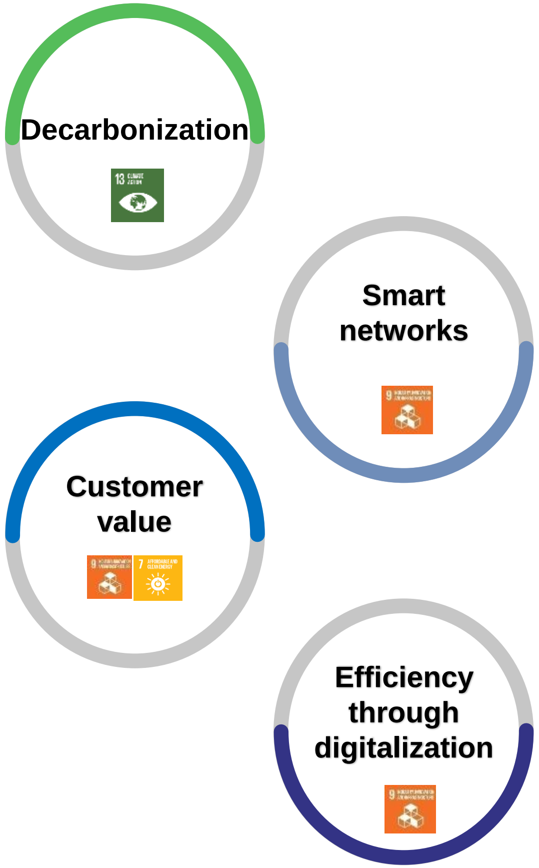
Endesa 1H 2019 Results

July 23, 2019

Key highlights



EBITDA increased by +5% thanks to the good performance of liberalized business

Steady evolution in the Distribution business

Flat fixed costs during an important investment effort

Net Ordinary Income (1) +3%

Sound progressing through our strategic pillars

(1) Reported Net Income – Net Result on Disposals of Non-Financial Assets (over €10 M) - Net Results on Impairment of Non-Financial Assets (over €10 M)

Endesa's outstanding position

Delivery on strategic plan

- **Decarbonization**
  - Accelerating the development of the 879 MW awarded in 2017 auctions to be online before end 2019
  - Participation in new auctions (Canary and Balearic Islands)
  - Supporting the Energy Transition through a sound renewable pipeline (~9 GW)
- **Smart networks**
  - Progressing on the network automation and digitalization (€370 M, ~ 37% of Strategic Plan)
- **Customer value**
  - Outstanding integrated margin evolution (€27.5 /MWh, +8%)
  - Advancing in the customer digitalization
- **Efficiency through digitalization**
  - Achieving cost efficiency targets

Advancing towards our SDG commitments

Decarbonization

Renewables development

Decarbonization

Projects under development

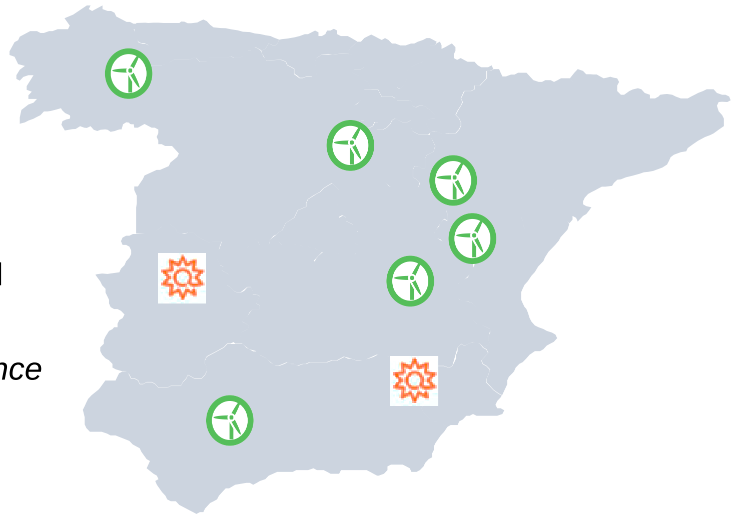
879 MW

25 projects

70% completion

Capex €833 M

80% through Sustainable Finance



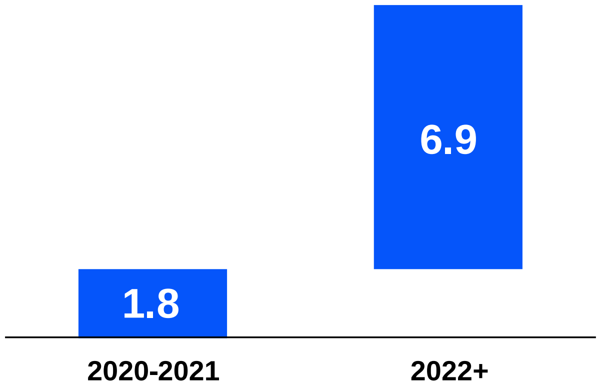
226 windmills

996,257 solar cells

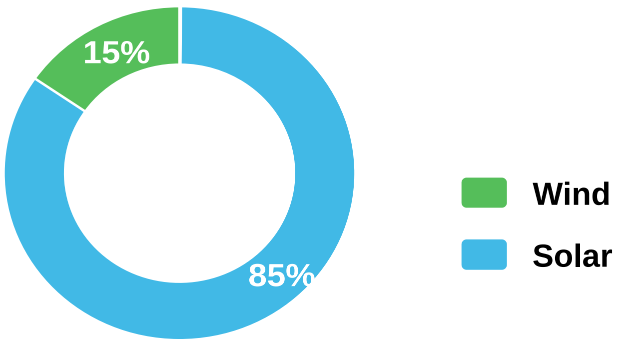
Pipeline (GW)

~9 GW

By COD(1)



By technology(2)



Creating new opportunities to accelerate further renewable growth

(1) Commercial Operations Date
(2) Split corresponding to projects in advanced development phase

Smart Networks

Smart networks

Draft new CNMC's retributive scheme

- Proposals for electricity T&D for 2nd regulatory period.
- RoR based on WACC set at 5.58%.
- New methodology and remuneration terms.
- Allegation process till August 9th.
- Definitive retributive scheme to be set by Q4.

Energy Transition context

- "*PNIEC*" assumes of €20 bn to digitalize the networks.
- Endesa committed €1.9 bn of investment in Distribution for 2018-2021
- A proper remuneration is crucial to fulfill the EU targets.
- Some reports highlighted Spain as the country with one of the lowest remuneration for Distribution assets in Europe.

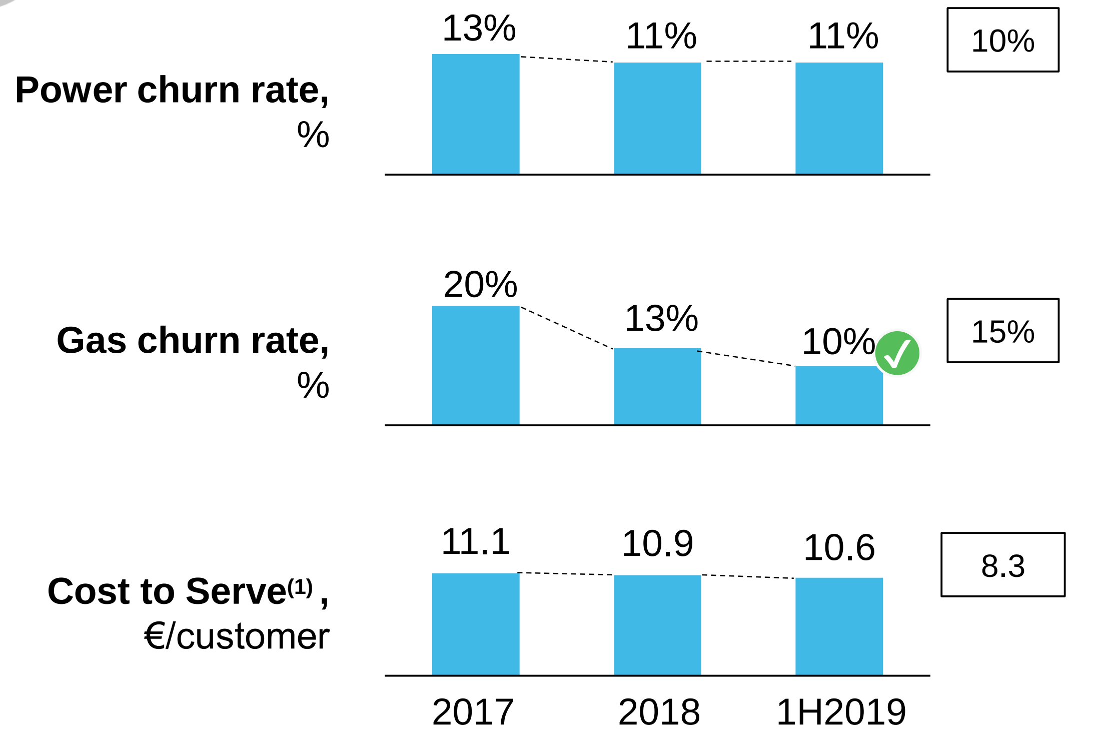
Customer value

Improving efficiency and digitalization

Customer value

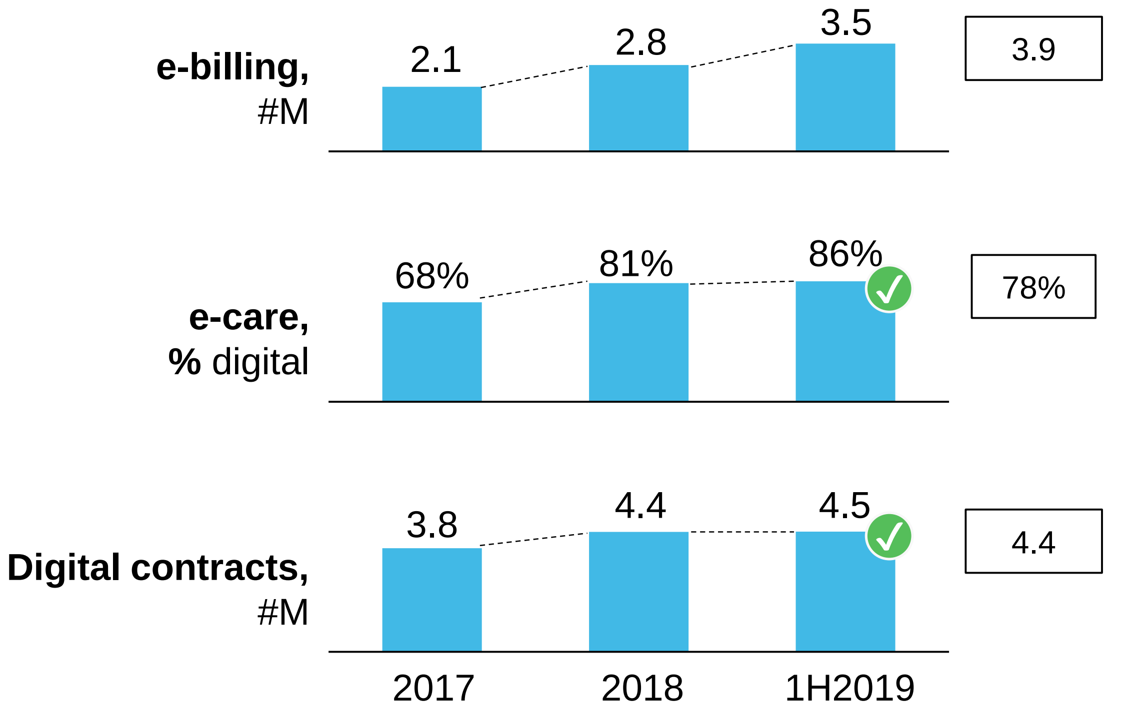
Business indicators

2021 Targets



Digital KPIs(1)

2021 Targets



✓ Above target

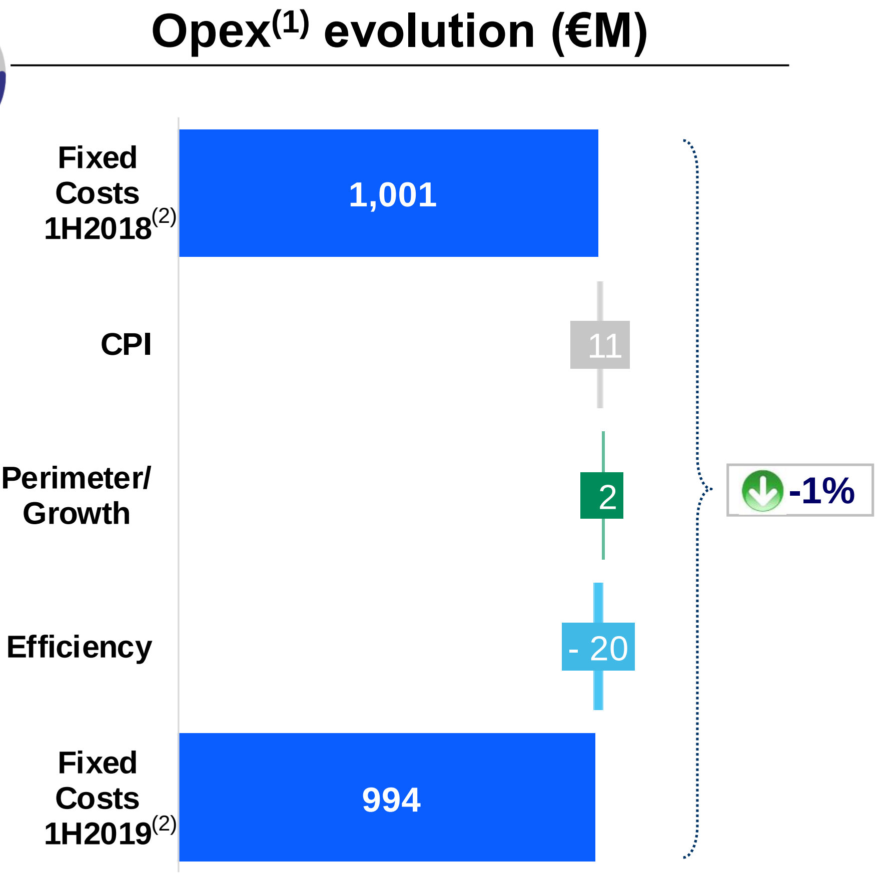
Business and Digital KPIs continuous improvement

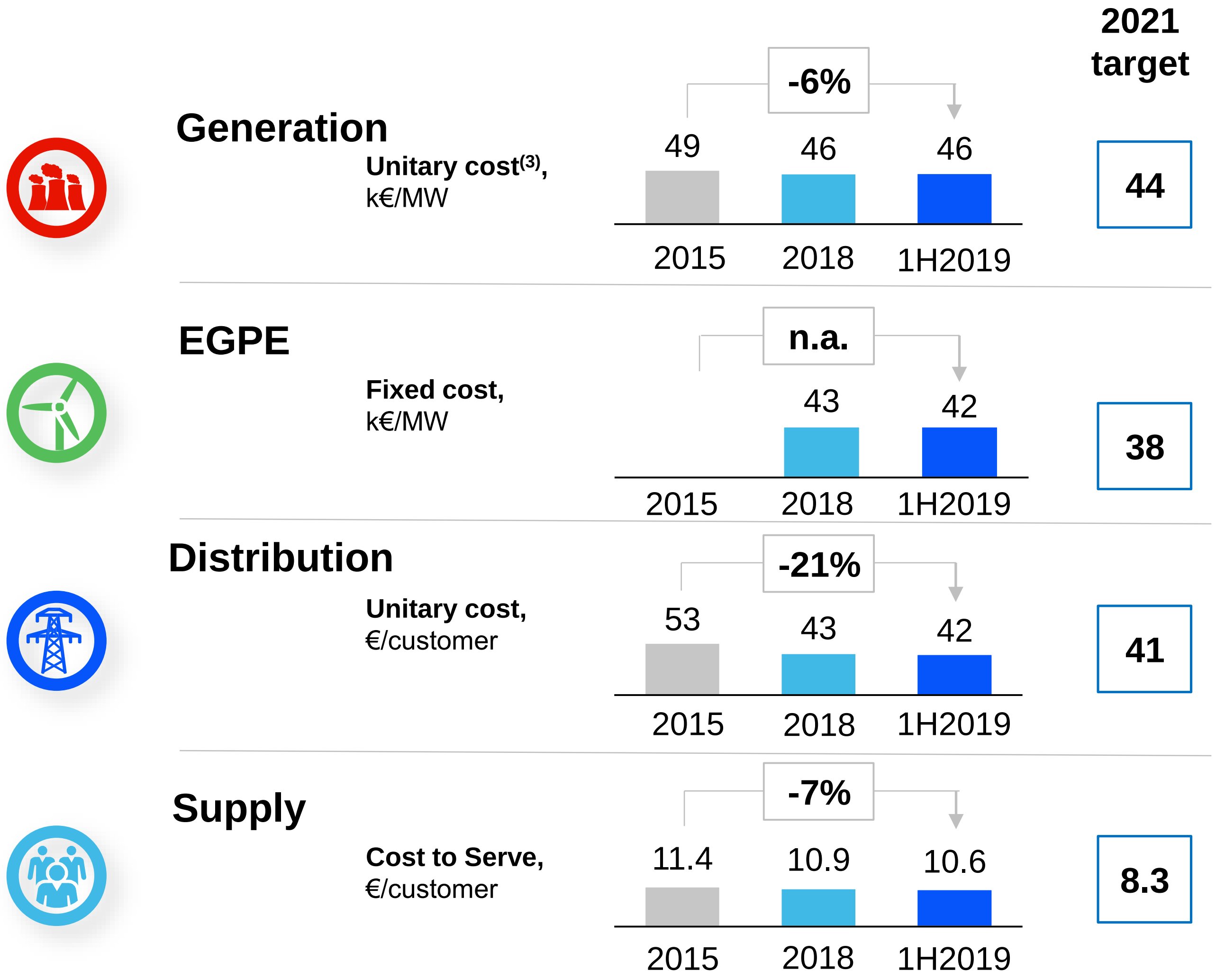
(1) Power and gas. Not including Social Bonus

Efficiency through digitalization

endesa

Efficiency through digitalization





Continuous focus on efficiencies across all business lines

(1) Opex Total Fixed Costs in nominal terms (net of capitalizations)
(2) Not including non recurrent expenses
(3) Includes Large Hydro and Corporate fees

Commitment to SDGs

SDGs

	Target 2019
~60% Energy production CO_2 free	52%
~€102 M[1] to lead the energy future through digitalization & Endesa X	~€390 M
330,000 beneficiaries of Energy Access projects	300,000

Local communities

Accompaniment plan for a Fair Transition on Compostilla and Teruel plants phase out:

- **Compostilla**: Second life project based on FuturE methodology (Circular Economy)
- **Teruel**: Biggest solar plant in Europe (1,000 MW)

Promotion of local employment in renewable projects from auctions

Creating Shared Value actions in renewables

Our employees

Diversity	Achieved	Target 2019
Women in new hires	38%	35%

Appraisal performance	Achieved	Target 2019
Participation on new methodology Open Feedback	100%	100%

Sustainable Mobility	Achieved	Target 2020
Employees owning an electric vehicle	7%	10%

Health & Safety	Achieved	Target 2019
Accident frequency combined rate	0.85	0.80

Maintaining our contribution to United Nations SDGs

Note: Endesa also contributes to commitments set out by Enel on SDG 4 (Education) and SDG 8 (socioeconomic development) through the social initiatives performed by the Company and its Foundation
(1) 1H2019 figure. Cumulated 2018-1H2019 figure: ~€445 M

ESG

Main initiatives

Environment

- **Selected** by the Spanish Climate Change Office **to develop 3 new "climate projects" reducing emissions**
- **First Spanish energy utility certified** by the Spanish Climate Change Office for **offsetting** its carbon footprint
- **Zero Plastics campaign**
- **First Spanish utility to obtain Green loan** from Instituto de Crédito Oficial and EIB

Social

- **660 Jobs generated** by works on **six Endesa photovoltaic plants** in Extremadura
- **Retotech Project** (Selected in the First Call for Good Practice to face the challenges of the Future of the Work Enterprise 2020)

Governance

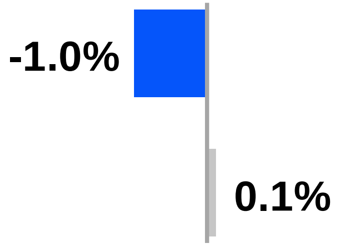
- Non executive independent **Chairman.** Independent **Board Members**: 55%
- Targets for **CO2 emissions reduction** included in executive directors' long-term remuneration
- Targets for **accident frequency reduction** in all personnel MBO compensation
- **Best Company on Tax Tranparency in Spain**
- **Fundación Endesa leading the index of Transparency and Good Governance Report**

Renewed presence in FTSE4Good & Euronext Vigeo indexes

Market context in 1H 2019

Demand (1)

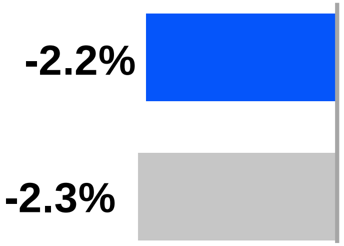
Endesa distribution area(2)



(Not adjusted)

Industry	-0.5%
Services	+1.7%
Residential	-4.2%

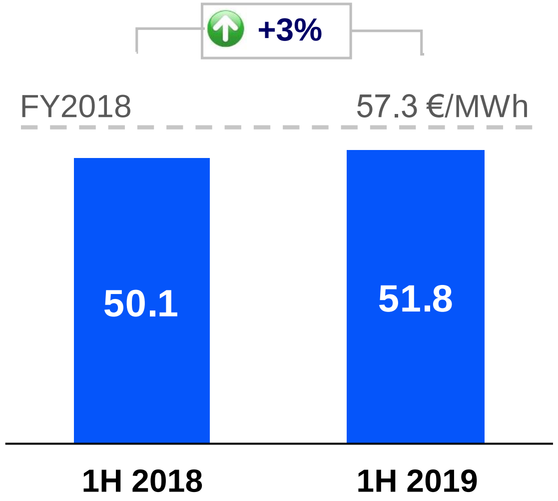
Spain(3)



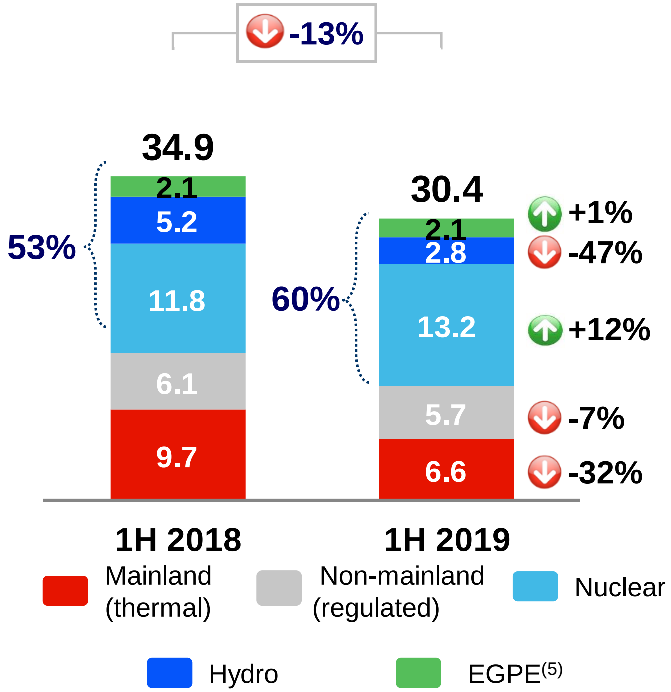
Not adjusted | Adjusted for weather and working days

Electricity wholesale prices

Average pool prices Spain (€/MWh)



Endesa output(4) (TWh)



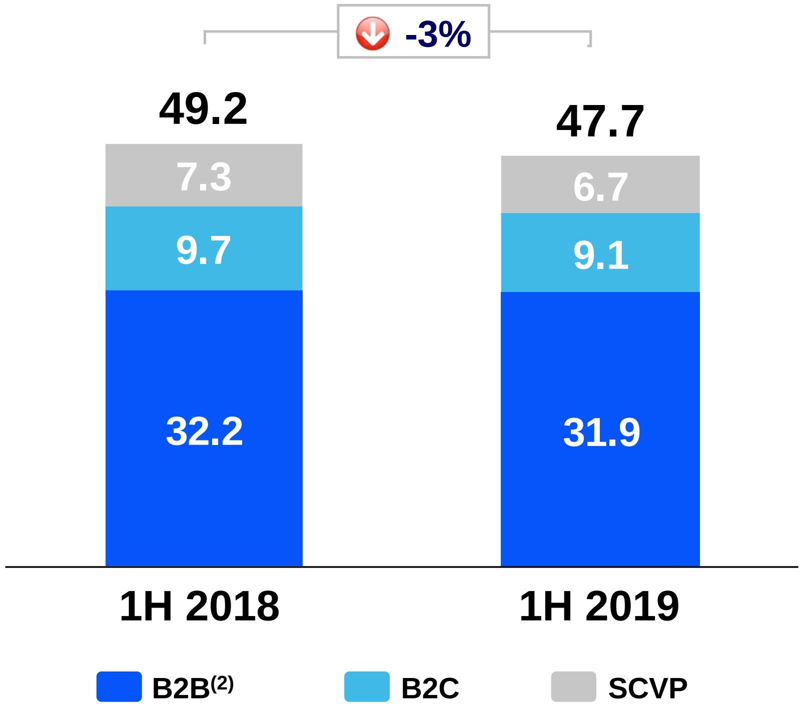
Challenging market context with demand decrease and low hydraulicity

(1) Mainland.
(2) Source: Endesa's own estimates
(3) Source: REE
(4) Energy at power plant busbars.
(5) Includes 49 GWh in non-mainland in 1H 2019 (40 MW) vs 64 GWh in 1H 2018 (40 MW)

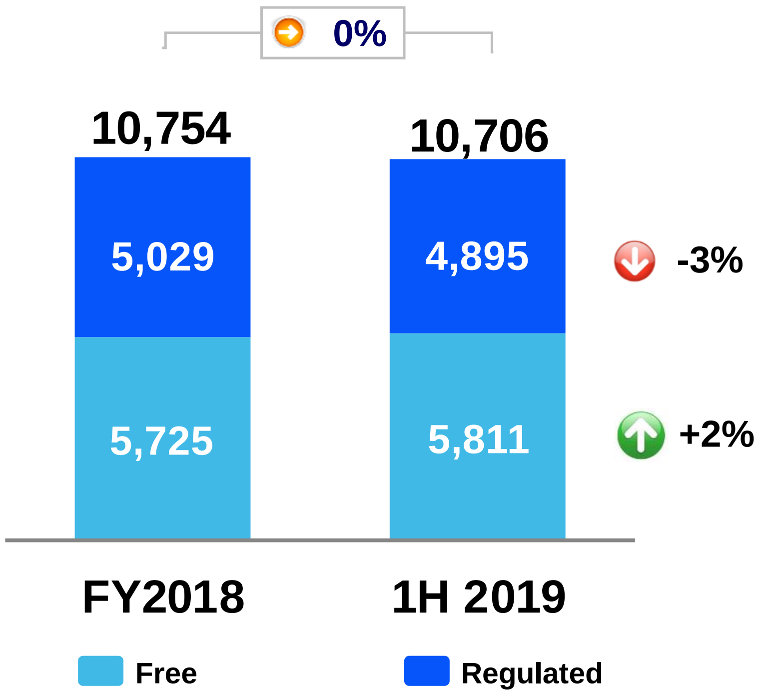
Power operational highlights

Customer value

Electricity sales[1] (TWh)



Number of electricity customers (Thousands)



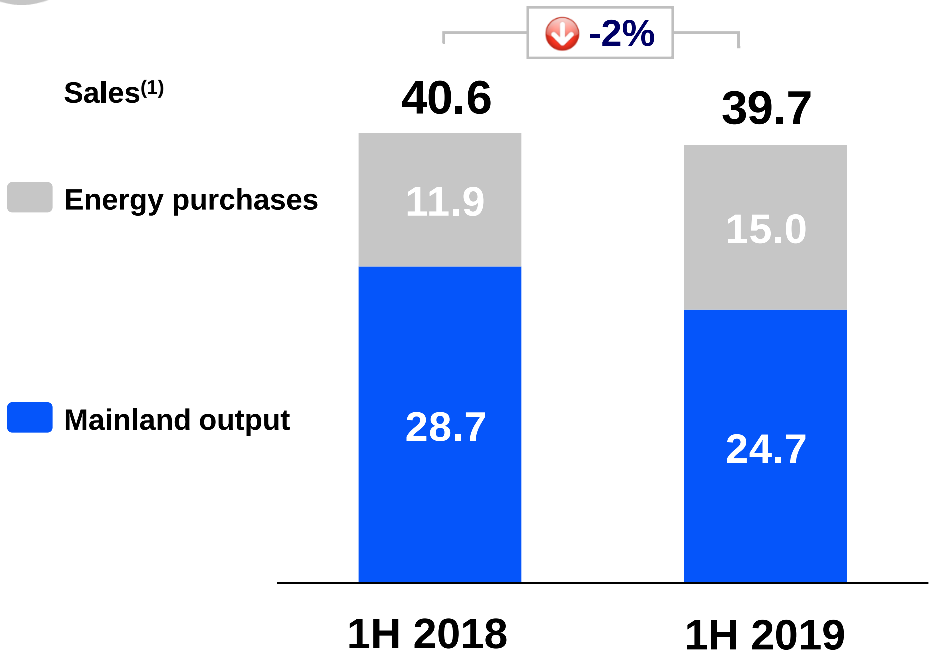
Electricity sales affected by lower demand while customer mix improves

(1) Energy at power plant busbars
(2) B2B includes industrial sales in Spain and Portugal, SME and International

Electricity sales and energy management

Customer value

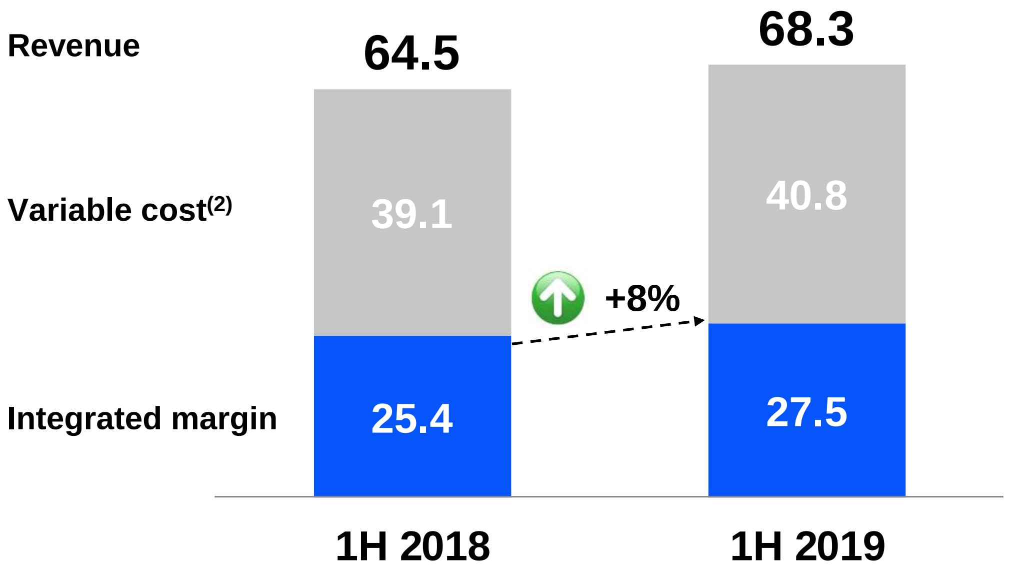
Energy management (TWh)



Free customers FY2018-1H2019 (k#)

5,725 +2% 5,811

Integrated unitary margin (€/MWh)



Sound progression of electricity integrated margin

(1) Total free sales excluding international sales and SCVP, not considered in the integrated margin.
(2) Production cost + energy purchase cost + ancillary services

Gas operational highlights

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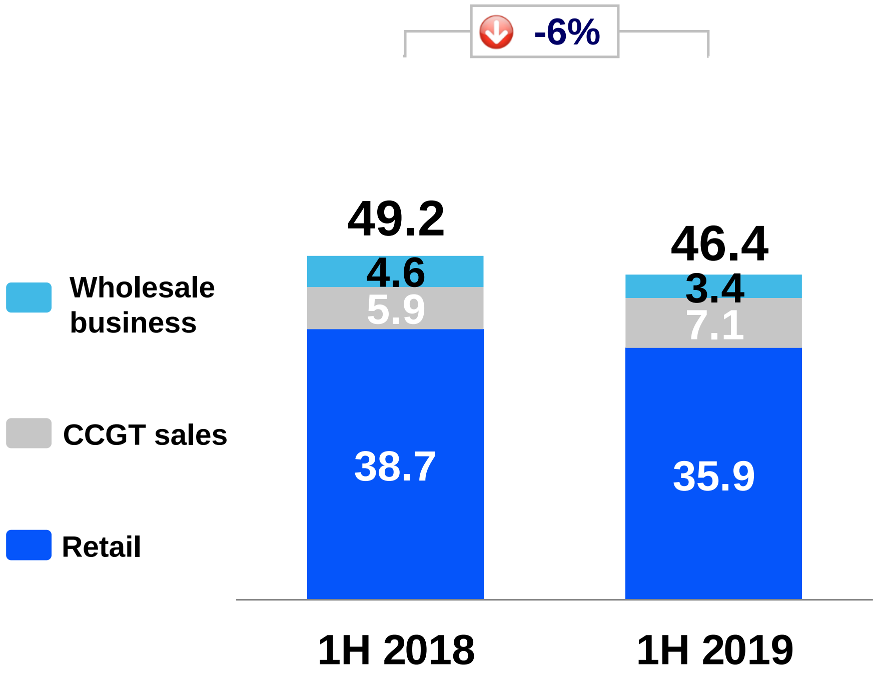
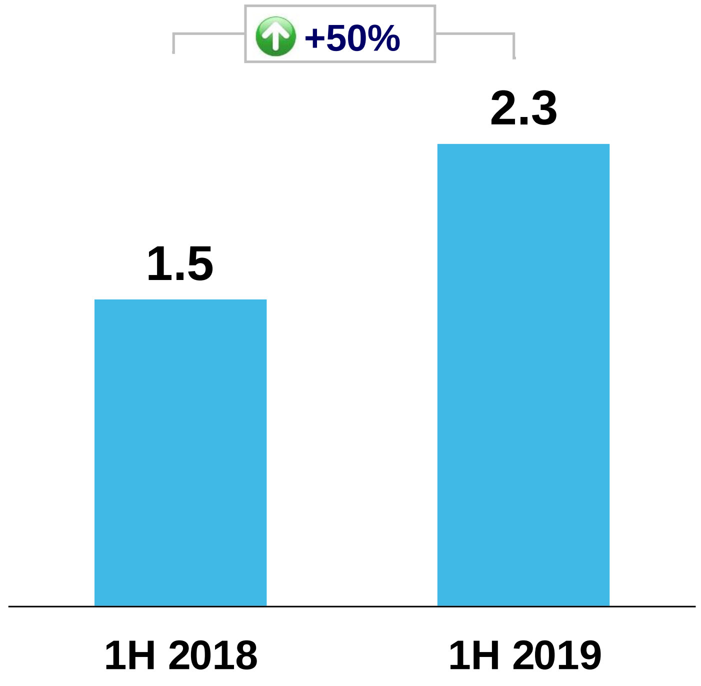
Customer value

Total sales (TWh)



Gas unitary margin(1) (€/MWh)



Number of gas customers FY2018-1H2019 (k#): 1,604 → +2% → 1,634

Improvement of gas unitary margin driven by our hedging strategy

(1) Gas unitary margin does not include CCGT sales

1H 2019 consolidated results

Financial results

1H 2019 consolidated results

Financial highlights (€M)

	1H 2019	1H 2018	Δyoy
Revenues	9,791	9,934	-1%
Gross Margin	2,890	2,823	+2%
EBITDA	1,894	1,804	+5%
EBIT	1,100	1,053	+4%
Reported Net Income	776	752	+3%
Net Ordinary Income [1]	776	752	+3%
Net Capex [2]	878	460	+91%
FCF [3]	(84)	(84)	+0%
Net Debt	6,795	5,770 [4]	+18%

(1) Reported Net Income – Net Result on Disposals of Non-Financial Assets (over €10 M) - Net Results on Impairment of Non-Financial Assets (over €10 M)
(2) Financial investments not included (€35 M in 1H 2019 and €25 M in 1H 2018). Does not include business combinations made during the year
(3) Cash flow from operations (€907 M) - Net change of tangible and intangible assets (€890 M) + Subsidies and other deferred incomes (€27 M) - Net change of other investments (€128 M)
(4) As of 31.12.2018. Not including €186 M of IFRS16 first adoption. 2018 adjusted Net Debt would have been €5,956 M, representing an increase in 1H 2019 of 14%

EBITDA evolution

€M

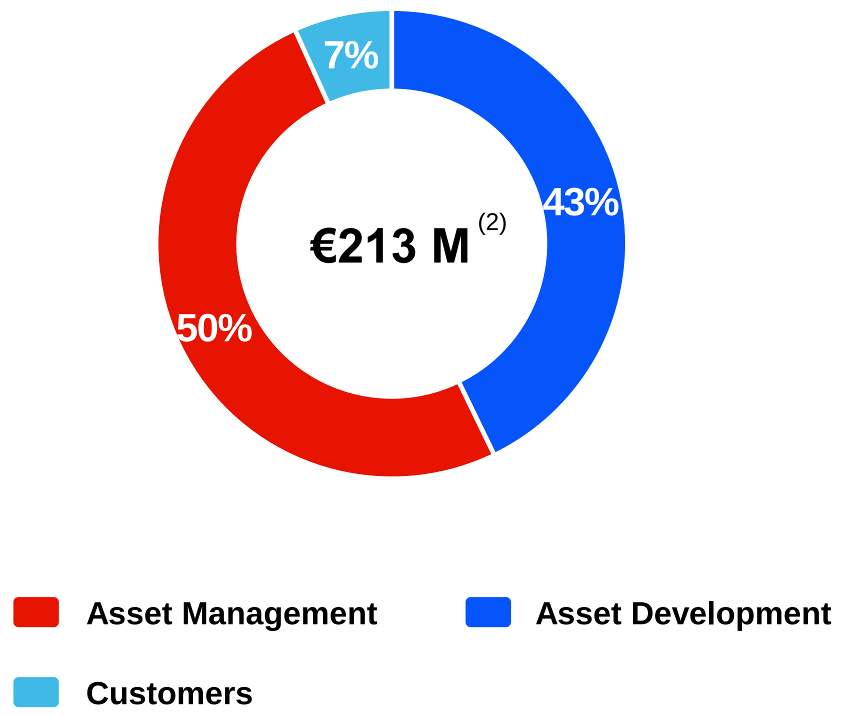
Improvement of EBITDA mainly supported by liberalized business performance

(1) Including €27 M of the Catalan Nuclear Tax reversal

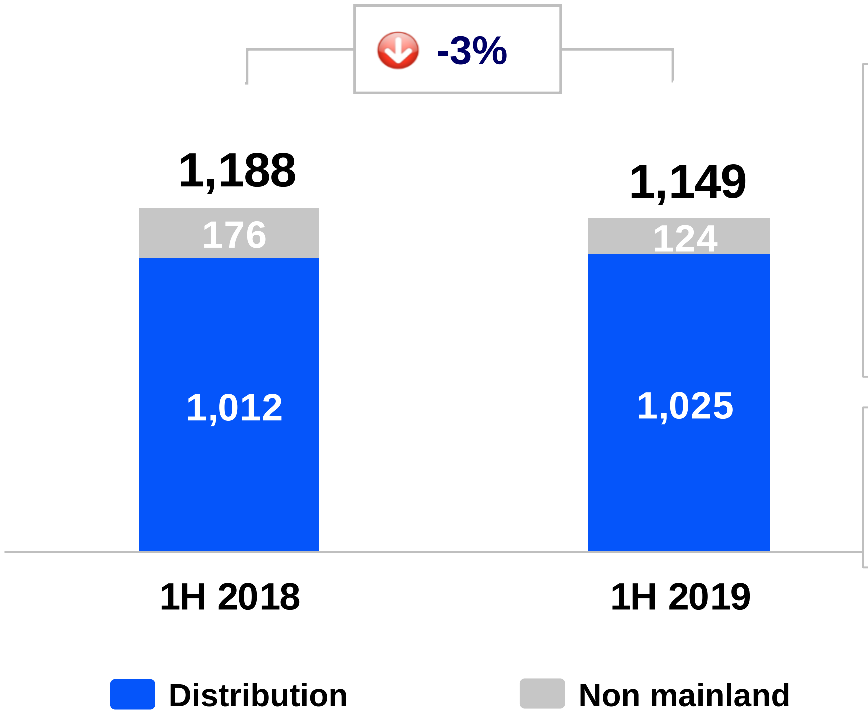
Regulated business

€M

Net capex(1)



EBITDA



Regulated margin: €1,559 M (-2%)

- Dx margin: €1,294 M (+1%)
- Non mainland margin: €265 M (-15%)

Fixed costs:
€410 M (+0%)

Slight decrease in regulated EBITDA due to non mainland margin reduction

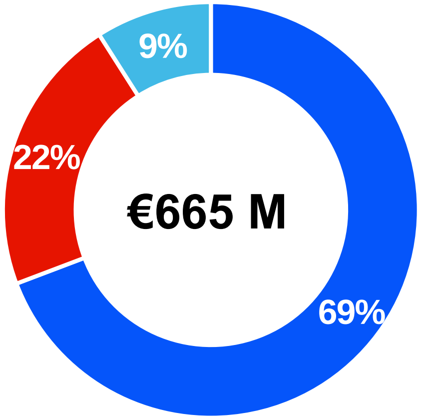
(1) Financial investments not included. Does not include business combinations made during the year
(2) Includes €20 M in non mainland business

Liberalized business(1)

€M

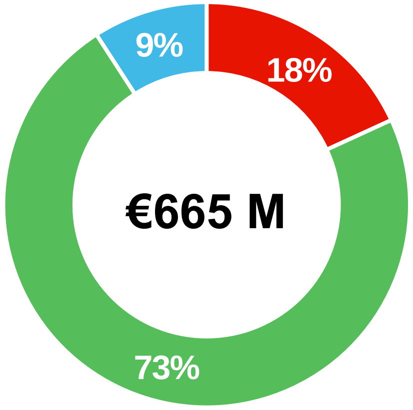
Net capex(2)

By type



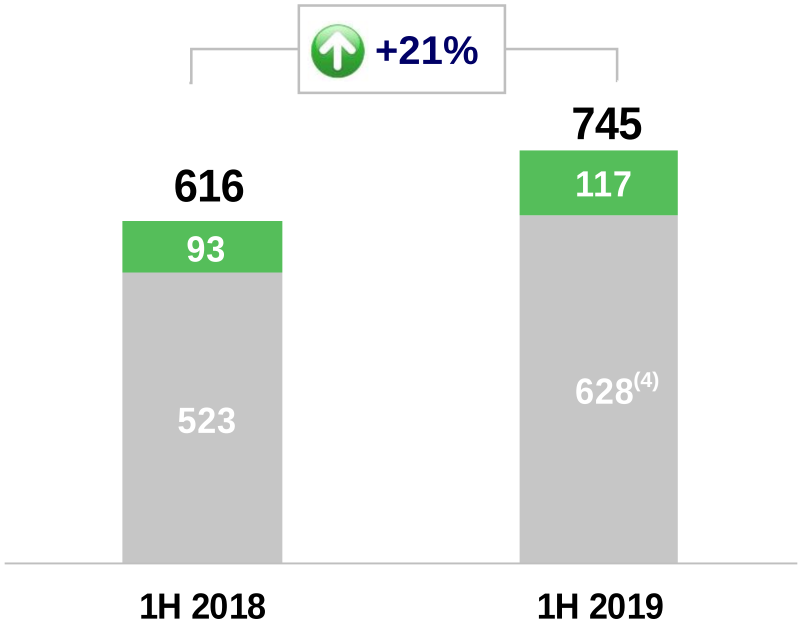
- Asset Management
- Asset Development
- Customers

By business



- Mainland Gx + others
- EGPE(3)
- Supply

EBITDA



- Liberalized business (exEGPE)
- EGPE

Liberalized margin: €1,331 M (+8%)

- Electricity&Others margin: €1,186 M (+7%)
- Gas margin: €89 M (+35%)
- Endesa X margin: €56 M (-1%)

Fixed costs: €586 M (-4%)

Strong capex increase in asset development, mainly devoted to 2017 renewable auctions (€441 M)

Remarkable performance in the power and gas businesses in a challenging market context

(1) Liberalized business figures include Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation
(2) Financial investments not included. Does not include business combinations made during the year
(3) Figure includes hydro capex
(4) Including €27 M of the Catalan Nuclear Tax reversal

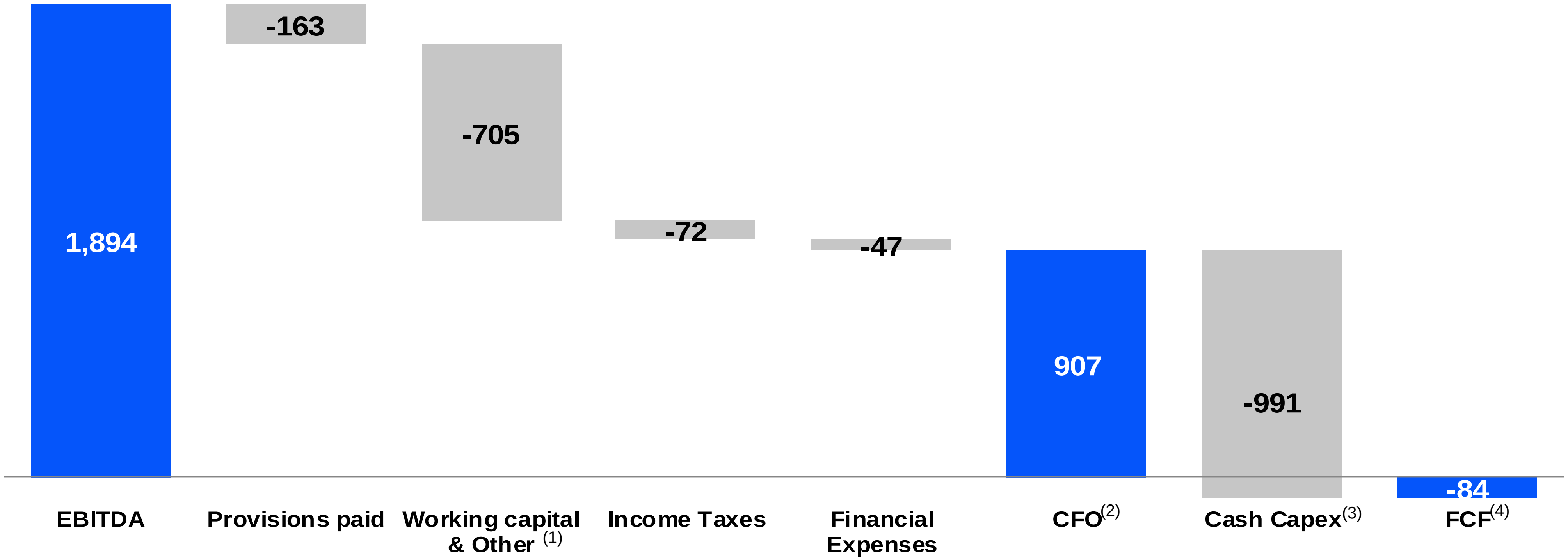
From EBITDA to Net Ordinary Income

€M

	1H 2019	1H 2018	Δyoy	
EBITDA	1,894	1,804	+5%	
D&A	(794)	(751)	+6%	Higher D&A as a consequence of IFRS 16 effect and investment effort
EBIT	1,100	1,053	+4%	
Financial expenses	(96)	(70)	+37%	Higher financial expenses due to the update of financial provisions and IFRS 9 and IFRS 16 impact
Results from equity investments & Others	10	1	+900%	
EBT	1,014	984	+3%	
Income taxes	(232)	(228)	+2%	Stable average tax rate
Minorities	(6)	(4)	+50%	
Reported Net Income	776	752	+3%	
Net Ordinary Income	776	752	+3%	

Cash Flow

€M



	EBITDA	Provisions paid	Working capital & Other (1)	Income Taxes	Financial Expenses	CFO(2)	Cash Capex(3)	FCF(4)
1H 2018	1,804	-124	-1,056	72	-57	639	-723	-84
Delta YoY	+5%	+31%	-33%	n.a.	-18%	+42%	+37%	+0%

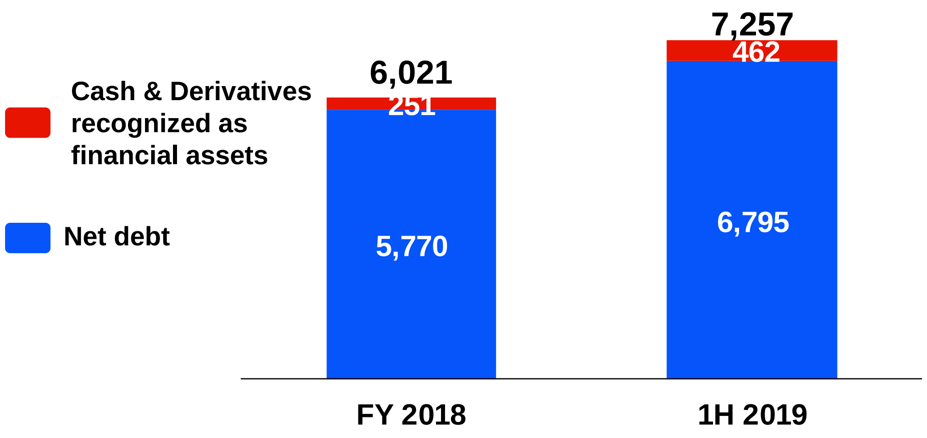
Higher CFO almost covering the capex deployment effort

(1) Net working capital + Regulatory NWC + non cash items
(2) CFO: Net Cash Flows from operating activities
(3) Cash based Capex
(4) Cash flow from operations (€907 M) - Net change of tangible and intangible assets (€890 M) + Subsidies and other deferred incomes (€27 M) - Net change of other investments (€128 M)

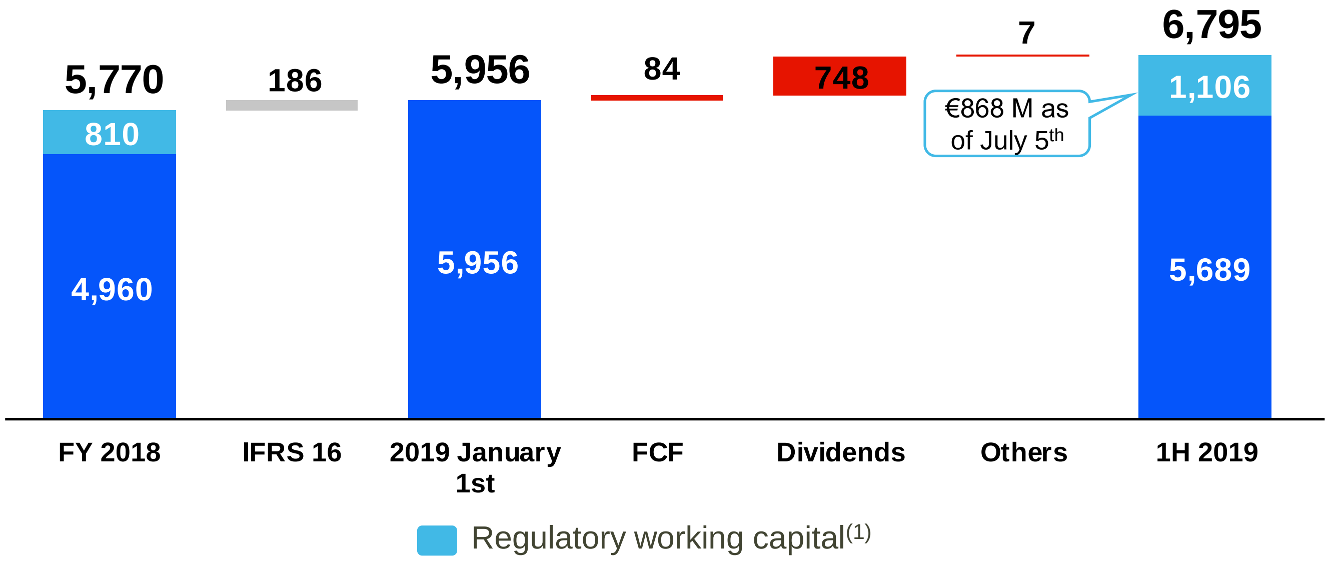
Net financial debt analysis

€M

Gross and net debt



Net debt evolution



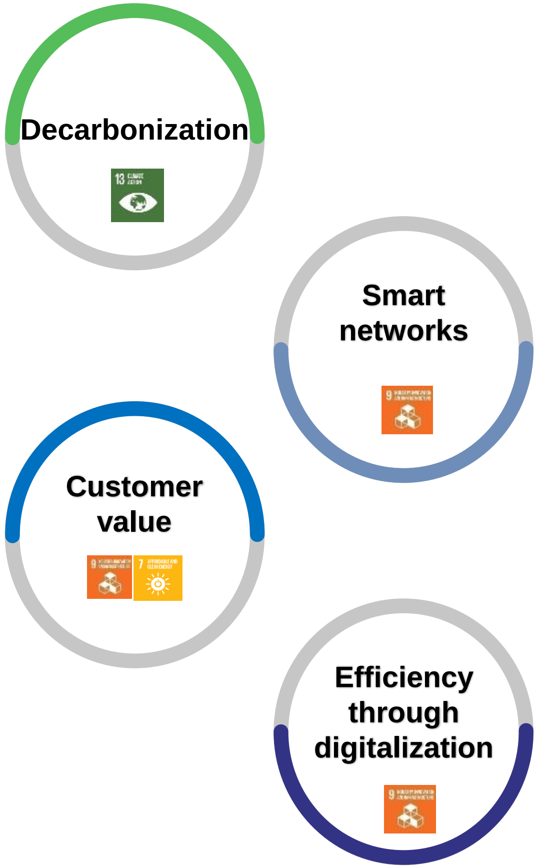
- Cost of Debt 1.8% (vs. 1.9% in FY 2018)
- Fixed rate 63% of Gross Debt

- Leverage(2) 1.8x (vs. 1.6x in FY 2018)

Healthy financial leverage and record low cost of debt

(1) Net balance with CNMC settlements
(2) Calculated as Net Debt / EBITDA (12 last months)

Final Remarks



EBITDA evolution supported by our liberalized business

Strong investment effort to lead the Energy Transition

Continuous effort in efficiencies

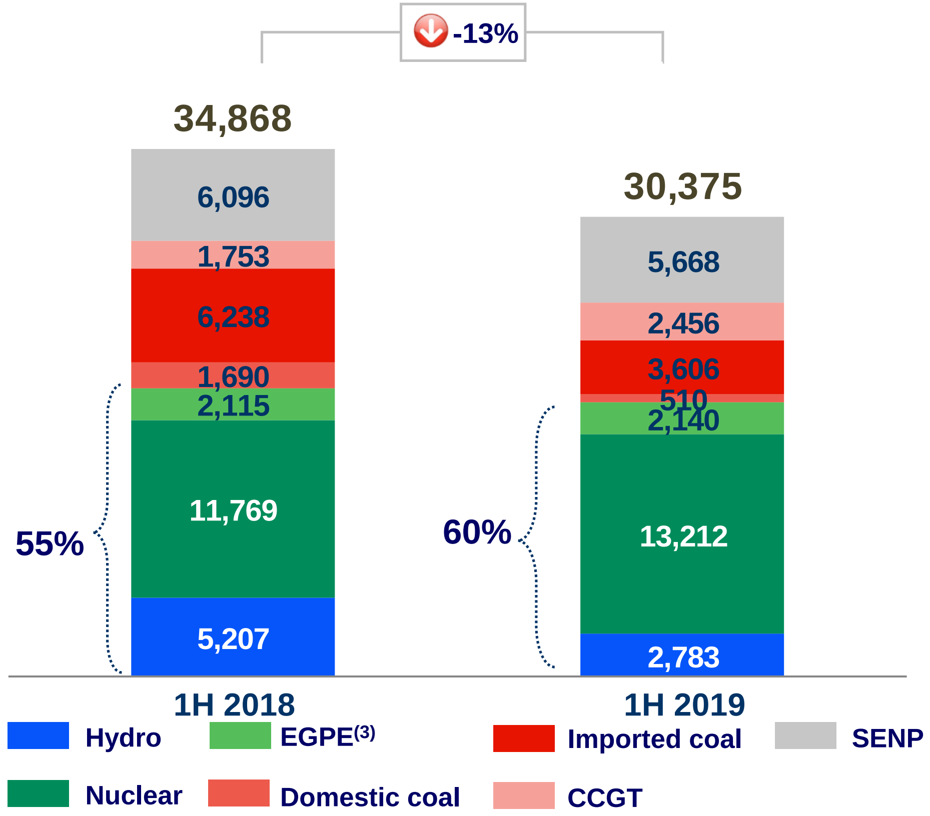
Confidence to meet 2019 guidance fulfilling our SDG commitments

1H 2019 consolidated results

Appendix

Installed capacity and output

Total output(1) (GWh)



- 14% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 60% of total output (vs. 55% in 1H 2018)

Total output (GWh)

GWh 1H 2019 (and chg. vs. 1H 2018)	Total Output (1)	
Total	30,375	-13%
Hydro	2,783	-47%
Nuclear	13,212	12%
Coal	4,987	-45%
Natural gas	4,363	26%
Oil-gas	2,890	-11%
Renewables	2,140	1%

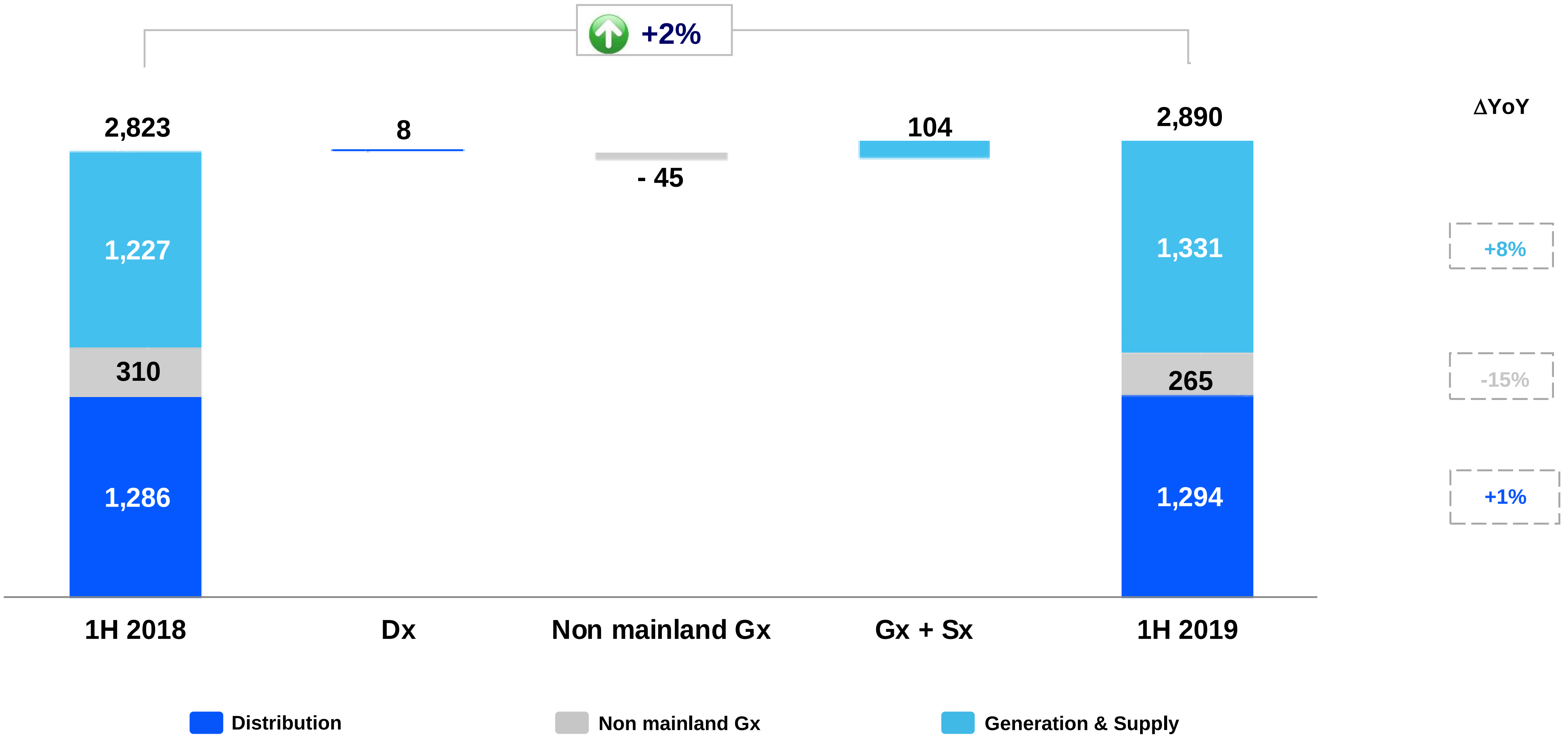
Total installed capacity (GW)

GW at 1H 2019 (and chg. vs. 31 Dec. 2018)	Total Installed capacity (2)	
Total	22.8	0%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.1	0%
Natural gas	5.5	1%
Oil-gas	2.4	0%
Renewables	1.8	0%

(1) Output at power plant bus bars (Gross output minus self-consumption)
(2) Net Capacity
(3) Includes 49 GWh in non-mainland in 1H 2019 (40 MW) vs 64 GWh in 1H 2018 (40 MW)

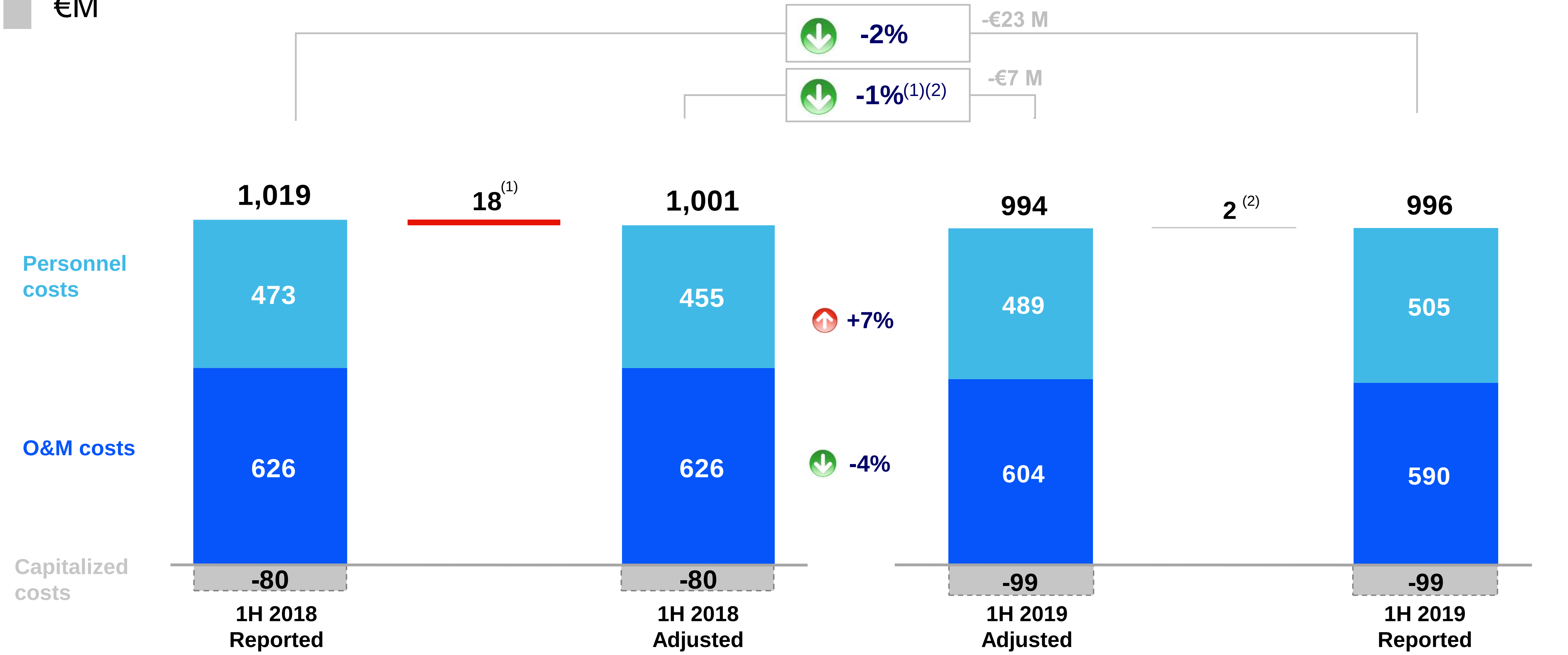
Gross margin evolution

€M



Fixed costs evolution

€M

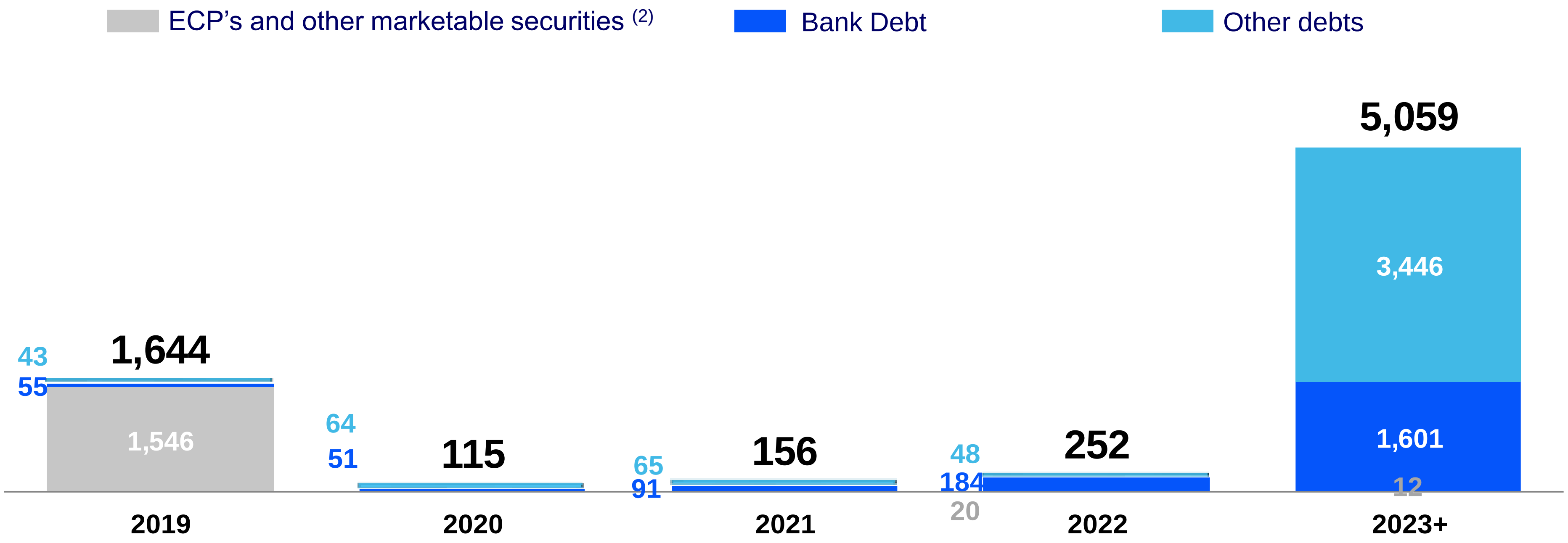


(1) 1H 2018 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€6 M), and provision for compensations and other labour risks (€-24 M)
(2) 1H 2019 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€-4 M), provision for compensations and other labour risks (€-12 M) and IFRS 16 effect on leases (€14 M)

Endesa: financial debt maturity calendar

€M

Gross balance of maturities outstanding at 30 June 2019: €7,226 M(1)



Endesa's liquidity covers 32 months of debt maturities

- Liquidity 3,582 M€
  - 454 M€ in cash
  - 3,128 M€ available in credit lines
- Average life of debt: 5.3 years

(1) Does not include €24 M relating to financial derivatives, and €7 M relating to the difference between the accounting value and the nominal value of gross debt.
(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Endesa: 1H 2019 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	*8,520*	*1,377*	*319*	*-425*	*9,791*
Procurements and services	*-6,893*	*-83*	*-56*	*131*	*-6,901*
Gross margin	*1,627*	*1,294*	*263*	*-294*	*2,890*
Self-constructed assets	*27*	*65*	*7*	*0*	*99*
Personnel expenses	*-260*	*-141*	*-110*	*6*	*-505*
Other fixed operating expenses	*-525*	*-193*	*-157*	*285*	*-590*
EBITDA	*869*	*1,025*	*3*	*-3*	*1,894*
D&A	*-465*	*-300*	*-29*	*0*	*-794*
EBIT	*404*	*725*	*-26*	*-3*	*1,100*
Net financial results	*-54*	*-36*	*-6*	*0*	*-96*
Net results from equity method	*18*	*-1*	*0*	*0*	*17*
Results from other investments	*0*	*0*	*327*	*-327*	*0*
Results on disposal of assets	*-7*	*0*	*0*	*0*	*-7*
PROFIT BEFORE TAX	*361*	*688*	*295*	*-330*	*1,014*
Income Tax Expense	*-68*	*-165*	*1*	*0*	*-232*
Minorities	*-6*	*0*	*0*	*0*	*-6*
NET ATTRIBUTABLE INCOME	*287*	*523*	*296*	*-330*	*776*

Endesa: 1H 2018 P&L

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

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: (€67 M x (360/180) + €1 M) / €7,476 M = 1.8%	4.1
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): 38,604 / 7,227 = 5.3 years	4.1
Cash flow from operations (€M)	Net cash provided by operating activities (€907 M)	4.2
Free cash flow (€M)	Cash flow from operations (€907 M) - Net change of tangible and intangible assets (€890 M) + Subsidies and other deferred incomes (€27 M) - Net change of other investments (€128 M) = €-84 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 (€9,791 M) – Purchases and Services (€6,901 M) + Work performed by the entity and capitalized (€99 M) – Personnel expenses (€505 M) – Other fixed operating expenses (€590 M) = €1,894 M	1.3
EBIT (€M)	EBITDA (€1,894 M) - Depreciation and amortization (€794 M) = €1,100 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€505 M) + Other fixed operating expenses (€590 M) - Work performed by the entity and capitalized (€99 M) = €996 M	1.3
Gross margin (€M)	Revenues (€9,791 M) – Purchases and Services (€6,901 M) = €2,890 M	1.3
Leverage (times)	Net financial debt (€6,795 M) / EBITDA (€1,823 M from 3Q & 4Q 18 + €1,894 M from 1H 2019) = 1.8x	4.1

Note: Refer to the Consolidated Management Report for those Alternative Measures of Performance not contained herein

Glossary of terms (II/II)

Item	Calculation	Reference note (#) of Consolidated Management Report
Net Capex (€M)	Gross tangible (€843 M) and intangible (€78 M) Capex - assets from clients' contributions and subsidies (€43 M) = €878 M	4.3
Net financial debt (€M)	Long and short term financial debt (€5,571 M + €1,686 M) - Cash and cash equivalents (€454 M) – Derivatives recognized as financial assets (€8 M) = €6,795 M	4.1
Net financial results (€M)	Financial Revenues (€16 M) - Financial Expenses (€112 M) + Foreign Exchanges (€0 M) = -€96 M	1.3
Revenues (€M)	Sales (€9,473 M) + Other operating revenues (€318 M) = €9,791 M	1.3
Net ordinary income (€M)	Reported Net Income (€776 M) – Gains/(losses) on disposals of non-financial assets of over €10 M (€0 M) – Net Impairment losses on non-financial assets of over €10 M (€0 M) = €776 M	1.3
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€1,596 M) - Margin SENP (€265 M) - Margin SCVP (€34 M) - Margin gas (€89 M) - Margin Endesa X (€56 M) - Others (€62 M) = €1,091 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €1,091 M / 39.7 TWh = €27.5/MWh	n/a
Gas unitary margin (€/MWh)	Total Gas Margin / Gas sales excluding CCGT sales: €88.6 M / 39.3 TWh = €2.3/MWh	n/a
Endesa X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Endesa X unit = €56 M	n/a

Note: Refer to the Consolidated Management Report for those Alternative Measures of Performance not contained herein

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).

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.

IR Team

Contact us

Email:
ir@endesa.es

Phone:
+ 34 91 213 15 03
+ 34 91 213 90 49

Website:
www.endesa.com

Mar Martinez
Head of Investor Relations

Isabel Permuy
Deputy Manager

Javier Hernandez
Senior Analyst

Francesc Trilla
Senior Analyst

Juan Carlos Jimenez
Analyst

Sonia Herranz
Retail Shareholders Office

Paloma de Miguel
Executive Assistant