

2014 results

NET INCOME REACHES 3,337 MILLION EUROS THANKS TO CAPITAL GAINS ON THE SALE OF LATIN AMERICA OPERATIONS

- EBITDA stood at 3,090 million euros in 2014, a 3.9% decrease, while EBIT stood at 1,472 million euros, down by 8.9% compared with 2013.
- Good performances in free electricity and gas markets as well as operating improvements drove a 0.7% increase in the business contribution margin, despite a 102 million euro cost posted in 2014 to pay the social bonus, versus a 102 million euro revenue recognised in 2013 for the recovery of the social bonus paid for in previous years.
- The higher contribution margin and the fact that fixed costs increased by 175 million euros only despite provisions of 349 million euros to optimise workforce partially offset the lower EBITDA.
- In Spain and Portugal, Endesa invested 788 million euros (net) in 2014, in line with the business plan announced to the market in October 2014.
- Net income from Latin American operations brought in 623 million euros up to the date of sale of said activities to Enel Iberoamérica on October 23rd, 2014.
- In line with the new dividend policy introduced in October 2014, the ordinary dividend to be distributed on 2015 results will be at least 5% higher than the ordinary per-share dividend on 2014 results, and the per-share dividend to be distributed on 2016 results will be at least 5% higher than the ordinary per-share dividend on 2015 results.
- In 2015, Endesa will pay as dividend 100% of its net attributable income resulting from the company's consolidated financial

statements if this amount is greater than the figure obtained after applying the minimum annual increase of 5% to the ordinary dividend as established in the dividend policy for 2014-2016, provided the required conditions are met.

Madrid, February 25th, 2015.- Endesa's net income was 3,337 million euros in 2014, a 77.6% increase compared to the figure posted in 2013. This result includes net capital gains generated by the sale of Latin American operations to Enel in the amount of 1,764 million euros, and net income of 623 million euros generated by said operations up to the transaction date. Net income from operations in Spain and Portugal in 2014 totalled 950 million euros, down by 19.2% on 2013 figures.

At Endesa's Extraordinary General Shareholders' Meeting held on October 21st, 2014 the Company accepted the offer by Enel Energy Europe (now Enel Iberoamérica) to purchase Endesa's operations in Latin America for a consideration of 8,253 million euros. The operation was carried out on October 23rd, 2014, and produced net capital gains of 1,764 million euros.

All the proceeds from this sale were distributed to shareholders as an extraordinary dividend in the amount of 8,253 million euros.

Following this sale of assets, the sections below provide information by business line, considering that activities in Spain and Portugal are now "continuing operations" while activities in Latin America are now "discontinued operations".

Continuing operations (Spain and Portugal)

Electricity demand in the Iberian peninsula declined by 1.2% in 2014 compared to the previous year (-0.2% after adjustments for working days and temperature).

In 2014, Endesa's mainland ordinary regime output was 57,502 GWh, an increase of 2.5% compared to 2013 due to higher output at both coal-fired plants (+16.1%) and combined cycle plants (+11.3%), which offset the decline in hydro and nuclear generation (-7.7% and -4.4%, respectively). Endesa's power generation from extrapeninsular systems stood at 12,179 GWh, a 1.3% decline compared to 2013.

Endesa's market share was 37.7% in peninsular ordinary regime generation, 43.1% in distribution and 36.9% in sales to customers on the free market.

Revenues from operations in Spain and Portugal stood at 21,512 million euros, substantially in line (-3 million euros) with 2013. Of this amount, 20,473 million euros

were accounted for by sales (-0.2%) and 1,039 million euros by other operating income (+3.3%).

Revenues from the free market in Spain and Portugal stood at 7,946 million euros, up by 185 million euros on the figure posted in 2013 (+2.4%). Revenues from European free market customers outside of Spain totalled 926 million euros, an increase of 3.5% compared to 2013.

Revenues from gas sales amounted to 2,862 million euros, 111 million euros higher than in 2013 (+4%).

Compensation for the stranded costs of extrapeninsular generating systems in 2014 came to 1,754 million euros, estimated on the basis of the new draft Royal Decree published in January 2015. This draft entails a reduction of 327 million euros in EBITDA from extrapeninsular generation in 2012-2014 with respect to the previous situation. Out of the above reduction for 327 million euros, 38 million euros were accounted for on the 2014 income statement (resulting from a negative 114 million euros corresponding to 2014 remuneration and a positive 76 million euros corresponding to 2012 and 2013 remuneration), as the remaining negative 289 million euros were recognised in 2013. The business contribution margin improved by 0.7% (38 million euros), despite the impact in 2014 of a 102 million euro cost for the social bonus, versus a revenue of 102 million euros recognised in 2013 for the recovery of the 102 million euro social bonus paid in the previous years.

Fixed costs, meanwhile, increased by only 175 million euros, despite a provision of 349 million euros for several staffing optimisation projects as part of Endesa's ongoing restructuring and reorganisation plan.

As a result, EBITDA reached 3,090 million euros, a decrease of only 3.9% compared to 2013, while EBIT stood at 1,472 million euros, down by 8.9%.

Losses of 107 million euros were also posted relating to the stakes in Elcogas (51 million euros) and Nuclenor (56 million euros).

As a result of the above factors, net income from continuing operations totalled 950 million euros in 2014, 19.2% lower than in 2013.

Discontinued operations (Latin America operations)

Net income from Endesa's discontinued operations in 2014 up to the sale to Enel stood at 3,045 million euros, compared to 1,767 million euros in 2013. Net income included the following items:

- Net capital gains of 1,764 million euros from the sale of Latin American operations to Enel.

- Net income before non-controlling interests in the amount of 1,281 million euros from Latin American operations up to the sale date (623 million euros after deduction of the portion allocated to non-controlling interests).

Financial position

Endesa's net financial debt stood at 5,420 million euros as of December 31st, 2014, an increase of 1,083 million euros compared to the figure as of December 31st 2013. The increase was mainly due to Company re-leveraging after the sale of Latin American operations to Enel, payment of dividends in 2014 and despite 2013 tariff deficit monetisation.

As of December 31st, 2014 Endesa still had collection rights amounting to 1,173 million euros related to several items provided for under Spanish electricity regulation: 21 million euros for financing the revenue shortfall from regulated activities prior to December 31st, 2013; 445 million euros for financing the shortfall generated in 2014 in peninsular operations due to the transitory imbalance arising from application of the new shortfall financing mechanism established in Law 24/2013 of December 26th; and 707 million euros in compensation for output in extrapeninsular electricity systems. Net of the amounts mentioned in the preceding paragraph, the net financial debt of Endesa's continuing operations as of December 31st, 2014 stood at 4,247 million euros.

Cash flows and investment

Cash flow from operating activities in 2014 amounted to 3,714 million euros, compared to 4,509 million euros in 2013, which included a full year of operations in Latin America.

Cash flow from operating activities accounted for by continuing operations totalled 2,869 million euros, compared to 2,251 million euros in 2013, largely due to improved working capital evolution, which offset the lower income posted during the period.

Endesa's gross investment in 2014 totalled 2,178 million euros (2,616 million euros in 2013), of which 1,951 million euros were accounted for by investment in property, plant and equipment, intangible assets and real estate, and the remaining 227 million euros were financial investment. This amount includes 765 million euros for gross investment in Latin America operations up to July 31st, 2014.

Endesa invested 788 million euros (net) in Spain and Portugal in 2014, in line with the business plan announced to the market in October 2014.

Dividend policy

At the Extraordinary General Shareholders' Meeting held on October 21st, 2014 Endesa shareholders decided to distribute an extraordinary cash dividend of 7.795 euros gross per share, for a total payment of 8,253 million euros, equivalent to the consideration received by Endesa from the sale of its Latin American operations to Enel. Said dividend was paid on October 29th, 2014.

On October 7th, 2014 the Endesa Board of Directors approved payment of an interim dividend on 2014 results of 6 euros gross per share, provided the Extraordinary General Shareholders' Meeting approved the extraordinary dividend, with the aim to optimise Endesa's financial structure. The total dividend amounted to 6,353 million euros, and it was paid on October 29th, 2014. Distribution of the dividend was financed partly by a 10 year, 4,500 million euro-loan and by a one year, 1,000 million euro-credit line, both fully guaranteed by Enel Finance International.

At its meeting on October 7th, 2014 the Endesa Board of Directors also approved a new dividend policy between 2014 and 2016, subject to compliance with law requirements and official agreements with the Company's corporate bodies, as follows:

- A proposal will be made to distribute an ordinary dividend on full year 2014 results in the gross per-share amount of 0.76 euros (in addition to the extraordinary dividend approved by the Extraordinary General Shareholders' Meeting on October 21st, 2014 and the interim dividend approved by Endesa's Board of Directors on October 7th, 2014). The ordinary dividend of 0.76 euros, equivalent to a total payment of 805 million euros, will be paid in cash in two instalments (January and July 2015) on the specific date determined in each case by Endesa's Board of Directors.
- The aim was for the ordinary dividend to be distributed on 2015 results to be at least 5% higher than the ordinary per-share dividend paid on 2014 results, and for the per-share dividend to be paid on 2016 results to be at least 5% higher than the ordinary per-share dividend paid on 2015 results.
- Any ordinary dividends approved on 2014, 2015 and 2016 results will be paid in cash in two tranches in January and July of the following year, in line with the usual practice of the Company's main competitors.
- The dividends will be paid solely in cash. In fact, cash flows generated by Endesa's operations are expected to cover such payment with no need to increase the Company's net consolidated debt.

Pursuant to the dividend policy approved by the Endesa Board of Directors, in 2015 the Board intends to pay as dividend 100% of Endesa's net attributable income resulting from the company's consolidated financial statements if this

amount is greater than the figure obtained after applying the minimum annual increase of 5% to the ordinary dividend as established in the dividend policy for 2014-2016, provided the required conditions are met. met.

With respect to 2014, at a meeting held on December 15th, 2014 the Endesa Board resolved to pay shareholders a gross interim dividend of 0.38 euros per share on 2014 results. The total payment was 402 million euros, and was made on January 2nd, 2015.

Over more, the Endesa Board of Directors will propose the distribution of an additional 0.38 euros per share dividend on 2014 results at the Company's next General Shareholders Meeting.



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