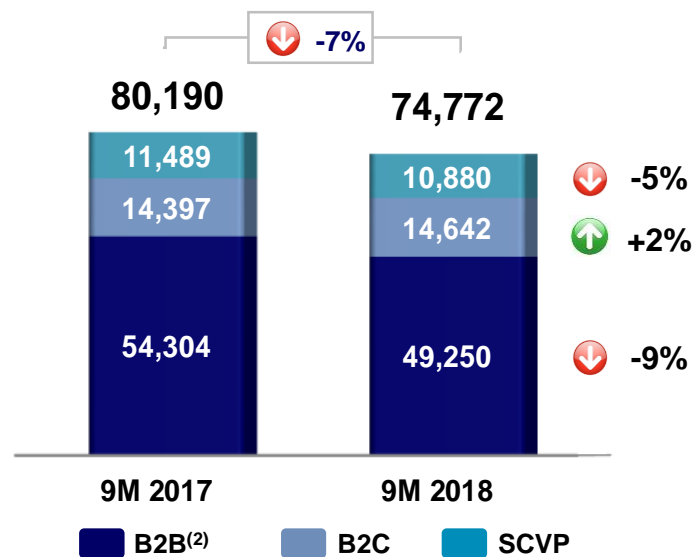


Power operational highlights

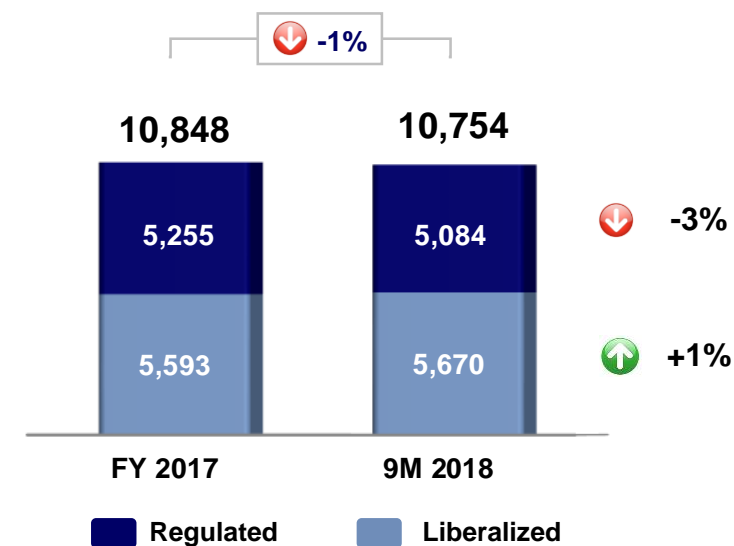
Output⁽¹⁾ (GWh)



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 21 GWh in non-mainland in 9M 2018 vs 22 GWh in 9M 2017

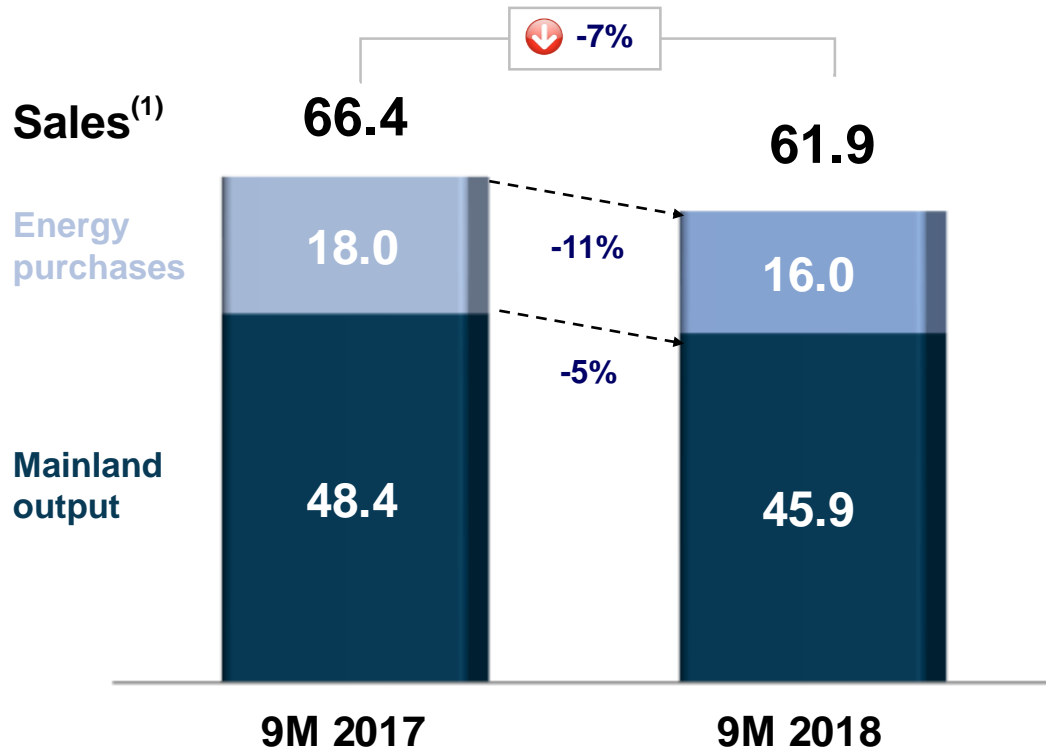


Liberalized business

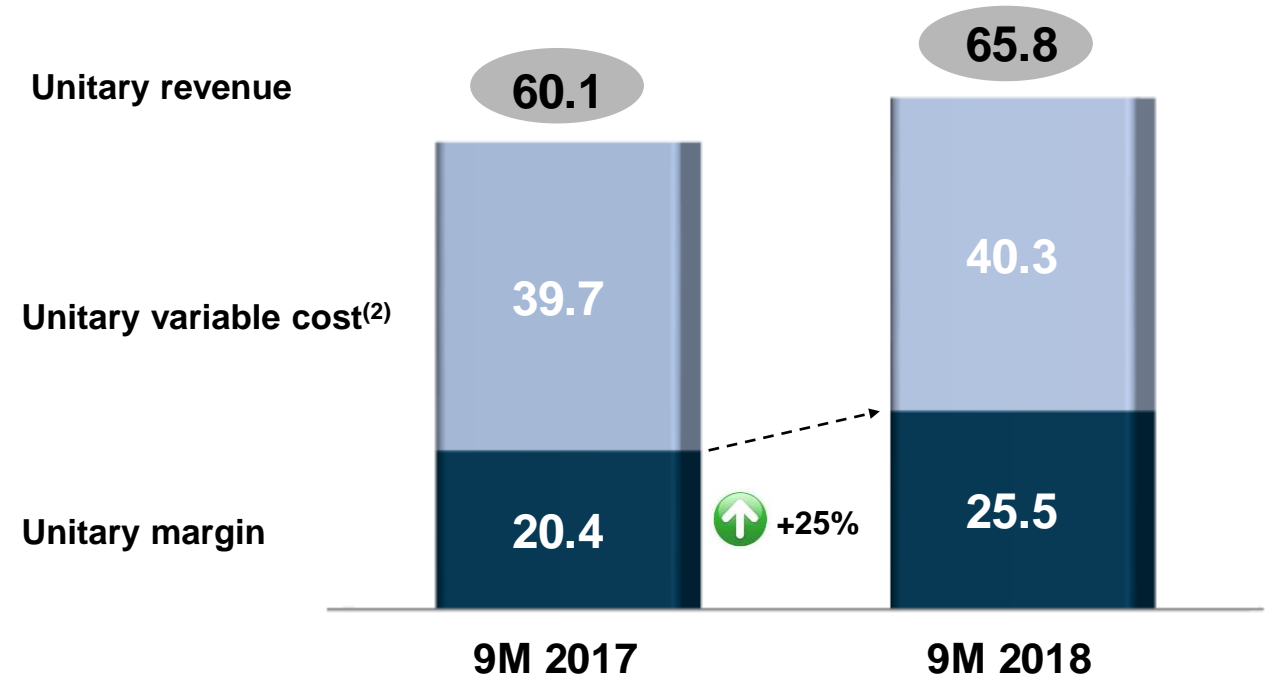
Energy management



Energy (TWh)



Unitary values breakdown (€/MWh)



▪ **Sound fundamentals in Gx & Sx, with an increase of 25% of electricity unitary margin**

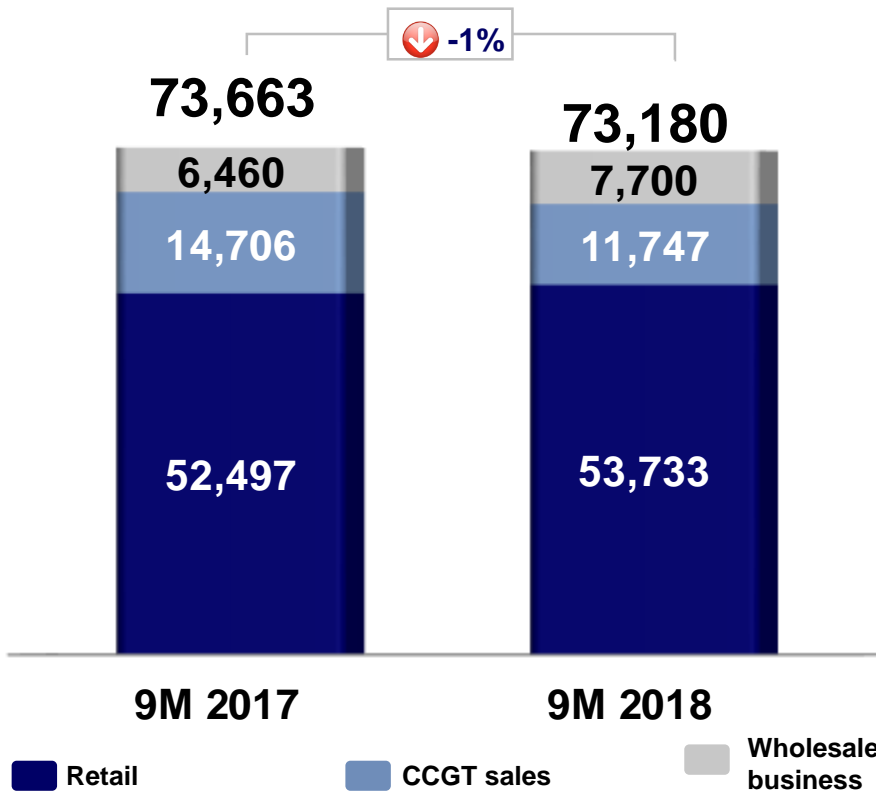
(1) Total electricity sales (at power plant busbars) -SCVP - International Sales
 (2) Production cost + energy purchase costs + ancillary services

Endesa's performance in 9M 2018 market context



Gas operational highlights

Sales (GWh)

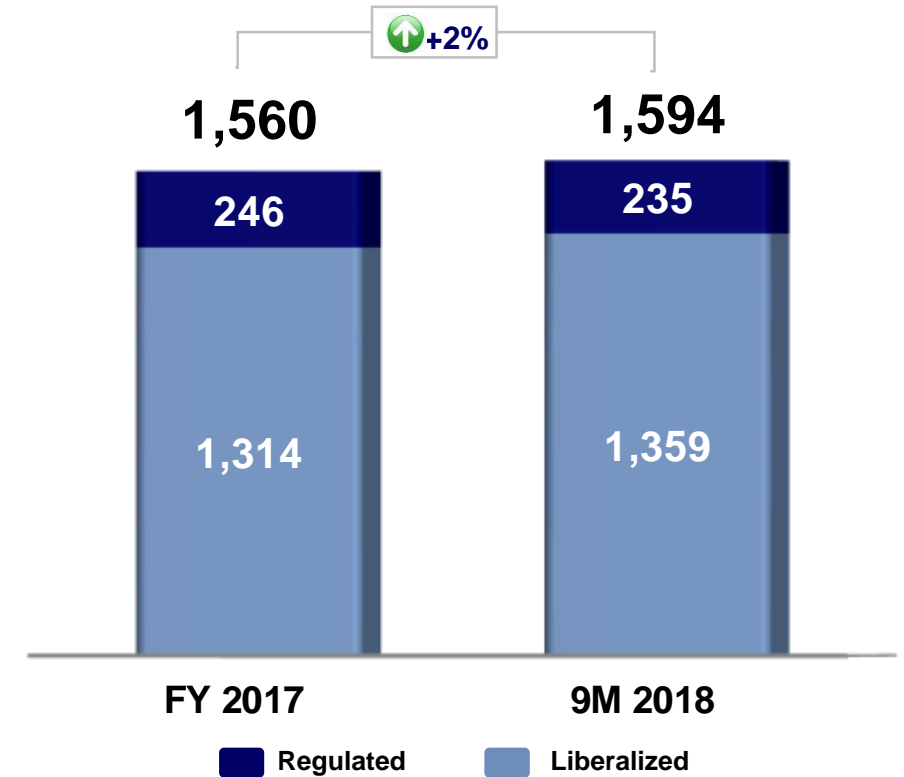


Unitary margin ⁽¹⁾:

9M 2017	9M 2018
€0.6/MWh	€1.5/MWh

YTD Demand increase: 1.7%

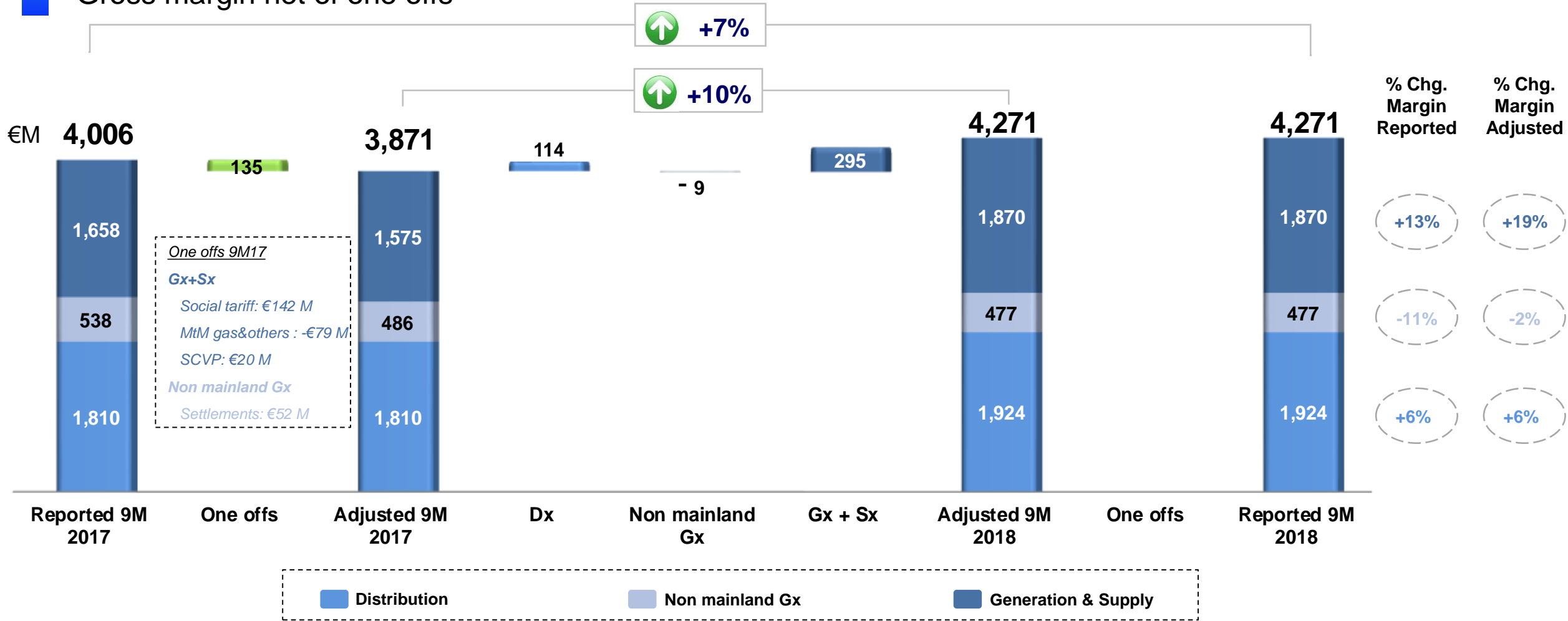
Number of gas customers (thous.)



▪ Sound recovery of gas market conditions

Gross margin evolution

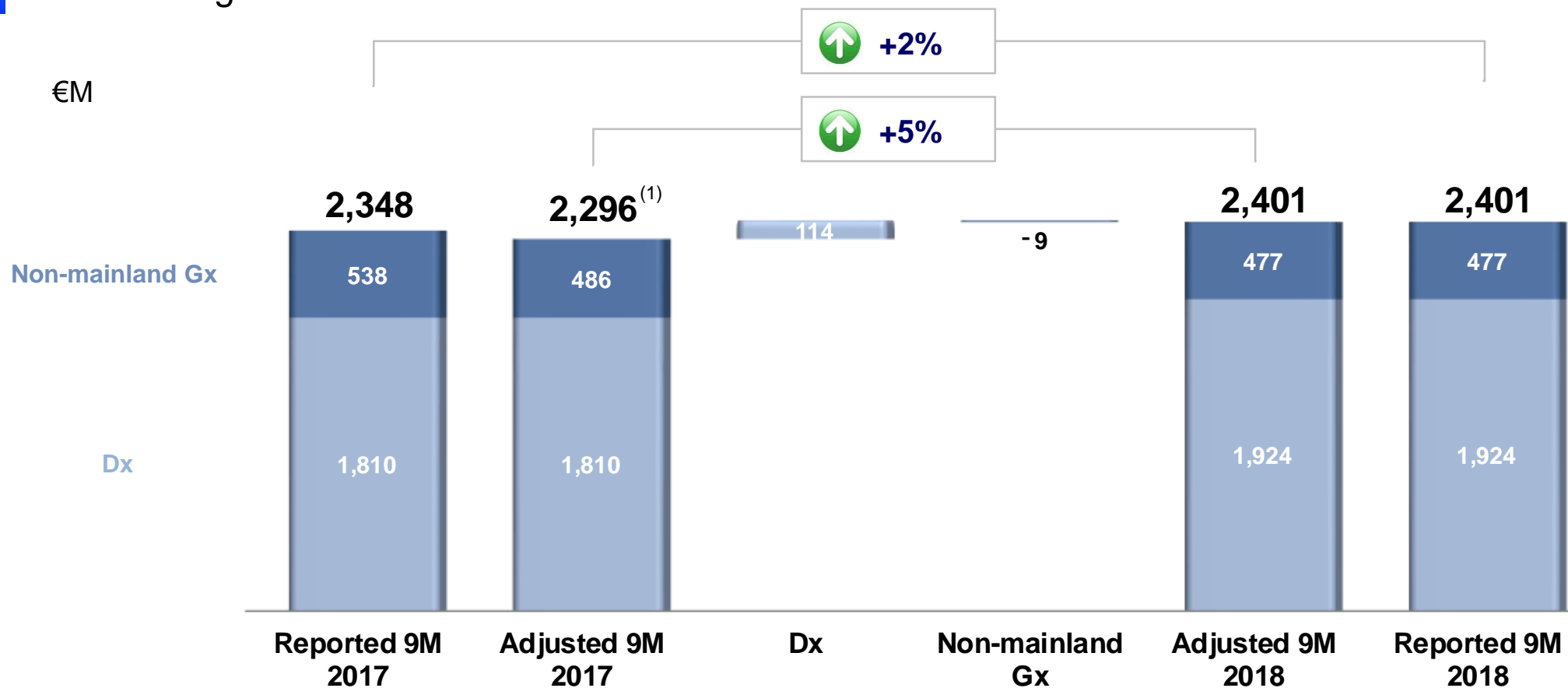
Gross margin net of one offs



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

Regulated business

Gross margin evolution



Regulated gross margin driven by Distribution regulated revenues

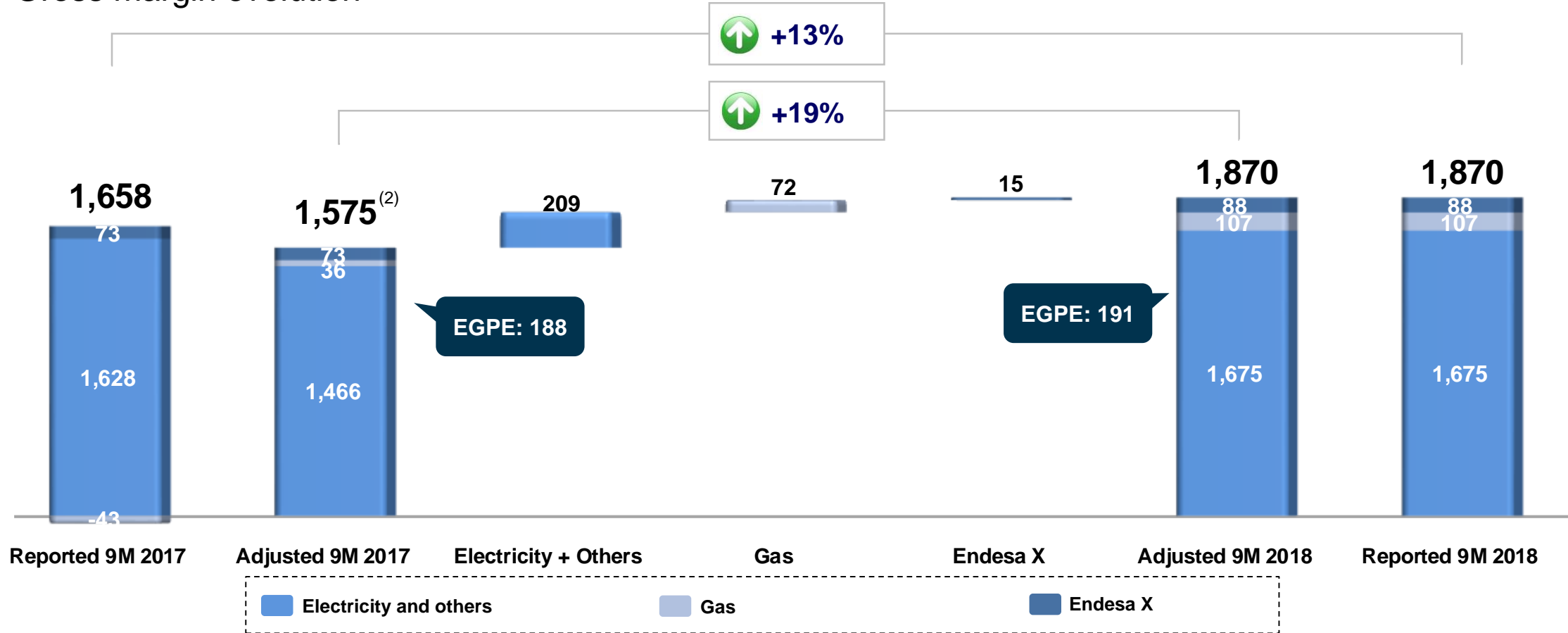


Liberalized business⁽¹⁾

Gross margin evolution



€M

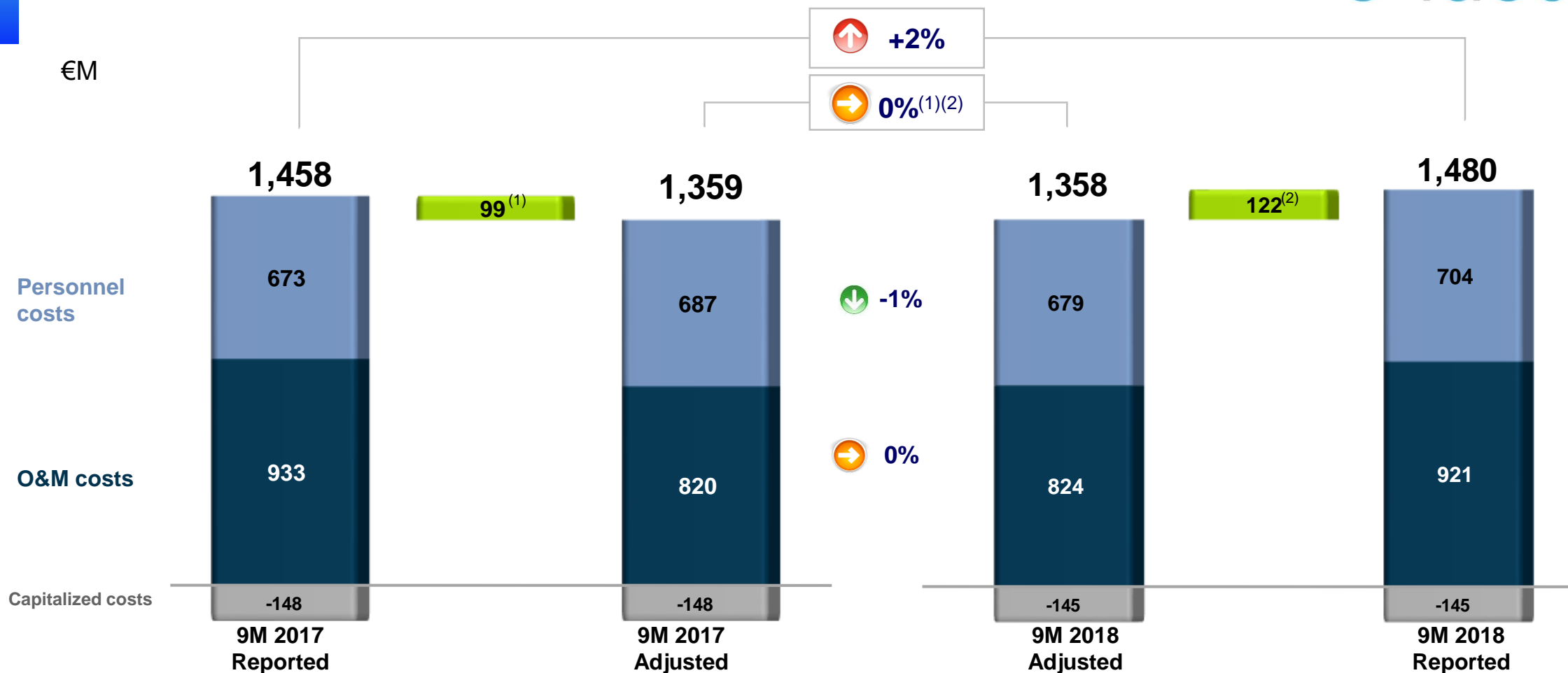


▪ Recovery in the power and gas businesses

(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 9M 2017: €142 M Social Tariff, -€79 M Gas (MtM gas & Others -€65 M and Force Majeure in Argelia -€14 M) and €20 M from SCVP rebilling

Fixed costs evolution

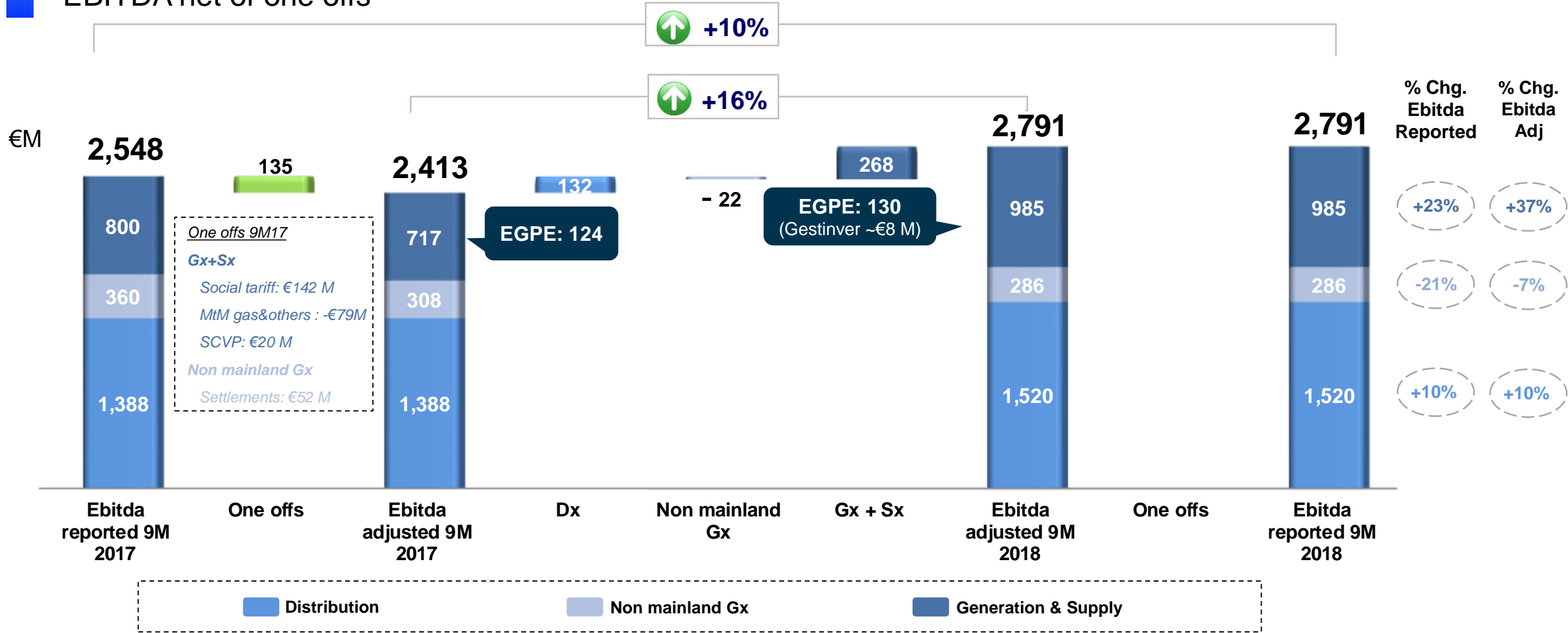


■ Flat fixed costs evolution absorbing inflation and growth ⁽¹⁾⁽²⁾

(1) 9M 2017 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€16 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 2M), and infringement proceedings and taxes (-€113 M)
 (2) 9M 2018 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€3 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 28M) and infringement proceedings and taxes (-€97 M)

EBITDA evolution

EBITDA net of one offs

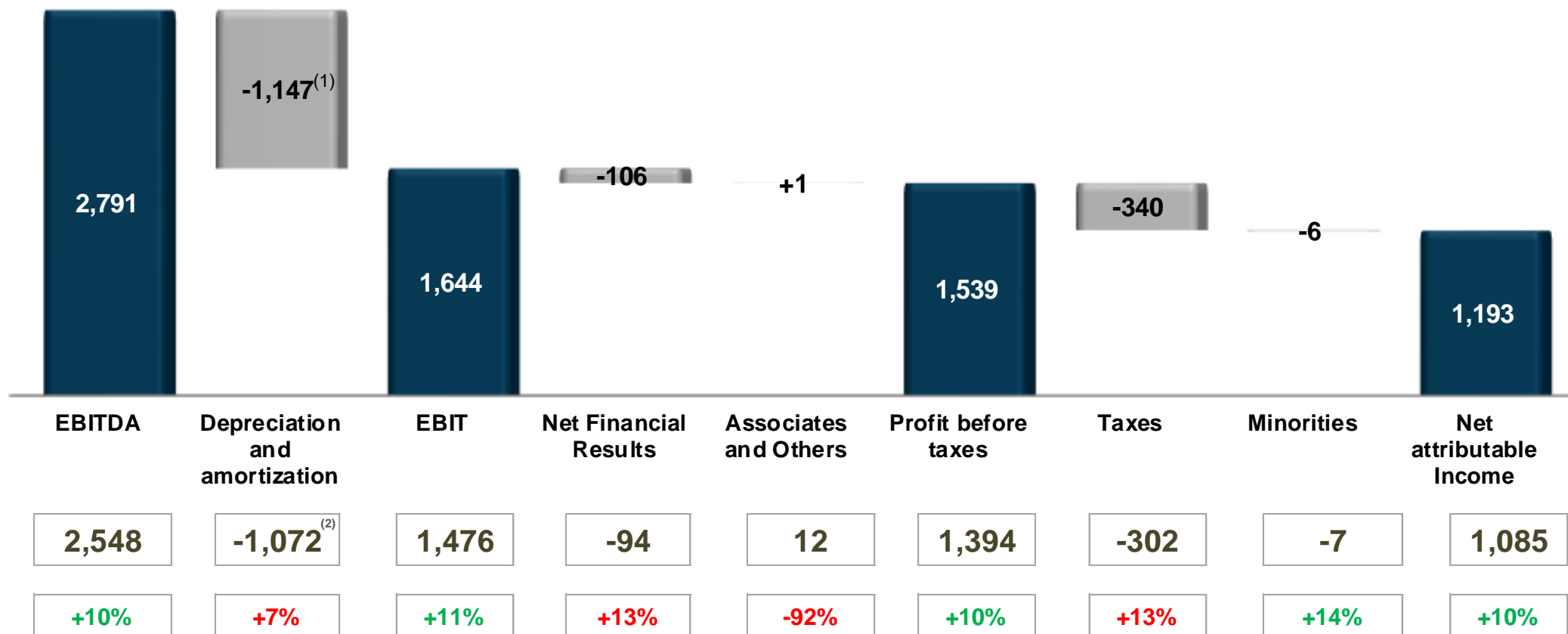


■ Improvement of adjusted EBITDA driven both by liberalized and regulated business

From EBITDA to Net Income



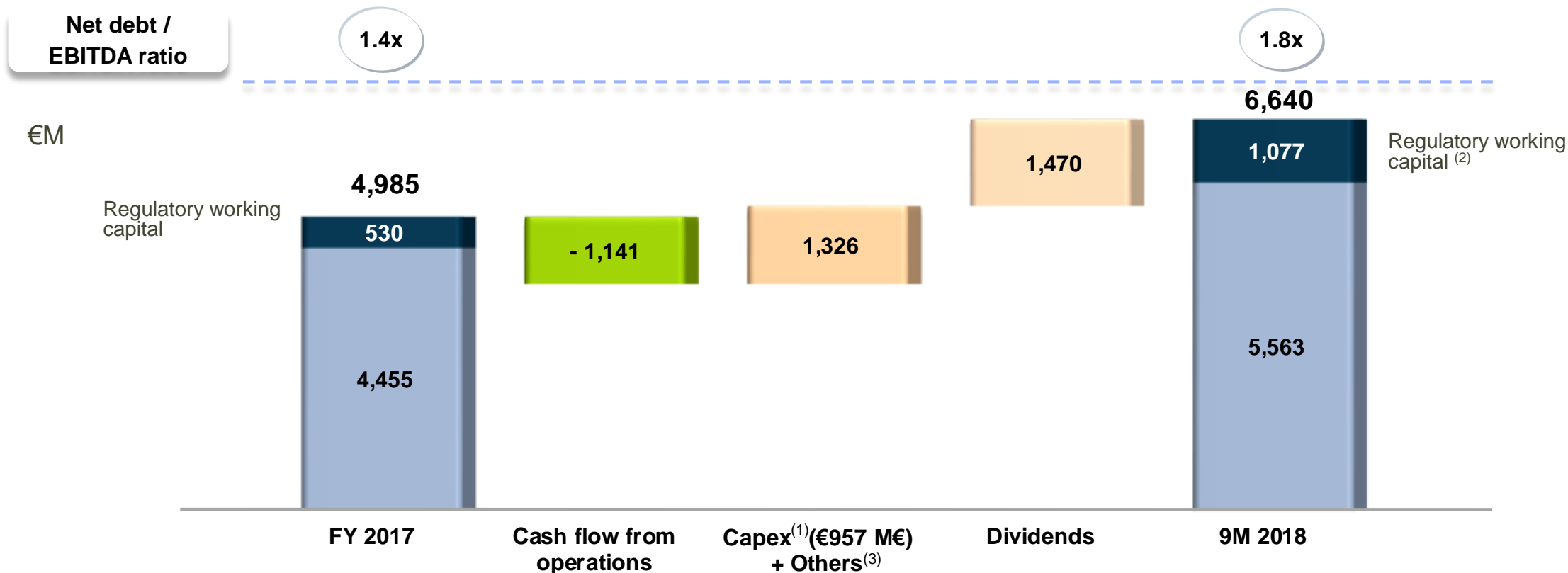
€M



(1) D&A includes additional €48 M as a consequence of the implementation of IFRS 15 (Revenue from contracts with customers) and IFRS 9 (Financial instruments).

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

Net financial debt analysis



■ Dividend payments and regulatory working capital evolution drive net debt increase

(1) Cash based Capex

(2) Net balance with CNMC settlements

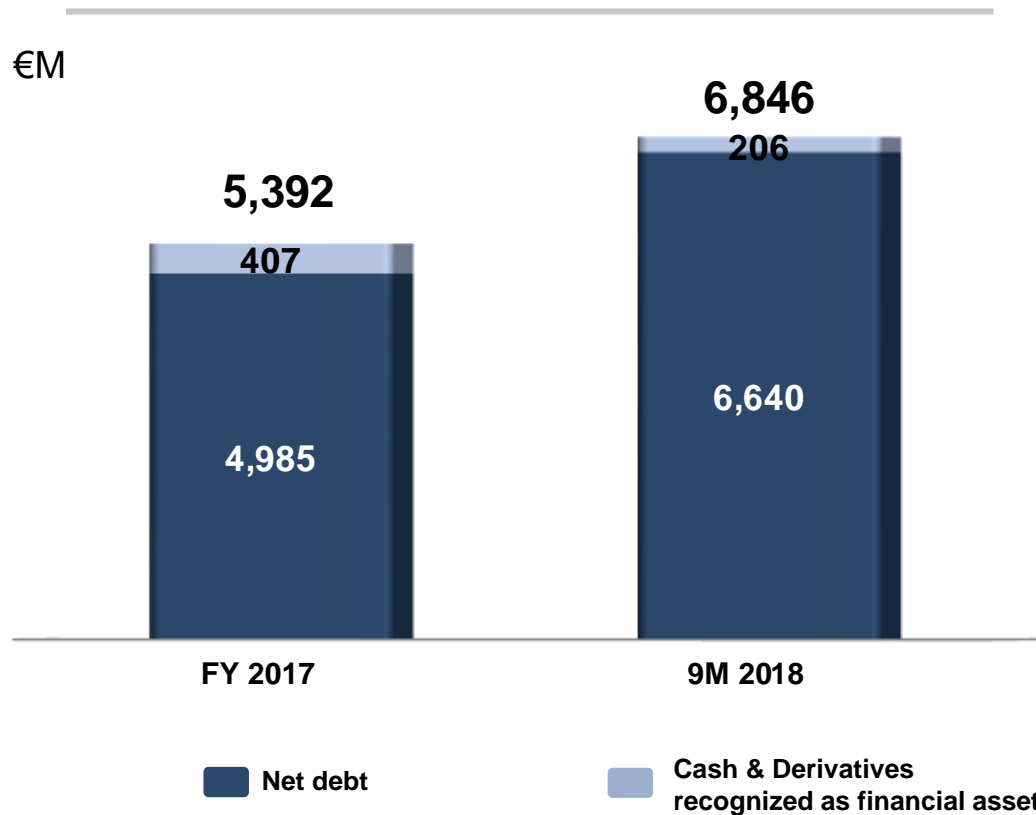
(3) Includes Gestinver (Debt consolidation and cash outflow investment for €172M) and Empresa de Alumbrado Eléctrico de Ceuta (Cash outflow investment for €81M)

Gross financial debt structure

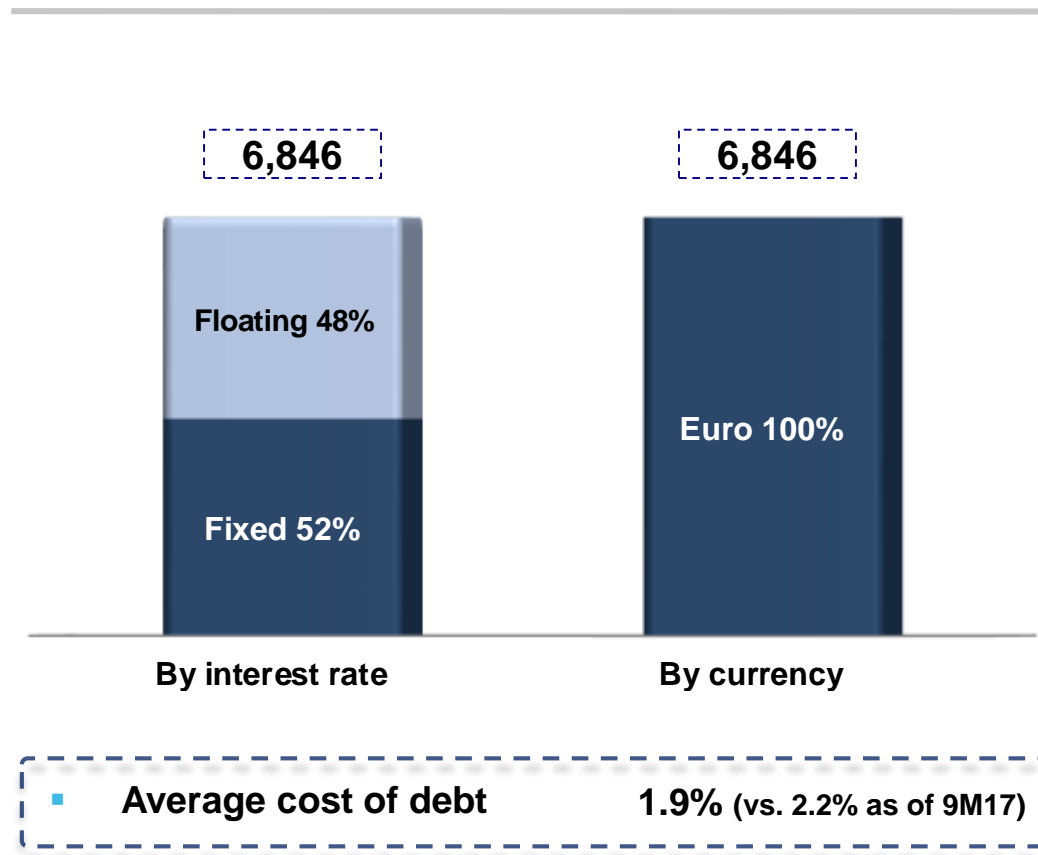
As of 9M 2018



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

Slight improvement in the EBITDA guidance

A floor for 2018 gross DPS of €1.33/share is guaranteed

Appendix

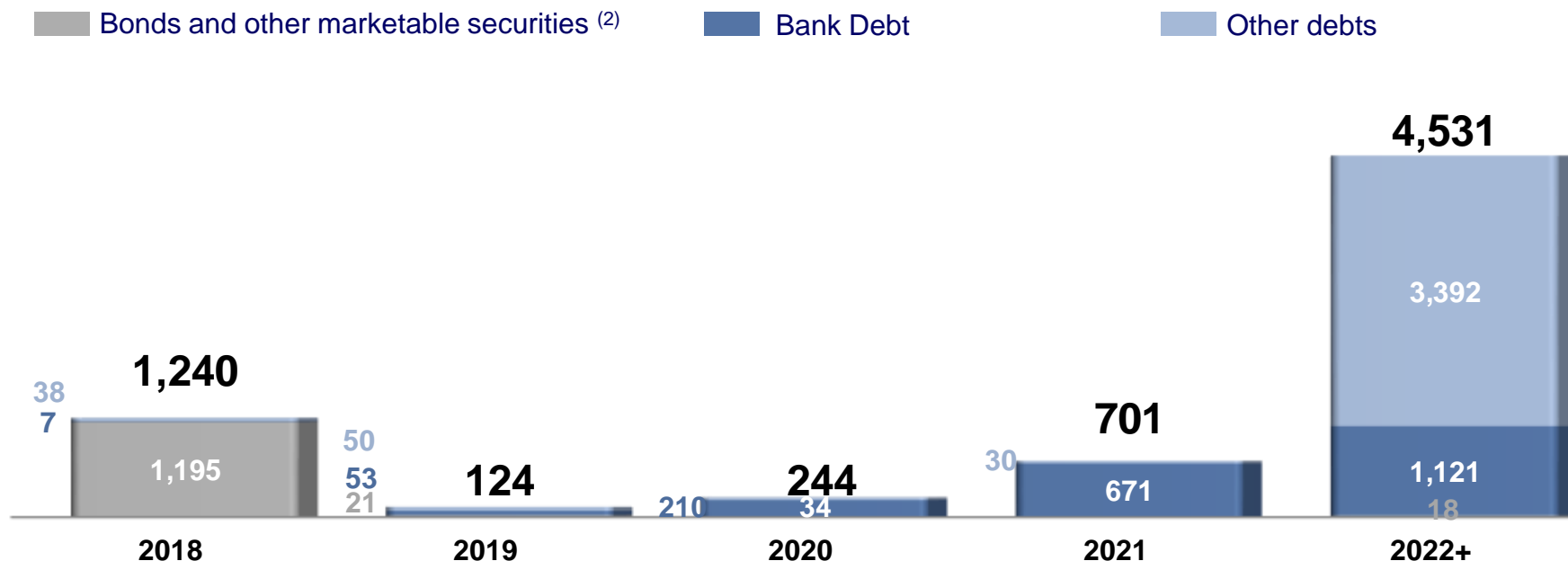
Endesa 9M 2018 Results

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Endesa: financial debt maturity calendar



Gross balance of maturities outstanding at 30 September 2018: €6,840 M⁽¹⁾



Endesa's liquidity covers 20 months of debt maturities

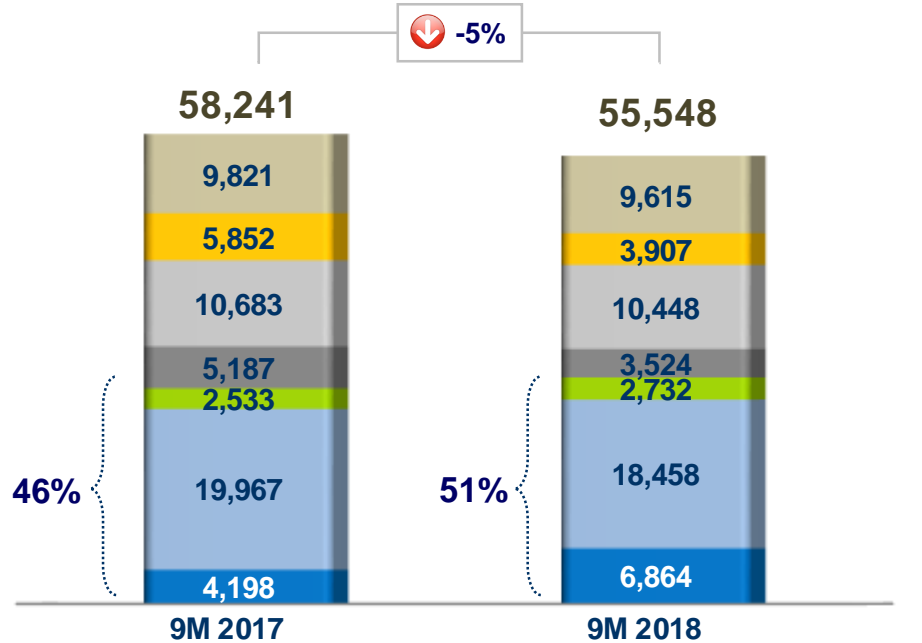
- Liquidity €2,484 M
 - €199 M in cash
 - €2,285 M available in credit lines
- Average life of debt: 5.2 years

⁽¹⁾ Does not include €6 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)



■ Hydro ■ EGPE ■ Imported coal ■ SENP
■ Nuclear ■ Domestic coal ■ CCGT

- 18% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 51% of total output (vs. 46% in 9M 2017)

Total output (GWh)

GWh 9M2018
(and chg. vs. 9M2017)

	Total Output ⁽¹⁾	
Total	55,548	-5%
Hydro	6,864	64%
Nuclear	18,458	-8%
Coal	15,900	-11%
Natural gas	6,513	-22%
Oil-gas	5,081	-4%
Renewables	2,732	8%

Total installed capacity (GW)

GW at 9M2018
(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: 9M 2018 P&L



	Gx+Sx	Dx	Structure	Adjustments	TOTAL
<i>Income</i>	13,442	2,069	431	-589	15,353
<i>Procurements and services</i>	-11,010	-145	-60	133	-11,082
Gross margin	2,432	1,924	371	-456	4,271
<i>Self-constructed assets</i>	33	102	10	0	145
<i>Personnel expenses</i>	-396	-191	-129	12	-704
<i>Other fixed operating expenses</i>	-789	-315	-258	441	-921
EBITDA	1,280	1,520	-6	-3	2,791
<i>D&A</i>	-653	-461	-33	0	-1,147
EBIT	627	1,059	-39	-3	1,644
<i>Net financial results</i>	-124	-59	77	0	-106
<i>Net results from equity method</i>	21	4	3	0	28
<i>Results from other investments</i>	0	0	324	-324	0
<i>Results on disposal of assets</i>	-27	3	-3	0	-27
PROFIT BEFORE TAX	497	1,007	362	-327	1,539
<i>Income Tax Expense</i>	-97	-237	-7	1	-340
<i>Minorities</i>	-6	0	0	0	-6
NET ATTRIBUTABLE INCOME	394	770	355	-326	1,193

Endesa: 9M 2017 P&L



	Gx+Sx	Dx	Structure	Adjustments	TOTAL
<i>Income</i>	13,049	1,923	409	-557	14,824
<i>Procurements and services</i>	-10,916	-113	85	126	-10,818
Gross margin	2,133	1,810	494	-431	4,006
<i>Self-constructed assets</i>	25	108	15	0	148
<i>Personnel expenses</i>	-353	-200	-131	11	-673
<i>Other fixed operating expenses</i>	-755	-330	-265	417	-933
EBITDA	1,050	1,388	113	-3	2,548
<i>D&A</i>	-598	-436	-38	0	-1,072
EBIT	452	952	75	-3	1,476
<i>Net financial results</i>	-71	-71	48	0	-94
<i>Net results from equity method</i>	15	3	0	0	18
<i>Results from other investments</i>	0	1	349	-349	1
<i>Results on disposal of assets</i>	-18	7	4	0	-7
PROFIT BEFORE TAX	378	892	476	-352	1,394
<i>Income Tax Expense</i>	-61	-212	-31	2	-302
<i>Minorities</i>	-7	0	0	0	-7
NET ATTRIBUTABLE INCOME	310	680	445	-350	1,085

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: $(€92 \text{ M} \times (365/270) + €3 \text{ M}) / €6,666 \text{ M} = 1.9\%$	4.1
Average life of debt (number of years)	$(\text{Principal} \times \text{number of days of term}) / (\text{Principal in force at the end of the period} \times \text{number of days of the period})$: $35,437 / 6,840 = 5.2 \text{ years}$	4.1
Cash flow from operations (€M)	Net cash provided by operating activities (€1,141 M)	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 20 months	4.1
EBITDA (€M)	Revenues (€15,353 M) – Purchases and Services (€11,082 M) + Work performed by the entity and capitalized (€145 M) – Personnel expenses (€704 M) – Other fixed operating expenses (€921 M) = €2,791 M	1.3
EBIT (€M)	EBITDA (€2,791 M) - Depreciation and amortization (€1,147 M) = €1,644 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€704 M) + Other fixed operating expenses (€921 M) - Work performed by the entity and capitalized (€145 M) = €1,480 M	1.3.2
Gross margin (€M)	Revenues (€15,353 M) – Purchases and Services (€11,082 M) = €4,271 M	1.4.1
Leverage (times)	Net financial debt (€6,640 M) / EBITDA (€994 M from 4Q 2017 + €2,791 M from 9M 2018) = 1.8x	n/a
Net Capex (€M)	Gross tangible (€711 M) and intangible (€125 M) Capex - assets from clients' contributions and subsidies (€101 M) = €735 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 (€5,514 M + €1,332 M) - Cash and cash equivalents (€199 M) - Derivatives recognized as financial assets (€7 M) = €6,640 M	4.1
Net financial results (€M)	Financial Revenues (€29 M) - Financial Expenses (€133 M) - Foreign Exchanges (€2 M) = -€106 M	1.3.3
Revenues (€M)	Sales (€14,650 M) + Other operating revenues (€703 M) = €15,353 M	1.3.1
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€2,432 M) - Margin SENP (€477 M) - Margin SCVP (€81 M) - Margin gas (€107 M) - Margin Endesa X (€88 M) - Others (€104 M) = €1,575 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €1,575 M / 61.9 TWh = €25.5/MWh	n/a
Gas ordinary unitary margin (€/MWh)	Gas Ordinary Margin / Gas sales excluding Wholesales business: €99.6 M / 65.5 TWh = €1.5/MWh	n/a
Endesa X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Endesa X unit = €88 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.

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