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## ENDESA TOPS GUIDANCE WITH 1,511 MILLION EURO NET ORDINARY INCOME IN 2018

	2018	2017	Change
Millions of euros			
REVENUES	20,195	20,057	1%
EBITDA	3,627	3,542	2%
EBIT	1,919	2,031	-6%
NET INCOME	1,417	1,463	-3%
NET ORDINARY INCOME <sup>(1)</sup>	1,511	1,452	4%
OPERATING CASH FLOW	2,420	2,438	-1%
NET FINANCIAL DEBT	5,770	4,985	16%
GROSS INVESTMENT <sup>(2)</sup>	1,470	1,175	25%

(1) Net ordinary income = Profit for the year of the Parent company - Gains/(losses) on disposal of non-financial assets, net (of over 10 million euros) - Net impairment losses on non-financial assets (of over 10 million euros).

(2) Excluding business combinations for the period.

**Madrid, February 26<sup>th</sup>, 2019** - Endesa posted excellent results in 2018, driven mainly by efficient management of its electricity business, the recovery of gas business margins and the steady regulated market.

Growth in the company's main financial indicators exceeded the targets announced to the market, despite the impact on net income from impairment losses recognised on the Alcodia plant, that were decided after analysing current regulations and market conditions, affecting the plant's useful life. Excluding this impact, net ordinary income was up by 4%.

Endesa registered this performance against a backdrop of high energy prices in the commodity market and a significant increase in CO<sub>2</sub> prices which, in turn, drove up wholesale market prices.

These increases were recorded in spite of the growth in hydro generation in Spain, which reached levels above the 10-year run average, and a 40% increase in wind generation.

*“Endesa's 2018 financial results are testament to its ability to create value from effective business management”* said Endesa's CEO, **José Bogas**. *“During the year, Endesa laid the foundations for sustaining solid business momentum going forward, through investments in renewable capacity among other things. The company will step up these efforts in 2019, by bringing around 880 MW of new renewable capacity online.”*

Trends in the key figures of 2018 were as follows:

- **EBITDA** increased by 2% in 2018 versus the result posted in 2017. EBITDA would have increased by 12% net of non-recurring items in 2017, mainly related to the reimbursement of the 2014-2016 Social Bonus, previous years' settlements in non-mainland areas, certain adjustments related to gas and adjustments to income from distribution in previous years. The EBITDA increase was mainly due to the following:
  - ✓ A 17% increase in EBITDA from free market activities (40% like-for-like, 346 million euros) resulting from Endesa's effective market strategy.
    - The **gross margin in the free market business** increased by 230 million euros in 2018, or 423 million euros net of non-recurring items posted in 2017. This improvement was mainly driven by:
      1. Effective management in the electricity market resulting in a 327 million euro gross margin increase, more than offsetting high wholesale prices, which were up by 10% at 57.3 euros/MWh vis-à-vis 2017 levels.
      2. A significant improvement in the gas business, whose contribution to Endesa's gross margin was 138 million euros in 2018, up 82 million euros on the previous year.
  - ✓ Regulated market EBITDA grew by an adjusted 1.8%, mainly on the back of the increase in distribution payments. Distribution EBITDA was 2,059 million euros, equivalent to a 4% increase on a like-for-like basis.
- Endesa's strong focus on **cost containment**: in 2018, fixed operating expenses were broadly in line with the year before, offsetting the impact of inflation and growth in the company's business segments.



- **EBIT** declined by 6%, mostly due to the impairment losses recognised on the thermal power plant in Alcudia (Balearic Islands), amounting to 158 million euros.
- As a result of all of the above, **net income** fell by 3%, while **net ordinary income** increased by 4%, excluding the aforementioned impairment losses.

### **Operating cash flow, net financial debt and investments**

- **Operating cash flow** remained stable throughout 2018, fuelling the company's investment plan, as well as providing the net cash flows used for the financing of acquisitions.
- **Net financial debt** increased by 785 million euros on 2017, mainly due to investments carried out in the period, the acquisition of five wind farms from Gestinver for 172 million euros (including debt consolidation), the purchase of power distribution and retail company Eléctrica de Ceuta for 83 million euros, and the payment of dividends, for 1,472 million euros.
- **Gross investments** totalled 1,470 million euros, increasing by 25%, mainly attributable to the construction of wind and photovoltaic facilities awarded to the company in 2017 tenders, as well as investments in the As Pontes thermal plant to bring it in line with European environmental regulations, specifically the Industrial Emissions Directive (IED), which will come into force on June 30<sup>th</sup>, 2020.

## Operating results

	2018	2017	Change
<b>GWh</b>			
MAINLAND OUTPUT UNDER THE ORDINARY REGIME	61,338	65,499	-6.4%
FREE MARKET SALES	84,246	91,487	-7.9%
REGULATED MARKET SALES	14,432	15,263	-5.4%
ELECTRICITY DISTRIBUTED	117,029	117,961	-0.8%
GAS SALES <sup>(1)</sup>	86,729	79,834	8.6%

(1) Net of consumption from own power generation.

- **Electricity demand in mainland Spain** grew by 0.4% in 2018, or 0.3% adjusted for working days and temperature.
- **Renewable generation** in Spain in the year met 40% of total mainland electricity demand, up from 35.7% in 2017.
- Endesa's peninsular electricity production **declined by** 6.4% on the back of lower thermal production.
  - **CO<sub>2</sub> free technology** (hydro, wind, solar and nuclear) was **48.8% of Endesa's mainland generation mix in 2018**, up from 44.4% in 2017.
  - The company's output in **Non-mainland Territories** (TNP) was 12,855 GWh (-2.2%).
- In 2018, Endesa recorded **market shares** of 22.5% in mainland generation, 43.6% in distribution and 33.4% in electricity sales to free market customers, confirming the company's leading position in the Spanish electricity sector.
- Endesa had 5,724,633 **free market electricity customers** in 2018, up 2.4% on 2017.
- **Gas demand for conventional consumption in Spain** increased by 4.5% in 2018
- In 2018, **Endesa held a 16.3% share** of gas sales to free market customers in Spain.



## Dividends

Endesa's General Shareholders' Meeting held on April 23<sup>rd</sup>, 2018 agreed to distribute a **total dividend of 1.382 euros (gross) per share** on 2017 earnings, for an overall amount of 1,463 million euros.

At the upcoming General Shareholders' Meeting the company will propose payment of a **dividend on 2018 net income of ENDESA, S.A. of 1.427 euros (gross) per share (100% payout)**, 3% higher than the dividend on 2017 earnings and 7% above the minimum dividend announced to the market for this year.