Endesa 1Q 2018 Results

08/05/2018

Agenda

1. Highlights and key financial figures
2. Endesa's performance in 1Q 2018 market context
3. Financial results
4. Final remarks

Highlights

Outstanding performance of the liberalized business EBITDA (+113%)…

… together with the positive contribution of the regulated businesses, results in a sound increase of total EBITDA (+25%)

Adjusted fixed costs reduction -4%[1]

Strong Net Income growth (+47%)

AGM confirms final gross dividend on 2017 results: €1.382 per share

(1) *Includes provisions updates for workforce restructuring and contract suspension (€7 M in 1Q2018 and €15 M in 1Q2017) and infringement proceedings (-€6 M in 1Q2018 and €8 M in 1Q2017)*

Regulation

Experts' Commission report on Energy Transition

Endesa's strategic vision	Experts' Commission main conclusions	Endesa's vision
Electrification	▪ Support demand electrification process	✔
Renewables	▪ Tax and tariff reform	✔
Energy efficiency in all sectors	▪ Renewable capacity strong growth	✔
Preserving competitive generation	▪ Extend nuclear plants useful life	✔
Smart grids	▪ Preserve efficient conventional thermal generation: Creation of a capacity market	✔
	▪ Investment on smart networks	✔

▪ **Expert Commission report aligned to Endesa strategic vision**

Financial results

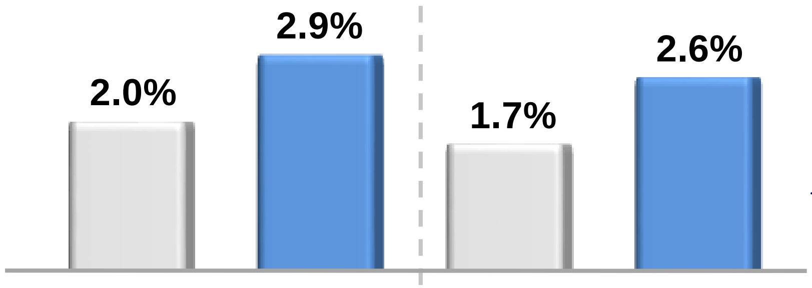
€M	1Q 2018	1Q 2017	Change
Revenues	5,169	5,223	-1%
Gross Margin	1,415	1,236	14%
EBITDA	880	702	25%
EBIT	508	340	49%
Net attributable income	372	253	47%
Net Capex (1)	149	111	34%
Cash Flow from Operations	24	536	-96%
	31.03.2018	31.12.2017	
Net financial debt	6,047	4,985	21%

(1) *Financial investments not included (€16 M in 1Q2018 and €20 M in 1Q2017) . Does not include business combinations made during the year.*

Market context in 1Q 2018

Demand[1]

Spain[2] | **Endesa** distribution area[3]



(Not adjusted)

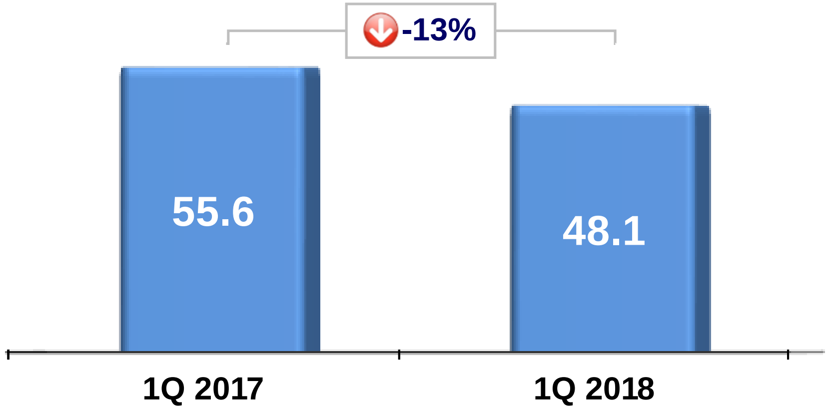
Industry	-2.8%
Services	-1.7%
Residential	+12.0%

Adjusted for weather and working days | Not adjusted

- **Demand increase affected by recovery in the residential segment and negatively influenced by Easter holiday period**

Electricity wholesale prices

Average pool prices Spain (€/MWh)



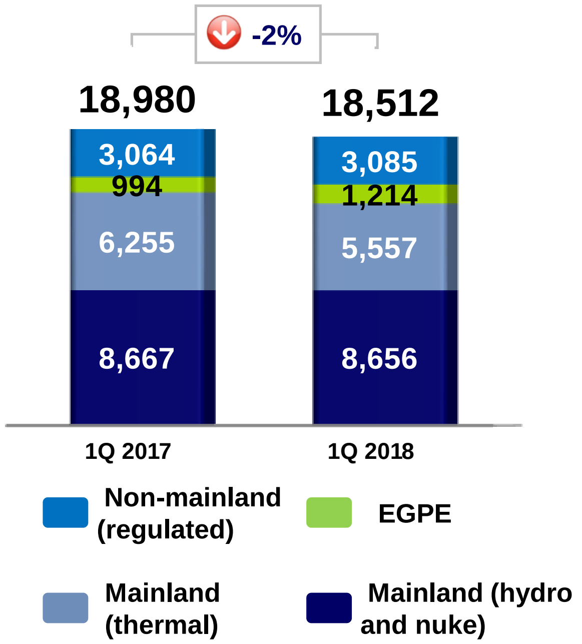
- **Progressive normalization of pool price**
- **Recovery of hydro conditions: reservoir levels close to 10 years average**
- **34% increase in hydro system production**

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

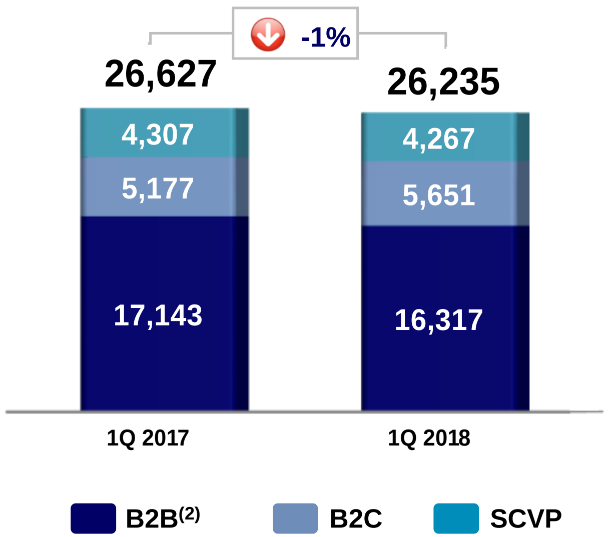
Endesa's performance in 1Q 2018 market context

Power operational highlights

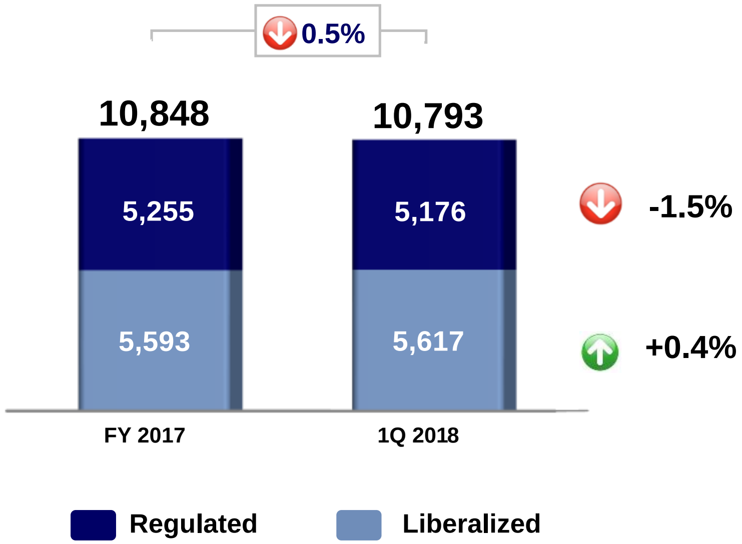
Output(1) (GWh)



Electricity sales(1) (GWh)



Number of electricity customers (thous.)

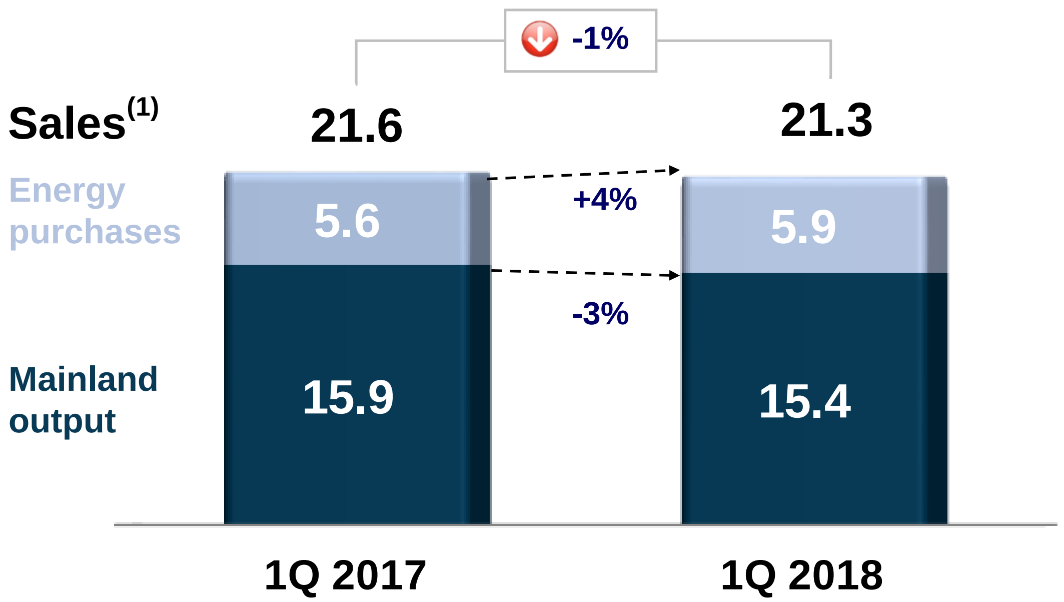


(1) *Energy at power plant busbars.*
(2) *B2B includes Industrial sales in Spain and Portugal, SME and International*

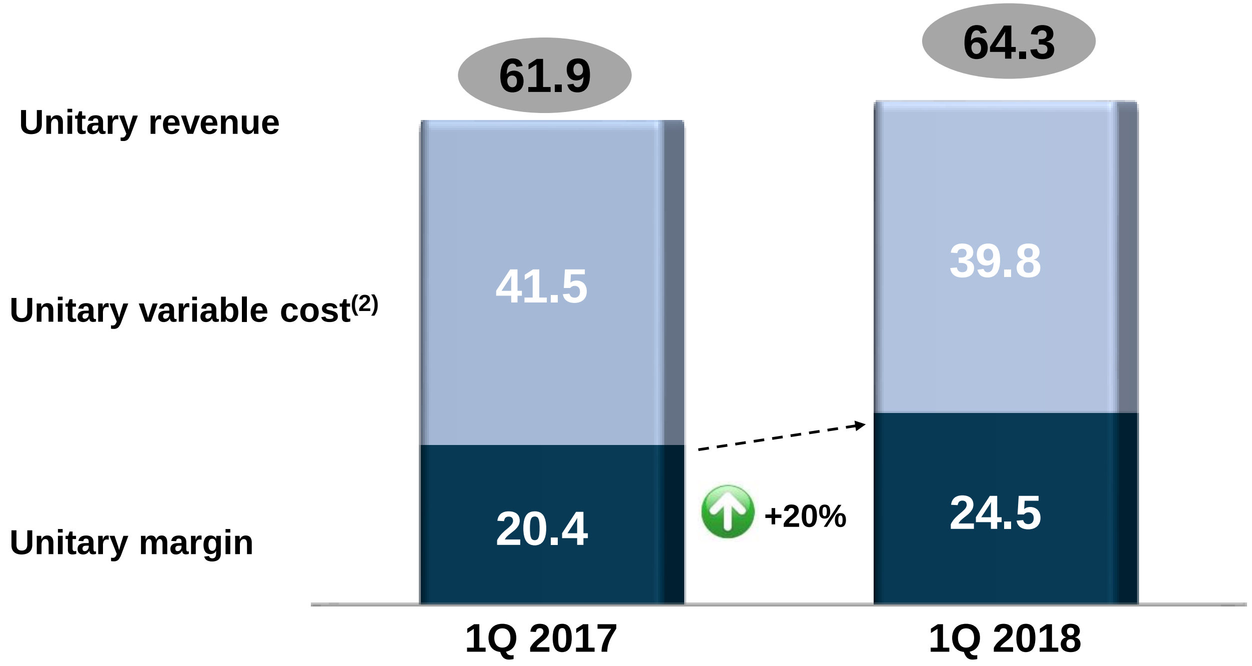
Liberalized business

Energy management

Energy (TWh)



Unitary values breakdown (€/MWh)



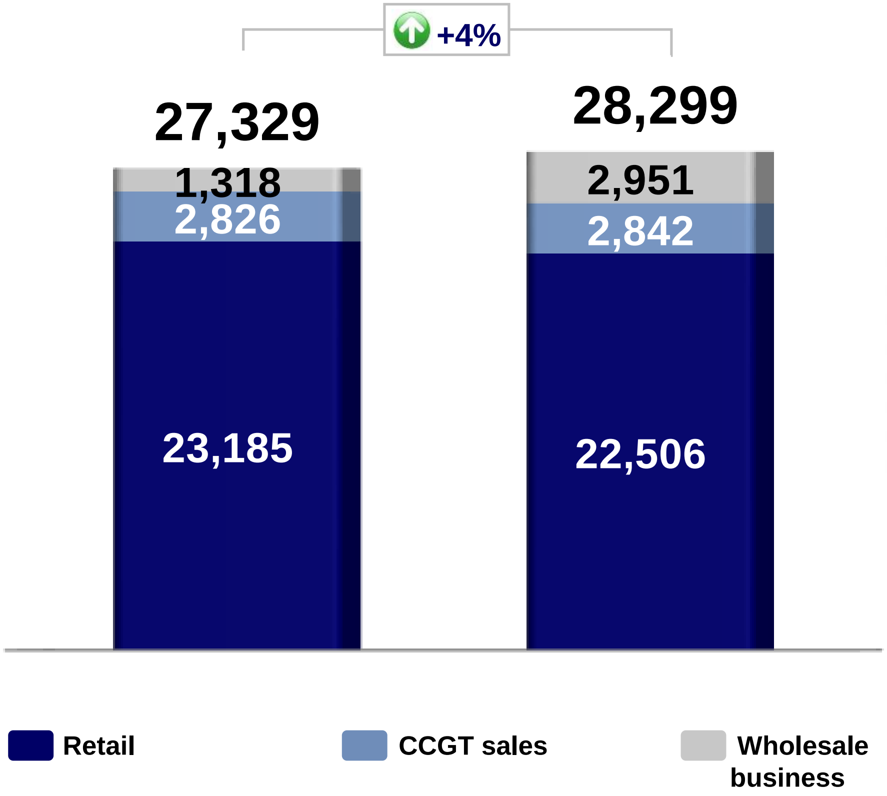
- **Sound fundamentals in Gx & Sx, with an increase of 20% of electricity unitary margin (€24.5/MWh)**

(1) *Total electricity sales (at power plant busbars) -SCVP - International Sales*
(2) *Production cost + energy purchase costs + ancillary services*

Endesa's performance in 1Q 2018 market context

Gas operational highlights

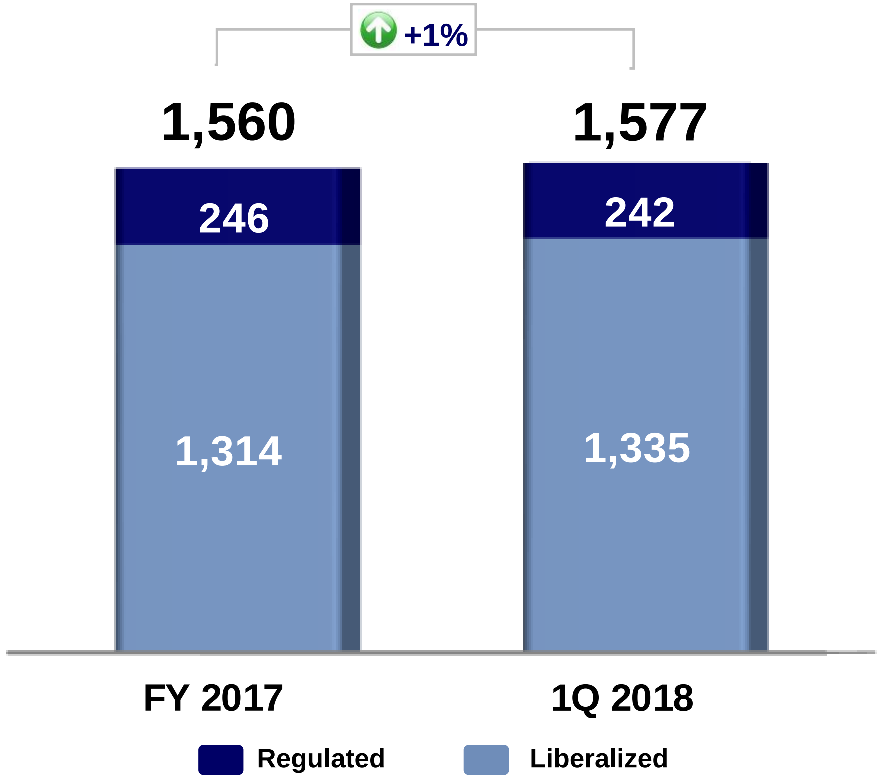
Sales (GWh)



Unitary margin [1]:

1Q 2017	1Q 2018
€0.6/MWh	~€0.9/MWh

Number of gas customers (thous.)

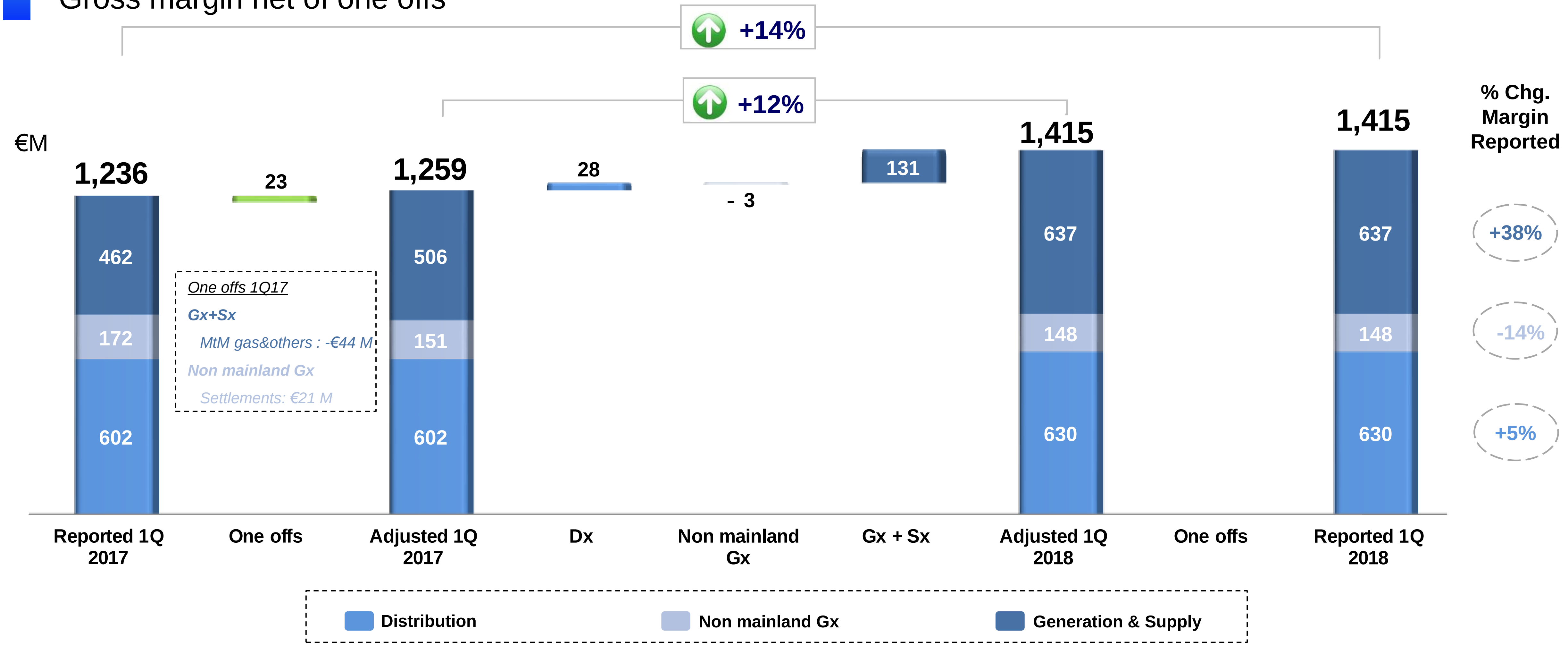


- **Gas recovery better than expected**

(1) *Ordinary unitary margin does not include Wholesale business*

Gross margin evolution

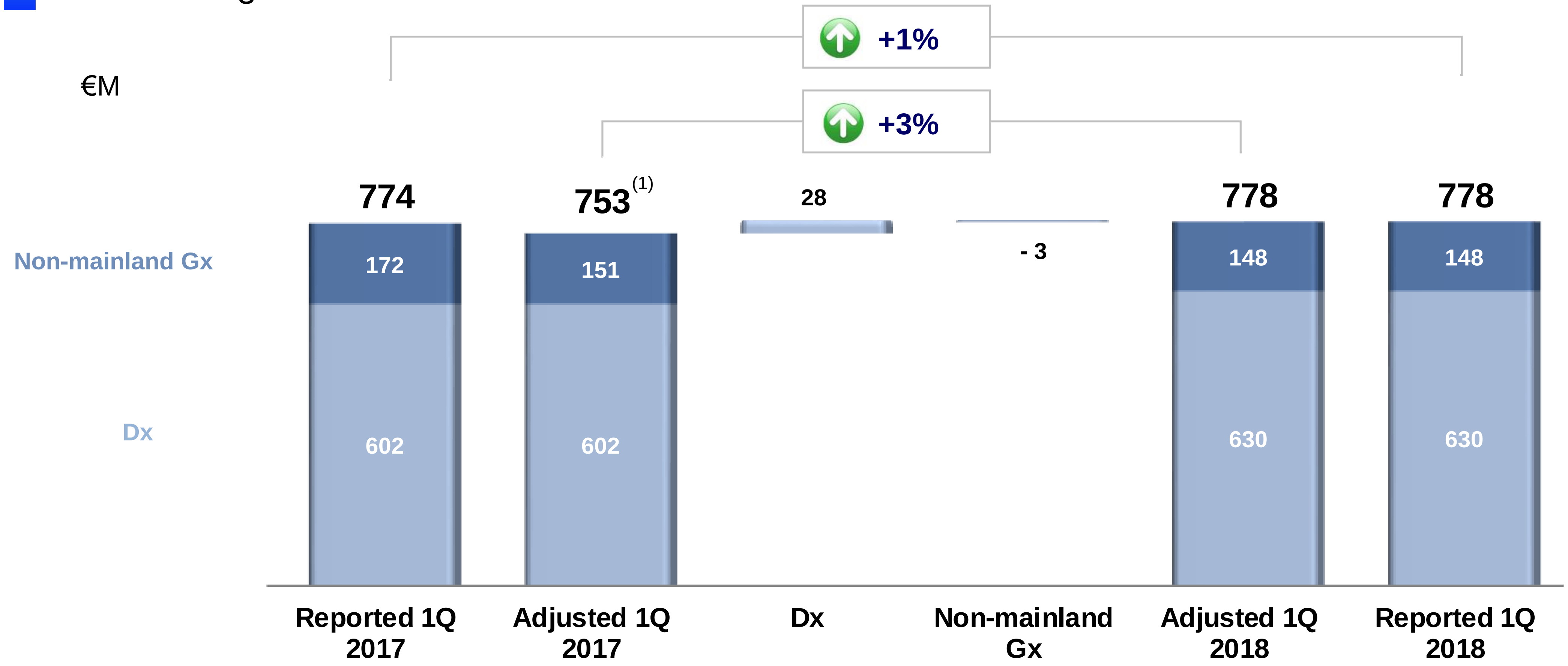
Gross margin net of one offs



- **Improvement of adjusted gross margin mainly driven by liberalized business**

Regulated business

Gross margin evolution

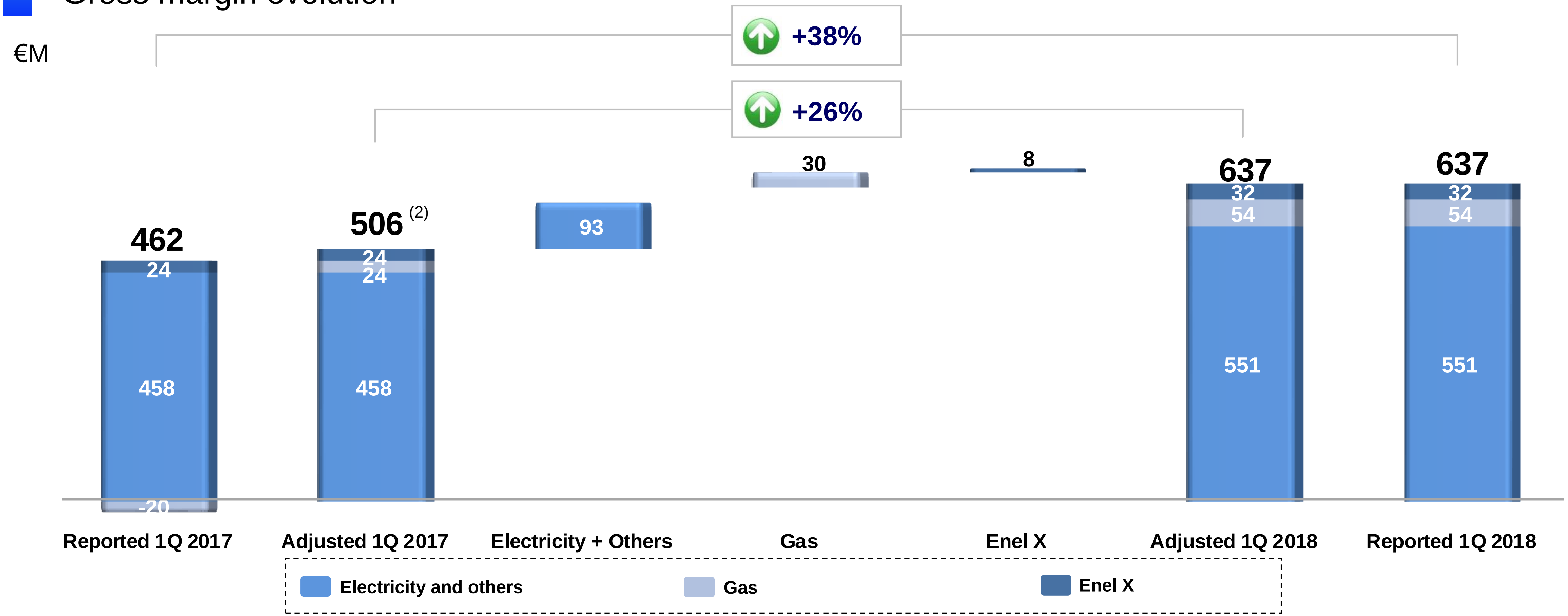


- **Increase of regulated gross margin, benefitting from Distribution improvement**

(1) *One offs 1Q 2017: €21 M non mainland settlements*

Liberalized business[1]

Gross margin evolution



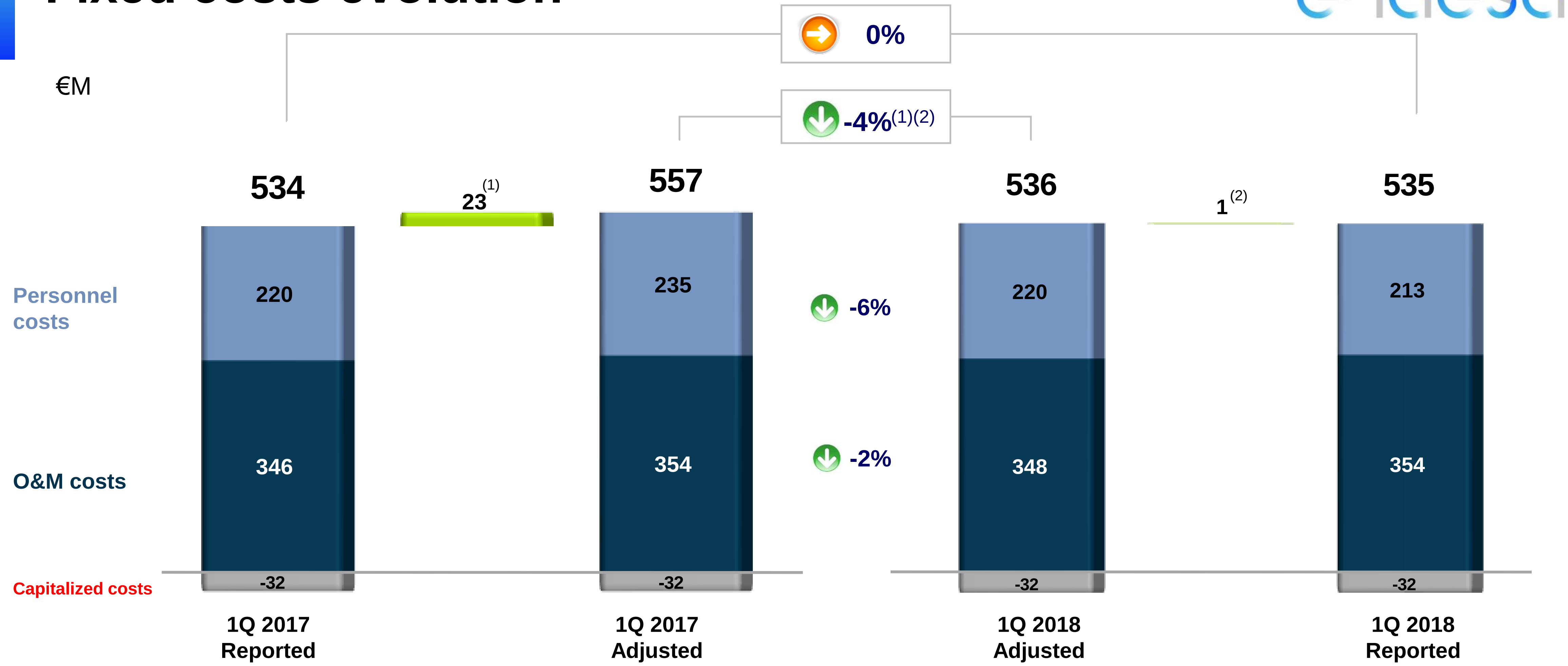
- **26% increase in adjusted liberalized margin mainly thanks to the successful energy management strategy in electricity and the recovery of gas business**

(1) Liberalized business Gross Margin figure includes Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation

(2) One offs 1Q 2017: -€44 M (MtM gas -€30 M and Force Majeure in Argelia -€14 M)

Fixed costs evolution

€M

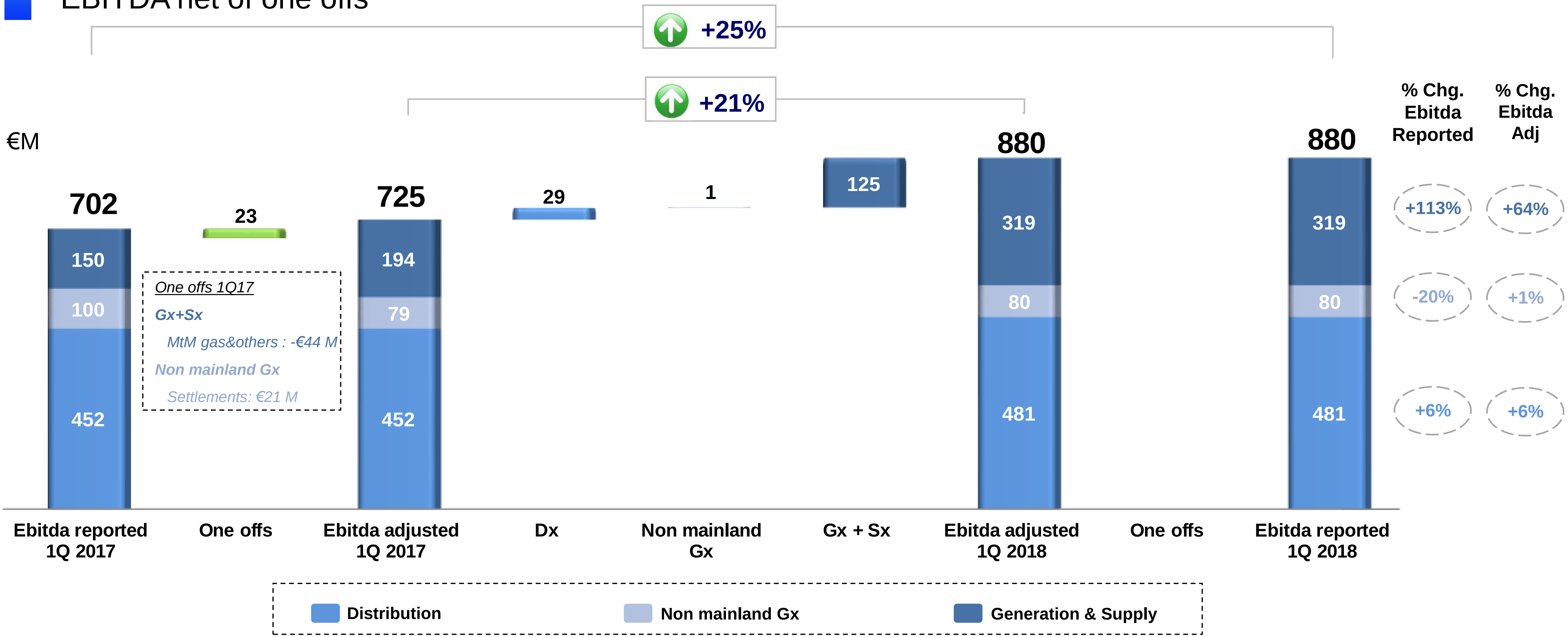


- **4% adjusted fixed costs reduction driven by efficiency plans(1)(2)**

(1) *Adjustments 1Q 2017: Provisions updates for workforce restructuring and contract suspension (€15 M) and infringement proceedings (€8 M)*
(2) *Adjustments 1Q 2018: provisions updates for workforce restructuring and contract suspension (€7 M) and infringement proceedings (-€6 M)*

EBITDA evolution

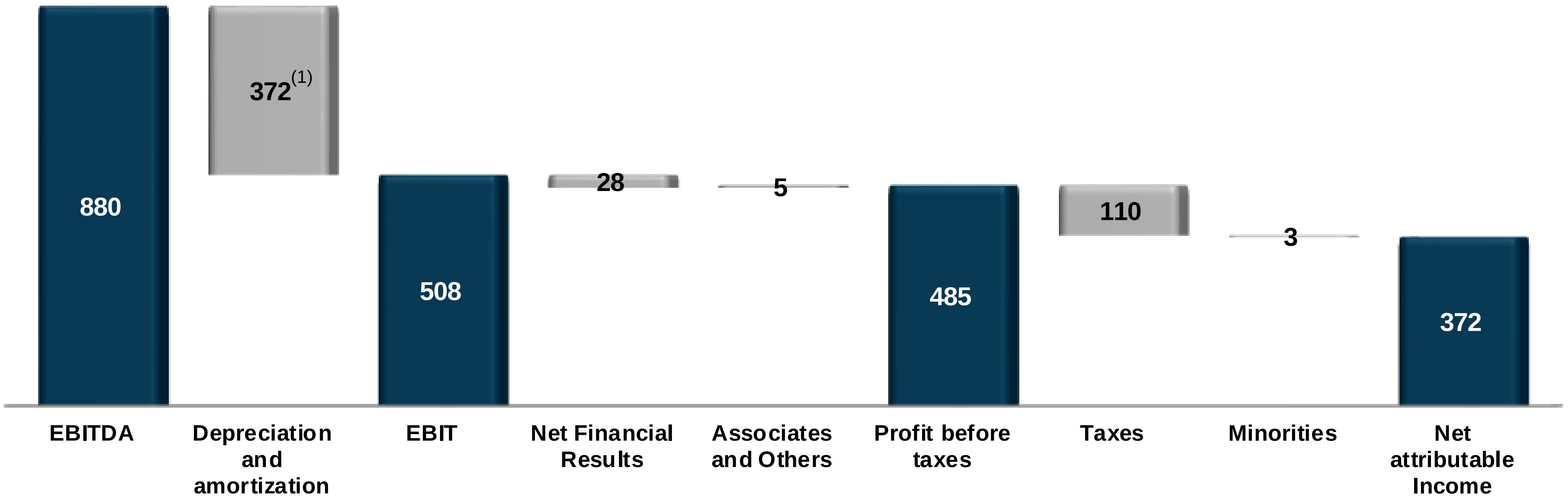
EBITDA net of one offs



- **Improvement of adjusted EBITDA mainly driven by liberalized business**

From EBITDA to Net Income

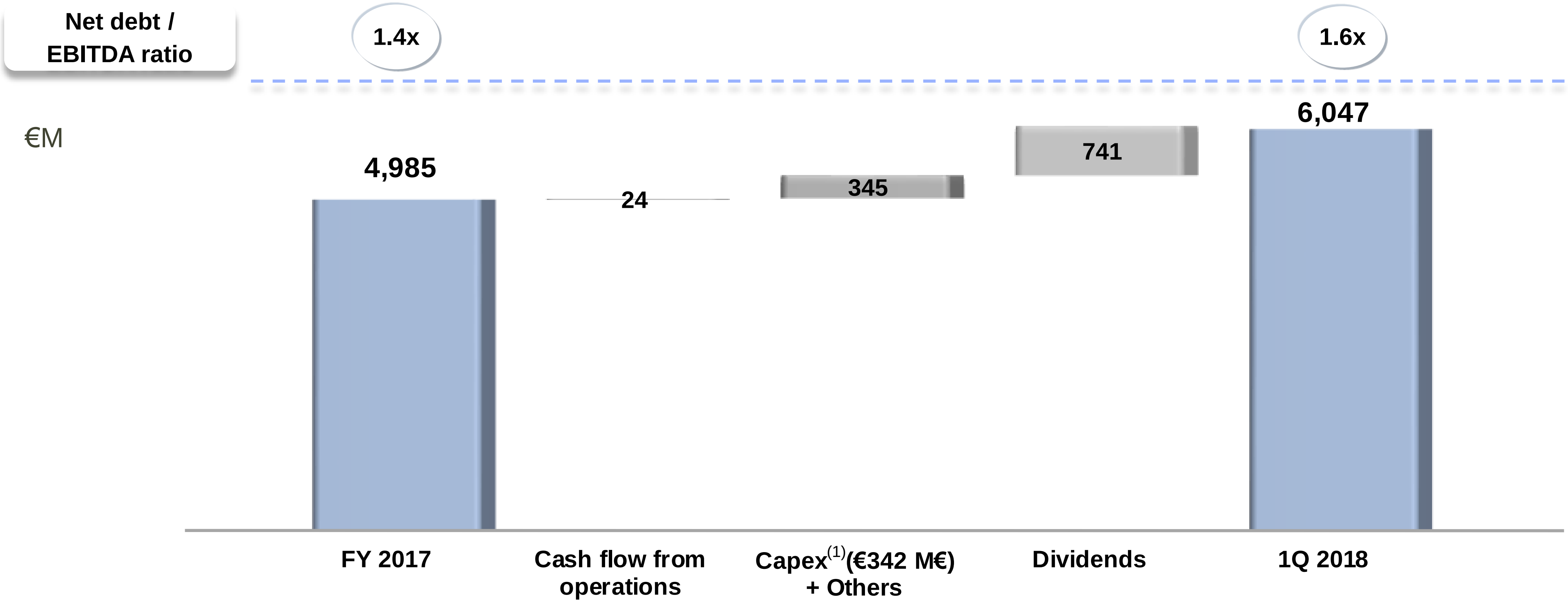
€M



	EBITDA	Depreciation and amortization	EBIT	Net Financial Results	Associates and Others	Profit before taxes	Taxes	Minorities	Net attributable Income
1Q 2017	702	-362	340	-28	10	322	-66	-3	253
Change (%)	+25%	+3%	+49%	n/a	-50%	+51%	+67%	n/a	+47%

(1) *D&A includes additional €9 M as a consequence of the implementation of IFRS 15 (Revenue from contracts with customers)*

Net financial debt analysis

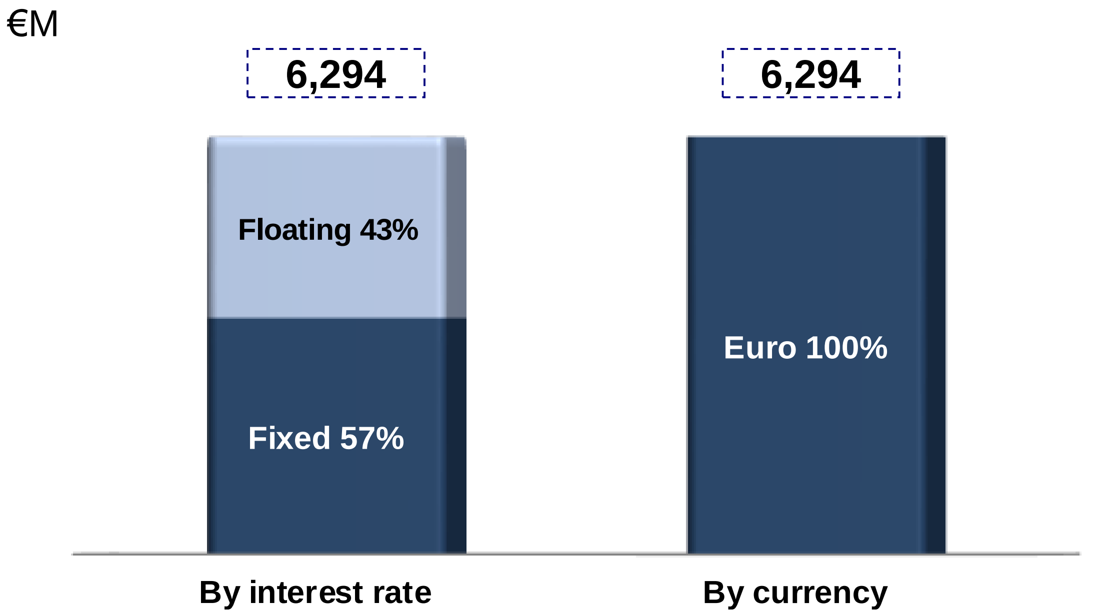


- **Cash Flow from Operations will normalize in next quarters**
- **Healthy financial leverage and strong liquidity position**

(1) *Cash based Capex*

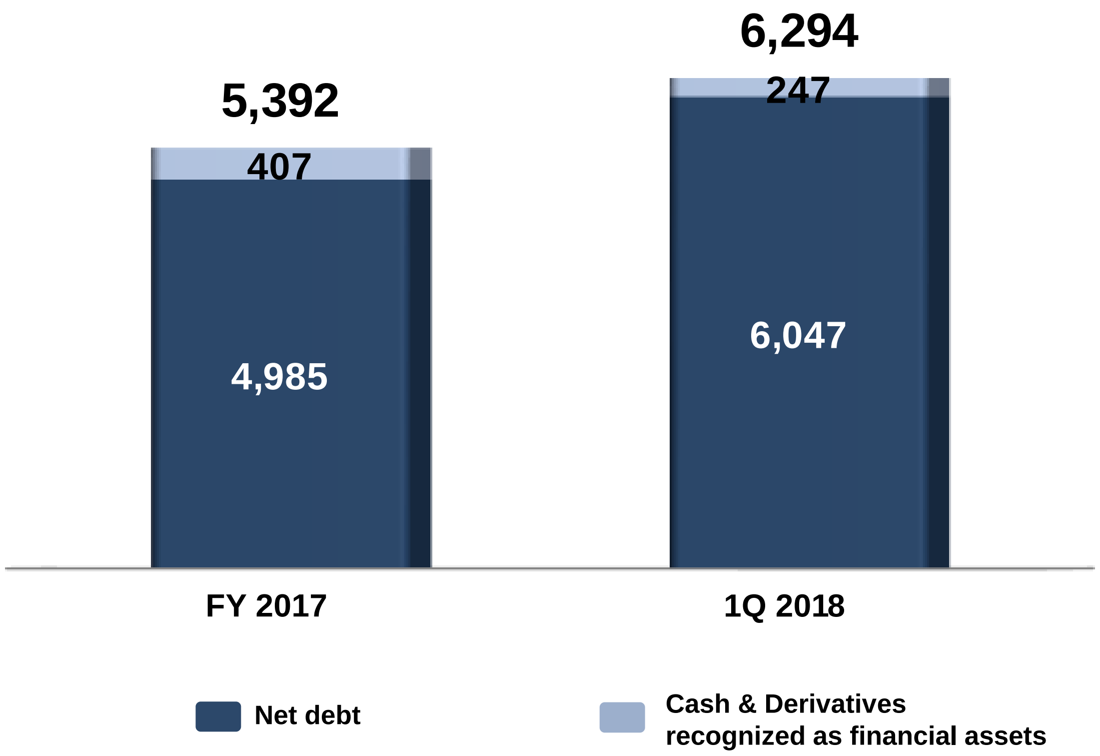
Gross financial debt structure
as of March 31st 2018

Structure of Endesa's gross debt



- Average cost of debt 2.1% (vs. 2.4% as of 1Q17)

Gross and net debt



Final Remarks

Sound EBITDA evolution supported by the very good performance of our liberalized business

Continuous delivery on fixed cost reduction

Strong Net Income figure

Endesa's strategic vision reinforced by Experts' Commission report conclusions

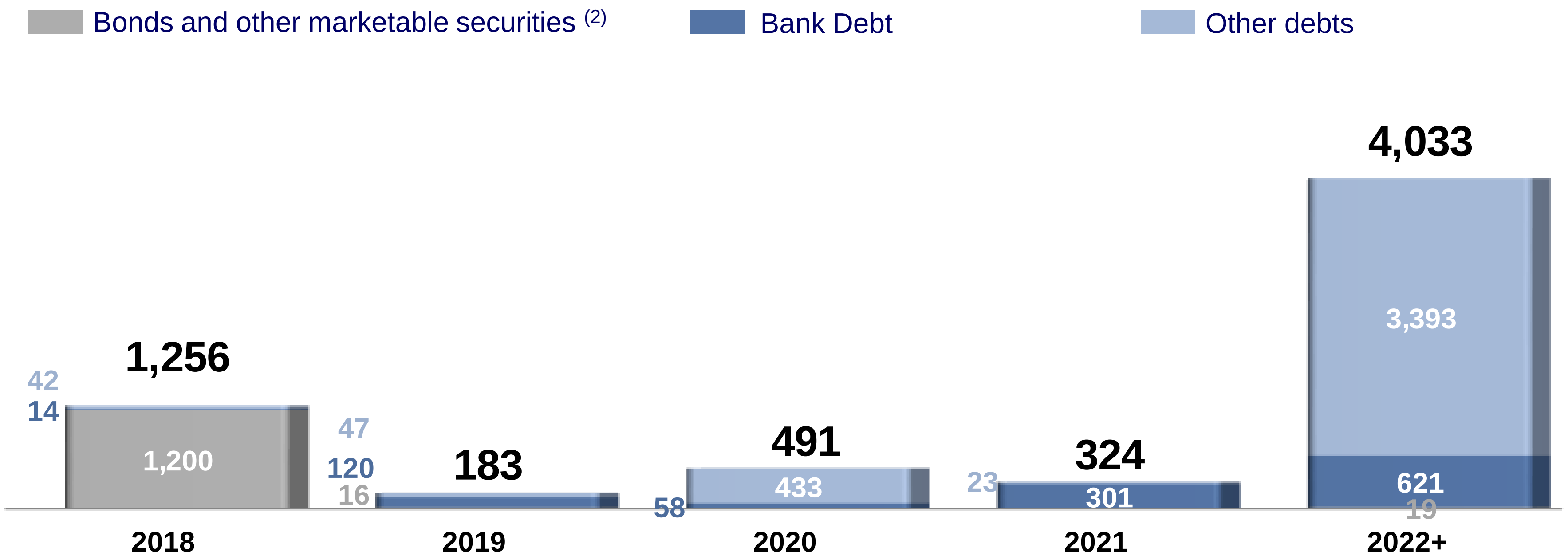
Well on track to meet 2018 guidance

Appendix

Endesa 1Q 2018 Results

Endesa: financial debt maturity calendar

Gross balance of maturities outstanding at 31 March 2018: €6,294 M[(1)]



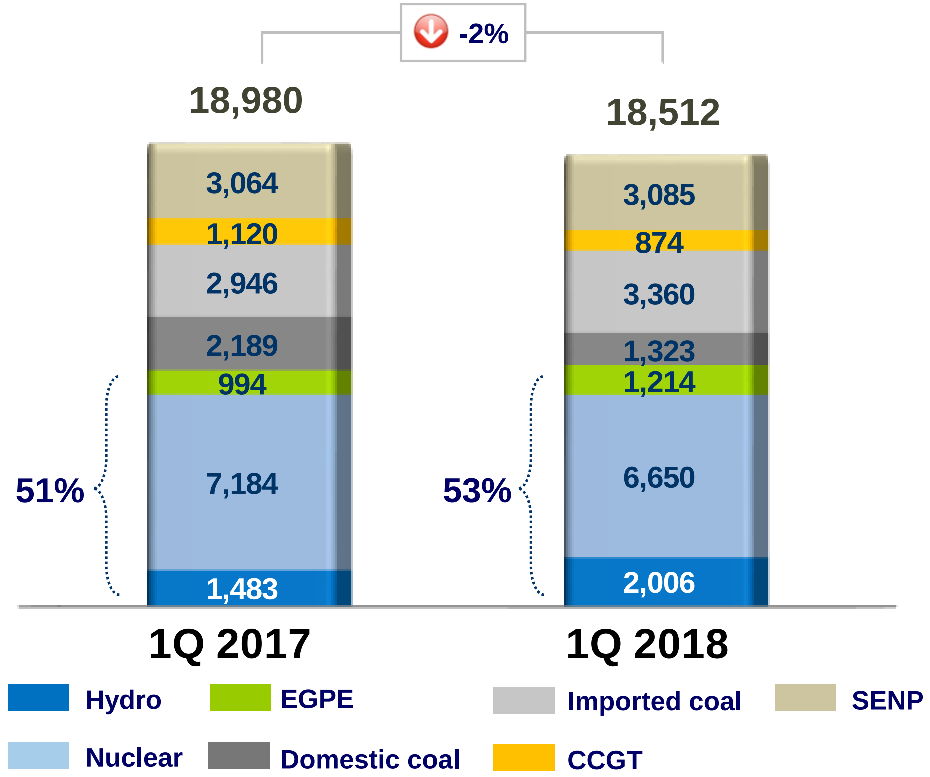
Endesa's liquidity covers 26 months of debt maturities

- Liquidity €2,987 M
  - €240 M in cash
  - €2,747 M available in credit lines
- Average life of debt: 5.5 years

(1) Including €7 M relating to financial derivatives.
(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Installed capacity and output

Total output(1) (GWh)



- 11% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 53% of total output (vs. 51% in 1Q 2017)

Total output (GWh)

GWh 1Q 2018 (and chg. vs. 1Q 2017)	Total Output (1)	
Total	18,512	-2%
Hydro	2,006	35%
Nuclear	6,650	-7%
Coal	5,273	-8%
Natural gas	1,724	-13%
Oil-gas	1,645	3%
Renewables	1,214	22%

Total installed capacity (GW)

GW at 1Q 2018 (and chg. vs. 31 Dec. 2017)	Total Installed capacity (2)	
Total	22.7	0%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.2	0%
Natural gas	5.4	0%
Oil-gas	2.4	-2%
Renewables	1.7	0%

(1) Output at power plant bus bars (Gross output minus self-consumption)
(2) Net Capacity

Endesa: 1Q 2018 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	4,538	681	128	-178	5,169
Procurements and services	-3,723	-51	-23	43	-3,754
Gross margin	815	630	105	-135	1,415
Self-constructed assets	5	25	2	0	32
Personnel expenses	-121	-64	-40	12	-213
Other fixed operating expenses	-293	-110	-80	129	-354
EBITDA	406	481	-13	6	880
D&A	-210	-153	-9	0	-372
EBIT	196	328	-22	6	508
Net financial results	-33	-18	23	0	-28
Net results from equity method	6	4	3	0	13
Results from other investments	0	0	0	0	0
Results on disposal of assets	-8	0	0	0	-8
PROFIT BEFORE TAX	161	314	4	6	485
Income Tax Expense	-36	-73	0	-1	-110
Minorities	-3	0	0	0	-3
NET ATTRIBUTABLE INCOME	122	241	4	5	372

Endesa: 1Q 2017 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	4,641	633	151	-202	5,223
Procurements and services	3,978	31	44	-66	3,987
Gross margin	663	602	107	-136	1,236
Self-constructed assets	5	26	1	0	32
Personnel expenses	-113	-67	-41	1	-220
Other fixed operating expenses	-294	-109	-77	134	-346
EBITDA	261	452	-10	-1	702
D&A	-205	-141	-16	0	-362
EBIT	56	311	-26	-1	340
Net financial results	-32	-23	24	3	-28
Net results from equity method	13	2	0	0	15
Results from other investments	0	0	0	-1	-1
Results on disposal of assets	-4	0	0	0	-4
PROFIT BEFORE TAX	33	290	-2	1	322
Income Tax Expense	2	-69	0	1	-66
Minorities	-3	0	0	0	-3
NET ATTRIBUTABLE INCOME	32	221	-2	2	253

New International Financial Reporting Standards (IFRS)

First Adoption	IFRS	Main Impacts	
January 1, 2018	IFRS 15 *Revenue from contracts with customers*	• Revenue agreements • Customer acquisition costs	• First Adoption (January 1, 2018): Intangible asset (€71 M) • 1 Q 2018: Activation of customer acquisition costs (€12 M) and amortization (€9 M)
	IFRS 9 *Financial instruments*	• Impairment of financial assets • Hedge accounting	• First Adoption (January 1, 2018): Financial assets (- €40 M)

Glossary of terms (I/II)

Item	Calculation	Reference note (#) of Consolidated Management Report
Average cost of debt (%)	(Cost of gross financial debt) / gross average financial debt: €31 M x (365/90) / €6,201 M = 2.1%	4.1
Average life of debt (number of years)	(Principal x number of days of term) / (Principal in force at the end of the period x number of days of the period): 34,558 / 6,287 = 5.5 years	n/a
Cash flow from operations (€M)	Net cash provided by operating activities (€24 M)	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 26 months	4.1
EBITDA (€M)	Revenues (€5,169 M) – Purchases and Services (€3,754 M) + Work performed by the entity and capitalized (€32 M) – Personnel expenses (€213 M) – Other fixed operating expenses (€354 M) = €880 M	1.3
EBIT (€M)	EBITDA (€880 M) - Depreciation and amortization (€372 M) = €508 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€213 M) + Other fixed operating expenses (€354 M) - Work performed by the entity and capitalized (€32 M) = €535 M	1.3.2
Gross margin (€M)	Revenues (€5,169 M) – Purchases and Services (€3,754 M) = €1,415 M	1.4.1
Leverage (times)	Net financial debt (€6,047 M) / EBITDA (€2,840 M from 2Q, 3Q & 4Q 17 + €880 M from 1Q 2018) = 1.6x	n/a
Net Capex (€M)	Gross tangible (€157 M) and intangible (€24 M) Capex - assets from clients' contributions and subsidies (€32 M) = €149 M	4.3

Note: Refer to the Consolidated Management Report for those Alternative Measures of Performance not contained herein

Glossary of terms (II/II)

Item	Calculation	Reference note (#) of Consolidated Management Report
Net financial debt (€M)	Long and short term financial debt (€5,008 M + €1,286 M) - Cash and cash equivalents (€240 M) – Derivatives recognized as financial assets (€7 M) = €6,047 M	4.1
Net financial results (€M)	Financial Revenues (€9 M) - Financial Expenses (€42 M) + Foreign Exchanges (€5 M) = -€28 M	1.3.3
Revenues (€M)	Sales (€5,023 M) + Other operating revenues (€146 M) = €5,169 M	1.3.1
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€815 M) - Margin SENP (€148 M) - Margin SCVP (€25 M) - Margin gas (€54 M) - Margin Enel X (€32 M) - Others (€34 M) = €521 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €521 M / 21.3 TWh = €24.5/MWh	n/a
Gas ordinary unitary margin (€/MWh)	Gas Ordinary Margin / Gas sales excluding Wholesales business: €24.2 M / 25.3 TWh = €0.9/MWh	n/a
Enel X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Enel X unit = €32 M	n/a

Note: Refer to the Consolidated Management Report for those Alternative Measures of Performance not contained herein

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

Economic and industry conditions; factors related to liquidity and financing; operating factors; strategic and regulatory, legal, fiscal, environmental, political and governmental factors; reputational factors and transaction and commercial factors.

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).

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