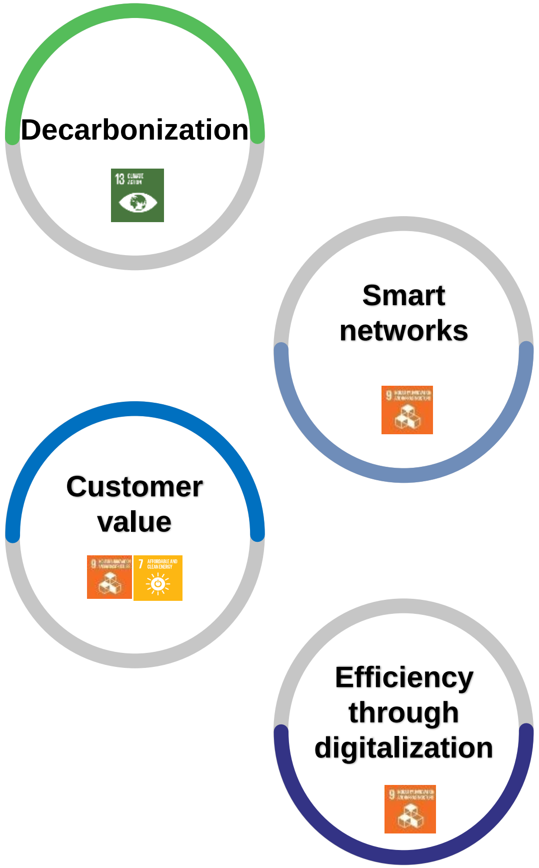
Endesa 9M 2019 Consolidated Results

November 05, 2019

Key highlights



EBITDA increased by +4% thanks to the good performance of liberalized business

Steady evolution in the Distribution business

Flat fixed costs with an outstanding investment effort

Net Ordinary Income (1) +3%

Accelerating the Energy Transition

(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)

Decarbonization: Discontinuity of the mainland coal

Context

Economic rationale

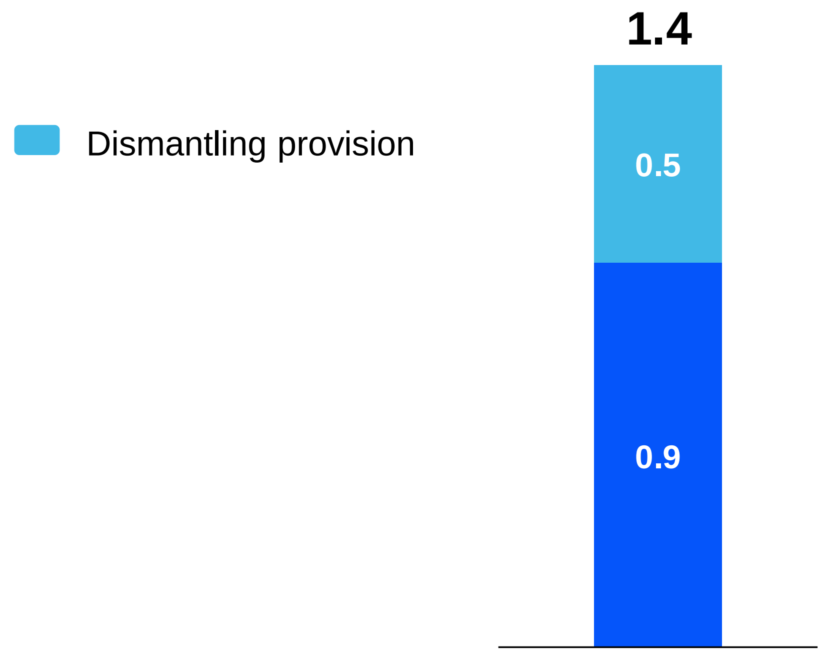
- **Adverse market conditions:** Increase in CO_2 prices (MSR mechanism) and decrease in gas prices triggered the exclusion of coal plants from merit order
- **No improvement expected** in the future
- Coal plants will be managed separately from the rest of the generation fleet

Strategic rationale

- Acceleration of the **decarbonization** process: Replacement with a significant **increase in renewable capacity**

Mitigating social impacts

Impairment[1] of mainland coal fleet (€bn)



No impact on 2019 dividend

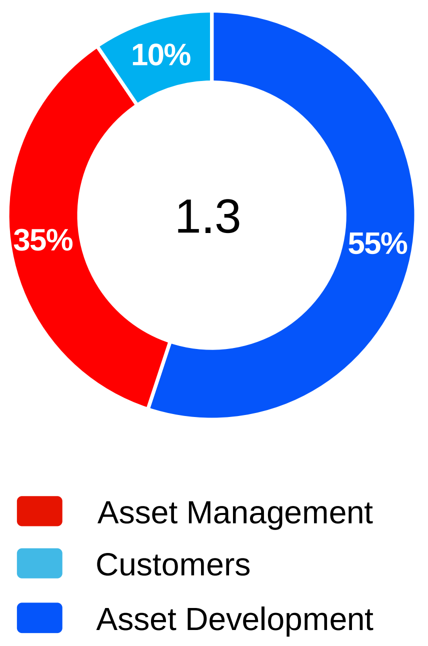
A step forward to lead the Energy Transition

(1) Consisting on €1,356 M impact in D&A + €21 M of inventories deterioration (gross margin) + €21 M impairment of materials (fixed costs) in coal plants = €1,398 M

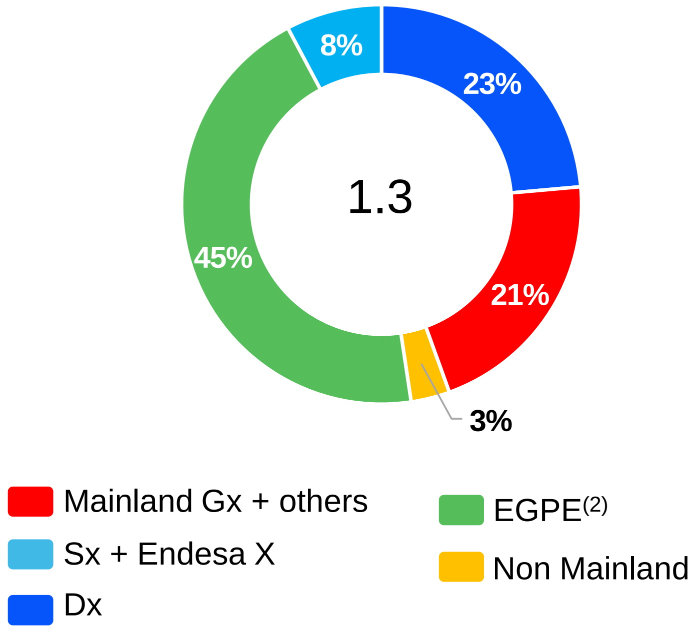
Accelerating renewable development

Net capex(1) (€bn)

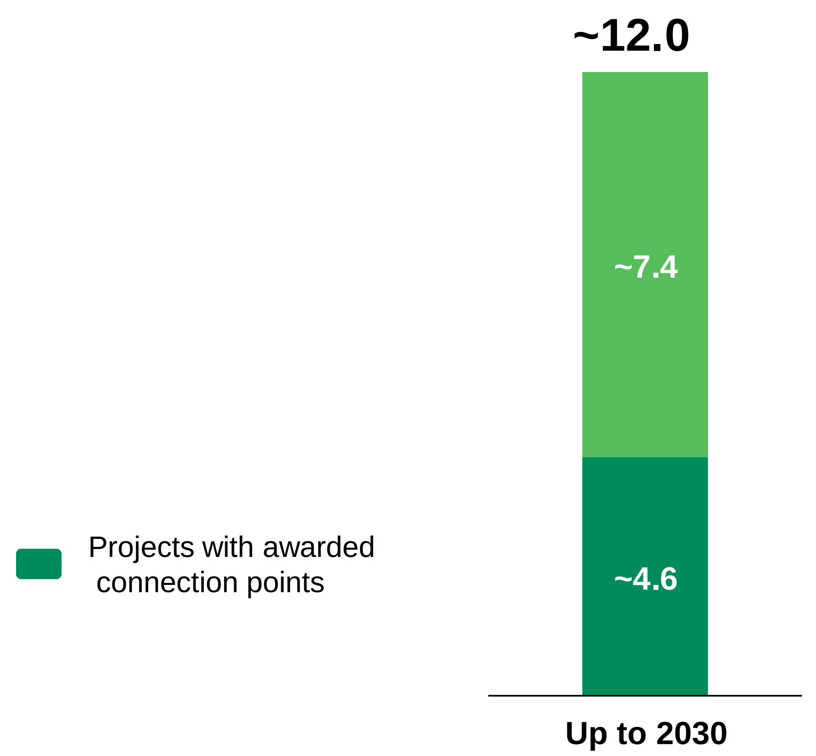
By type



By business



Pipeline of renewable projects(3) (GW)

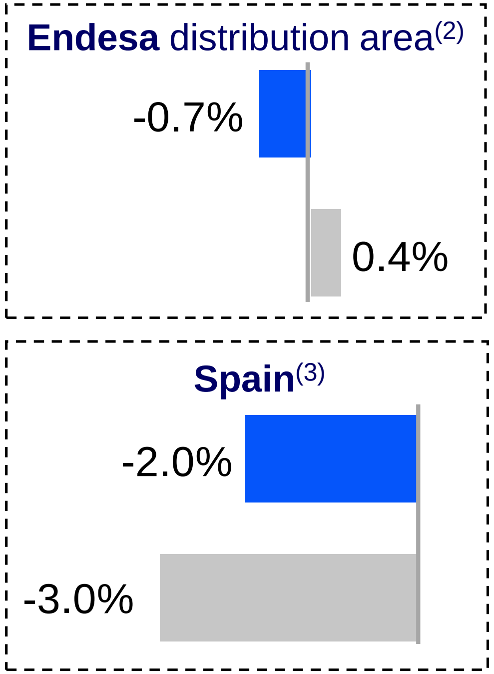


Around 80% of the development capex devoted to renewable projects

(1) Does not include: Financial investments (€37 M in 9M 2019 and €30 M in 9M 2018),IFRS 16 effect (€121 M) nor business combinations made during the year
(2) Figure does not include large hydro capex. Including large hydro capex: 47%
(3) 2020-2030 Pipeline

Market context in 9M 2019

Demand [1]

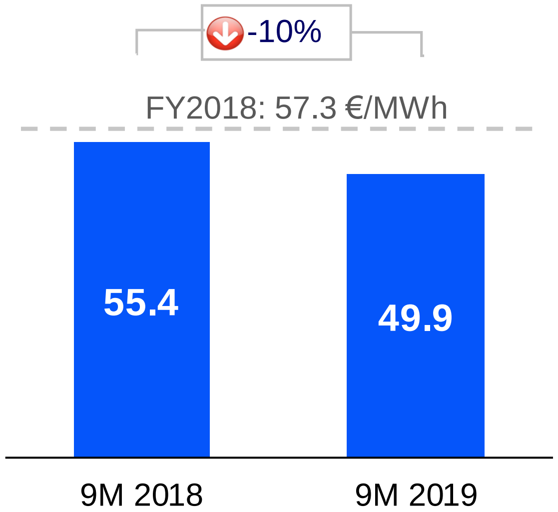


(Not adjusted)	
Industry	-0.4%
Services	+1.3%
Residential	-3.2%

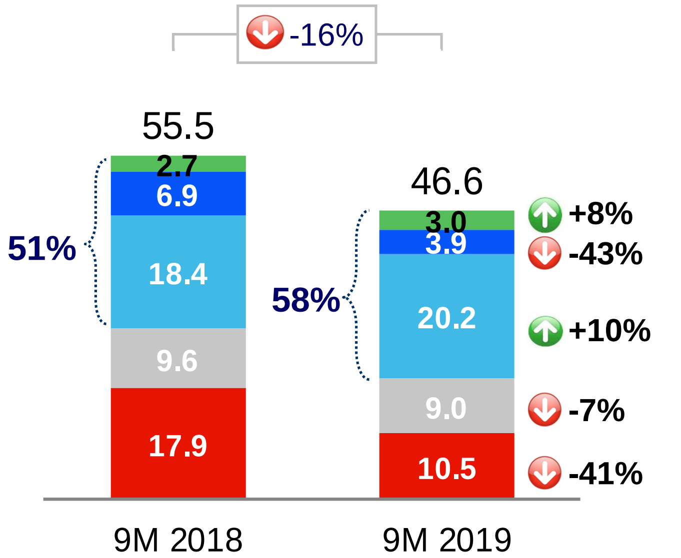
Not adjusted   Adjusted for weather and working days

Electricity wholesale prices

Average pool prices Spain (€/MWh)



Endesa output[4] (TWh)



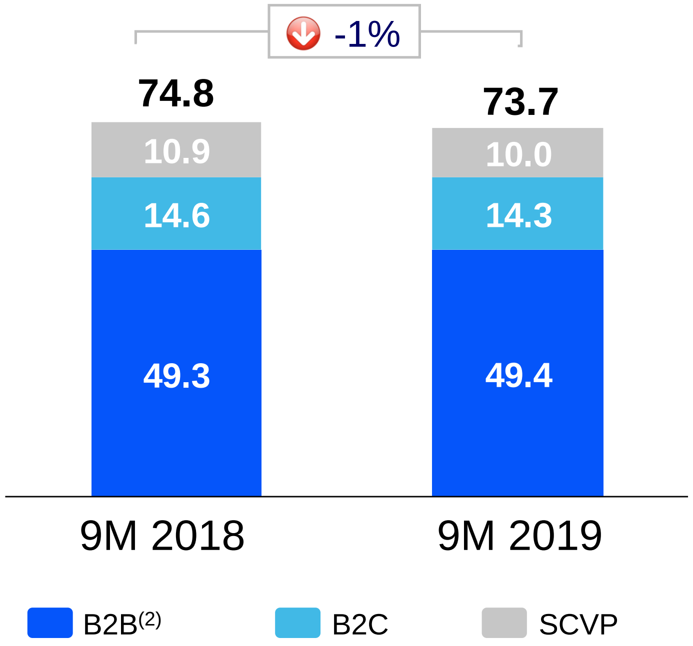
Mainland (thermal)   Non-mainland (regulated)   Nuclear   Hydro   EGPE[5]

Challenging market context with demand decrease, poor hydraulicity and lower coal output

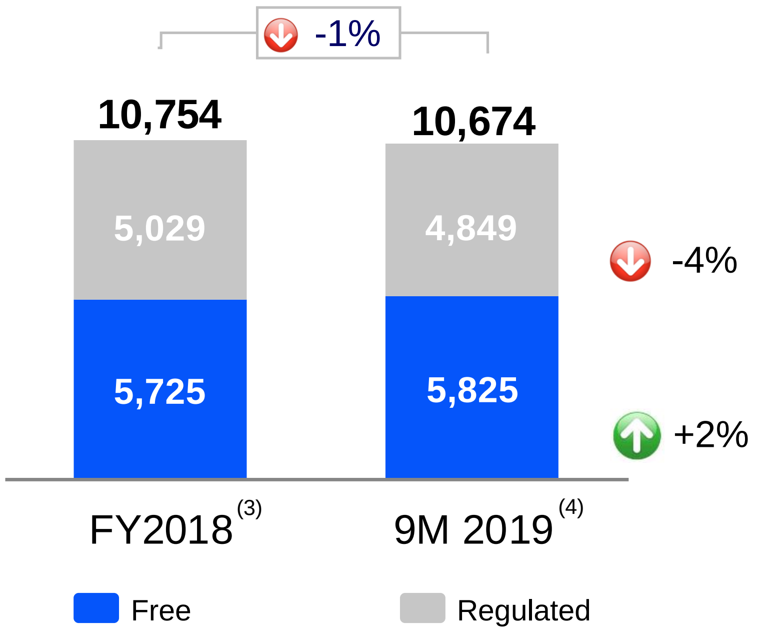
(1) Mainland.
(2) Source: Endesa's own estimates
(3) Source: REE
(4) Energy at power plant busbars.
(5) Includes 94 GWh in non-mainland in 9M 2019 (40 MW) vs 21 GWh in 9M 2018 (40 MW)

Power operational highlights

Electricity sales[1] (TWh)



Number of electricity customers (Thousands)

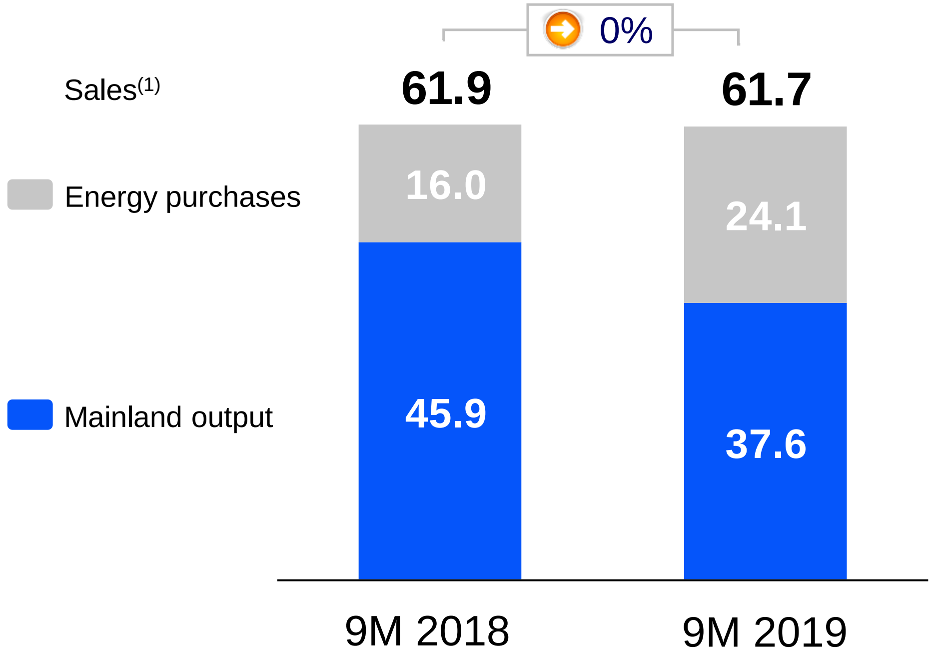


Flat electricity sales and improving customer mix

(1) Energy at power plant busbars
(2) B2B includes industrial sales in Spain and Portugal, SME and International
(3) Figures as of 31/12/18
(4) Figures as of 30/9/19

Electricity sales and energy management

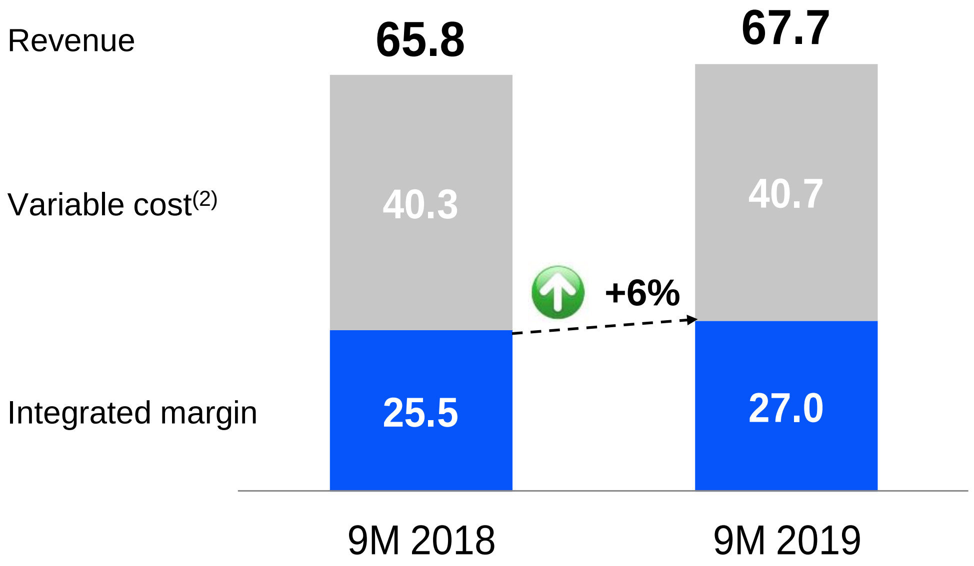
Energy management (TWh)



Free customers 31/12/18-30/09/19 (k#)

5,725 → +2% → **5,825**

Integrated unitary margin (€/MWh)

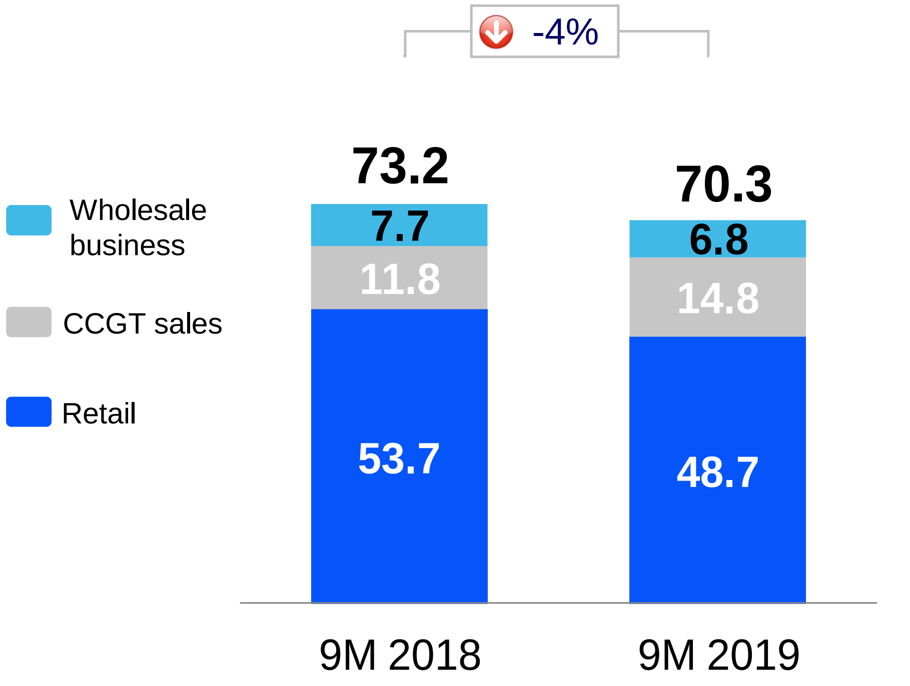


Continued positive performance of the electricity integrated margin

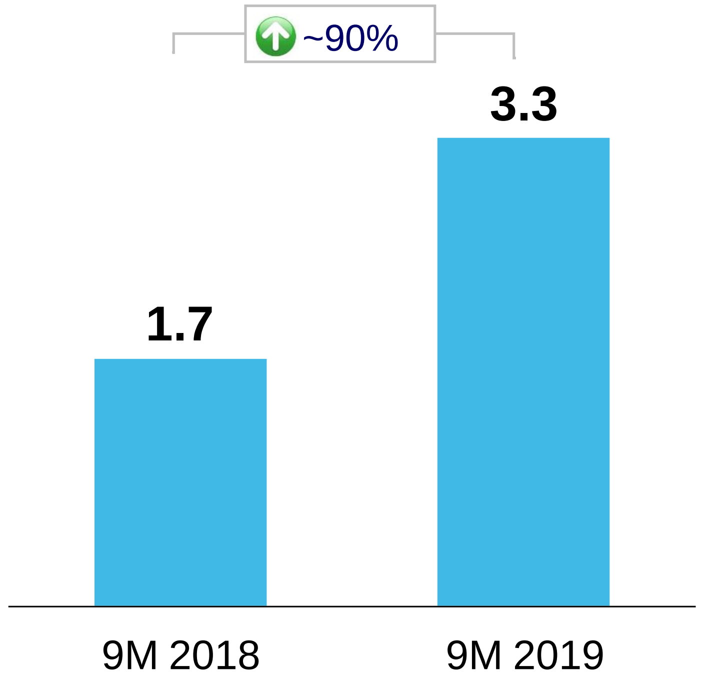
(1) Total free sales excluding international sales and SCVP, not considered in the integrated margin.
(2) Production cost + energy purchase cost + ancillary services

Gas operational highlights

Total sales (TWh)



Gas unitary margin[(1)] (€/MWh)



Number of gas customers 31/12/18-30/09/19 (k#)	**1,604**	+2%	**1,636**

Exploiting market opportunities to recover gas unitary margins performance

(1) Gas unitary margin does not include CCGT sales

9M 2019 consolidated results

Financial results

9M 2019 consolidated results

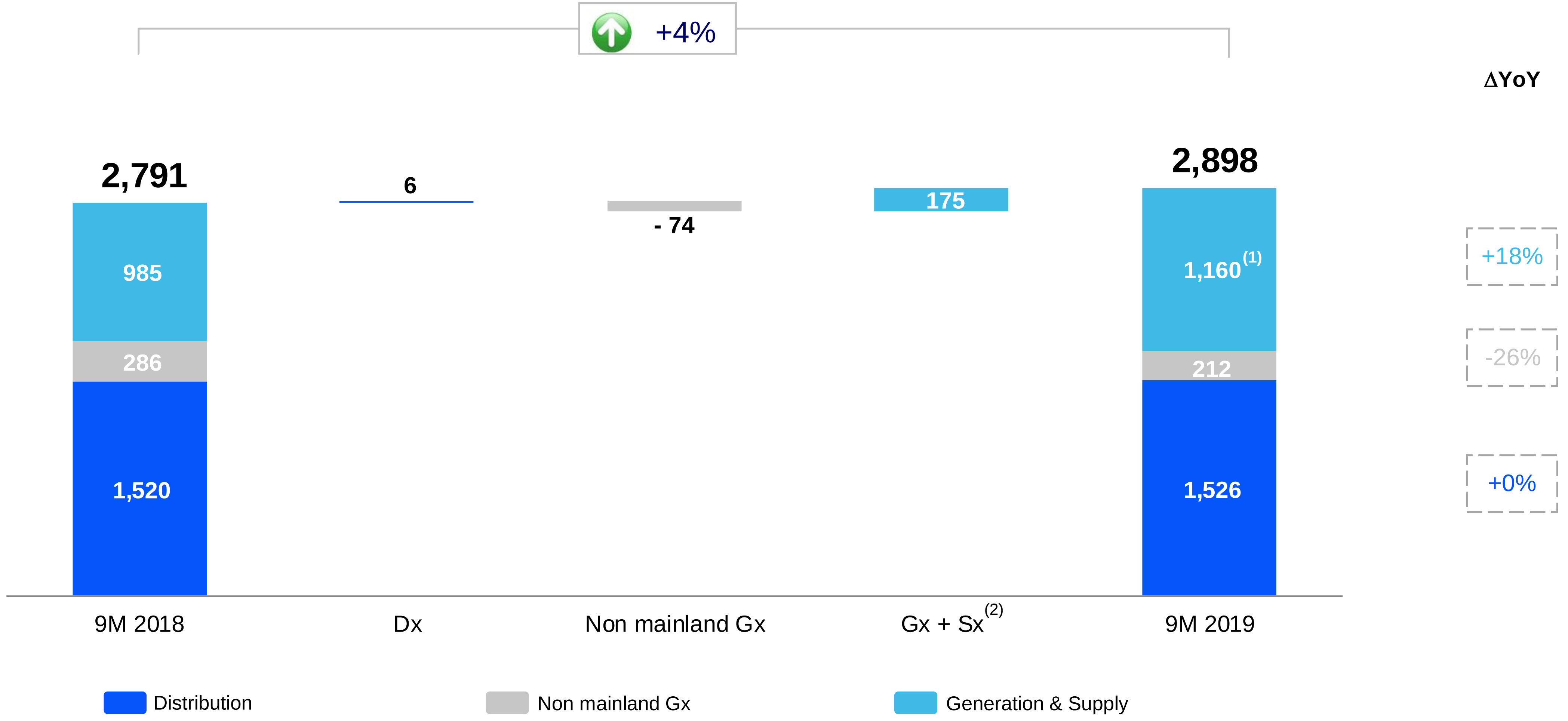
Financial highlights (€M)

	9M 2019	9M 2018	Δyoy
EBITDA	**2,898** (1)	**2,791**	+4%
Net ordinary income (2)	**1,228**	**1,193**	+3%
FCF	**385**	**34**	11x
Net debt	**7,225** (4)	**5,770**	+25%
Net capex (3)	***1,282***	***735***	*+74%*
Reported net income	***176***	***1,193***	*-85%*

(1) Including +€27 M of the Catalan Nuclear Tax reversal and -€21 M of inventories deterioration (gross margin), -€21 M impairment of materials and -€18M of provision related to the discontinuity of coal plants (fixed costs)
(2) 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)
(3) Does not include: Financial investments (€37 M in 9M 2019 and €30 M in 9M 2018), IFRS 16 effect (€121 M) nor business combinations made during the year
(4) Includes €271 M of IFRS16

EBITDA evolution

€M



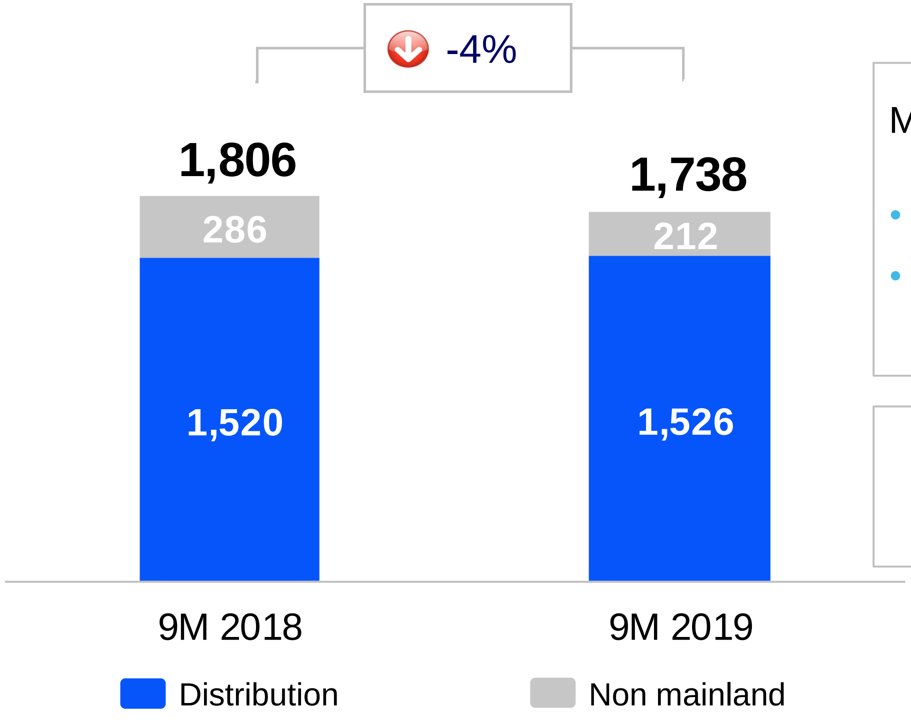
EBITDA improvement mainly supported by liberalized business performance

(1) Including +€27 M of the Catalan Nuclear Tax reversal and -€21 M of inventories deterioration (gross margin), -€21 M impairment of materials and -€18M of provision related to the discontinuity of coal plants (fixed costs)
(2) Gx & Sx figures include Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation

Regulated business

€M

EBITDA

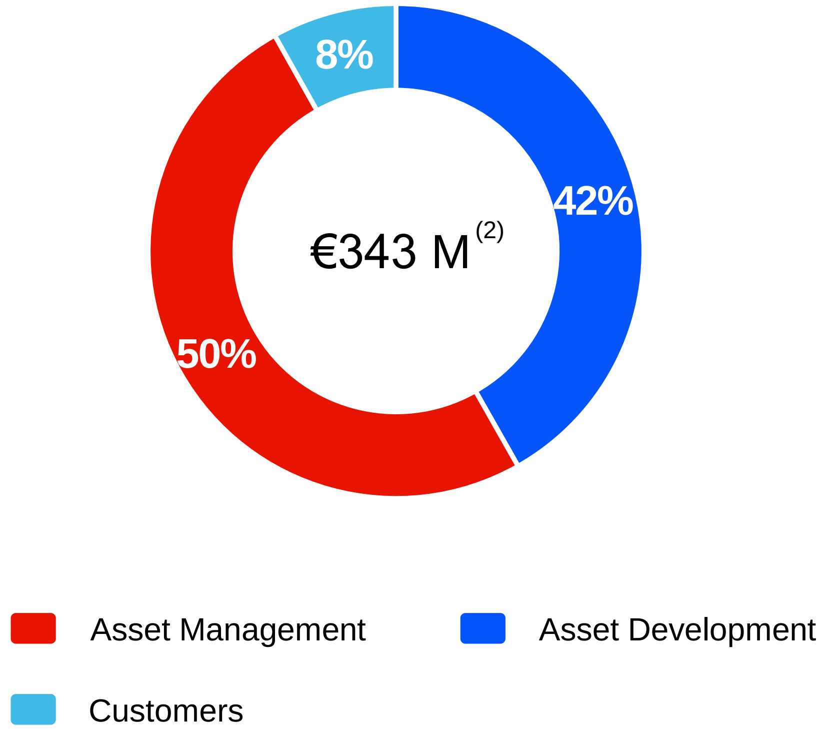


Margin: €2,347 M (-2%)

- Dx margin: €1,931 M (+0%)
- Non mainland margin: €416 M (-13%)

Fixed costs:
€609 M (+2%)

Net capex[1]



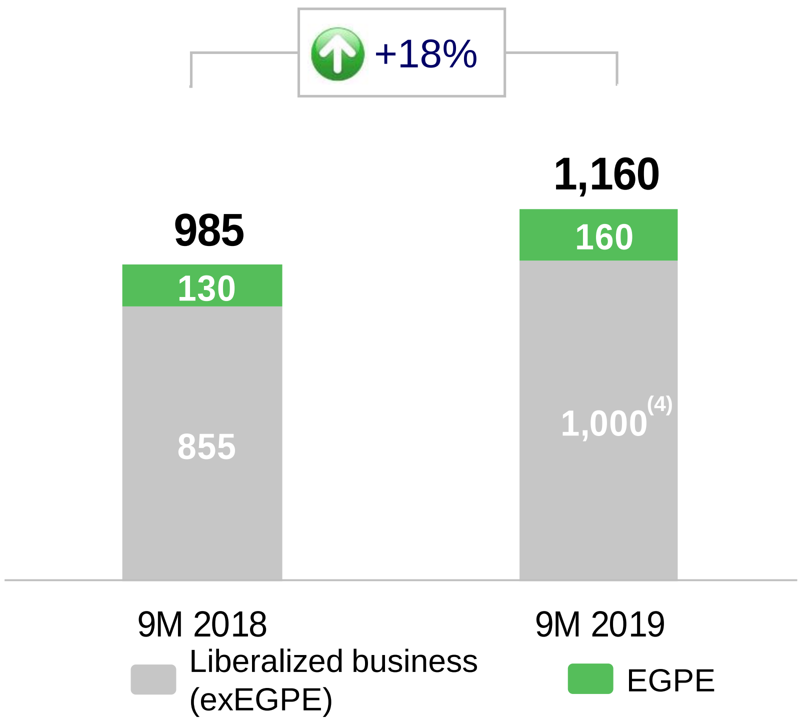
Slight EBITDA decrease driven by the reduction of non mainland margin due to seasonality

(1) Does not include: Financial investments, business combinations made during the year nor IFRS 16 impact
(2) Includes €40 M in non mainland business

Liberalized business(1)

€M

EBITDA

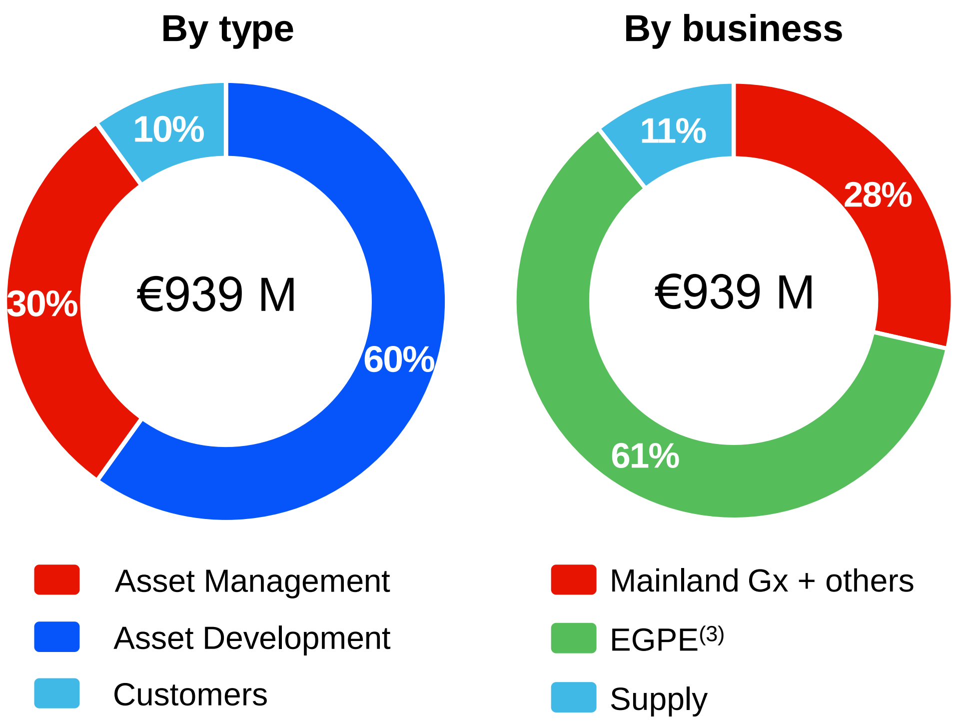


Margin: €2,043 M (+9%)

- Electricity&Others margin: €1,775 M (+6%)
- Gas margin: €183 M (+71%)
- Endesa X margin: €85 M (-3%)

Fixed costs: €883 M (0%)

Net capex(2)

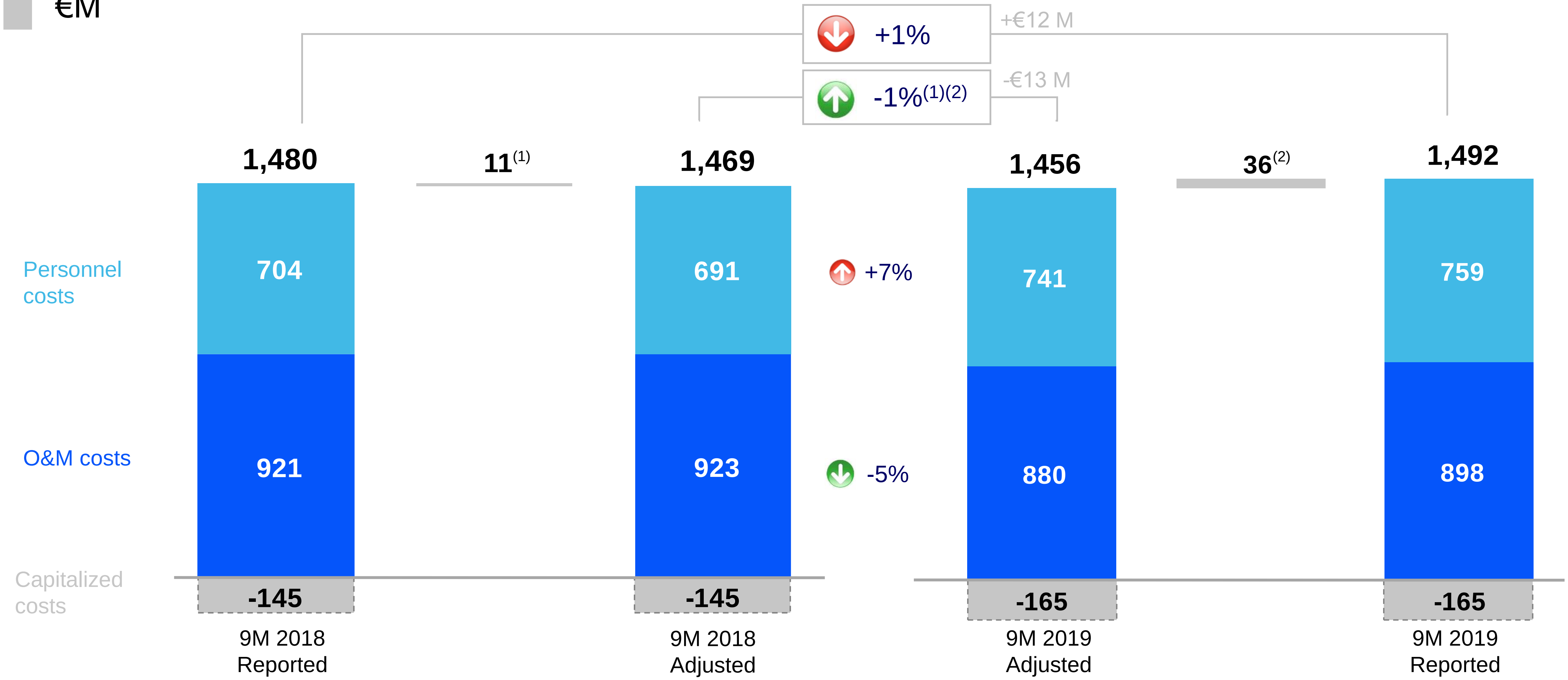


Remarkable performance in the power and gas businesses in a challenging market context

(1) Liberalized business figures include Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation
(2) Does not include: Financial investments (€37 M in 9M 2019 and €30 M in 9M 2018), IFRS 16 effect (€121 M) nor business combinations made during the year
(3) Figure does not include large hydro capex. Including large hydro capex: 64%
(4) Including +€27 M of the Catalan Nuclear Tax reversal and -€21 M of inventories deterioration (gross margin), -€21 M impairment of materials and -€18M of provision related to the discontinuity of coal plants (fixed costs)

Fixed costs evolution

€M



(1) 9M 2018 Fixed costs adjusted by: Provisions for workforce reduction plans (-€3 M), provision related to the discontinuity of coal plants (€16 M) and disciplinary proceedings (-€2 M)
(2) 9M 2019 Fixed costs adjusted by: Provisions for workforce reduction plans (€3 M), provision related to the discontinuity of coal plants (€18 M), IFRS 16 effect on leases (-€27 M), impairment of materials relating to mainland coal plants (€21 M) and disciplinary proceedings (€21 M)

From EBITDA to Net Ordinary Income

€M

	9M 2019	9M 2018	Δyoy
EBITDA(1)	2,898	2,791	+4%
D&A(2)	(2,563)	(1,147)	+123%
EBIT	335	1,644	-80%
Financial expenses	(139)	(106)	+31%
Results from equity investments & Others	2	1	+100%
EBT	198	1,539	-87%
Income taxes	(14)	(340)	-96%
Minorities	(8)	(6)	+33%
Net Ordinary Income	1,228	1,193	+3%
Reported Net Income	*176*	*1,193*	*-85%*

EBITDA increase +4%

Higher D&A affected by IFRS 16 effect apart from the coal impairment

Higher financial expenses due to the update of financial provisions and IFRS 9 and 16 impacts

Tax rate 22.6% excluding non recurrent

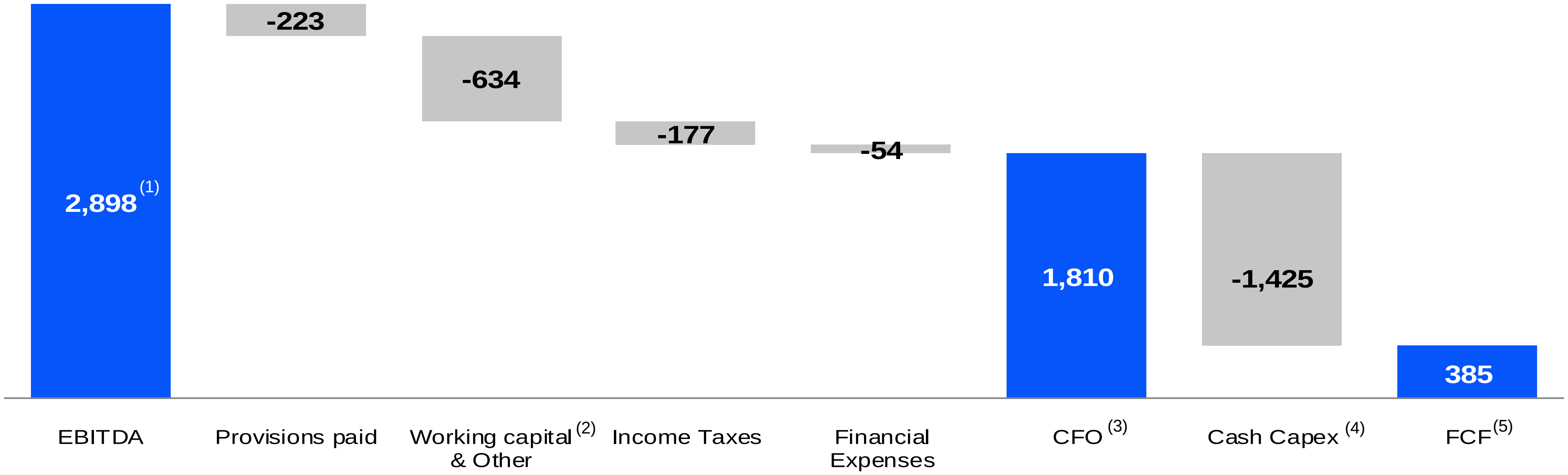
Net ordinary income +3%

(1) Including +€27 M of the Catalan Nuclear Tax reversal and -€21 M of inventories deterioration (gross margin), -€21 M impairment of materials and -€18M of provision related to the discontinuity of coal plants (fixed costs)

(2) Includes €1,356 M of the net book value impairment of mainland coal plants

Cash Flow

€M



	EBITDA	Provisions paid	Working capital & Other	Income Taxes	Financial Expenses	CFO	Cash Capex	FCF
Previous year	2,791	-194	-1,332	-67	-57	1,141	-1,107	34
Delta YoY	+4%	+15%	-52%	+2.6x	-5%	+59%	+29%	11x

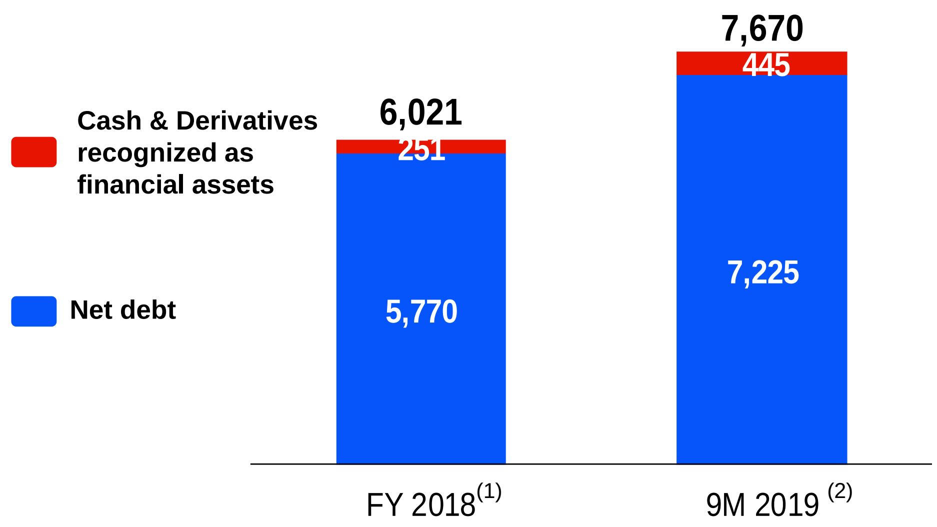
CFO improves about 60% comfortably exceeding capex deployment

(1) Including +€27 M of the Catalan Nuclear Tax reversal and -€21 M of inventories deterioration (gross margin), -€21 M impairment of materials and -€18M of provision related to the discontinuity of coal plants (fixed costs)
(2) Net working capital + Regulatory NWC + non cash items
(3) CFO: Net Cash Flows from operating activities
(4) Cash based Capex
(5) Cash flow from operations (€1,810 M) - Net change of tangible and intangible assets (€1,309 M) + Subsidies and other deferred incomes (€49 M) - Net change of other investments (€165 M)

Net financial debt analysis

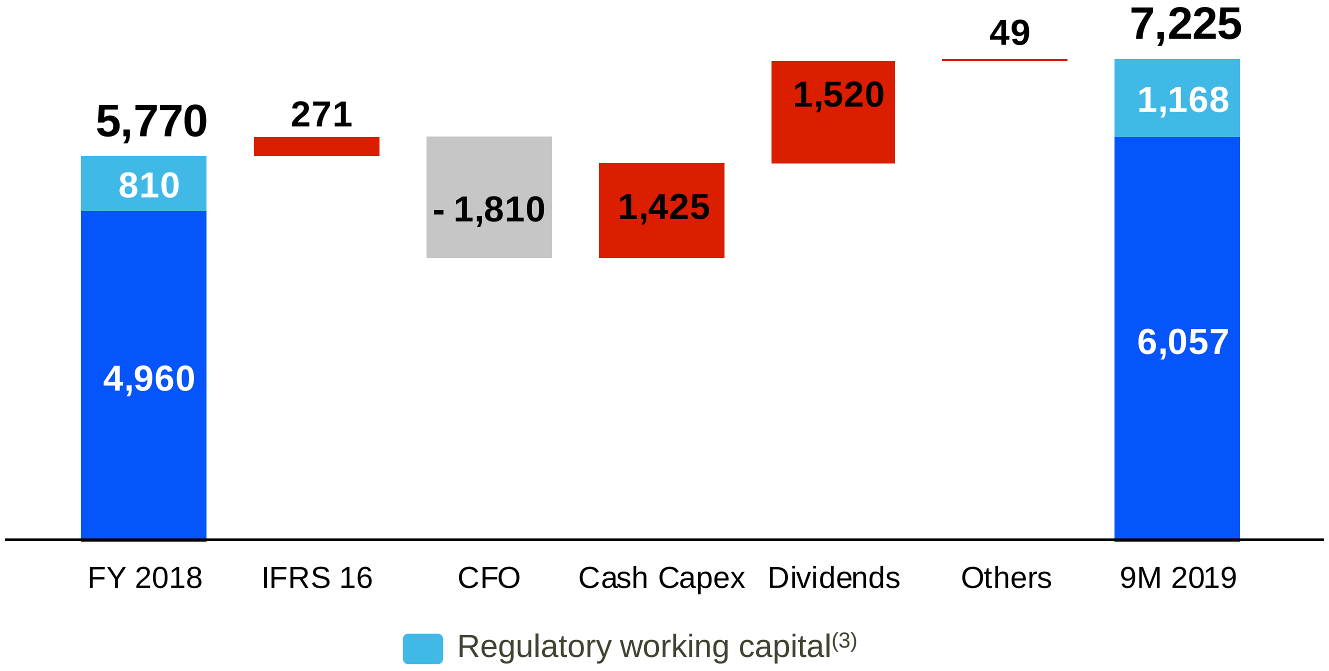
€M

Gross debt



- Cost of Debt 1.8% (vs. 1.9% in FY 2018)
- Fixed rate 61% of Gross Debt
- 98% in Euros

Net debt evolution



- Leverage[4] 1.9x (vs. 1.6x in FY 2018)

Healthy financial leverage and record low cost of debt

(1) As of 31/12/2018
(2) As of 30/09/2019
(3) Net balance with CNMC settlements
(4) Calculated as Net Debt / EBITDA (12 last months)

Final Remarks

Proven resilience of our integrated model

Efficiencies through digitalization

Accelerating the decarbonization of our generation mix to lead the Energy Transition

Outstanding TSR of 23% as of 9M2019

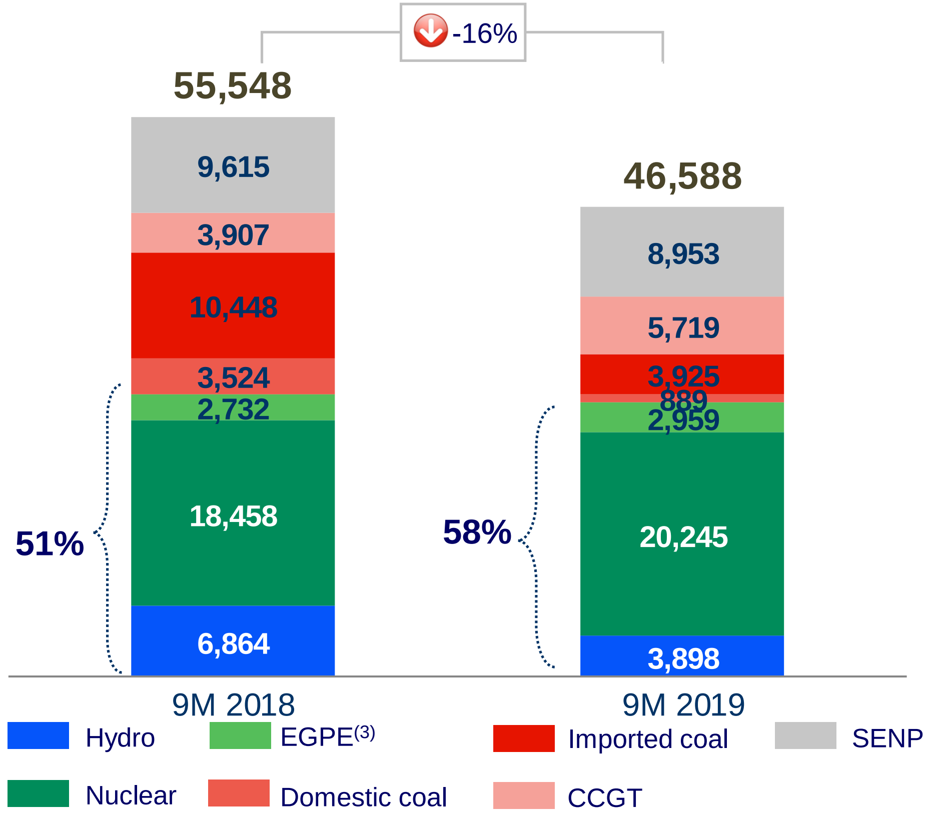
Highly confident to meet 2019 guidance

9M 2019 consolidated results

Annexes

Installed capacity and output

Total output(1) (GWh)



- 41% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 58% of total output (vs. 51% in 9M 2018)

Total output (GWh)

GWh 9M 2019 (and chg. vs. 9M 2018)	Total Output (1)	
Total	46,588	-16%
Hydro	3,898	-43%
Nuclear	20,245	10%
Coal	6,353	-60%
Natural gas	10,102	55%
Oil-gas	3,031	-40%
Renewables	2,959	8%

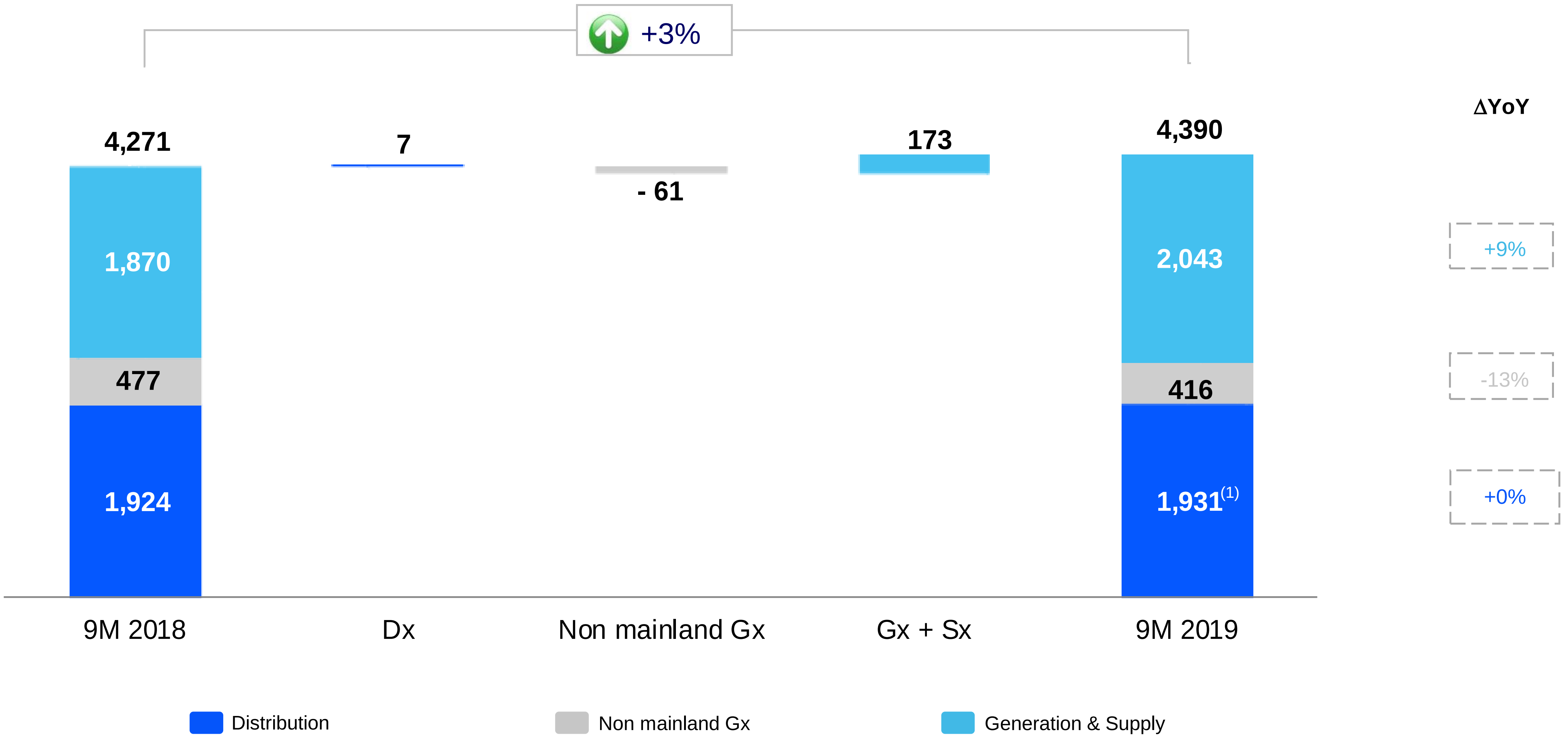
Total installed capacity (GW)

GW at 9M 2019 (and chg. vs. 31 Dec. 2018)	Total Installed capacity (2)	
Total	22.9	1%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.1	0%
Natural gas	5.5	1%
Oil-gas	2.4	0%
Renewables	1.9	6%

(1) Output at power plant bus bars (Gross output minus self-consumption)
(2) Net Capacity
(3) Includes 94 GWh in non-mainland in 9M 2019 (40 MW) vs 21 GWh in 9M 2018 (40 MW)

Gross margin evolution

€M

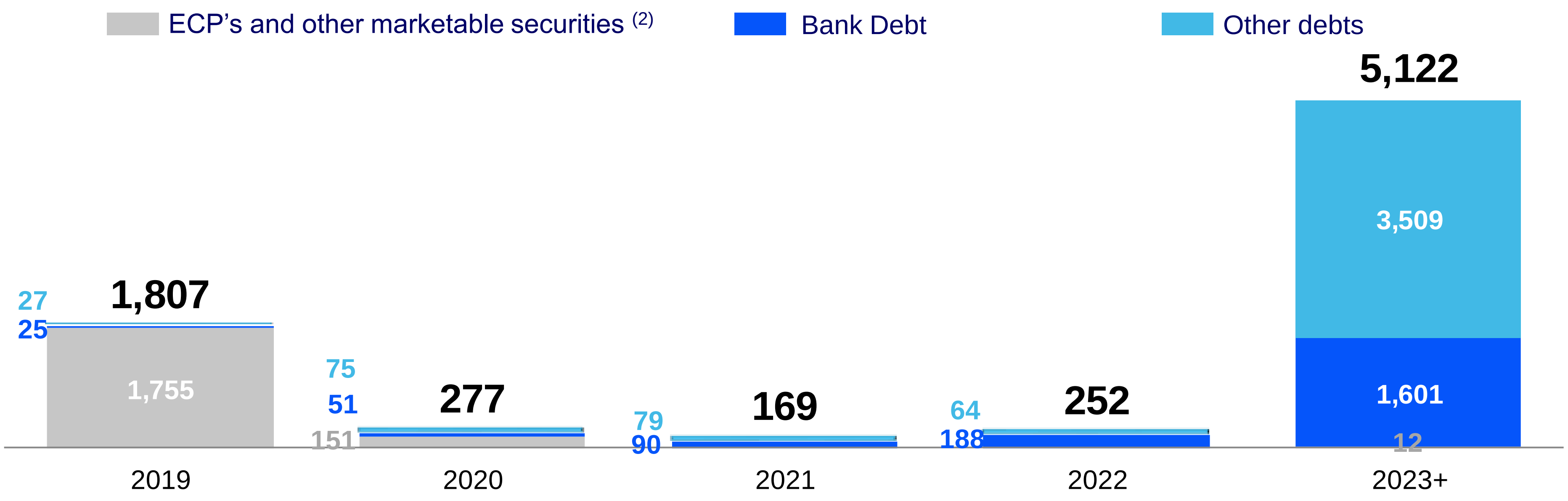


(1) Including +€27 M of the Catalan Nuclear Tax reversal and -€21 M of inventories deterioration

Financial debt maturity calendar

€M

Gross balance of maturities outstanding at 30 September 2019: €7,627 M(1)



Endesa's liquidity covers 29 months of debt maturities

- Liquidity 3,562 M€
  - 437 M€ in cash
  - 3,125 M€ available in credit lines
- Average life of debt: 5.0 years

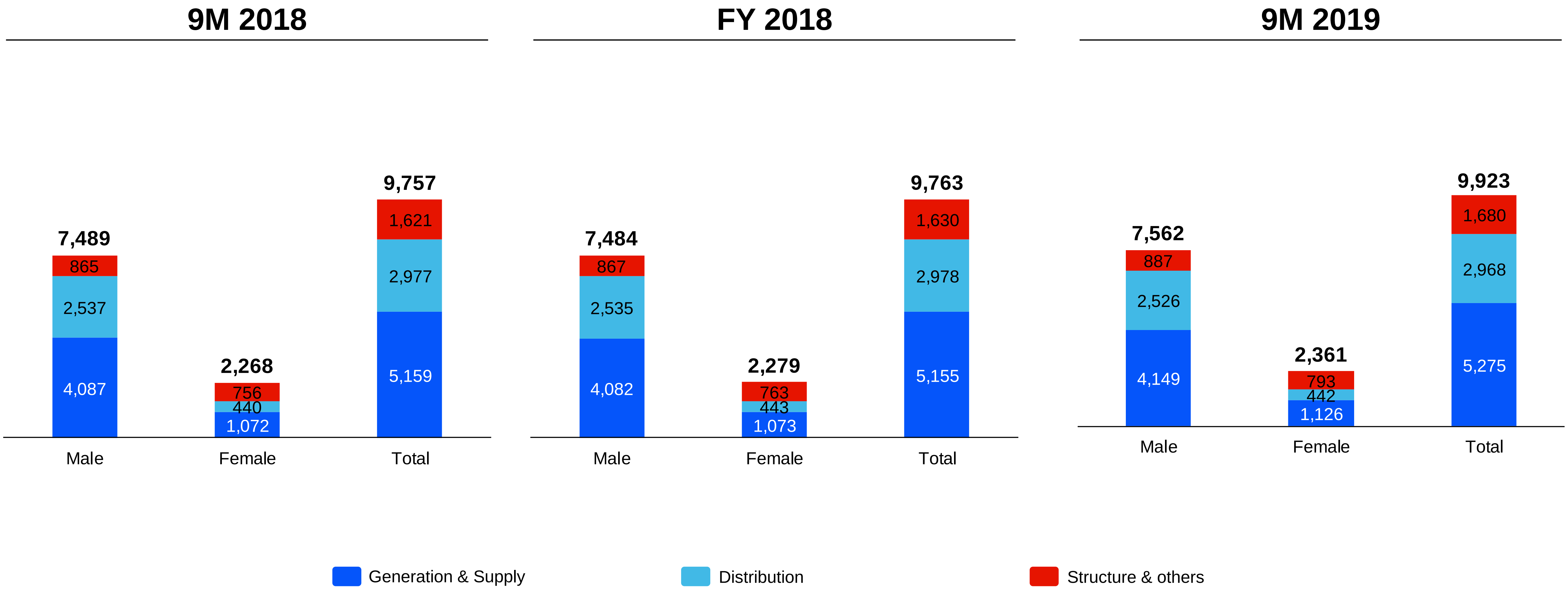
Long term credit rating

	Rating	Outlook
Standard & Poor's	BBB+	Stable
Moody's	Baa2	Positive
Fitch Ratings	A-	Stable

(1) Does not include €36 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.

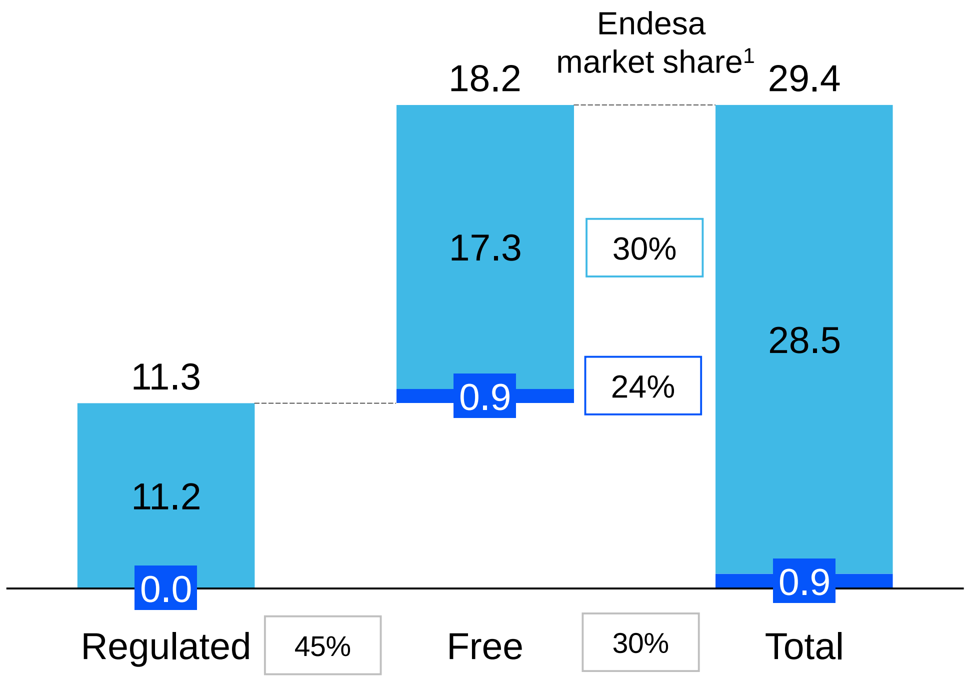
Headcount

Employees

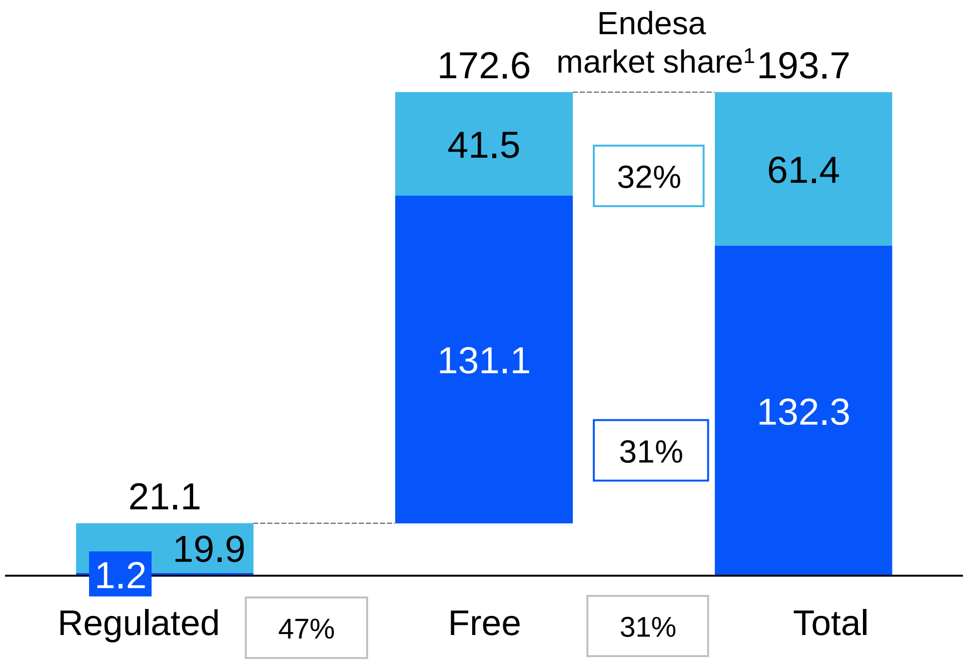


Spanish power market

Customers (mn)



Energy sold (TWh)



1) Customers: CNMC "Informe de supervision de los cambios de comercializador de cierre de 2018" (July 2019)
2) Energy sold: Internal estimation based on "sectorial energy daily forecast system"

Endesa: 9M 2019 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	12,905	2,057	434	-591	**14,805**
Procurements and services	-10,392	-126	-28	131	**-10,415**
Gross margin	**2,513**	**1,931**	**406**	**(460)**	**4,390**
Self-constructed assets	50	102	13	0	**165**
Personel expenses	-404	-211	-157	13	**-759**
Other fixed operating expenses	-791	-296	-253	442	**-898**
EBITDA	**1,368**	**1,526**	**9**	**(5)**	**2,898**
D&A	-2,064	-454	-45	0	**-2,563**
EBIT	**(696)**	**1,072**	**(36)**	**(5)**	**335**
Net financial results	-82	-51	-6	0	**-139**
Net results from equity method	13	3	0	0	**16**
Results from other investments	0	0	327	-327	**0**
Results on disposal of assets	-15	1	0	0	**-14**
PROFIT BEFORE TAX	**(780)**	**1,025**	**285**	**(332)**	**198**
Income Tax Expense	222	-240	3	1	**-14**
Minorities	-7	-1	0	0	**-8**
NET ATTRIBUTABLE INCOME	**(565)**	**784**	**288**	**(331)**	**176**

Endesa: 9M 2018 P&L

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

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: (€100 M x (360/270) + €1 M) / €7,610 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): 38,129 / 7,628 = 5 years	4.1
Cash flow from operations (€M)	Net cash provided by operating activities (€1,810 M)	4.2
Free cash flow (€M)	Cash flow from operations (€1,810 M) - Net change of tangible and intangible assets (€1,309 M) + Subsidies and other deferred incomes (€49 M) - Net change of other investments (€165 M) = €385 M	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 29 months	4.1
EBITDA (€M)	Revenues (€14,805 M) – Purchases and Services (€10,415 M) + Work performed by the entity and capitalized (€165 M) – Personnel expenses (€759 M) – Other fixed operating expenses (€898 M) = €2,898 M	1.3
EBIT (€M)	EBITDA (€2,898 M) - Depreciation and amortization (€2,563 M) = €335 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€759 M) + Other fixed operating expenses (€898 M) - Work performed by the entity and capitalized (€165 M) = €1,492 M	1.3
Gross margin (€M)	Revenues (€14,805 M) – Purchases and Services (€10,415 M) = €4,390 M	1.3
Leverage (times)	Net financial debt (€7,225 M) / EBITDA (€836 M from 4Q 2018 + €2,898 M from 9M 2019) = 1.9x	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 (€1,208 M) and intangible (€136 M) Capex - assets from clients' contributions and subsidies (€62 M) = €1,282 M	4.3
Net financial debt (€M)	Long and short term financial debt (€5,616 M + €2,054 M) - Cash and cash equivalents (€437 M) – Derivatives recognized as financial assets (€8 M) = €7,225 M	4.1
Net financial results (€M)	Financial Revenues (€25 M) - Financial Expenses (€163 M) - Foreign Exchanges (€1 M) = -€139 M	1.3
Revenues (€M)	Sales (€14,285 M) + Other operating revenues (€520 M) = €14,805 M	1.3
Net ordinary income (€M)	Reported Net Income (€176 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 (-€1,052 M) = €1,228 M	1.3
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€2,513 M) - Margin SENP (€416 M) - Margin SCVP (€56 M) - Margin gas (€183 M) - Margin Endesa X (€85 M) - Others (€108 M) = €1,665 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €1,665 M / 61.7 TWh = €27/MWh	n/a
Gas unitary margin (€/MWh)	Total Gas Margin / Gas sales excluding CCGT sales: €183.4 M / 55.5 TWh = €3.3/MWh	n/a
Endesa X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Endesa X unit = €85 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

Mar Martinez
Head of Investor Relations

Investor Relations team
Isabel Permuy
Javier Hernandez
Francesc Trilla
Juan Carlos Jimenez
Sonia Herranz
Paloma de Miguel

Contacts

Email: ir@endesa.es

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

Website: www.endesa.com