Endesa 2015 Results

23/02/2016

Agenda

1. Highlights and key financial figures
2. Market context and regulatory update
3. Financial results and net financial debt analysis
4. Business analysis
5. Final remarks

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1. **Highlights and key financial figures**

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Highlights

Financial performance above targets

Continued activities profit after taxes (+16%)

Resilient EBITDA performance (-2%) in a challenging scenario

€380 M early retirement provision booked allowing achievement of efficiency targets

Recurrent fixed costs decreased by 6%

€1.026 DPS[(1)]: 35% increase vs. 2014 ordinary DPS

(1) Subject to 2016 AGM approval

Key financial figures

€M	2015	2014	Change
EBITDA	3,039	3,090	-2%
Continued activities profit after taxes	1,090	943	+16%
Net attributable income	1,086	3,337 (1)	-67%
Net financial debt	4,323	5,420	-20%

Strong free cash flow generation

(1) Includes Latam business contribution and capital gains from Enersis' divestment

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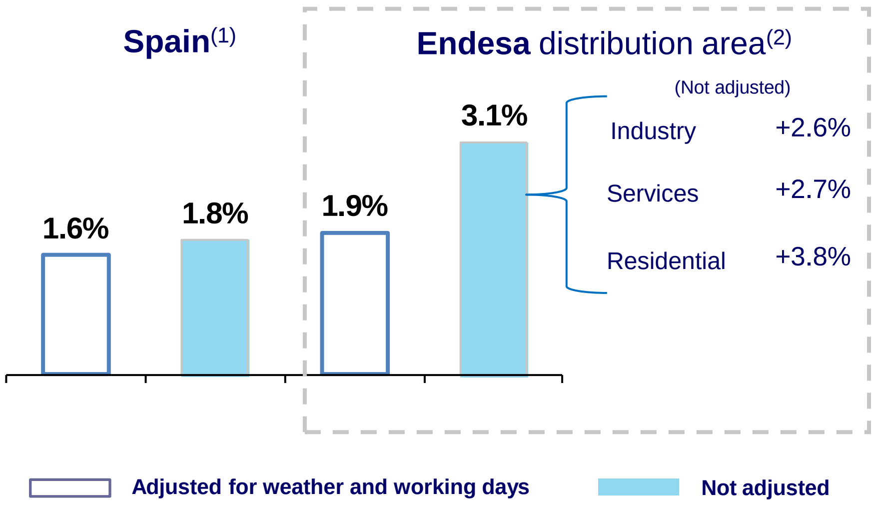
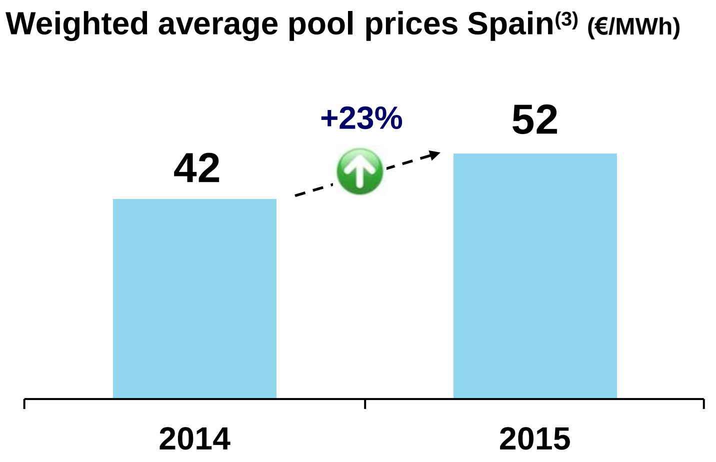
Market context in 2015

Demand



- Positive demand trend driven by industrial recovery
- Strong residential demand performance mainly driven by weather conditions

Electricity wholesale prices



- Pool price increase due to normalization of weather conditions, demand increase and higher thermal gap

(1) Mainland. Source: REE
(2) Mainland. Source: Endesa's own estimates

(3) *Excluding ancillary services and capacity payments. €50.3/MWh average baseload equivalent (2015).*

Regulatory update

4Q 2015: regulatory news and CNMC settlements

Distribution

- RD 1073/2015: annual update of unitary standard values no longer linked to CPI
- Order IET/2660/2015: unitary standard values for investment and O&M approved
- 2016 remuneration:
  - ✓ CNMC proposal still pending
  - ✓ Meanwhile, temporarily settled according to 2015 remuneration

Neutral final outcome expected

2016 access costs Ministerial Order

- Access tariffs unchanged except for certain high voltage clients (6.1.B tariff)
- Decrease in customers' capacity payments by ~ €500 M
- €24 M of tariff surplus according to Ministry of Industry estimates

Domestic coal

- Closure of Compostilla's Group II (148 MW domestic coal) authorized by Ministry of Industry
- Interim Government committed with Domestic Coal IED investments to guarantee security of supply

12th CNMC settlement for Year 2015

- €1.0 bn of provisional imbalance of regulated cost/revenues (vs. €2.6 bn in settlement 12/14)
- Coverage ratio: 93.5% (vs. 84.1% in settlement 12/14)

&

15th CNMC settlement for Year 2014

- €550 M of surplus

Latest regulatory reform supports business perspectives

Distribution and Transmission

- Regulatory stability: remuneration set until 2020 based on Investment Plans to be authorized by the Ministry

Non-mainland generation

- Regulatory stability: remuneration set until 2020

Renewables

- Regulatory stability setting an orderly development
- New capacity through competitive auctions scheme

Sustained tariff sufficiency looking forward

- **Achieved a visible and sustainable regulatory framework**
  - **Sector stability key for future country growth**

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Financial results

€M	2015	2014 (1)	Change
Revenues	20,299	21,512	-6%
Gross Margin	5,481	5,538	-1%
EBITDA	3,039	3,090	-2%
EBIT (2)	1,598	1,472	9%
Net Financial Expenses (3)	(186)	(166)	12%
Share of profit from associates (4)	(15)	(44)	N/A
Continued activities profit after taxes	1,090	943	16%
Discontinued activities profit after taxes	-	3,045	-100%
Net attributable income	1,086	3,337	-67%
Net Capex (5)	786	776	1%

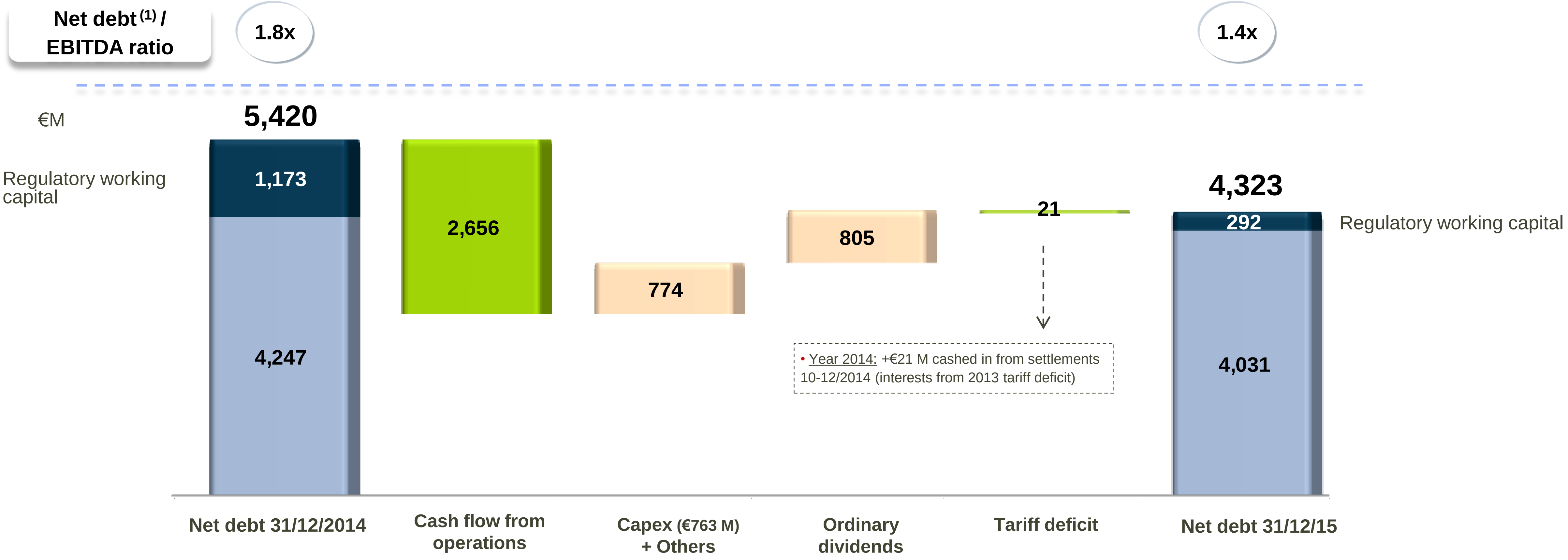
P&L evolution:

- ✓ (-) 2014 Non-mainland Gx non-recurrent results (according to 3rd draft RD) and normalization of weather conditions
- ✓ (+) Other Operating Results (CO_2 transaction) and lower D&A
- ✓ (+) Increase of Continued activities profit after taxes (+16%)

(1) 2014 Latam business results are included in the Net Income from Discontinued Operations line as per IFRS 5
(2) 2015: lower D&A due to assets life extension (€129 M) and lower impairment losses
(3) Provision adjustment on workforce restructuring plans: €47 M in 2015 vs.-2€ M in 2014. Year 2014 also includes €24 M interests from tariff deficit financing.
(4) 2015: Nuclenor negative results (-€58 M). 2014: Nuclenor negative results (-€56 M) and Elcogas negative results (-€51 M)
(5) Accounting figure that excludes the amount of assets from clients' contributions

Net financial debt analysis

Net financial debt evolution



Healthy financial leverage and strong liquidity position

Endesa liquidity covers 29 months of debt maturities

(1) *Net debt figure includes regulatory working capital*

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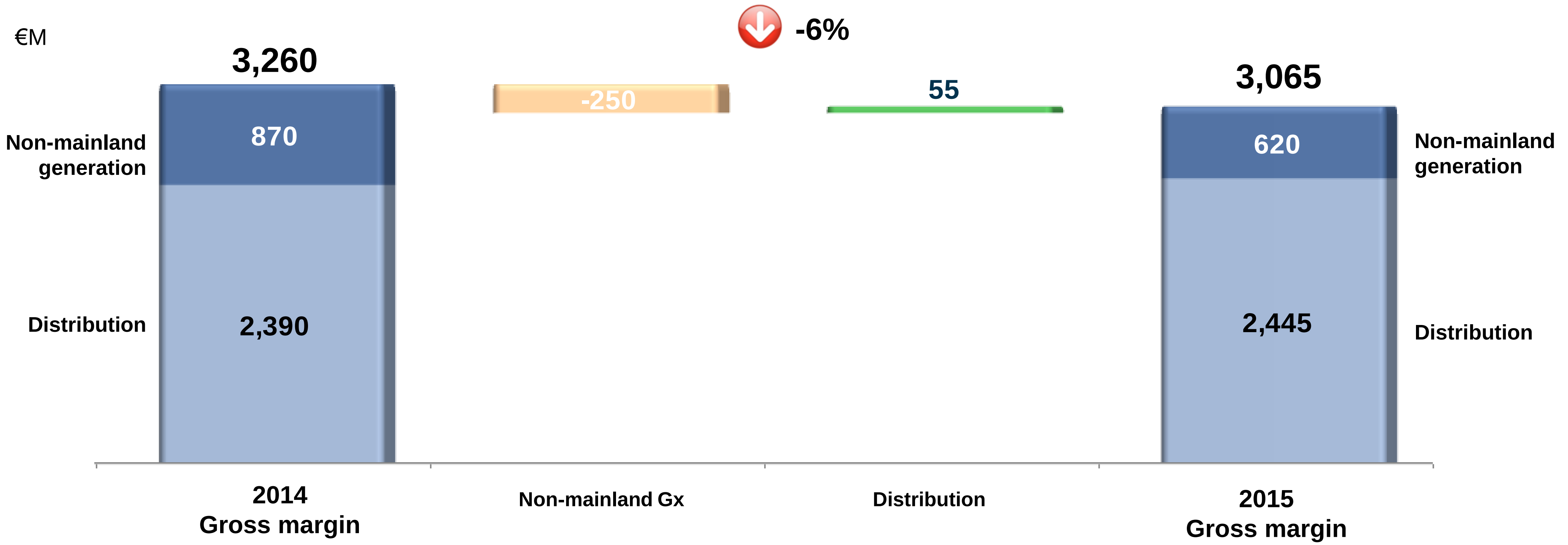
2015 EBITDA breakdown

	2014[1] %	2014[1] €M	Change (%)	2015[1] €M	2015[1] %
Generation & Supply	28%	861	+31%	1,131	37%
Distribution	55%	1,691	-7%	1,569	52%
Non-mainland Gx	17%	538	-37%	339	11%
TOTAL[1,2]		**3,090**	**-2%**	**3,039**	

(1) *Figures impacted by workforce restructuring provisions. €349 M in 2014 and €380 M in 2015*
(2) *Corporate Structure, Services and Adjustments EBITDA figure is allocated within the Generation & Supply business*

Regulated business

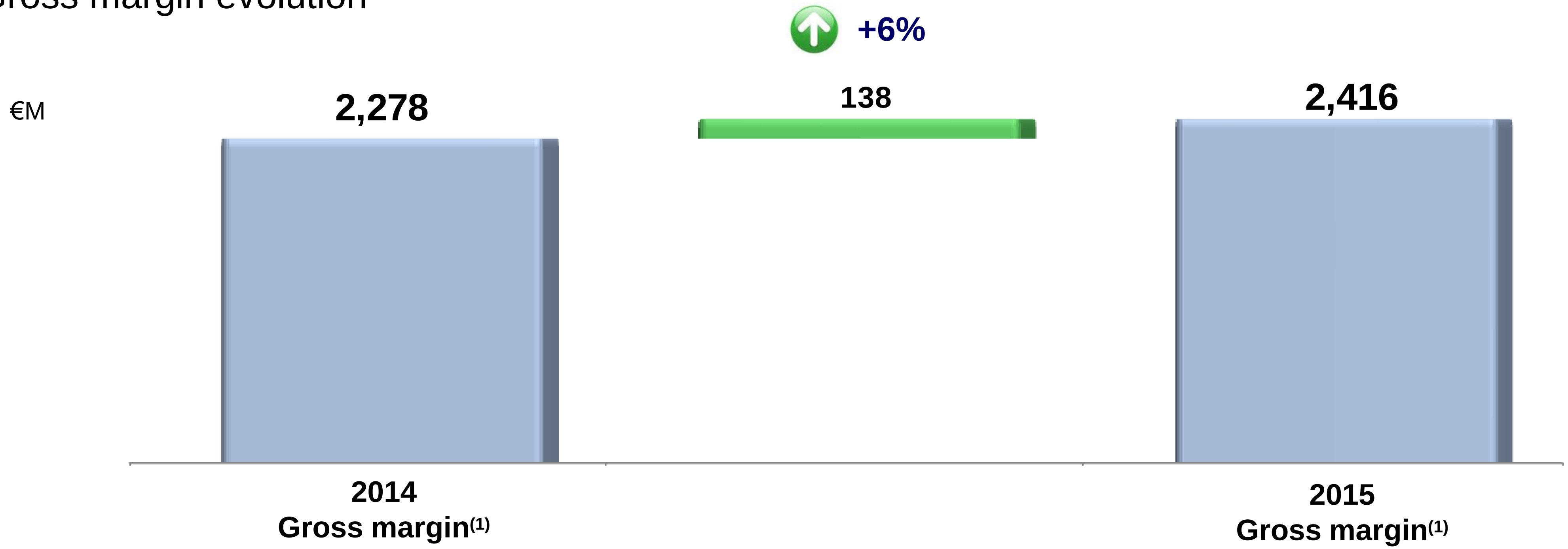
Gross margin evolution of non-mainland Gx and Dx



Non-mainland Gx: 3rd draft RD positive effects booked on 4Q 2014

Liberalized business

Gross margin evolution



- Higher volumes and underlying selling price and better ancillary services
- CO_2 swap transaction

- Higher fuel costs (higher thermal gap) and higher energy purchase cost
- Higher generation taxes (Law 15/2012)
- Gas business

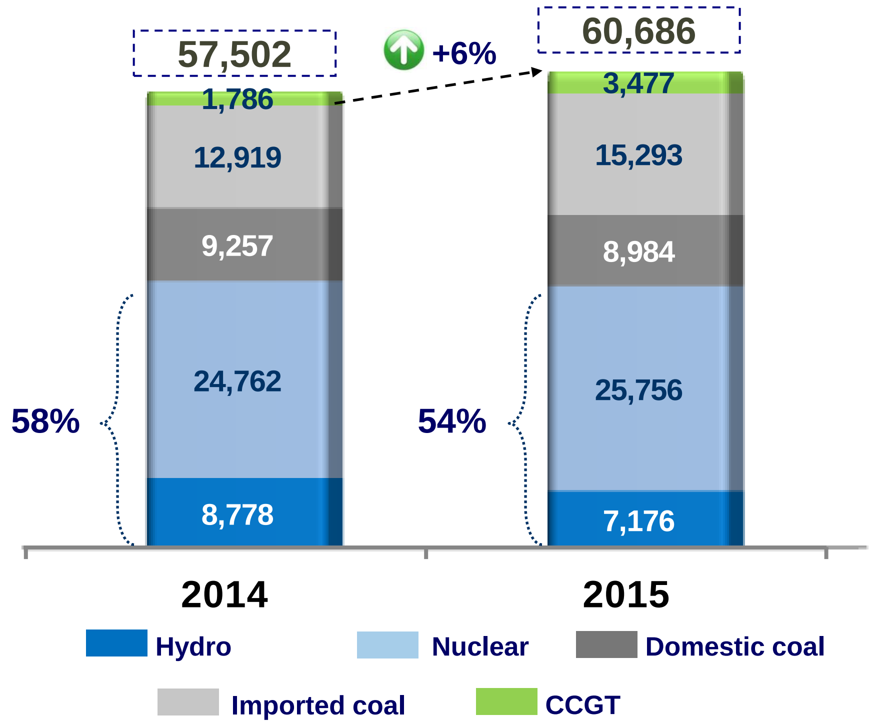
Increase in gross margin supported by successful energy management strategy

(1) Corporate Structure, Services and Adjustments gross margin figure is allocated within the Liberalized business

Liberalized business

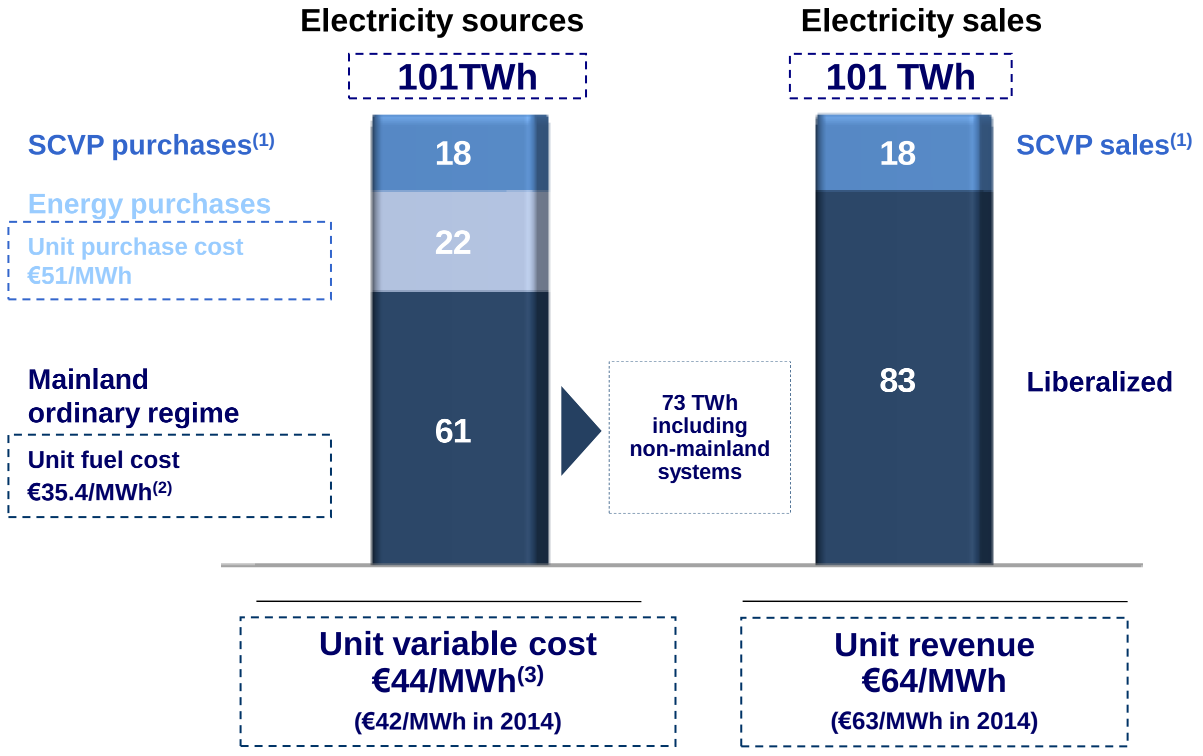
Energy management

Mainland output *(GWh)*



- Thermal output increase due to hydro normalization
- Hydro and nuclear represented 54% of total output (vs. 58% in 2014)

2015 energy management



- Electricity unitary margin: €20.3/MWh (-5%)
- ~65% of 2016 estimated output hedged as of Year End 2015

(1) SCVP not considered in calculations for unit variable cost, unit revenue and unitary margin
(2) Includes fuel cost, CO_2 and taxes from Law 15/2012
(3) Includes fuel costs as in footnote 2, energy purchase costs and ancillary services

2014 and 2015 workforce restructuring plans

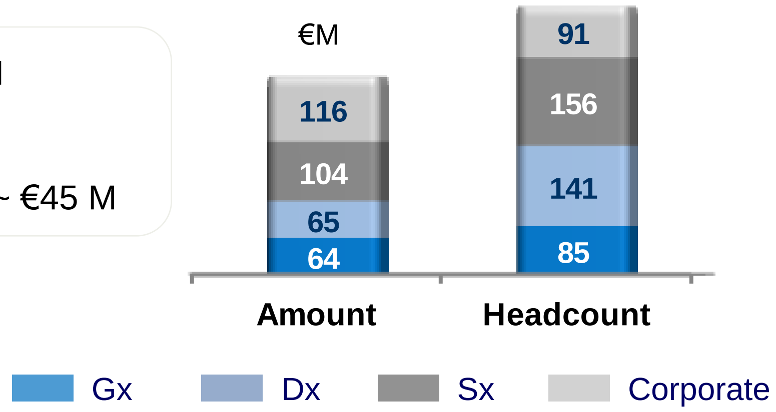
endesa

Details

Amount and headcount breakdown by business line

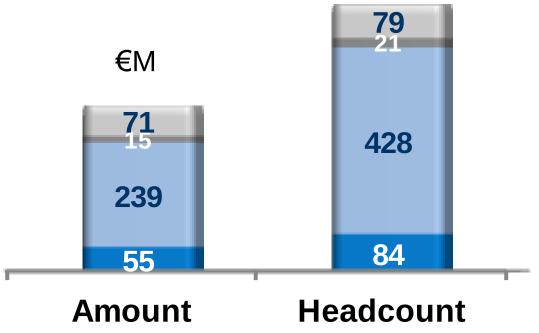
2014

- Provision amount: €349 M
- People involved: 473
- Annual average savings: ~ €45 M



2015

- Provision amount: €380 M
- People involved: 612
- Annual average savings: ~ €55 M



Action plan

Generation
- Virtual mothballing in CCGTs
- Coal plants cost reduction
- Management optimization of power plants in Balearic Islands

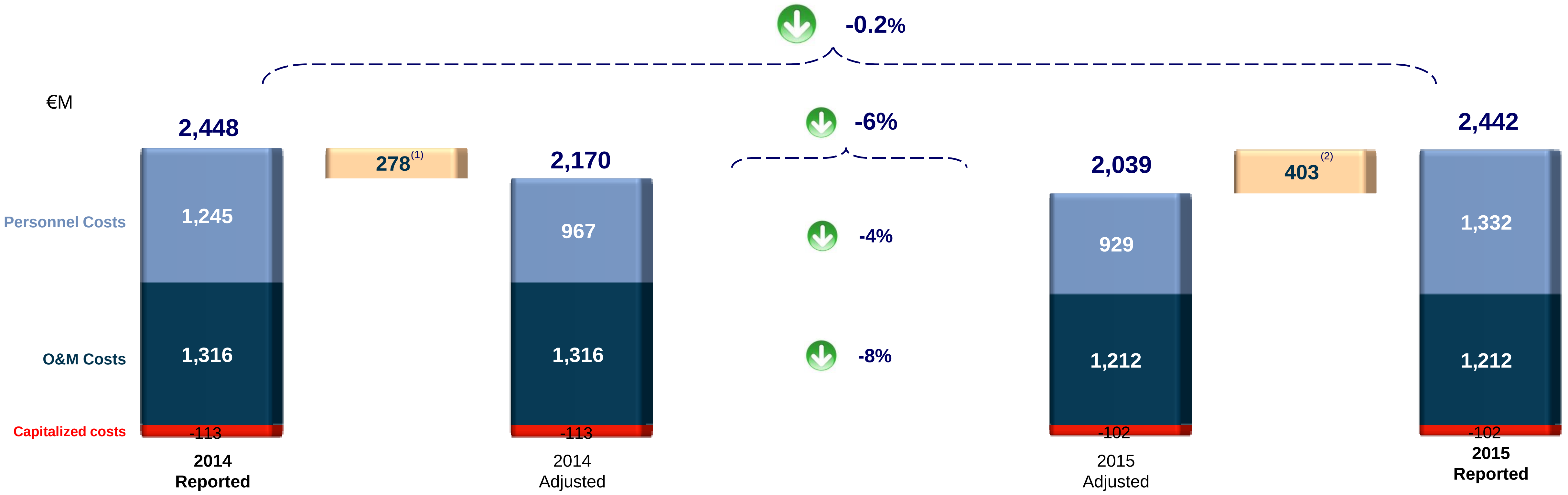
Distribution
- New organization with simplified processes and geographical areas
- Full deployment of smart metering
- Investment in efficiency oriented innovative technologies.

Supply
- Focus on digitalization of all processes and products.
- Optimization of customer service and back office processes

Corporate
- Zero base budget revision and reorganization
- Corporate process streamlining

2014 and 2015 workforce restructuring plans allow for an average annual decrease of ~ €100 M in personnel costs

Fixed costs evolution (I/II)



Reported fixed costs flat

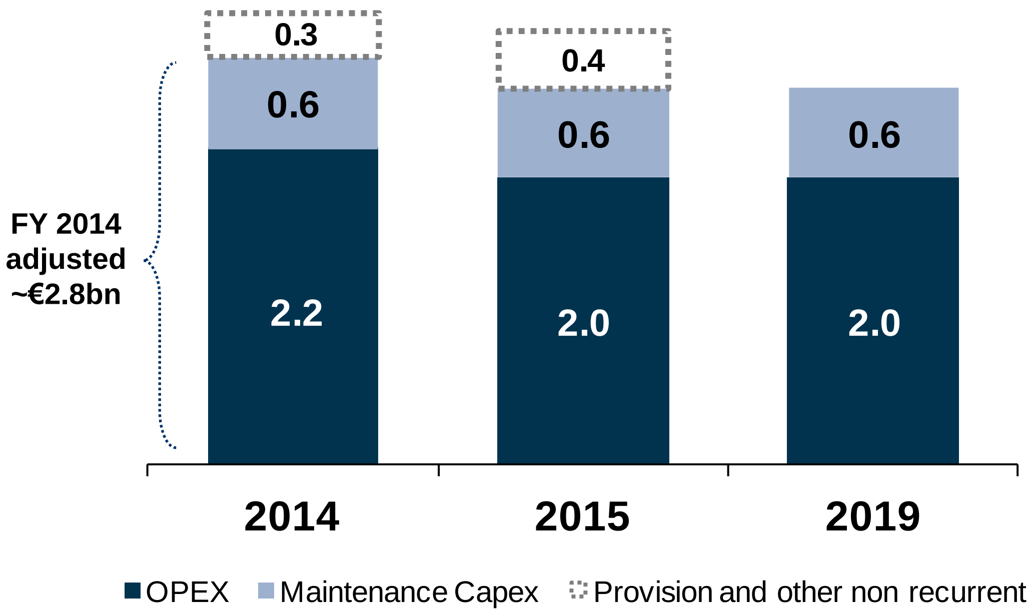
Adjusted by non-recurrent items, fixed costs decreased by 6%

(1) Workforce restructuring plan (-€349 M), labor claims provision (€25 M) and provision adjustment on workforce restructuring plans (€46 M)
(2) Workforce restructuring plan (-€380 M), labor claims provision (-€42 M) and provision adjustment on workforce restructuring plans (€19 M)

Fixed costs evolution (II/II)

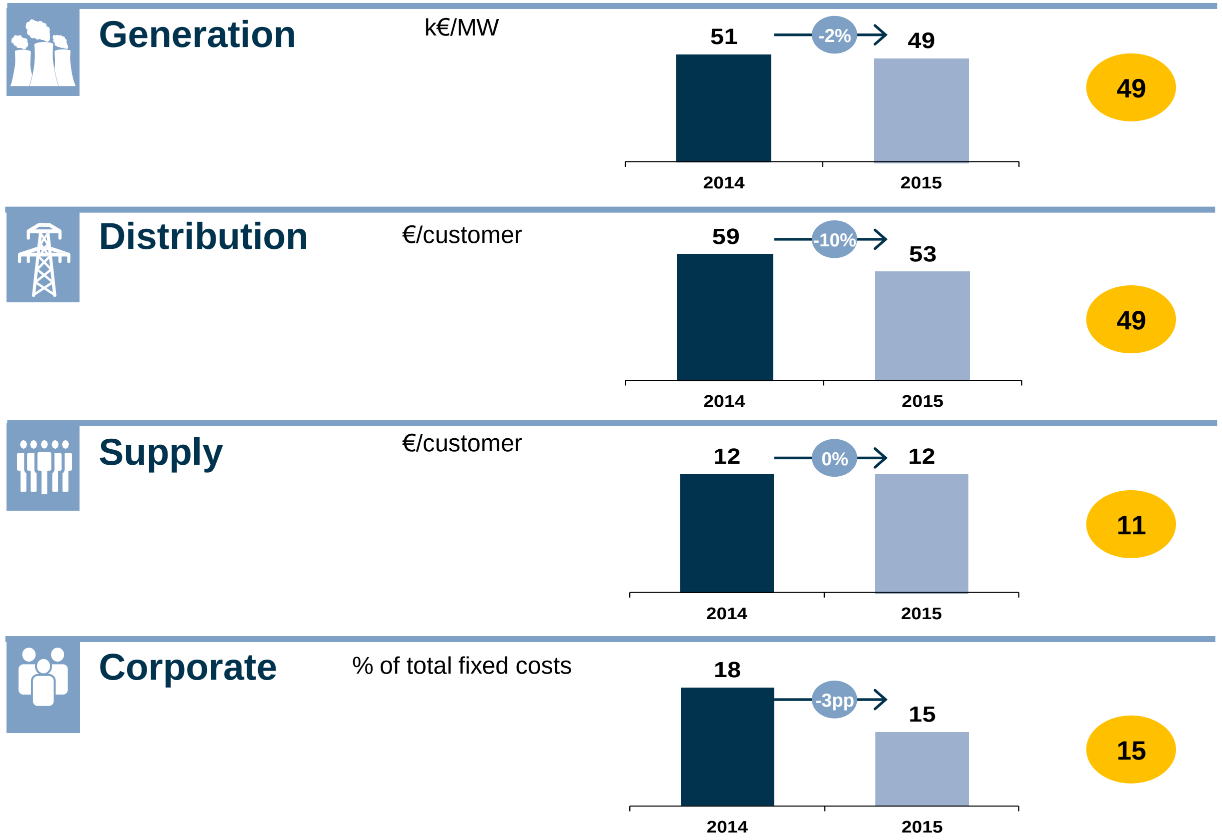
Monitoring cash cost and key performance indicators

Cash cost (€bn)



Committed KPI's

2019 target



Well on track on achieving efficiency targets

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Corporate social responsibility

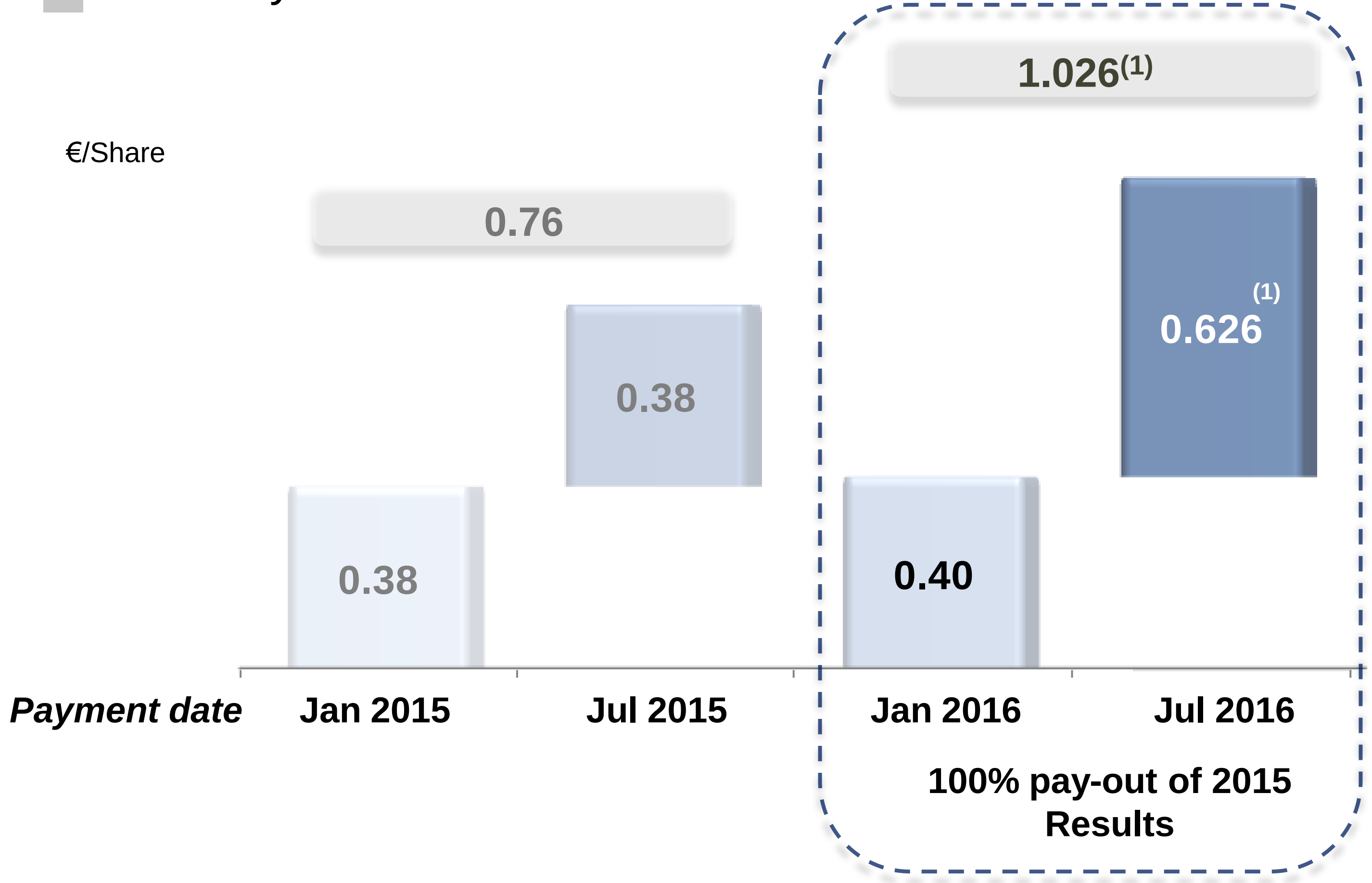
Endesa is committed with all stakeholders

- Outstanding position in most relevant SRI indexes (DJSI, CDP, Euronext Vigeo, ECPI…)
- Emission free production >45%
- 100% Energy certified by ISO 14001
- Total Tax Contribution ~ €4bn
- Public-private partnerships to tackle fuel poverty (90 initiatives)
- ~ €1,4bn value of purchases from ~6,300 suppliers
- Board of Directors: 45% External Independent Directors

Endesa leader in transparency in climate change information (CDP)

Shareholder remuneration

Ordinary DPS evolution



2016[2]

- **Maximum amount per share between**
  - **100% Pay-out**
  - **Minimum annual growth of 5%** on the ordinary DPS paid against 2015 year's profit

2017-2019[2]

- **100% Pay-out of ordinary net attributable income**

2015 DPS: €1.026[1] **(100% pay-out), an increase of 35% vs. 2014 ordinary DPS**

(1) *Subject to 2016 AGM approval*
(2) *100% cash on bi-annual basis (January and July)*

Final remarks

Exceeding financial targets

Resilient results supported by efficiencies and successful energy management strategy

~ 65% of total EBITDA coming from regulated business

High cash flow generation allows net financial debt reduction …

…and supports our attractive dividend policy

Appendix
Endesa 2015 Results

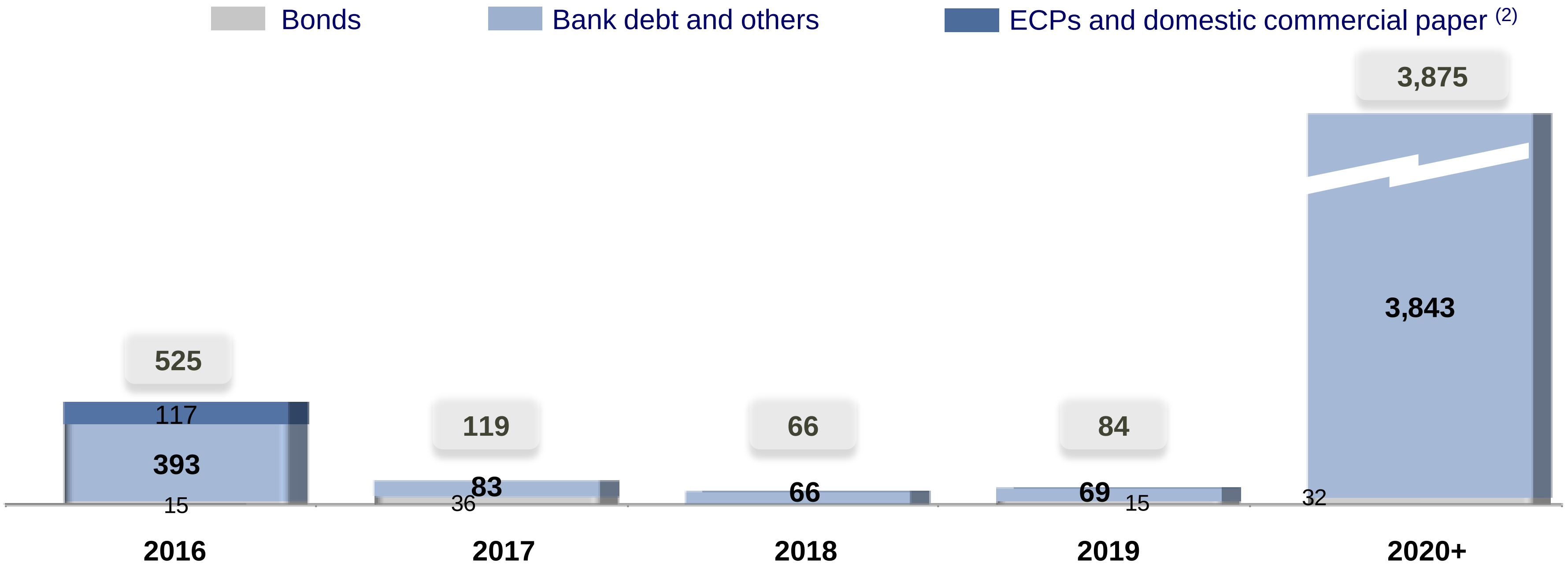
Installed capacity and output(1)

GW at 31/12/15 (and chg. vs. 31/12/14)	Installed capacity (2)		GWh 2015 (and chg. vs. 2014) Output (3)	
Total	**21.2**	**-2%**	**73,061**	**+4.9%**
Hydro	4.7	0%	7,176	-18%
Nuclear	3.3	0%	25,756	+4%
Coal	5.3	0%	26,139	+7%
Natural gas	5.4	0%	7,495	+35%
Oil-gas	2.4	-17%	6,495	+4%

(1) Includes data for fully consolidated companies and jointly-controlled companies accounted for using proportionate consolidation
(2) Net Capacity
(3) Output at power plant bus bars (Gross output minus self-consumption)

Endesa: financial debt maturity calendar

Gross balance of maturities outstanding at 31 December 2015: €4,669 M(1)



Endesa's liquidity covers 29 months of debt maturities

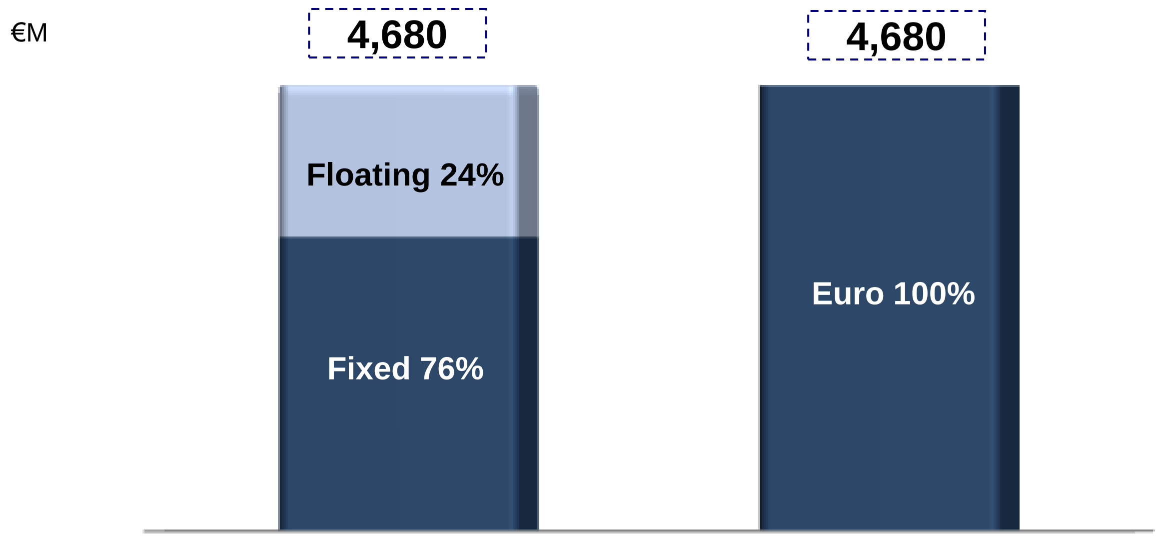
- **Liquidity €3,533 M**
  - **€346 M in cash**
  - **€3,187 M available in credit lines**
- **Average life of debt: 8 years**

(1) This gross balance differs from the total financial debt figure as it does not include outstanding execution costs or the market value of derivatives which do not involve any cash payment.
(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Gross financial debt structure

as of December 31st 2015

Structure of Endesa's gross debt



- **Average cost of debt** **2.7%**

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 increases in generation and market share; expected increases in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures and other investments; estimated asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are based are related to the regulatory setting, exchange rates, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, assigning 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 we avail ourselves 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 actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

Economic and industry conditions: significant adverse changes in the conditions of the industry, the general economy or our markets; the effect of the prevailing regulations or changes in them; tariff reductions; the impact of interest rate fluctuations; the impact of exchange rate fluctuations; the impact of energy commodities price fluctuations; natural disasters; the impact of more restrictive environmental regulations and the environmental risks inherent to our activity; potential liabilities relating to our nuclear facilities.

Transaction or commercial factors: any delays in or failure to obtain necessary regulatory, antitrust and other approvals for our proposed acquisitions or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments. Delays in or impossibility of obtaining the pertinent permits and rezoning orders in relation to real estate assets. Delays in or impossibility of obtaining regulatory authorisation, including that related to the environment, for the construction of new facilities, repowering or improvement of existing facilities or its closure or decommissioning; shortage of or changes in the price of equipment, material or labour; opposition of political or ethnic groups; adverse changes of a political or regulatory nature in the countries where we or our companies operate; adverse weather conditions, natural disasters, accidents or other unforeseen events, defaults quantifiable of monetary obligations by the counterparties to which the Company has effectively granted net credit and the impossibility of obtaining financing at what we consider satisfactory interest rates.

Regulatory, environmental and political/governmental factors: political conditions in Spain and Europe generally; changes in Spanish, European and foreign laws, regulations and taxes.

Operating factors: technical problems; changes in operating conditions and costs; capacity to execute cost-reduction plans; capacity to maintain a stable supply of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalisation and diversification.

Competitive factors: the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

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.

Endesa Corporate

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