

## NET INCOME IN 1H2016 UP 7.9% NET OF EXTRAORDINARY ITEMS

Millions of euros	1H 2016	1H 2015	Variation %	Variation % net of extraord. <sup>(1)</sup>
Revenues	9,203	10,314	-10.8	
EBITDA	1,866	1,934	-3.5	6.6
EBIT	1,190	1,262	-5.7	
Net income	796	870	-8.5	7.9
Operating cash flow	1,470	1,194	23.1	
Net financial debt <sup>(3)</sup>	3,741	4,323 <sup>(2)</sup>	-13.5	
Net investments	322	270	19.3	

(1) Excluding the effect of the Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) exchange operation.

(2) As of December 31<sup>st</sup>, 2015.

(3) Non-current financial debt + Current financial debt - Cash and cash equivalents - Financial derivatives registered as assets.

**Madrid, July 27<sup>th</sup>, 2016**

**José Bogas**, CEO of Endesa remarked "*Endesa is well positioned for the future thanks both to its strategy in the deregulated business, where we have seen a pleasing 8% margin expansion, and to the full integration of renewables into the business. This transaction not only lays the foundations for further growth, consolidating our position in the Iberian market with an attractive portfolio of renewable generation assets, but also deploys our strong balance sheet more efficiently, gearing Endesa up to 1.7x debt-to-ebitda from an overly-modest 1.3x.*"

- The half-year's results allow to anticipate that Endesa is well-positioned to meet its commitments announced to the market for 2016.
- **Revenues** declined due to low prices recorded in the period mainly as a result of a high level of wind and hydro production.
  - In addition, 2015 revenues included a non-recurring positive amount of 184 million euros generated by exchange of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) for European Union Allowances (EUAs) which was not replicated in the first half of 2016
- The gross operating profit (**EBITDA**) decreased for the same reasons mentioned above. Excluding this effect, EBITDA would have increased by 6.6% thanks to:
  - Good performance in the regulated market, which accounts for more than 60% of company's EBITDA achieved in the first half-year. The margin is in line with the one posted in the corresponding period of previous year.
  - Gross margin in the deregulated business has performed well, posting a 8% increase. This growth occurred due to lower production costs, which was a consequence of lower thermal output during the period, lower taxes on generation, a reduction in fuel costs and the decrease of average costs in purchasing electricity attributable to falling prices in the wholesale market (-36.5%).
  - The gross margin of gas sales declined by 17% due to increased competitive pressure, mainly in the wholesale market, and to the increased supply of gas in the market.
  - Headcount expenses fell by 26 million euros (-5.7%).
- Operating profit (**EBIT**) decreased by 5.7% i.e. 72 million euros, due to the fall in EBITDA. Net of the aforementioned ERU and CER exchange operation mentioned in the previous paragraphs, operating profit (EBIT) for the first half of 2016 would have increased by 112 million euros (+10.4%).
- The net income of companies using the equity method includes a negative impact of 72 million euros, corresponding to recording an impairment of 40% in Enel Green Power España book value held by Endesa on 30<sup>th</sup> June 2016.

- **Net Income** decreased by 8.5%. However, excluding the effect of the aforementioned ERU and CER exchange operation, Endesa's net income increased 7.9% over the same period of last year.

#### **Net financial debt, cash flow**

- Endesa's **net financial debt** was down by 13.5% in the first half of 2016 due to increased cash flow generation.
- Solid generation of operating **cash flow**, which increased by 276 million euros, mainly due to the 256 million euros rise of in net payment collections corresponding to the non-mainland compensation.

#### **1H2016 Operating Results**

<i>GWh</i>	<b>1H 2016</b>	<b>1H 2015</b>	<b>Variation %</b>
Ordinary regime peninsular production	24,512	29,471	-16.8
Liberalised market sales	38,825	37,922	2.4
Regulated market sales	6,859	7,769	-11.7
Electricity distributed	55,959	56,023	-0.1
Gas sales	39,402	37,419	5.3

- Electricity demand in the Iberian Peninsula has remained in line with that of the previous year, with an increase of +0.1% after adjustments for working days and temperature.
- Peninsular **electricity generation** under Endesa's ordinary regime has fallen mainly due to the high availability of wind and hydropower, and because of the greater exchange of electricity between Spain and France through electrical interconnection between the two countries.
  - Nuclear and hydro technologies (CO<sub>2</sub> emission free) represented 72.7% of the "mix" of Endesa's mainland generation (59.7% in the first half of 2015).
  - Endesa's output in non-Iberian Peninsula Territories (NPT) has been 5,938 GWh, an increase of 1.3% in the first six months of 2016.

- The number of customers in the **liberalised market** was 5,236,131 at the end of the first half of this financial year, an increase of 3%.

***Dividends: 100% pay out confirmed***

- The dividend approved on the basis of Endesa's 2015 results is 1.026 euros per share.
  - This dividend is composed of an interim dividend of 0.4 euros per share, paid on 4<sup>th</sup> January, 2016; and a final dividend of 0.626 euros per share that was paid on July 1<sup>st</sup>, 2016.
  - As a result, Endesa distributes 100% of its consolidated net income on 2015, representing an increase of 35% compared to the ordinary dividend of previous year.



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