Endesa
2017-2019 Strategic Plan Update

23/11/2016
1. Endesa’s latest successful restructuring equity story

2. New energy paradigm and transitional period

3. 2017-2019 strategic pillars to lead energy transformation

4. 2017-2019 main financial metrics

5. Final remarks
1. Endesa’s latest successful restructuring equity story
2. New energy paradigm and transitional period
3. 2017-2019 strategic pillars to lead energy transformation
4. 2017-2019 main financial metrics
5. Final remarks
### Endesa’s recent and successful restructuring equity story

#### 2014

<table>
<thead>
<tr>
<th>Gx mix</th>
<th>Gx mix with no presence in renewables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>Limited growth opportunities</td>
</tr>
<tr>
<td>Efficiency plans</td>
<td>Launch of Efficiency Plan</td>
</tr>
<tr>
<td>Regulatory outlook and visibility</td>
<td>Energy reform in process</td>
</tr>
<tr>
<td>Optimizing Gx &amp; Sx value</td>
<td>Margin volatility perception</td>
</tr>
</tbody>
</table>

#### 2016

<table>
<thead>
<tr>
<th>Gx mix</th>
<th>Fully diversified Gx portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth opportunities</td>
<td>Higher growth opportunities: EGPE, VAS and Dx</td>
</tr>
<tr>
<td>Efficiency plans</td>
<td>2017 targets achieved in 2016</td>
</tr>
<tr>
<td>Regulatory outlook and visibility</td>
<td>Regulatory framework stability</td>
</tr>
<tr>
<td>Optimizing Gx &amp; Sx value</td>
<td>Stability of liberalized margin</td>
</tr>
</tbody>
</table>

- **2017 targets achieved in 2016**
  - Cash costs\(^{(1)}\) decrease by 14%

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(1) It includes OPEX and maintenance investments

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**Endesa ready for the future**
## Financial targets 2014-2016

<table>
<thead>
<tr>
<th>Financial Guidance</th>
<th>Last target</th>
<th>Accomplishment</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA communicated:</strong></td>
<td>2014: €2.9 bn 2015: €3.0 bn 2016: €3.2 bn</td>
<td>EBITDA achieved 2014: €3.1 bn 2015: €3.0 bn 2016: ≥€3.2 bn</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Net Income communicated:</strong></td>
<td>2015: €1 bn 2016: €1.3 bn</td>
<td>Net Income achieved: 2015: €1.1 bn 2016: ≥€1.3 bn</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Cash Flow Generation</strong></td>
<td>2015-2017 cumulative FCF(^{(1)}) ~€3.8 bn</td>
<td>Target already achieved as of 9M2016</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Dividend policy</strong></td>
<td></td>
<td>100% pay-out</td>
<td>✔</td>
</tr>
</tbody>
</table>

### Beating consistently our commitments since 2014

\(^{(1)}\) FCF = Funds from Operations (FFO) – Maintenance & Growth Net investments
1. Endesa’s latest restructuring equity story

2. New energy paradigm and transitional period

3. 2017-2019 strategic pillars to lead energy transformation

4. 2017-2019 main financial metrics

5. Final remarks
New energy paradigm and transitional period
European Union: leading the fight to global warming

GHG emission reduction targets

- **Carbon neutrality commitment between 2050 and 2100**
- **2013-20 Climate Change Package**: -20% GHG emission binding
- **2030 Framework**: -40% GHG emission binding
- **Roadmap 2050**: -80-95% GHG emission

<table>
<thead>
<tr>
<th>Year</th>
<th>Target (MtCO₂ equiv.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>451</td>
</tr>
<tr>
<td>2020 Target</td>
<td>~380</td>
</tr>
<tr>
<td>2030 Target</td>
<td>~300</td>
</tr>
<tr>
<td>2050 Target</td>
<td>~66</td>
</tr>
</tbody>
</table>

80-95% GHG reduction

**EU and Spain aim to decarbonization of the economy by 2050**

(1) Reduction targets EU compared to 1990 levels; (2) Reduction targets compared to 2005. Non-ETS targets: -10% as for 2020 and -26% as for 2030. ETS targets: -21% y -43% as defined in the UE’s scheme. In 2030, target range estimated: 285 y 300 depending on final Non-ETS target (-26%-30%); (3) It assumes convergence related to tCO2eq per capita with UE

Source: European Commission, Eurostat, EEA, MAGRAMA, UNFCCC; internal analyses
New energy paradigm and transitional period

Electrification with renewables: the feasible path toward an efficient and sustainable energy model

<table>
<thead>
<tr>
<th>Energy usages related Emissions</th>
<th>2014</th>
<th>2020</th>
<th>2030</th>
<th>2050 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Energy emissions(^{(1)})</td>
<td>343</td>
<td>~335</td>
<td>~285</td>
<td>~66</td>
</tr>
<tr>
<td>Industry</td>
<td>18%</td>
<td>12%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>3%</td>
<td>27%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) It includes agriculture, waste and non-energy industrial processes.

Source: European Commission, Eurostat, EEA, MAGRAMA, UNFCCC, internal analysis

Transport electrification not only enables full decarbonization, but also energy efficiency gains. Energy efficiency and electrification are key to comply with targets.
New energy paradigm and transitional period

Generation fleet transition: avoid inefficient investments

Spain mainland Power capacity projections (GW)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve margin</td>
<td>1.4</td>
<td>~1.2</td>
<td>~1.1</td>
</tr>
<tr>
<td>Peak demand (GW)</td>
<td>40.3</td>
<td>~44</td>
<td>~49</td>
</tr>
<tr>
<td>Coal</td>
<td>102</td>
<td>101</td>
<td>~130</td>
</tr>
<tr>
<td>Combined cycle</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Renewables</td>
<td>52</td>
<td>56</td>
<td>85</td>
</tr>
<tr>
<td>Nuclear</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

Path for an efficient generation mix transition

- **Renewable generation**: +30 GW of new capacity to comply with the EU's 2030 targets
- **Storage**: it is likely to be technological immature as system back-up in next few years
- **Conventional generation** is key to secure a successful and smooth transition

Keep nuclear and efficient thermal plants beyond 2030 to secure a smooth transition avoiding new inefficient fossil investments

(1) Includes cogeneration and others; (2) Includes hydro and pumping generation as well as centralized and decentralized generation. Includes distributed generation

Note: average values are shown. Spanish mainland data

Source: REE, European Commission, Eurostat, internal analysis
New energy paradigm and transitional period
Networks: Smart grid as a pivotal enabler in a decarbonized economy

Smart Grids

- Massive scale renewables: integration of additional capacity
- Distributed generation: integration of renewables and storage, manage bi-directional flows
- Electric mobility: manage charging infrastructure
- Energy efficiency: manage demand-side management and other active devices

Grid automation and digitalization, key drivers to optimize power related investments and system operation
New energy paradigm and transitional period

New Investment cycle to decarbonize the economy

<table>
<thead>
<tr>
<th>Estimated investments in Spain to meet EU’s 2050 Climate targets (€2015 bn)</th>
<th>Levers for an efficient model transition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Switch of energy carrier</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>Mainly investments for transport electrification (oil products’ imports reduction, 2013, €34 bn)</td>
</tr>
<tr>
<td>29-39</td>
<td><strong>Investments in clean and mature technologies</strong></td>
</tr>
<tr>
<td><strong>Emission-free power generation</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td><strong>Investments to improve competitiveness</strong></td>
</tr>
<tr>
<td>185-251</td>
<td><strong>Grid investments to manage new energy model</strong></td>
</tr>
<tr>
<td><strong>Energy efficiency</strong>&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>38-73</td>
<td></td>
</tr>
<tr>
<td><strong>Energy transmission and distribution network</strong>&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>50-59</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€ 9.4-11 billions yearly</strong></td>
</tr>
<tr>
<td>330-385</td>
<td></td>
</tr>
</tbody>
</table>

New energy model based on demand electrification increases competitiveness and security of supply

(1) This refers to switch from oil, coal or gas to an energy carrier with lower emissions (i.e., electricity or gas), it includes mainly costs of electrical mobility (i.e., electric vehicles). It does not include investments in modal shift (for railway transportation), green ports and electrification of agricultural and fishery sectors; (2) It includes centralized and decentralized power generation; (3) It includes investments in industry sector; (4) It includes power and gas network

### New energy paradigm and transitional period

Key actions to reach decarbonisation targets

<table>
<thead>
<tr>
<th>Levers for an efficient model transition</th>
<th>Key actions to reach decarbonisation targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand electrification</td>
<td>- GHG emitting sectors Internalize CO(_2) cost and set ambitious targets for diffuse sectors(^{(1)}) by 2030</td>
</tr>
<tr>
<td></td>
<td>- Electric Mobility and charging infrastructure development plan</td>
</tr>
<tr>
<td></td>
<td>- Rationalization of the electricity tariff</td>
</tr>
<tr>
<td>Emission-free power generation</td>
<td>- No new fossil fuel generation capacity and gradual closure of current fleet</td>
</tr>
<tr>
<td></td>
<td>- Extend the authorization to operate nuclear power plants up to 60 years</td>
</tr>
<tr>
<td></td>
<td>- Renewable National Plan that follows demand growth</td>
</tr>
<tr>
<td>Energy efficiency improvement</td>
<td>- Energy Efficiency and Electrification plan</td>
</tr>
<tr>
<td></td>
<td>- Incentives for energy efficiency measures associated to electrification</td>
</tr>
<tr>
<td>Smart Grids deployment</td>
<td>- Remuneration framework incentives and plan for Smart Grids deployment</td>
</tr>
<tr>
<td></td>
<td>- Ensuring interoperability as key for Smart Grids concept definition</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Non – ETS: road transport, buildings, etc.
1. Endesa’s latest successful restructuring equity story
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Strategic pillars to lead the transformation
New energy paradigm fuelling growth and sustainable targets

1. Decarbonization of energy mix by 2050
2. Reinforcing our position in smart grids and preparing for growth
3. Profitable and innovative customer excellence
4. Continuous commitment to efficiency

Leadership in digitalization, as a main transformation driver of the company
Strategic pillars to lead the transformation
New energy paradigm fuelling growth and sustainable targets

1. Decarbonization of energy mix by 2050
   - Emission reduction plan for decarbonization of energy mix
   - EGPE: New Endesa’s renewable platform
   - Conventional generation: enabling the transitional period

2. Reinforcing our position in smart grids and preparing for growth

3. Profitable and innovative customer excellence

4. Continuous commitment to efficiency
Strategic pillars to lead the transformation

1. Ambitious emission reduction plan for decarbonisation of the energy mix by 2050

Endesa’s CO₂ emissions\(^{(1)}\)
(MtCO₂; % reduction vs. 2005)

Endesa’s CO₂ emission free generation (%)

Fully decarbonization of energy mix before COP 21 deadline

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(1) Estimated considering net production. Total Endesa (mainland and non mainland)
(2) 48.1 MtCO₂ in 2007
Strategic pillars to lead the transformation

EGPE: Endesa’s efficient and sustainable renewable platform

EGPE generation installed capacity outlook (GW)

- 1.7 GW in 2016
- 0.3 GW organic growth
- 2.0 GW in 2019
- Expected 3GW renewable capacity auctions in 2016-2017¹
- + 0.1 GW by 2020

Actions to develop a renewable platform

- Operating life extension of wind plants > 25 years
- Capture synergies through portfolio optimization by energy EGPE integration

Additional growth opportunities through M&A in Iberia

Capex (²)
2016-2019
€ 502M

¹ According non-official government announcements
² Gross investments
## Strategic pillars to lead the transformation

### Conventional generation: key to guarantee security of supply

<table>
<thead>
<tr>
<th>Nuclear</th>
<th>Coal</th>
<th>Non mainland</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Guarantee long-term, safe and cost-effective operation of nuclear power plants</td>
<td>▪ Adapt coal to best-in-class environmental practices</td>
<td>▪ Preserve security of supply while complying with regulation and environmental standards</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key actions</th>
<th>Capex&lt;sup&gt;(1)&lt;/sup&gt; 2016 - 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Continuous improvement of plant safety and efficiency</td>
<td>Safety and long term operation: €0.5 bn</td>
</tr>
<tr>
<td>▪ IED&lt;sup&gt;(2)&lt;/sup&gt;/BREF&lt;sup&gt;(3)&lt;/sup&gt; investments in imported coal plants</td>
<td>Environmental investments: €0.3 bn</td>
</tr>
<tr>
<td>▪ Domestic coal investments are not foreseen because of market conditions</td>
<td>▪ Litoral €0.1 bn</td>
</tr>
<tr>
<td>▪ IED&lt;sup&gt;(2)&lt;/sup&gt; investments in 1.0 GW</td>
<td>▪ Puentes: €0.2 bn</td>
</tr>
<tr>
<td>▪ Closure of less efficient groups (31 groups, 450 MW)&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>IED Capex: €0.1 bn</td>
</tr>
<tr>
<td>▪ Refurbishment of 20 groups (290 MW) in the Canary Islands&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>Refurbishment: €0.3 bn</td>
</tr>
</tbody>
</table>

### Preserving profitability and sustainability of generation thermal fleet

<sup>(1)</sup> Gross investments  
<sup>(2)</sup> Industrial Emissions Directive;  
<sup>(3)</sup> BREF, Best Available Techniques Reference;  
<sup>(4)</sup> By 2021
Strategic pillars to lead the transformation

New energy paradigm fuelling growth and sustainable targets

1. Decarbonization of energy mix by 2050
2. Reinforcing our position in smart grids and preparing for growth
   - Main initiatives to prepare the grid for the future
   - Focused on efficiency
   - Levers for value capture from remuneration framework
3. Profitable and innovative customer excellence
4. Continuous commitment to efficiency
### Strategic pillars to lead the transformation

#### Main initiatives to prepare the grid for the future

<table>
<thead>
<tr>
<th>pillar</th>
<th>Initiative</th>
<th>Description</th>
<th>Capex (€)</th>
</tr>
</thead>
</table>
| DIGITALIZATION (<CAPEX 2016-19: €0.7 bn>) | Smart Meters | ▪ Acceleration of implementation program in 2017 implying full deployment ahead of legal deadline in 2018 (~12 M of devices)  
▪ Remote reading of all households consumption (<15KW)  
▪ Allows non technical losses reduction and development of new services  
▪ Overall cost improvement of €50 M/year | €0.2bn |
| Automation of the network (Quality Plan) | SIMON Project | ▪ Increase remote control devices in medium voltage grid (7,800 new devices in 2019)  
▪ Interruption time improvement  
▪ High voltage grid remote control system technological upgrade  
▪ Communications development and enhancement, fostering optic fiber technologies | €0.1bn |
| GRID EXTENSION | Structural Network increase | ▪ Investment plan focused on the development and improvement of the grid structure  
▪ More than 1,000km of new HV & MV grid  
▪ Interruption time improvement | €0.1bn |
| GRID UPGRADE | Network improvement | ▪ Other investments for replacement and upgrade | €1bn |

Future grid extension will be driven by demand electrification and renewable integration
### Strategic pillars to lead the transformation

#### Growth through efficiency and digitalization

<table>
<thead>
<tr>
<th>Efficiency improvement initiatives</th>
<th>Losses improvement plan</th>
<th>Antifraud plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interruption Time</strong> (min)</td>
<td><strong>Distribution unitary cost (€/customer)</strong></td>
<td><strong>Antifraud plans</strong></td>
</tr>
<tr>
<td>64</td>
<td>53</td>
<td>- Antifraud measures have allowed an energy recovery in 2016 of 2 TWh (x2 vs. 2015):</td>
</tr>
<tr>
<td>62</td>
<td>50</td>
<td>– Special campaigns against fraud and illegal households and development of data tools to maximize fraud detection.</td>
</tr>
<tr>
<td>59</td>
<td>46</td>
<td>– Legal actions</td>
</tr>
</tbody>
</table>

- Workforce optimization
- Efficiency and process redesigning
- Systems & Equipment convergence
- Investment oriented to innovative technologies, efficiency and grid upgrade

<table>
<thead>
<tr>
<th>Electricity losses&lt;sup&gt;(1)&lt;/sup&gt; (%)</th>
<th>2015</th>
<th>2016</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.3%</td>
<td>10.0%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

- Grid configuration optimization to improve technical losses
- Incentive 2016: - €40 M
- Gradual recovery to positive figures by 2019

**Capturing the maximum value of the current remuneration model**

<sup>(1)</sup> According to System Operator criteria
Strategic pillars to lead the transformation

Grid innovation projects

- GrowSmarter
  Mobility integrated infrastructure and efficient neighbourhoods

- FLEXICiENCY
  Demand and generation management of 1000+ connection points

- ZeEUS
  Zero Emission Urban Bus System: Electrical bus demonstrator at European level

- E-mobility

- Smart urban solution

- MONICA
  LV and MV network status simulator using real time information

- Storage

- Micro-grids

- RES

- Metering

- EV

- Remote Control Automation

Grid enables an array of new services
Strategic pillars to lead the transformation

New energy paradigm fuelling growth and sustainable targets

1. Decarbonization of energy mix by 2050
2. Reinforcing our position in smart grids and preparing for growth
3. Profitable and innovative customer excellence
   - Sustainable leadership and growth in retail business
   - Leadership in digitalization and portfolio value maximization
   - Value-Added Services growth
4. Continuous commitment to efficiency
### Strategic pillars to lead the transformation

#### Sustainable leadership and growth in retail business

- **Power**
  - Consolidation of leadership in the Spanish market
  - Development of sophisticated and flexible products
  - Growth in Portugal in the B2C and B2B segments

- **Gas**
  - Strengthening the 2nd position, in Spain through new sales channels and products
  - Growth in Portugal (B2C / B2B) and in France (B2B): dual value proposal in Portugal and focus on SME in France

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#### Electricity (TWh bus bars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>Portugal</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>91.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>98.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **2016**
  - Spain: 91.8 TWh
  - Portugal: 7.5 TWh
  - Others: 3.7 TWh
- **2019**
  - Spain: 98.2 TWh
  - Portugal: 8.9 TWh
  - Others: 3.9 TWh

**Electricity (#M Customers)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>Portugal</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.7 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>4.0 M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **2016**
  - Spain: 3.7 M
  - Portugal: 5.6 M
  - Others: 5.3 M
- **2019**
  - Spain: 4.0 M
  - Portugal: 7.0 M
  - Others: 5.6 M

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#### Gas (TWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>France</th>
<th>Portugal</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>14.6</td>
<td>49.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>19.1</td>
<td>51.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **2016**
  - Spain: 14.6 TWh
  - France: 3.7 TWh
  - Portugal: 2 TWh
  - Others: 2 TWh
- **2019**
  - Spain: 19.1 TWh
  - France: 3.8 TWh
  - Portugal: 3.8 TWh
  - Others: 2 TWh

#### Gas (#M Customers)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spain</th>
<th>France</th>
<th>Portugal</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.5</td>
<td>0.02</td>
<td>0.1</td>
<td>0.04</td>
</tr>
<tr>
<td>2019</td>
<td>1.7</td>
<td>0.02</td>
<td>0.1</td>
<td>0.04</td>
</tr>
</tbody>
</table>

- **2016**
  - Spain: 1.5 M
  - France: 0.02 M
  - Portugal: 0.1 M
  - Others: 0.04 M
- **2019**
  - Spain: 1.7 M
  - France: 0.02 M
  - Portugal: 0.1 M
  - Others: 0.04 M

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(1) RM: Regulated Market
(2) LM: Liberalized Market
### Strategic pillars to lead the transformation

#### Sustainable leadership and growth in retail business

#### Endesa’s retail margin \(^{(1)}\) (current and estimated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pool prices</strong> (€/MWh)</td>
<td>~4%</td>
<td>5%</td>
<td>~4%</td>
</tr>
<tr>
<td><strong>EBITDA supply margin</strong></td>
<td>~4%</td>
<td>5%</td>
<td>~4%</td>
</tr>
<tr>
<td><strong>Average integrated margin</strong> (€/MWh)</td>
<td>~21</td>
<td>~22</td>
<td>~20-21</td>
</tr>
<tr>
<td>Supply Margin</td>
<td>6</td>
<td>~8</td>
<td>~6</td>
</tr>
</tbody>
</table>

- **Delivering strong results under all market scenarios**
- **Very limited weight of supply EBITDA on customer electricity bill** (e.g. 4-5% of a residential customer invoice)
- **Sustainable supply margins**

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**Resilience of our liberalized electricity margin thanks to our long customer position**

\(^{(1)}\) Power liberalized retail margin
Strategic pillars to lead the transformation

Leadership in portfolio value maximization

B2C: value segmentation model

- Value model development
- Client segmentation
- Development of an analytical model and management methodology
- Potential market analysis

Action plans per segment and targets

- Value management for pricing
- Reduction of bad debt risk
- Differentiated Service Levels: Smart Contact Center
- Reorientation of commercial action

Maximizing value through improved customer experience

- Increased loyalty of Customer base
- Largest value clients retained
- Customer focused selling campaigns
- Capture new customers
## Strategic pillars to lead the transformation

### Leadership in digitalization

#### Digitalization initiatives
- Digitalization of processes
- Customer insights, e.g. value management
- Customer experience, etc.
- Digital Culture
- Transfer of customers to digital channels
- Digital Sales
- Electronic bill (Infoenergia)
- Innovation in products and services
- Promoting digital communication through online platform and App

#### Targets

<table>
<thead>
<tr>
<th>Targets</th>
<th>2016</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital customers (million)</td>
<td>1.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Digital sales (% of total)</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>E-factura (million customers)</td>
<td>1.9</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Digitalization as a driver of quality of service and new customer experience
Strategic pillars to lead the transformation

3 Value-Added Services growth

**VAS Margin**\(^{(1)}\) 2012-2016e (€M)

- 2012: ~47
- 2014: ~70
- 2016e: ~90

CAGR: +16%

**Margin**\(^{(1)}\) 2016e (€M)

- Maintenance: ~60
- Alliance (Insurance and Others): 8%
- Equipment: 27%
- Monitoring & Assessment: ~37%
- Inst. (Power): 13%
- Inst. (Gas): 12%
- Energy Efficiency: 6%
- Renewables: 11%
- Inst. (Gas): 6%

**Contracts 2016e (#)**

- Maintenance: ~1 M
- Alliances: ~1.7 M
- Equipment: ~13,000
- B2B projects: ~50,000
- Total Portfolio: ~2.7 M + 10% vs 2015

Proven track record after more than 10 years of experience leveraging on Endesa’s brand

\(^{(1)}\) Gross margin
Strategic pillars to lead the transformation

3 Value-Added Services growth: Strategic pillars

Maximize current business
- Development of new sales channels
- Geographical growth in other territories in Spain
- Focus on high potential investments linked to VAS (Gas, Energy Efficiency and Renewable energies)

Portfolio evolution and development of new VAS
- Current portfolio evolution
- Development of new lines of products and services
- Positioning in emerging & innovative markets (e-mobility, storage, smart homes...)

Growth in other geographies
- Focus on development of VAS Business in B2C and B2B
- Focus on development of Gas VAS for B2B customers

Innovation and development of new products and services as a driver of growth
Strategic pillars to lead the transformation

3 Value-Added Services growth: Innovation and development of new products as growth lever

**B2C:**
- Providing integral solutions at home since 2011, including consulting, installation and maintenance
- Pioneering initiatives for the large-scale implementation of EV, such as Zem2all project

**B2B:**
- Recharging solutions customized for all types of requirements in the segment
- Pioneer in developing massive transport electrification projects such as ZeEUS Project in Barcelona (Electric Bus)
- ecar Project in Majorca Island that includes fast-charging

**B2C: Tempo Solar Tariff** with advantages for Distributed Generation customers
- **Integral Solution:** Includes advice, installation and maintenance

**B2B:**
- Pilot phase
- Investment based on customer savings
- Repair and maintenance included

**B2C: nEXO**
- Connected home service.
- Monitor consumptions and manage thermostat, door opening sensors, presence sensor

**B2B: SGE**
- Energy Management System for customers.
- Advice on Energy Efficiency.
- Manage alarms and schedule actions.

*Electric mobility Plan for employees*
Strategic pillars to lead the transformation

3 Value-Added Services growth: Market and financial targets

<table>
<thead>
<tr>
<th>2016e (€M)</th>
<th>2019 forecast (€M)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Addressable market</strong></td>
<td><strong>Addressable market</strong></td>
</tr>
<tr>
<td>~90</td>
<td>200</td>
</tr>
<tr>
<td>~700</td>
<td>~1,000</td>
</tr>
</tbody>
</table>

Capex\(^{(1)}\) 2016-2019: €242 M

Ambitious target growth

\(^{(1)}\) Gross margin
Strategic pillars to lead the transformation
New energy paradigm fuelling growth and sustainable targets

1. Decarbonization of energy mix by 2050
2. Reinforcing our position in smart grids and preparing for growth
3. Profitable and innovative customer excellence
4. Continuous commitment to efficiency
Strategic pillars to lead the transformation

Efficiency Plan with strong focus on cash cost reduction

Efficiency Plan on track: significant cash costs reduction since 2014

(1) Total fixed costs in nominal terms (net of capitalizations); (2) Excluding EGPE; (3)Net capex (4) Opex + maintenance capex
Strategic pillars to lead the transformation

4) Action Plan per business line

Opex\(^{(1)}\) evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016e</td>
<td>€2.0 bn</td>
</tr>
<tr>
<td>2017</td>
<td>€2.1 bn</td>
</tr>
<tr>
<td>2018</td>
<td>€2.1 bn</td>
</tr>
<tr>
<td>2019e</td>
<td>€2.1 bn</td>
</tr>
</tbody>
</table>

**Distribution**
- Unitary cost \(^{(4)}\) (€/customer)
  - 2015: 53
  - 2016e: 50
  - 2019: 46
  - Evolution: -13%

**Generation**
- Unitary cost \(^{(4)}\) (k€/MW)
  - 2015: 49
  - 2016e: 48
  - 2019: 48
  - Evolution: -3%

**Supply**
- Cost to Serve \(^{(4)}\) (€/customer)
  - 2015: 15
  - 2016e: 15
  - 2019: 14
  - Evolution: -7%

**Renewables**
- Fixed cost \(^{(4)}\) (k€/MW)
  - 2016e: 50
  - 2019: 47
  - Evolution: -7%

---

\(^{(1)}\) Opex Total fixed costs in nominal terms (net of capitalizations);
\(^{(2)}\) Excluding EGPE
\(^{(3)}\) Full year EGPE costs
\(^{(4)}\) Includes Corporate fees
Strategic pillars to lead the transformation

4 Efficiency plan through digitalization: Digitalization plan

<table>
<thead>
<tr>
<th>Digital initiatives</th>
<th>Capex(^{(1)}) 2016-19 (€ M)</th>
<th>Margin&amp;savings 2016-19 (€ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital transformation on industrial assets (Industry 4.0)</td>
<td>~ 10</td>
<td>~ 7</td>
</tr>
<tr>
<td>Internet of Things: pilot at Besos plant for digital transformation in maintenance, safety and operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Big Data Analytics in thermal generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smart Meters</td>
<td>~ 760</td>
<td>~ 80</td>
</tr>
<tr>
<td>Automation of the network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HV grid remote control system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerate use of electronic bill</td>
<td>~ 60</td>
<td>~ 23</td>
</tr>
<tr>
<td>Digital communication with our customer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital channels (Endesa Clientes website)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital sales</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

More than €0.8 bn of digital investment in 2016-2019…
…that will provide savings of ~ €110 M

\(^{(1)}\) Gross investments (It does not include capex referred to VAS)
Strategic pillars to lead the transformation

New energy paradigm fuelling growth and sustainable targets

1. Decarbonization of energy mix by 2050
2. Reinforcing our position in smart grids and preparing for growth
3. Profitable and innovative customer excellence
4. Continuous commitment to efficiency

Commitment to sustainable development objectives
ENDESA and the UN Sustainable Development Goals

Energy mix decarbonization by 2050

- CO₂ emission reduction
  - 2020: 47%
  - 2030: 61%
- Renewables
  - > 500 MW
    - (Additional)

Renewed in Sep 2016
Score: 86/100

Renewed in October 2016
Score: B

Included in Sep 2016
Leaders in Social dimension

Renewed in Nov 2016
(World, Europe and Eurozone)

Renewed in January 2016

Our outstanding performance enables us to be included in the main Sustainability indexes

- > € 1,000 Million to transform the future of energy: Digitalization + VAS
- Electricity access to all vulnerable customers

1: Vulnerable customers certified by the corresponding Departments of Social Services of the Public Authorities
2: (% reduction vs. 2005)

Note: ENDESA also contributes to commitments set out by Enel on SDG 4 (Education) and SDG 8 (socioeconomic development) through the social initiatives performed by the Company and its Foundation
Note: Data refered to 2016-2019 period
1. Endesa’s latest successful restructuring equity story

2. New energy paradigm and transitional period

3. 2017-2019 strategic pillars to lead energy transformation

4. 2017-2019 main financial metrics

5. Final remarks
Main financial metrics
EBITDA breakdown by business and drivers

**EBITDA by business (€bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Distribution</th>
<th>EGPE</th>
<th>Non-Mainland</th>
<th>Gx &amp; Sx</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.4</td>
<td>29%</td>
<td>12%</td>
<td>32%</td>
</tr>
<tr>
<td>2017</td>
<td>3.4</td>
<td>56%</td>
<td>53%</td>
<td>9%</td>
</tr>
<tr>
<td>2018</td>
<td>3.5</td>
<td>54%</td>
<td>9%</td>
<td>31%</td>
</tr>
<tr>
<td>2019</td>
<td>3.7</td>
<td>54%</td>
<td>8%</td>
<td>32%</td>
</tr>
</tbody>
</table>

**Main drivers**

- **2017**
  - **EGPE**: Full year consolidation
  - **Non mainland**: Positive one-off from capacity payments
  - **Gx & Sx**: Weather conditions normalization and lower positive impact from non recurrent items

- **2018**
  - **Distribution**: Improvement of incentives and efficiencies
  - **Gx & Sx**: Increase in sales at higher prices. VAS margin increase. Absence of non recurrent items
  - **Non mainland**: Absence of regulatory one-off booked in 2017

- **2019**
  - **Distribution**: Improvement of incentives and new efficiencies
  - **Gx & Sx**: Higher power prices. VAS margin increase

**CAGR 16-19: ~3%**

**~70% regulated EBITDA**
Capex program focused on growth

2016-2019
Net CAPEX by business (€bn)

<table>
<thead>
<tr>
<th>Business</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>38%</td>
</tr>
<tr>
<td>Mainland Generation</td>
<td>12%</td>
</tr>
<tr>
<td>Non-Mainland</td>
<td>11%</td>
</tr>
<tr>
<td>EGPE</td>
<td>30%</td>
</tr>
<tr>
<td>Supply</td>
<td>9%</td>
</tr>
</tbody>
</table>

Total: 4.7

2016-2019
Net CAPEX by nature (€bn)

<table>
<thead>
<tr>
<th>Nature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance</td>
<td>56%</td>
</tr>
<tr>
<td>Growth</td>
<td>44%</td>
</tr>
</tbody>
</table>

Total: 4.7

Strong Investment increase vs previous Plan:

- +€1 bn (+27%):
  - Renewables: € +0.5bn
  - Dx: € +0.2bn
  - Non mainland: € 0.3bn

- 44% devoted to growth (33% in previous Plan)

(1) Gross capex amounts to 5.6 bn€. Net Capex = Gross Capex - assets from clients' contributions - subsidies. (2) Other + Corporate Capex included in Generation
Main financial metrics

Net Capex breakdown by business

- **Regulated Business (€bn)**
  - Distribution: 1.8
  - Non-Mainland Gx: 0.6
  - EGPE: 0.5

- **Liberalized Business (€bn)**
  - Mainland Generation: 1.4
  - Supply: 0.4

~80% of Growth Capex devoted to regulated business

(1) Gross capex amounts to 2.7 bn€. Net Capex = Gross Capex - assets from clients' contributions - subsidies; (2) Other + Corporate Capex included in Generation
Searching for inorganic growth opportunities
Selected opportunities per business

<table>
<thead>
<tr>
<th>Main interest</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewables</strong></td>
<td>▪ EGPE: Consolidation opportunities in a highly fragmented market</td>
</tr>
<tr>
<td>▪ Small distribution companies</td>
<td>▪ Deep market scouting to identify possible deals:</td>
</tr>
<tr>
<td>▪ Interest in distribution concessions in Portugal (2017-2019)</td>
<td>— Potential market 6,500 MW</td>
</tr>
<tr>
<td>▪ Potential acquisition of gas and electricity customer portfolio</td>
<td>▪ Small Distribution companies</td>
</tr>
<tr>
<td>▪ Potential acquisition in VAS business</td>
<td>— 360 companies with less than 100,000 customers (~ 6% market share)</td>
</tr>
<tr>
<td></td>
<td>— Successful acquisition of Electraca del Ebro as first step</td>
</tr>
<tr>
<td></td>
<td>▪ Portugal: end of LV distribution concessions</td>
</tr>
<tr>
<td></td>
<td>▪ Targets of electrical and gas retail companies in Spain, France, Portugal</td>
</tr>
<tr>
<td></td>
<td>▪ VAS main targets: ESCOs, gas or electric maintenance services companies, home services companies,…</td>
</tr>
</tbody>
</table>

Excellent position to capture growth opportunities
Main financial metrics

Cash flow generation

EBITDA and Capex\(^{(1)}\) (€bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
<th>Capex</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>2017</td>
<td>3.4</td>
<td>1.1</td>
</tr>
<tr>
<td>2018</td>
<td>3.5</td>
<td>1.3</td>
</tr>
<tr>
<td>2019</td>
<td>3.7</td>
<td>1.3</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Net Capex = Gross Capex - assets from clients' contributions - subsidies

2017-2019 Cash flow generation (€bn)

- FFO: 6.8
- Maintenance capex\(^{(1)}\): 2.0
- FFO after maint. Capex: 4.8
- Growth Capex\(^{(1)}\): 1.7
- FCF: 3.2

Strong cash flow generation will support dividend policy and future growth
1. Endesa’s latest successful restructuring equity story

2. New energy paradigm and transitional period

3. 2017-2019 strategic pillars to lead energy transformation

4. 2017-2019 main financial metrics

5. Final remarks
Shareholder remuneration

Ordinary DPS evolution

According to last estimate 2016 Net Income

One of the most attractive dividend policy in the sector...

...providing more visibility

<table>
<thead>
<tr>
<th>Year</th>
<th>Previous guidance</th>
<th>2016e</th>
<th>2017e</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1.03</td>
<td>1.26</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1.32 (1)</td>
<td></td>
<td>1.32-1.37</td>
</tr>
</tbody>
</table>

**2017**
- Minimum DPS of 1.32 euro per share (+17% vs. previous guidance)

**2017-2019**
- 100% Pay-out on ordinary net income

(1) According to last estimate 2016 Net Income
### Key financial metrics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA (€bn)</strong></td>
<td>~ 3.4</td>
<td>~ 3.2</td>
<td>3.4</td>
<td>3.5</td>
<td>3.7</td>
<td>~ +3%</td>
</tr>
<tr>
<td><strong>Net Income (€bn)</strong></td>
<td>~ 1.4</td>
<td>~ 1.3</td>
<td>1.4</td>
<td>1.5</td>
<td>1.7</td>
<td>~ +6%</td>
</tr>
<tr>
<td><strong>DPS (€/share)</strong></td>
<td>~ 1.32</td>
<td>~ 1.26</td>
<td>1.37</td>
<td>1.42</td>
<td>1.57</td>
<td>~ +6%</td>
</tr>
</tbody>
</table>

Minimum DPS for 2017: 1.32

Cumulative FCF(2): 3,2 billion euro

One of the most attractive dividend policies in the utility sector

---

(1) DPS calculated according to Net Income guidance
(2) FCF = Funds from Operations (FFO) – Maintenance & Growth Net investments
Closing remarks

1. Endesa is committed to the decarbonisation of the economy
2. New energy paradigm will bring new opportunities for growth
3. Best position to capture innovative client-centric business
4. Digitalization as a driver for efficiency and quality of service
5. Financial targets upgraded on the back of business growth
6. Attractive and visible shareholder remuneration
Macro assumptions

Spanish GDP evolution

Commodities (I)

Commodities (II)

Market trends and strategy

Old assumptions

New assumptions
Electricity market assumptions in Spain

Mainland electricity demand (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Old assumptions</th>
<th>New assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2017</td>
<td>1.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2018</td>
<td>1.5%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2019</td>
<td>1.5%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Thermal Gap (TWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Old assumptions</th>
<th>New assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>65</td>
<td>55</td>
</tr>
<tr>
<td>2017</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>2018</td>
<td>67</td>
<td>68</td>
</tr>
<tr>
<td>2019</td>
<td>69</td>
<td>61</td>
</tr>
</tbody>
</table>

Wholesale electricity prices (€/MWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Old assumptions</th>
<th>New assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>50</td>
<td>43</td>
</tr>
<tr>
<td>2017</td>
<td>52</td>
<td>46</td>
</tr>
<tr>
<td>2018</td>
<td>55</td>
<td>50</td>
</tr>
<tr>
<td>2019</td>
<td>58</td>
<td></td>
</tr>
</tbody>
</table>

Interconnections (TWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Old assumptions</th>
<th>New assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>0.3</td>
<td></td>
</tr>
</tbody>
</table>

Imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Old assumptions</th>
<th>New assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>-10.1</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>-7.4</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-9.1</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>-16.4</td>
<td></td>
</tr>
</tbody>
</table>

Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Old assumptions</th>
<th>New assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
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<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
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</tbody>
</table>
Capital Markets Day
Iberia
November 22, 2016
Capital Markets Day
Positioning and key figures

2016E EBITDA

2016E Power and gas customers

Key figures

| Capacity (GW)   | 22.8 |
| Dx RAB (€bn)   | 11.2 |
| Customers (million) | 12.6 |
| Net production (GWh) | 70  |

Financials (€bn)

| EBITDA          | 3.4  |
| Opex            | 2.1  |
| Maintenance capex | 0.6  |
| Growth capex    | 0.4  |
| Total Capex     | 1.0  |
Capital Markets Day

Regulatory scenario

Social tariff

Current financing considered discriminatory according to Supreme Court rules.
2014-16 contributions to be reimbursed
Wide consensus on social tariff amendment. A proposal including vulnerability criteria already sent to authorities
New financing scheme will have to be defined for 2017 onwards

Renewables

Parameters for the 2nd regulatory semi-period have to be defined
Next challenge: designing a technology neutral auction (1,000 MW before year end + 2,000 MW in 2017)

Other topics

New SCVP supply margin approved, in line with previous one.
Domestic coal: ~€120 M of positive net impact in 2016e from 2012-14 settlements.

Government formation

Pending regulatory topics to be addressed

Regulatory framework stability and financially balanced electricity sector
Leadership position in the Spanish liberalized market both in customer base and energy sold

1. 2016 figures
First non incumbent player in Spain

1. 2016 figures on conventional gas market
Capital Markets Day
Retail: customer base and unitary margin evolution

Power market\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volumes (TWh)</th>
<th>Market share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>103</td>
<td>36%</td>
</tr>
<tr>
<td>2017</td>
<td>105</td>
<td>37%</td>
</tr>
<tr>
<td>2018</td>
<td>107</td>
<td>38%</td>
</tr>
<tr>
<td>2019</td>
<td>109</td>
<td>38%</td>
</tr>
</tbody>
</table>

Gas market\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Conventional gas margin (€/MWh)</th>
<th>Liberalized supply margin (€/MWh)</th>
<th># million customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>~2.5</td>
<td>~8</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1.5</td>
<td>~6</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.7</td>
<td>~2.5</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>4.0%</td>
<td>4.1%</td>
<td></td>
</tr>
</tbody>
</table>

Ebitda evolution\(^3\) (€bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ebitda margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.56</td>
</tr>
<tr>
<td>2017</td>
<td>0.52</td>
</tr>
<tr>
<td>2018</td>
<td>0.63</td>
</tr>
<tr>
<td>2019</td>
<td>0.64</td>
</tr>
</tbody>
</table>

1. Volumes include Spain, Portugal and other international sales.
   Market share is referred to liberalized demand in Spain.
2. Volumes include Spain, Portugal and other international sales (excluding gas consumption in thermal power plants and diversions).
   Market share is referred to Spain (excluding gas consumption in thermal power plants and diversions).
3. Includes electricity, gas and VAS business line.
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Digitalization as a driver for efficiency, quality of service and VAS

Key drivers

- Accelerate use of electronic bill (e-factura) to achieve digital engagement and reduce postal service cost
- Promoting digital communication with our customer base: online platform and App
- Favouring customers migration from traditional towards digital channels (customer’ website) reducing customer service cost
- Develop advanced digital sales abilities to maximize value and volumes sales through Digital channels

Leverage

- 3.7 million digital customers in 2019 (from 1.6 million in 2016)
- 15% digital sales in 2019 (from 8% in 2016)
- 3.6 million customers with e-factura in 2019 (from 1.9 million in 2016)

Cost to Serve (€/customer)

- 2016: 14.7
- 2019: 13.7

Better quality of service

New services development

1. Includes Corporate and Structure costs
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Digitalization: new services

2016 VAS Margin breakdown

Key drivers
- Maximize current business (~2.7 million VAS contracts portfolio in 2016)
- Portfolio evolution and development of new VAS
- Growth in other geographies

VAS Margin (€mn)

- Monitoring & Assessment
- Equip. (power)
- Equip. (gas)
- Energy efficiency
- Maintenance
- RW

- B2C
  - ~ €60 mn
  - Maintenance: 66%, Alliance: 27%, Equipment: 7%

- B2B
  - ~ €30 mn
**Capital Markets Day**

**Asset profitability**

EBITDA and CAPEX (€bn)

- **+9%**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
<th>CAPEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>2017</td>
<td>3.4</td>
<td>1.1</td>
</tr>
<tr>
<td>2018</td>
<td>3.5</td>
<td>1.3</td>
</tr>
<tr>
<td>2019</td>
<td>3.7</td>
<td>1.3</td>
</tr>
</tbody>
</table>

2017-19 Cash flow generation (€bn)

- **FFO** 6.8
- **Maintenance capex** 2.0
- **FFO after maint. capex** 4.8
- **Growth capex** 1.7
- **FCF** 3.2

**Strong cash flow generation will support future growth**
No of Operating Regulatory, environmental, acquired nuclear impact Economic

The estimated cost, following important factors, 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 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.