

EBITDA from Latin America accounts for nearly 51% of the total

THE POSITIVE EVOLUTION OF THE LATAM OPERATIONS MITIGATES THE IMPACT OF SPANISH FISCAL AND REGULATORY MEASURES. GROUP NET INCOME DECLINED BY 8% TO 1,879 MILLION EUROS.

- Spain and Portugal net income declined 17% to 1,176 million euros while Latam recorded a 13% increase, up to 703 million euros.
- Group EBITDA declined 4% to 6,720 million euros compared to 2012.
- The sum of all fiscal and regulatory measures since the beginning of 2012 in Spain had a negative impact of 1,329 million euros on 2013 EBITDA.
- Fixed-cost reduction of 142 million euros and other operational improvements have helped mitigate the impact of fiscal and regulatory measures and EBITDA in Iberia declined by 14% to 3,277 million euros.
- EBITDA from Latin America accounts for nearly 51% of the total (3,443 million euros; up 7%), while EBIT represents 62%.
- Investments in Spain and Portugal stood at 604 million euros in 2013, a decrease of 33% compared to the same period in 2012, whereas investments in Latin America increased to 1,216 million euros, up 5%.
- As of December 31st, 2013, Endesa had collection rights amounting to 3,146 million euros related to several items provided for under the Spanish electricity regulation. Of this amount, 1,985 million euros were due to the financing for the revenue shortfall from regulated activities whereas 1,161 million euros were due to compensation for stranded costs in extra-peninsular generation.

Madrid, February 26th, 2014.- Endesa reported a group net income of 1,879 million euros in 2013, an 8% decrease compared to the figure posted in the same period of 2012. Such a decline is mainly due to the fiscal and regulatory measures introduced in Spain in 2012 and 2013. The measures introduced in 2013 alone reduced net income by 659 million euros.

Net income in Spain and Portugal declined by 17%, a decrease of 234 million euros, due to the abovementioned measures.

Latin America net income increased by 79 million euros due to the positive operational performance and the Argentine government's recognition of the compensation for cost variations not transferred to the tariff from 2007 to February 2013. These two effects more than compensated the devaluation of local currencies against the euro.

Endesa's power generation in 2013 stood at 132,427 GWh, a 6% decline, while electricity sales stood at 157,634 GWh, down 3%. Both declines are primarily the result of the contraction in demand in Spain and Portugal, worsened, in the case of generation, by greater contribution to the system from renewables. Consequently, group revenues stood at 31,203 million euros, an 8% decrease.

Group EBITDA fell 4% in 2013 to 6,720 million euros. This drop was due to a 14% decline in EBITDA for Spain and Portugal, which was partially offset by a 7% increase in the Latin America business:

- In 2013 the impact on EBITDA in Spain and Portugal from the fiscal measures introduced in 2013 (an increase of 664 million euros in costs) and the other measures adopted by the Government (a decrease of 269 million euros in revenues) stood at 933 million euros. Nonetheless, a fixed costs reduction of 142 million euros, the positive generation mix evolution due to extraordinary hydro conditions as well as the lower average cost of purchased electricity, helped partially offset this regulatory impact on EBITDA in Spain and Portugal, by containing the total drop to 519 million euros.
- Meanwhile, the 234 million euros EBITDA increase in Latin America mainly resulted from the Argentine government's recognition of the compensation for cost variations not transferred to the tariff from 2007 until February 2013 in the amount of 293 million euros. The positive impact from Argentina offset the remaining 63 million euros pending of extraordinary stranded costs for energy purchases during the period borne by the Brazilian distribution companies. This amount will be compensated in future tariff reviews, in line with Brazilian regulations.

Excluding the two aforementioned effects, the strong operating performances of the subsidiaries in Latin America absorbed the negative impact of the devaluation of local currencies against the euro, causing EBITDA to decline by 349 million euros.

Meanwhile, group EBIT declined 3%, to 4,302 million euros. This is due to the 7% decrease in "Depreciation and amortisation charges and impairment losses" as a result of the extraordinary impairment loss of 146 million euros in 2012 on certain

assets, including the Santa María de Garoña nuclear plant, mining assets in Spain, generation assets in Ireland and the Tarapacá plant in Chile.

EBITDA from Latin America already accounts for over 51% of the total while EBIT represents 62%.

Financial position

Endesa reported a net financial debt of 4,286 million euros as of December 31st, 2013, a decrease of 4,492 million euros compared to the figure posted at the end of 2012.

This significant reduction in the company's net financial debt mainly resulted from:

1. The cash contribution from minority shareholders of 1,796 million euros in the Enersis capital increase.
2. The proceeds collected during 2013 from previous years' accumulated tariff deficit rights in the sum of 3,751 million euros.

Net financial debt does not include 1,029 million euros in financial instruments maturing in more than three months.

Also, at December 31st, 2013, Endesa had collection rights amounting to 3,146 million euros related to several items provided for under the Spanish electricity regulation. Of this amount, 1,985 million euros were due to the financing for the revenue shortfall from regulated activities, while 1,161 million euros were due to compensation for stranded costs in extra-peninsular generation.

Excluding the impact of the items listed above, Endesa's net debt as of December 31st, 2013, stood at 111 million euros, down 3,521 million euros on the figure posted at the end of 2012.

Net debt does not include the interim dividend of 1,588 million euros paid on January 2nd, 2014.

Endesa's consolidated net equity totalled 26,789 million euros as of December 31st, 2013, 400 million euros higher than the figure posted at the end of 2012. Net equity reflects the provision for the 1,588 million euros for the interim dividend paid in January and agreed by the Board of Directors on December 17th, 2013, and the inflow of 1,724 million euros as a result of the capital contribution by minority shareholders for the Enersis capital hike.

Changes in Endesa's equity and net debt resulted in leverage (net financial debt/equity) of 16% at December 31st, 2013, compared to 33% at December 31st, 2012.

Investments stood at 1,820 million euros, down 11%.

Spain and Portugal operations

Electricity demand in the peninsula declined by 2.2% in 2013 compared to the figure posted in 2012.

Against this backdrop, Endesa's electricity production in Spain and Portugal (also including Morocco) stood at 70,542 GWh, a reduction of 10%. Of this amount, 68,514 GWh referred to Spain (-10%), 1,176 GWh to Portugal (-14%) and 852 GWh to other areas (-8%). During this period, Endesa attained a market share of 36.1% in ordinary regime generation, 43% in distribution and 37.5% in sales to customers on the free market.

Revenues from operations in Spain and Portugal stood at 21,512 million euros in 2013, a 7% decline. Of this amount, 20,494 million euros relate to sales (-7%) and 1,018 million euros to other operating income (-9%).

The extraordinary hydro conditions that resulted in a major increase of power generation from hydroelectric plants, and the reduction in traditional thermoelectric generation, led to a decrease in fuel prices. The average wholesale market price of electricity fell by 10% during the period, thus reducing the average cost of purchased electricity.

The fiscal measures introduced in 2013 and the other measures approved by the Government in the year turned into a negative impact of 933 million euros on EBITDA. This is in addition to the recurring annual impact of approximately 396 million euros stemming from the regulatory measures introduced in 2012.

Efforts were made to achieve operational improvements so as to partially offset the negative impact from regulatory measures. These improvements prompted a 124 million-euro reduction in fixed-costs for 2013.

Due to the aforementioned factors, EBITDA stood at 3,277 million euros, and EBIT at 1,651 million euros, a decrease of 14% and 17%, respectively.

Net income from Endesa's operations in Spain and Portugal was 1,176 million euros, down 234 million euros year-on-year, with a 63% contribution to Endesa's net income.

Investments in Spain and Portugal stood at 604 million euros in 2013, down 33%.

Latin America operations

The economic environment in the markets where Endesa's subsidiaries operate reflected a positive evolution. Electricity demand during 2013 improved in all the

countries as follows: Peru (+5.9%), Chile (SIC +4.3% and SING +3.8%), Argentina (+3.8%), Brazil (+3.5%) and Colombia (+3.2%).

Against this backdrop, distribution sales by Endesa's subsidiaries (excluding tolls and unbilled consumption) totalled 61,512 GWh, up 3%. Increases were recorded in Brazil (+4%), Chile (+4%), Peru (+3%), Argentina (+1%) and Colombia (+1%).

Endesa's output in generation activities fell by 2%, to 61,885 GWh mainly due to lower hydro generation in the period because of the drought. Only Argentina posted an increase (+3%), with declines in Peru (-8%), Colombia (-4%), Brazil (-4%) and Chile (-2%).

EBITDA stood at 3,443 million euros, up 7%, while EBIT amounted to 2,651 million euros, a 10% increase compared to 2012.

The strong performance of Latin American operations was mainly due to the Argentine government's recognition of the compensation for cost variations not transferred to the tariff from 2007 to February 2013 in the amount of 293 million euros, plus 40 million euros in net financial income, with an impact on net income of 94 million euros.

The positive impact from Argentina more than compensated the extraordinary stranded costs for energy purchases during the period borne by the Brazilian distribution companies. These cost overruns are yet to be fully offset, despite the implementation by the Brazilian government of a set of measures to compensate these cost overruns with immediate effect. The remaining 63 million euros impact will be compensated in future tariff reviews, in line with Brazilian regulations.

These results were negatively affected by the significant devaluation of local currencies against the euro, causing an EBITDA decrease of 349 million euros.

Net income from Endesa's Latin America operations in 2013 stood at 703 million euros, a 13% increase on 2012 and representing 37% of the company's total net income.

Investments in Latin America operations totalled 1,216 million euros in 2013, up 5%.

Enersis capital increase

At the Extraordinary General Meeting held on December 20th, 2012, the shareholders of Enersis resolved to increase capital by 16,441,606,297 shares, at a subscription price of 173 Chilean pesos per share. The capital increase was fully subscribed on March 28th, 2013 for a total of 4,562 million euros. Of

this amount, 1,796 million euros were contributed in cash by minority shareholders.

Endesa, which holds a 60.62% interest in Enersis, subscribed its part of the capital increase by contributing 100% of the share capital of Cono Sur Participaciones. The latter company holds Endesa's direct shareholdings in the region, except for its shares in Enersis and in Empresa Propietaria de la Red (which holds an 11% share in the SIEPAC electricity transmission project).

Following this capital increase, Enersis now holds all of Endesa's shareholdings in South America.

On July 1st, 2013, Inversiones Sudamérica Limitada took over Cono Sur Participaciones, resulting in the latter being wound up. On October 1st, 2013 Inversiones Sudamérica Limitada was dissolved and integrated into Enersis. These transactions had no impact on Endesa's consolidated financial statements.

Public offer for Companhia Energética do Ceará

On January 14th, 2014, Enersis, S.A. launched a voluntary tender offer at 49 Brazilian reais per share – addressed to the minority shareholders of Companhia Energética do Ceará, S.A. a Brazilian electricity distribution company controlled by Endesa Brasil, S.A. which holds 58.87% of the capital.

The bid acceptance period ended on February 17th, 2014, with a mandatory auction. Enersis, S.A. acquired 2,964,650 ordinary shares, 8,818,006 Class A preference shares and 424 Class B preference shares in the target company for a total purchase price of 242 million US dollars (approx. 175 million euros), paid on February 20th, 2014.

As a result of the bid, Enersis, S.A. has increased its holding in Companhia Energética do Ceará, S.A. by 15.13% , bringing its combined direct and indirect stakes in that company to 74.00%.

Moreover, given the outcome of the auction, in accordance with Brazilian law Enersis, S.A. extended the term of effect of its bid for ordinary shares of Companhia Energética do Ceará, S.A. for further three months, at the same price terms.

Share capital increase by Endesa Costanera

On April 5th, 2013, the Shareholders' Assembly of Endesa Costanera passed a resolution to increase capital for the amount of up to 555 million Argentine pesos (equivalent to 76 million euros) and, subsequently issue up to 555 million new ordinary shares of book-entry type with a nominal value of one Argentine peso per share and one voting right per share. Of this amount, 17 million euros were contributed in cash by minority shareholders.

This capital increase was completed on November 21st, 2013, with Endesa having increased its shareholding in this company to 75.68%.

Endesa dividend

At its meeting of December 17th, 2013, the Board of Directors of Endesa resolved to pay-out to shareholders a gross interim dividend out of 2013 earnings of 1.5 euros per share. The resulting outlay of 1,588 million euros was paid on January 2nd, 2014.



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