

2015 First Half Results

ENDESA NET INCOME AT 870 MILLION EUROS

- This figure represents an increase of 17.1% on the same period of last year, although results for the first half of 2014 included those generated by the company's Latin American business, which was sold to Enel during the first quarter of the year
- Based on a comparison of continuing operations, which are homogeneous and only include results for Spain and Portugal, this increase would be 56.6%
- All the data included in this information below refer exclusively to continuing operations, that is, to the business in Spain and Portugal, both in the first half of 2014 and in the first half of 2015
- Revenues were 10,314 million euros, in line with the 10,280 million euros posted in the first half of 2014
- EBITDA was 1,934 million euros in the first half of 2015, a 16.3% increase on the first half of 2014, chiefly because of the recognition of the CO₂ certificates value, and of the Draft Royal Decree impact on the remuneration of generation on extra-peninsular territories
- EBIT increased by 35.1% to 1,262 million euros, mainly due to the extension of the useful lives of nuclear power plants and CCGTs from October 1st, 2014
- Endesa's net financial debt stood at 4,992 million euros, a 428 million euro reduction on the figure posted as of December 31st, 2014, thanks to the fact that the generated cash flow was more than enough to cover the investments and dividend payment

Madrid, July 28th, 2015 – The Board of Directors of Endesa has approved the results for the first half of 2015. Endesa's net income for the period was 870 million euros, a 17.1% increase on the corresponding figure posted in the first half of 2014. This increase took place despite the sale of its Latin American business to Enel in the last quarter of 2014.

Based on a comparison between these both periods, which is performed on a uniform basis and considers only the continuing operations that include exclusively results for business in Spain and Portugal, this increase would be 56.6%.

Unless expressly provided to the contrary, all the data included in this information below refer exclusively to continuing operations, that is, to the

business in Spain and Portugal, both in the first half of 2014 and in the first half of 2015.

The improvements shown in Endesa's first half 2015 results can be mainly attributed to the gross margin of its regulated businesses, which grew 17%, while that of its free market businesses increased by 3%. These results also include the positive impact of certain non-recurring factors, such as the transactions related to CO₂ certificates described below.

These results confirm that the company expects to meet the challenging objectives set forth in its Business Plan, which was presented to markets in October 2014 and updated in June 2015.

Operating Result

During the first half of 2015, electricity demand in the Iberian Peninsula increased by 1.9% compared with the same period in 2014, an increase of 0.5% after adjustment for working days and temperature, on top of the performance of indicators showing some recovery in the Spanish economy. The growing electricity demand led to an increase in Endesa's energy generation, particularly from thermal power plants as the exceptional water availability levels reached during the first half of 2015 were not repeated in the corresponding period of this year.

As a result, Endesa's peninsular electricity output under ordinary regime was 29,471 GWh in the first half of 2015, 12.5% higher than the first half of 2014 due to the increase in production from CCGTs (up 140.8%) and coal-fired power plants (up 38%), which offset the 14.3% drop in output from hydropower sources.

The increase in thermal generation by nuclear power plants during the period led to an increase in the cost of generation, and the average price on the wholesale electricity market, and consequently, to a higher average cost of electricity purchases and an increase in the amounts arising from electrical power generation taxes.

The situation described above was compensated for by the recognition of the value of the European Union Allowances (EUAs). European legislation on this matter allows the exchange of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) for EUAs. These exchanges were worth 184 million euros to Endesa. During the second quarter of 2015, Endesa took on the commitment to sell these EUAs in December 2015 following the closing of a forward sale of these allowances, hence the 184 million euro result is final and will not be affected by future changes in the market value of these instruments.

Despite the decrease in the company's hydropower production, and the moderate growth of nuclear energy production (up 2.7%), these technologies jointly represent 59.7% of Endesa's ordinary regime generation on peninsular territories compared to 54.6% among the rest of the Spanish power sector.

As regards other operating results, Endesa generated 5,862 GWh in extra-peninsular territories (up 1.4%), distributing 56,013 GWh across the Spanish market during the first half of 2015 (up 2.9%), and sold 37,922 GWh to its free market clients (less 1.5%), and 7,769 GWh on the regulated market (less 9.7%); its gas sales amounted to 37,419 GWh (up 0.1%).

As a result of the above factors, Endesa attained a 39.2% market share in peninsular electricity generation under ordinary regime, 43% in distribution and 35.5% in sales to free market customers.

Economic and Financial Results

Endesa's revenues were 10,314 million euros during the first half of the year, which is in line with those during the same period of 2014, which amounted to 10,280 million euros.

Gross operating profit (EBIDTA) rose to 1,934 million euros, with a 16.3% growth. This increase was the result of the 8% increase in EBIDTA margin for the free market business, mainly due to the operations on the aforementioned European Union Allowances (EUAs) and to the fact that EBITDA from generation in extra-peninsular territories amounted to 157 million euros compared to a negative EBITDA of 38 million euros recorded in the first half of 2014.

This positive evolution of EBITDA from generation in extra-peninsular territories in the first half of 2015 happened because the EBITDA of the same period of 2014 included a negative effect of 162 million euros for implementation of the Draft Royal Decree available at that moment, while the amount for 2015 was estimated in accordance with Draft Royal Decree on the remuneration of regulated generation on extra-peninsular territories, submitted to the Council of State last April and whose approval is still pending at the time of preparing this information.

EBIT increased by 35.1%, reaching 1,262 million euros, due to the 16.3% EBITDA increase as explained above and the reduction in depreciation and amortisation due to the recurring effect of the extension of the useful lives of nuclear power plants and CCGTs from October 1st, 2014 (86 million euros).

Asset sale

The agreement for the disposal of assets associated with the Chira-Soria hydroelectric power plant in Gran Canaria to Red Eléctrica de España (REE) for 11 million euros was signed on January 23rd, 2015. The gross capital gain for Endesa amounted to 7 million euros.

On February 3rd, 2015, Endesa also closed the sale of all its shares in Compañía Transportista de Gas Canarias to Enagás. The total consideration for the transaction, which included the price of the shares and the equity loan, as well as

interest earned, was 7 million euros, with a 3 million euro gross capital gain for Endesa.

Indebtedness, cash flow and investments

As of June 30th, 2015, Endesa's net financial debt stood at 4,992 million euros, a 428 million euro reduction on the figure posted on December 31st, 2014.

This reduction was possible because the high operating cash flow, amounted to 1,194 million euros, allowed to face the investments, pay out the dividend and reduce the indebtedness.

In the first half of 2015, Endesa's gross investment was 494 million euros, 17.1% higher than in the first quarter of 2014. Of the above figure, 462 million euros relate to investments in tangible and intangible assets, while the remaining 32 million euros relate to financial investments. Likewise, net investment in tangible and intangible assets amounted to 269 million euros. These investment figures are entirely in line with the forecasts included in the company's Business Plan.

Dividends

At the close of 2014, the Board of Directors of Endesa agreed to pay out two interim dividends on 2014 results of 6 euros gross per share, a total of 6,353 million euros, as explained above, and of 0.38 euros gross per share, a total of 402 million euros, again as explained above, which together add up to 6,755 million euros. The two dividends were paid on October 29th, 2014 and on January 2nd, 2015 respectively.

Endesa's General Shareholders' Meeting, which was held on April 27th, 2015, agreed upon a 2014 dividend equal to 6.76 euros gross per share, a total of 7,157 million euros.

The difference between the total dividends approved by the General Shareholders' Meeting and the interim dividends that were previously paid out is 402 million euros (0.38 euros gross per share) and was paid out on July 1st, 2015.



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