Endesa 9M 2018 Results

05/11/2018

Highlights

Sound performance of the liberalized business EBITDA (+23%) in a context of normalization of market conditions

Stable contribution of regulated businesses

Overall EBITDA increased by 10% in the period

Flat adjusted fixed costs evolution absorbing inflation and growth

Sound Net Income growth (+10%)

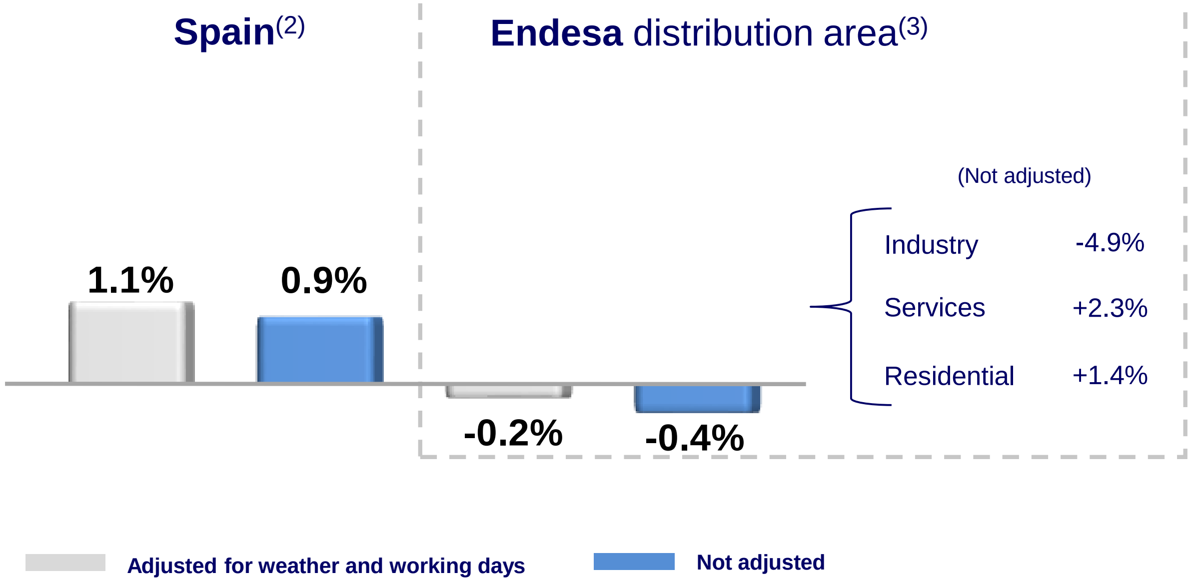
Financial results

€M	9M 2018	9M 2017	Change
Revenues	15,353	14,824	4%
Gross Margin	4,271	4,006	7%
EBITDA	2,791	2,548	10%
EBIT	1,644	1,476	11%
Net attributable income	1,193	1,085	10%
Net Capex (1)	735	472	56%
Cash Flow from Operations	1,141	1,375	-17%
	30.09.2018	31.12.2017	
Net financial debt	6,640	4,985	33%

(1) Financial investments not included (€30 M in 9M 2018 and €45 M in 9M 2017) . Does not include business combinations made during the year.

Market context in 9M 2018

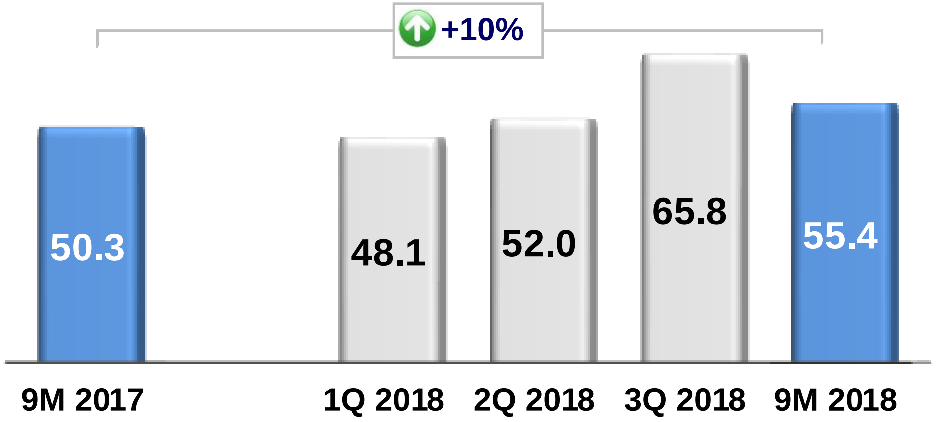
Demand (1)



- Endesa distribution areas mainly affected by lower demand in the industrial segment

Electricity wholesale prices

Average pool prices Spain (€/MWh)



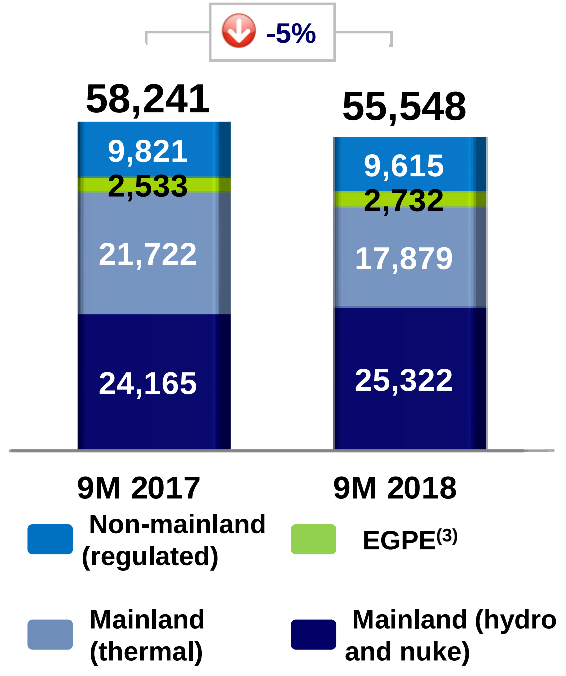
- The strong increase in commodity prices has more than compensated the effect of higher hydro output, with a rise in pool price of 10%
- 80% increase in hydro system production

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

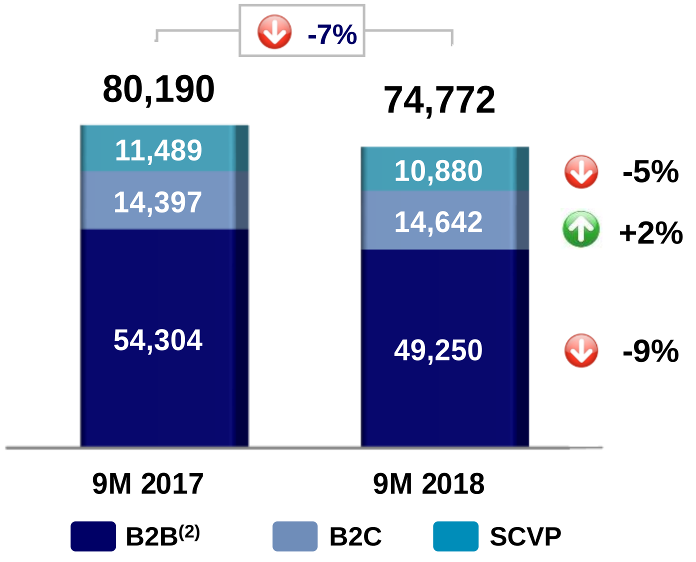
Endesa's performance in 9M 2018 market context

Power operational highlights

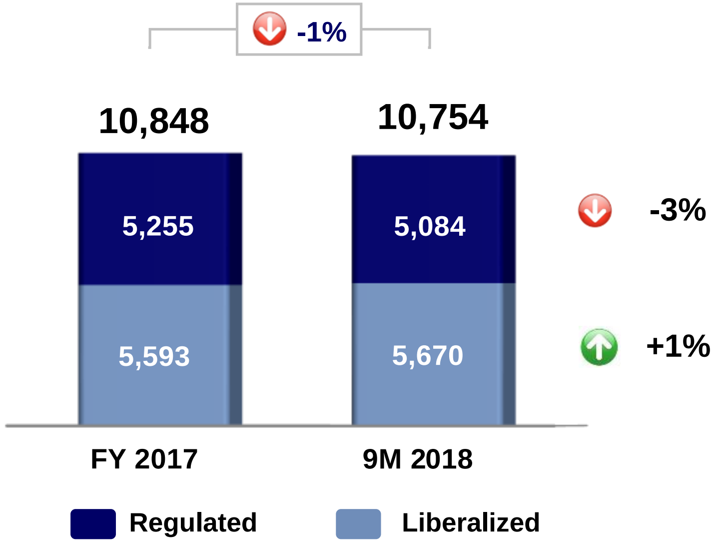
Output[1] (GWh)



Electricity sales[1] (GWh)

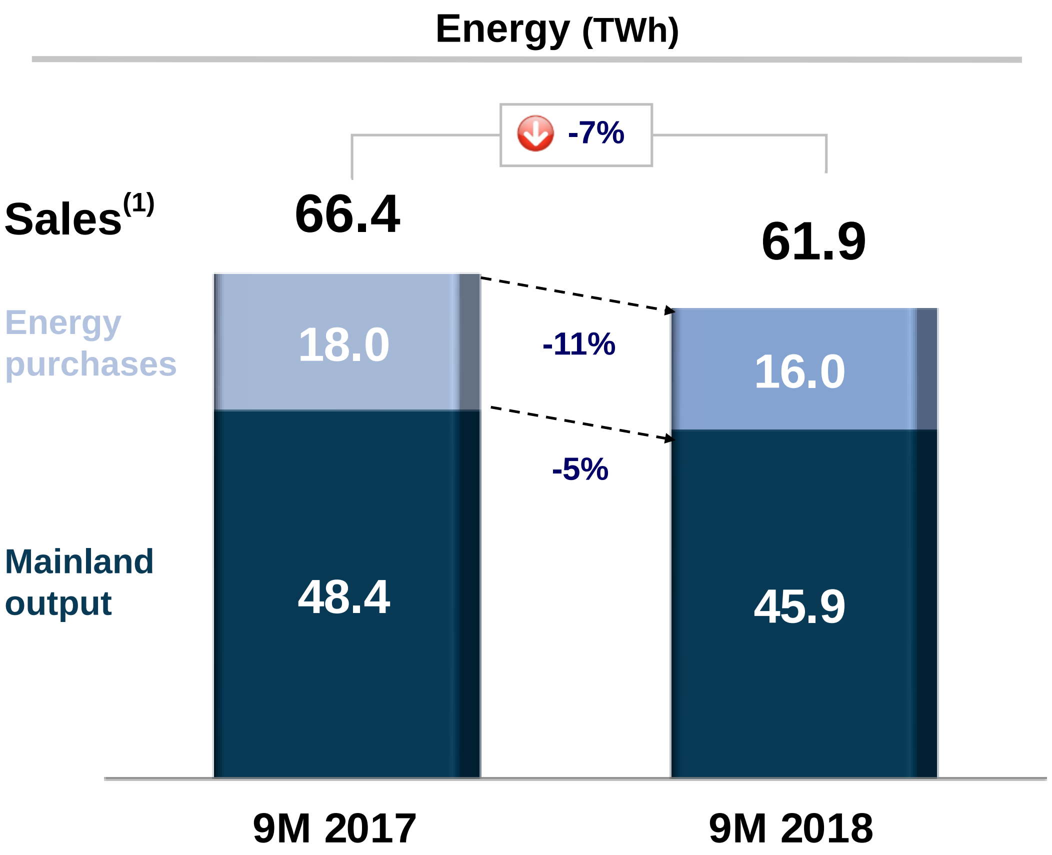


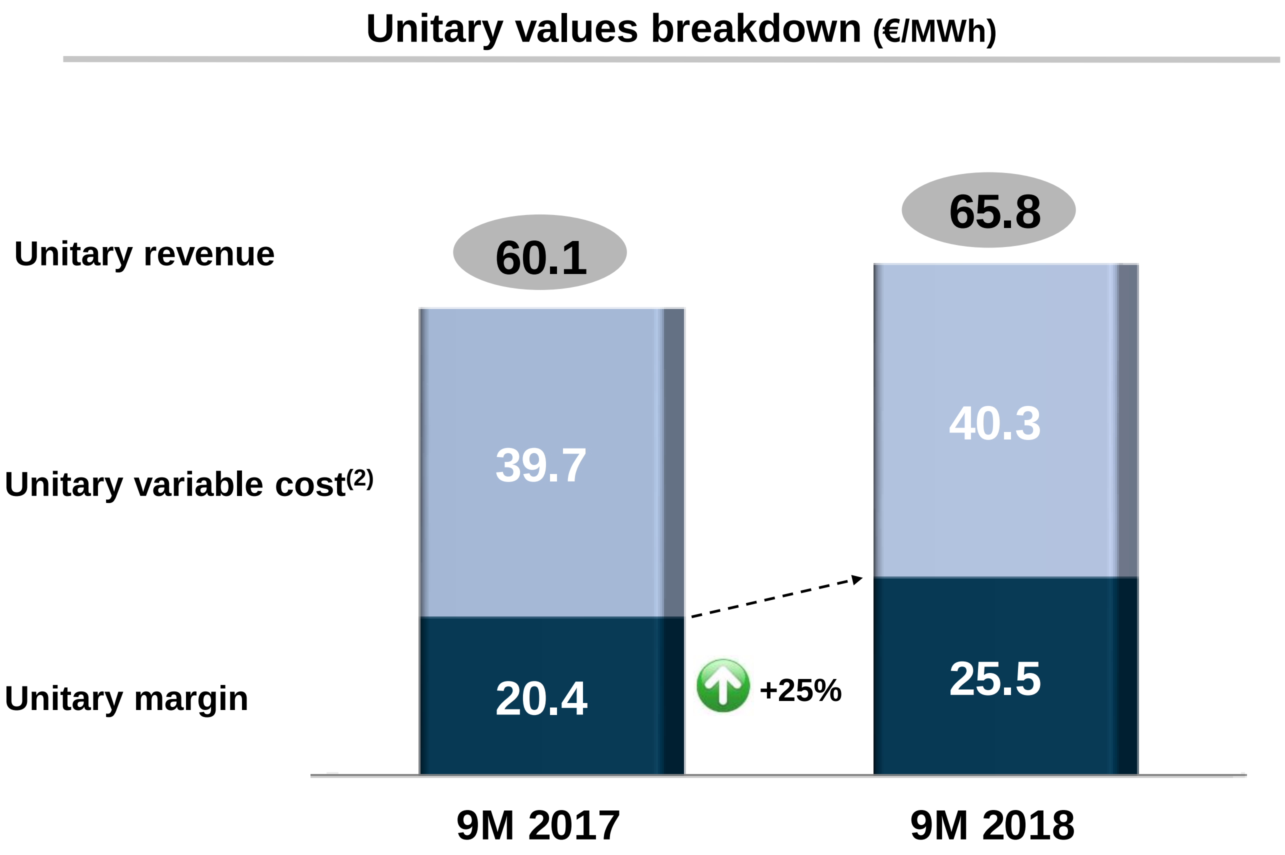
Number of electricity customers (thous.)



(1) Energy at power plant busbars.
(2) B2B includes Industrial sales in Spain and Portugal, SME and International
(3) Includes 21 GWh in non-mainland in 9M 2018 vs 22 GWh in 9M 2017

Liberalized business
Energy management





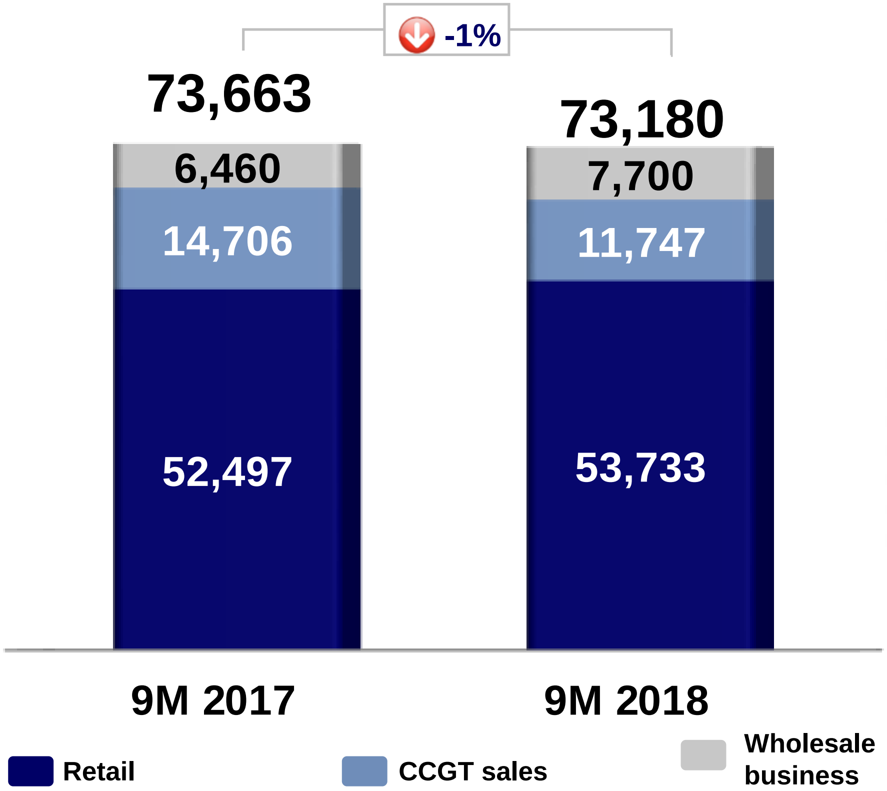
- **Sound fundamentals in Gx & Sx, with an increase of 25% of electricity unitary margin**

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

Endesa's performance in 9M 2018 market context

Gas operational highlights

Sales (GWh)

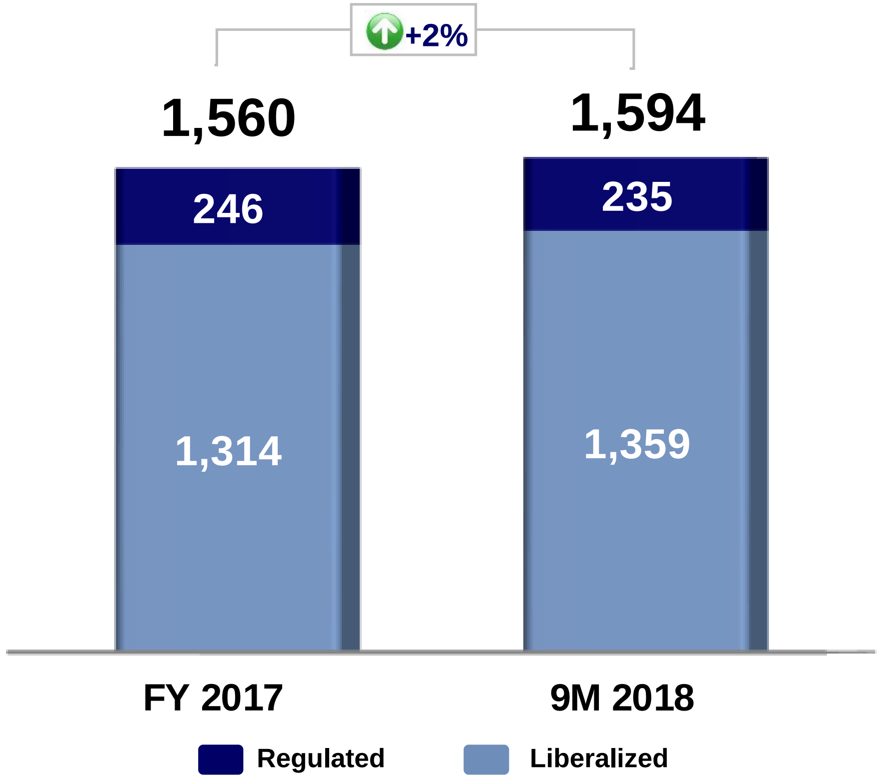


Unitary margin (1):

9M 2017	9M 2018
€0.6/MWh	€1.5/MWh

YTD Demand increase: 1.7%

Number of gas customers (thous.)

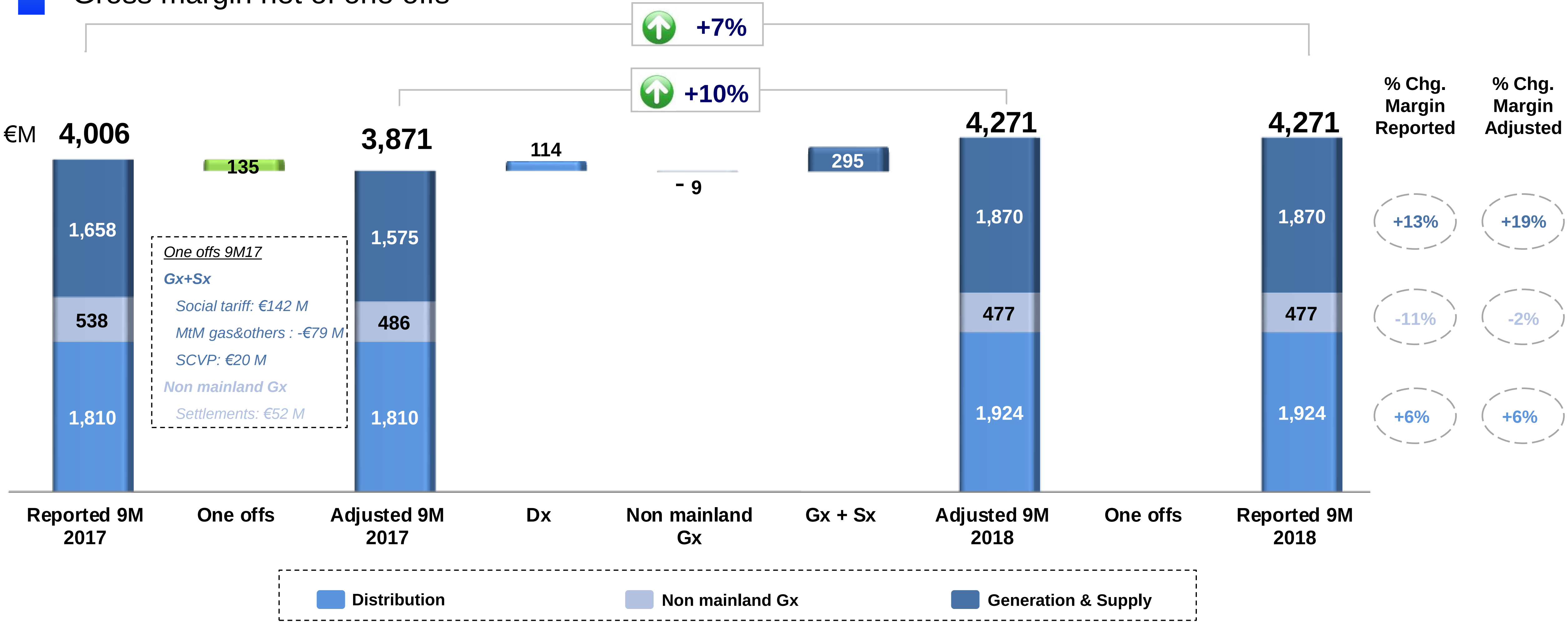


- **Sound recovery of gas market conditions**

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

Gross margin evolution

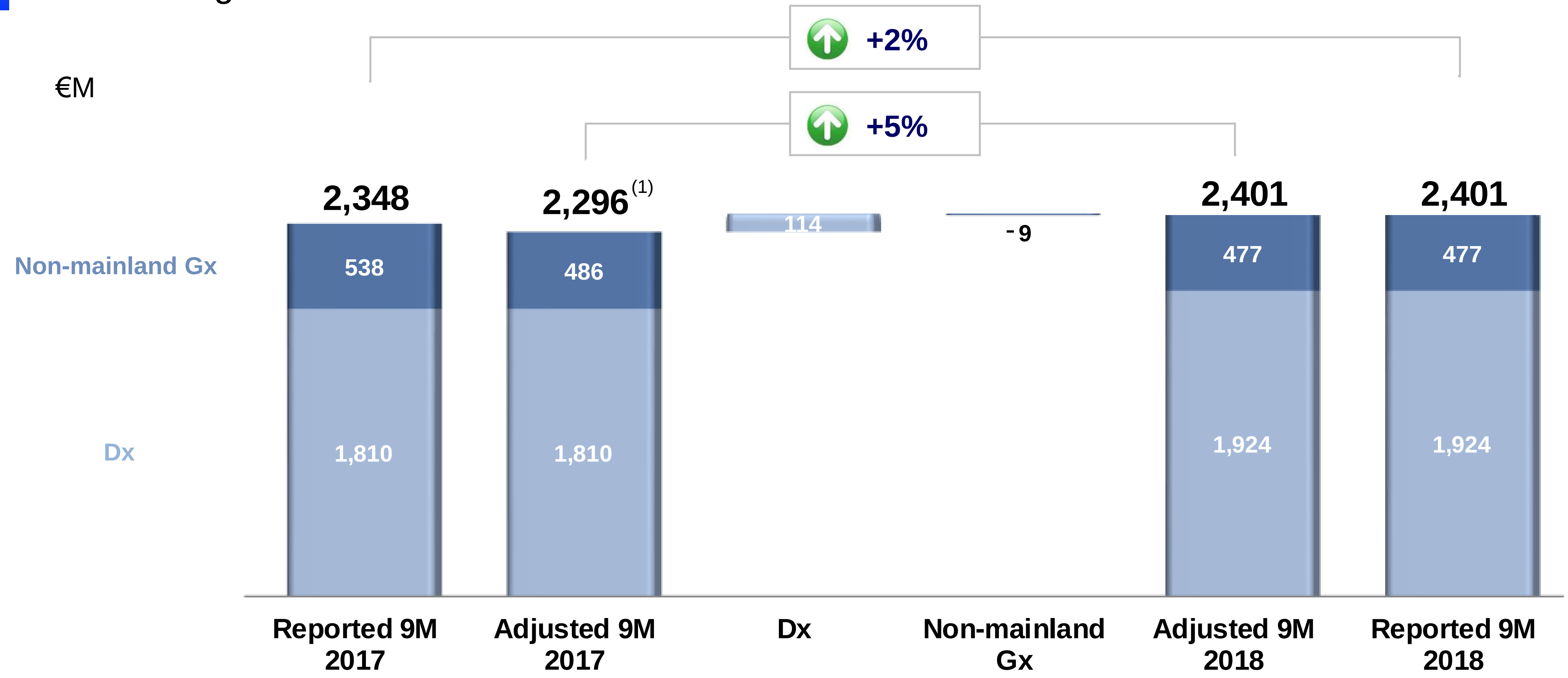
Gross margin net of one offs



- **Improvement of adjusted gross margin in both liberalized and distribution business**

Regulated business

Gross margin evolution

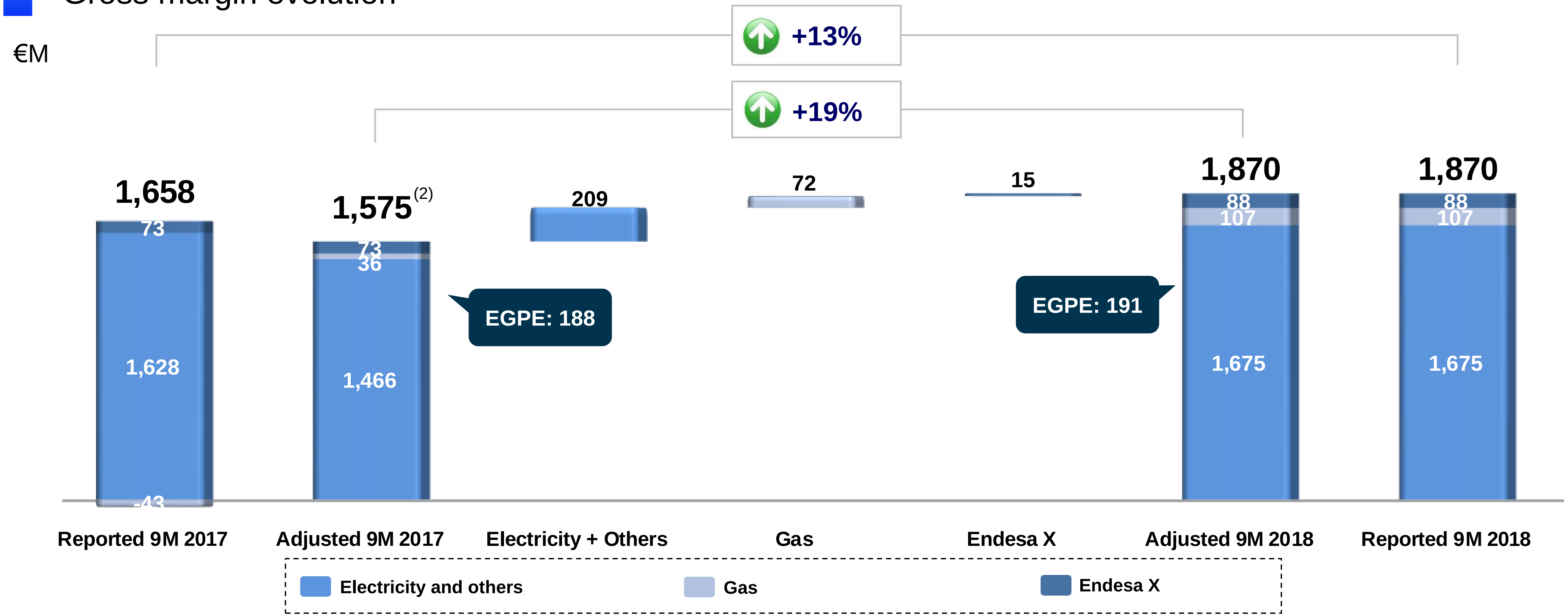


- **Regulated gross margin driven by Distribution regulated revenues**

(1) *One offs 9M 2017: €52 M non mainland settlements*

Liberalized business(1)

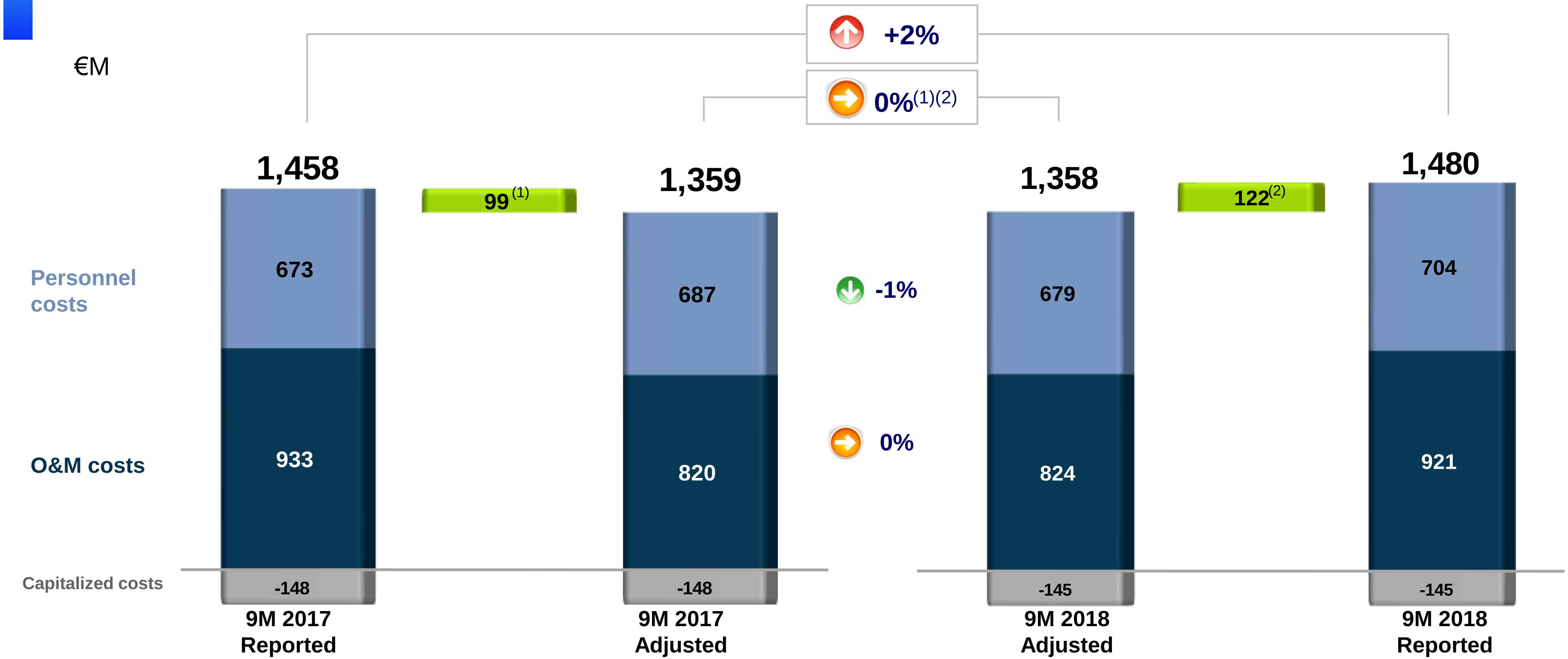
Gross margin evolution



- **Recovery in the power and gas businesses**

(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 9M 2017: €142 M Social Tariff, -€79 M Gas (MtM gas & Others -€65 M and Force Majeure in Argelia -€14 M) and €20 M from SCVP rebilling*

Fixed costs evolution



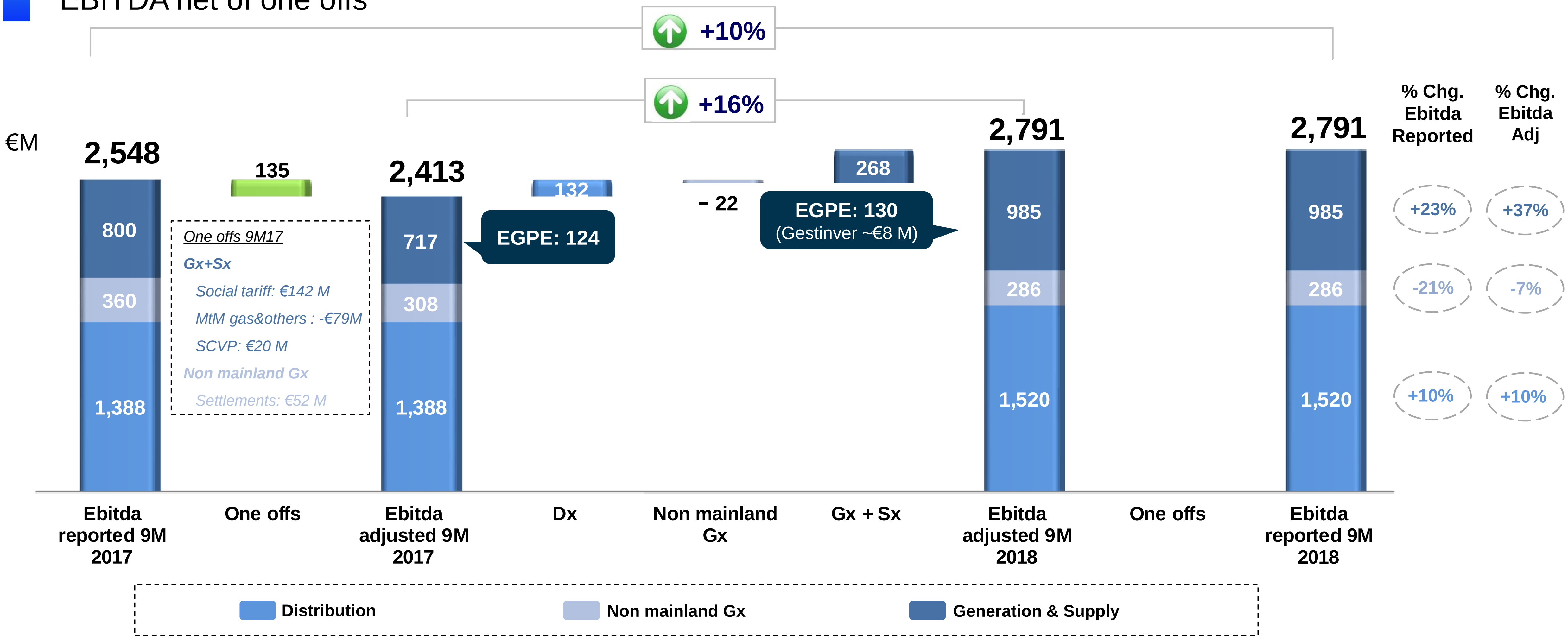
- **Flat fixed costs evolution absorbing inflation and growth** (1)(2)

(1) 9M 2017 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€16 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 2M), and infringement proceedings and taxes (-€113 M)

(2) 9M 2018 Fixed costs adjusted by : Provisions for workforce reduction plans and contract suspension agreements updates (€3 M), provision for redundancy plans, compensations and other tax and labour risks (-€ 28M) and infringement proceedings and taxes (-€97 M)

EBITDA evolution

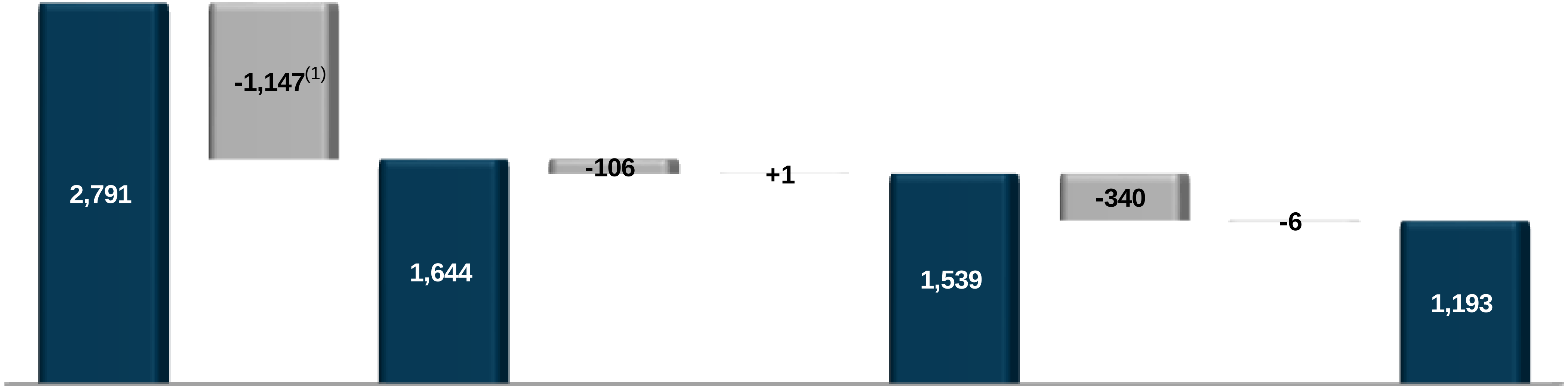
EBITDA net of one offs



- **Improvement of adjusted EBITDA driven both by liberalized and regulated business**

From EBITDA to Net Income

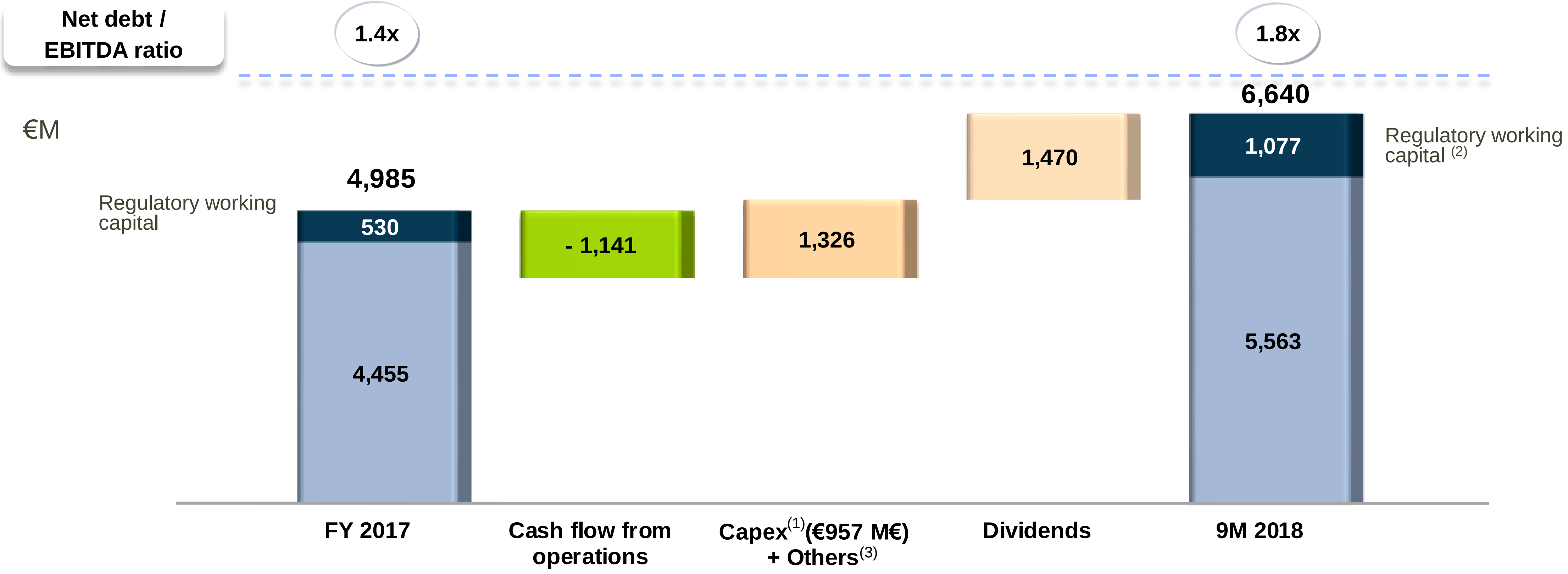
€M



	EBITDA	Depreciation and amortization	EBIT	Net Financial Results	Associates and Others	Profit before taxes	Taxes	Minorities	Net attributable Income
9M 2017	2,548	-1,072[2]	1,476	-94	12	1,394	-302	-7	1,085
Change (%)	+10%	+7%	+11%	+13%	-92%	+10%	+13%	+14%	+10%

(1) *D&A includes additional €48 M as a consequence of the implementation of IFRS 15 (Revenue from contracts with customers) and IFRS 9 (Financial instruments).*
(2) *2017 D&A included a provision reversal of €15 M.*

Net financial debt analysis



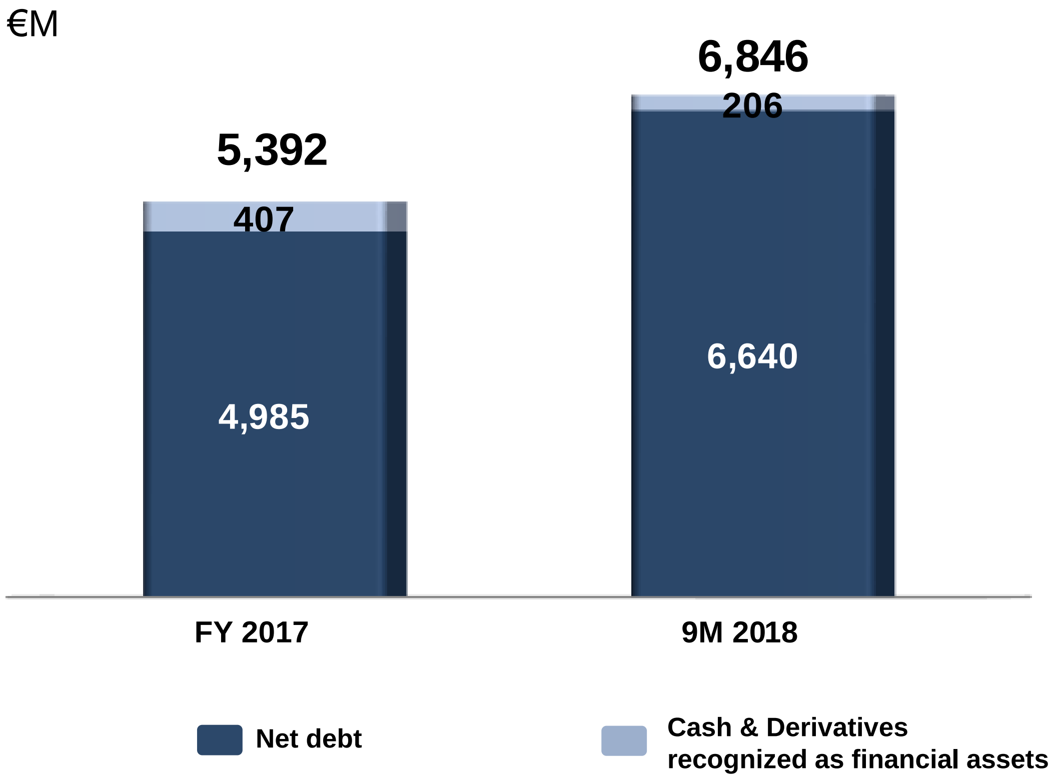
- **Dividend payments and regulatory working capital evolution drive net debt increase**

(1) Cash based Capex
(2) Net balance with CNMC settlements
(3) Includes Gestinver (Debt consolidation and cash outflow investment for €172M) and Empresa de Alumbrado Eléctrico de Ceuta (Cash outflow investment for €81M)

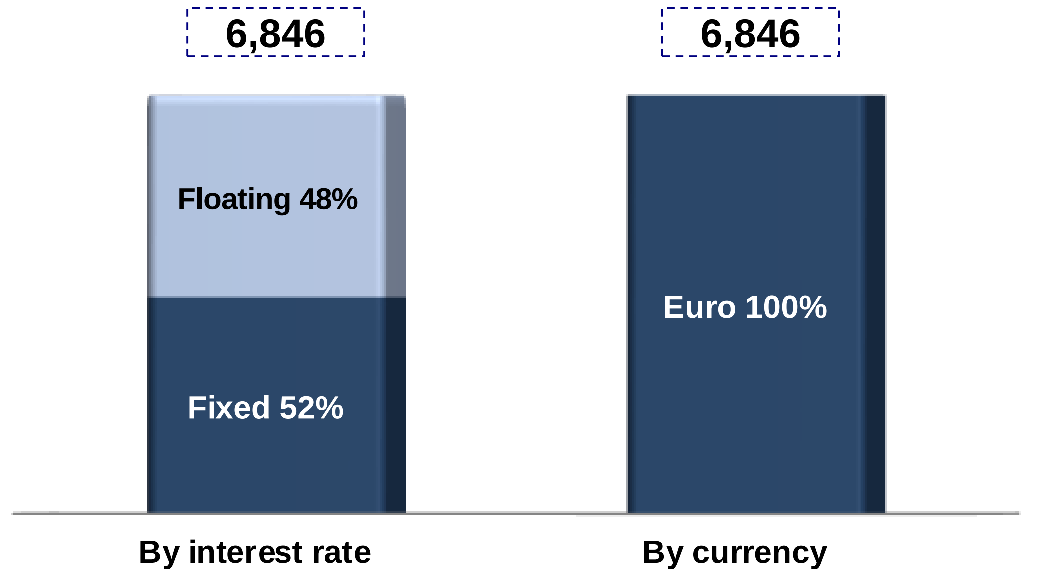
Gross financial debt structure

As of 9M 2018

Gross and net debt



Structure of Endesa's gross debt



- Average cost of debt 1.9% (vs. 2.2% as of 9M17)

- **Healthy financial leverage and strong liquidity position**

Final Remarks

Continuous delivery on strategic plan and fully committed with the Energy Transition initiatives

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

Constant effort on fixed cost contention

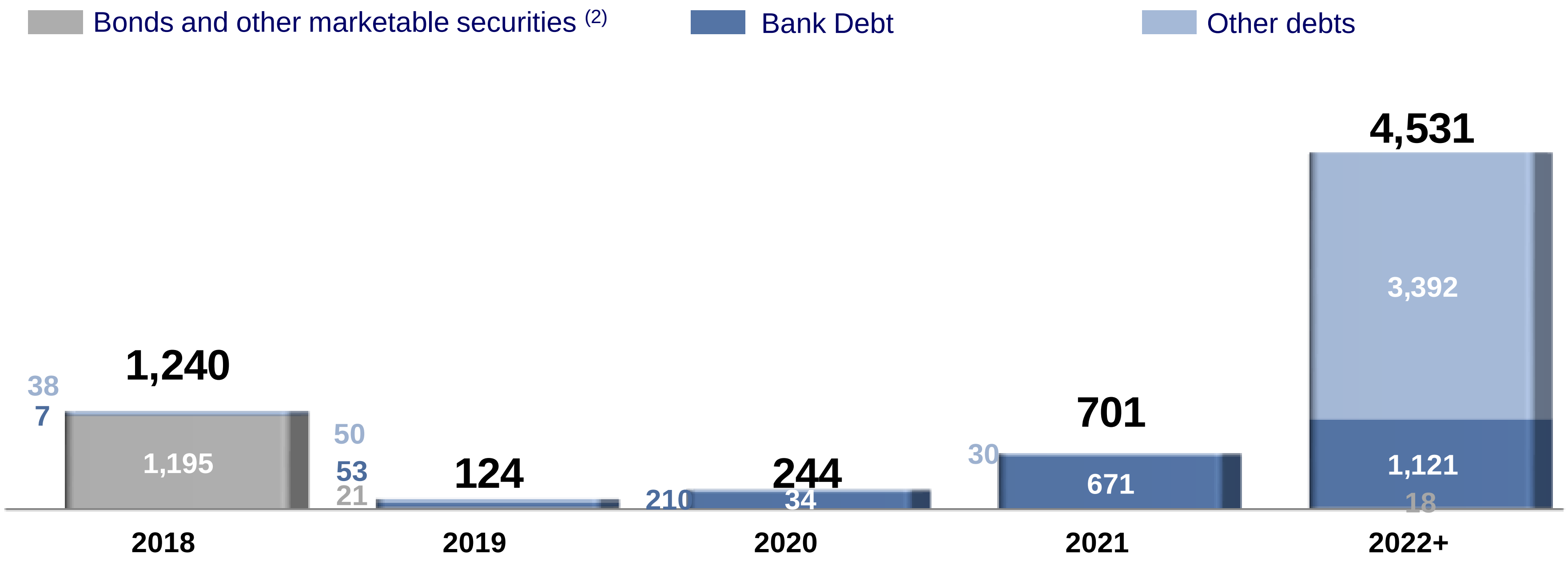
Slight improvement in the EBITDA guidance

A floor for 2018 gross DPS of €1.33/share is guaranteed

Appendix
Endesa 9M 2018 Results

Endesa: financial debt maturity calendar

Gross balance of maturities outstanding at 30 September 2018: €6,840 M(1)



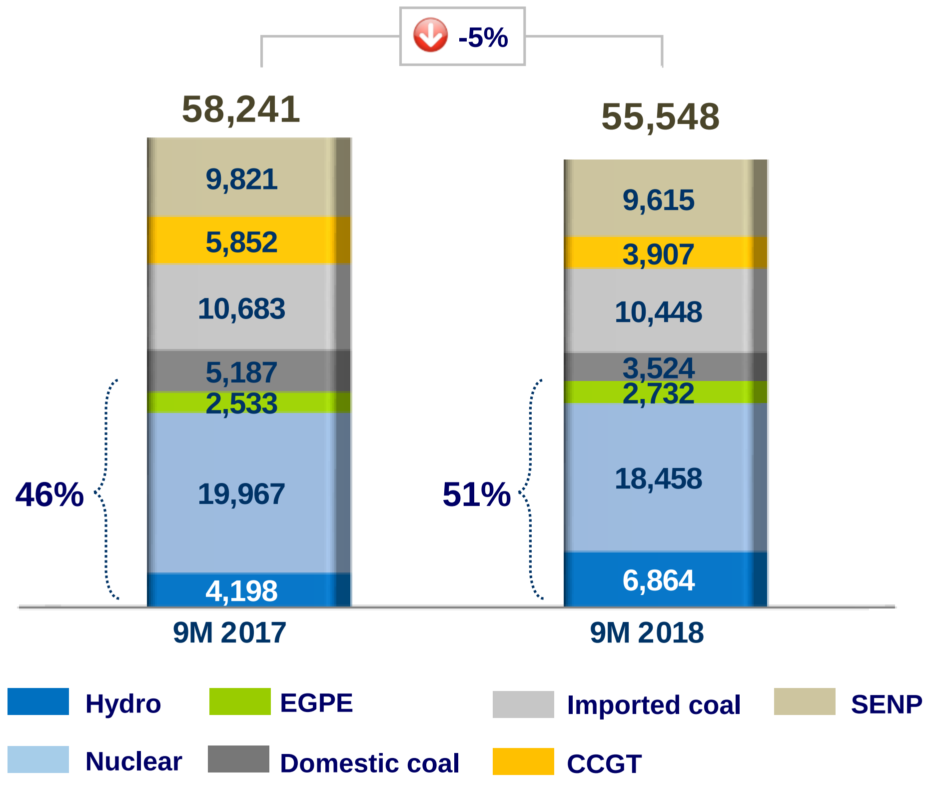
Endesa's liquidity covers 20 months of debt maturities

- **Liquidity €2,484 M**
  - **€199 M in cash**
  - **€2,285 M available in credit lines**
- **Average life of debt: 5.2 years**

(1) Does not include €6 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)



- 18% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 51% of total output (vs. 46% in 9M 2017)

Total output (GWh)

GWh 9M 2018

(and chg. vs. 9M 2017)

	Total Output (1)	
Total	55,548	-5%
Hydro	6,864	64%
Nuclear	18,458	-8%
Coal	15,900	-11%
Natural gas	6,513	-22%
Oil-gas	5,081	-4%
Renewables	2,732	8%

Total installed capacity (GW)

GW at 9M 2018

(and chg. vs. 31 Dec. 2017)

	Total Installed capacity (2)	
Total	22.8	0%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.2	0%
Natural gas	5.4	0%
Oil-gas	2.4	-2%
Renewables	1.8	8%

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

Endesa: 9M 2018 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	*13,442*	*2,069*	*431*	*-589*	*15,353*
Procurements and services	*-11,010*	*-145*	*-60*	*133*	*-11,082*
Gross margin	*2,432*	*1,924*	*371*	*-456*	*4,271*
Self-constructed assets	*33*	*102*	*10*	*0*	*145*
Personnel expenses	*-396*	*-191*	*-129*	*12*	*-704*
Other fixed operating expenses	*-789*	*-315*	*-258*	*441*	*-921*
EBITDA	*1,280*	*1,520*	*-6*	*-3*	*2,791*
D&A	*-653*	*-461*	*-33*	*0*	*-1,147*
EBIT	*627*	*1,059*	*-39*	*-3*	*1,644*
Net financial results	*-124*	*-59*	*77*	*0*	*-106*
Net results from equity method	*21*	*4*	*3*	*0*	*28*
Results from other investments	*0*	*0*	*324*	*-324*	*0*
Results on disposal of assets	*-27*	*3*	*-3*	*0*	*-27*
PROFIT BEFORE TAX	*497*	*1,007*	*362*	*-327*	*1,539*
Income Tax Expense	*-97*	*-237*	*-7*	*1*	*-340*
Minorities	*-6*	*0*	*0*	*0*	*-6*
NET ATTRIBUTABLE INCOME	*394*	*770*	*355*	*-326*	*1,193*

Endesa: 9M 2017 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	*13,049*	*1,923*	*409*	*-557*	*14,824*
Procurements and services	*-10,916*	*-113*	*85*	*126*	*-10,818*
Gross margin	*2,133*	*1,810*	*494*	*-431*	*4,006*
Self-constructed assets	*25*	*108*	*15*	*0*	*148*
Personnel expenses	*-353*	*-200*	*-131*	*11*	*-673*
Other fixed operating expenses	*-755*	*-330*	*-265*	*417*	*-933*
EBITDA	*1,050*	*1,388*	*113*	*-3*	*2,548*
D&A	*-598*	*-436*	*-38*	*0*	*-1,072*
EBIT	*452*	*952*	*75*	*-3*	*1,476*
Net financial results	*-71*	*-71*	*48*	*0*	*-94*
Net results from equity method	*15*	*3*	*0*	*0*	*18*
Results from other investments	*0*	*1*	*349*	*-349*	*1*
Results on disposal of assets	*-18*	*7*	*4*	*0*	*-7*
PROFIT BEFORE TAX	*378*	*892*	*476*	*-352*	*1,394*
Income Tax Expense	*-61*	*-212*	*-31*	*2*	*-302*
Minorities	*-7*	*0*	*0*	*0*	*-7*
NET ATTRIBUTABLE INCOME	*310*	*680*	*445*	*-350*	*1,085*

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: (€92 M x (365/270) + €3 M) / €6,666 M = 1.9%	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): 35,437 / 6,840 = 5.2 years	4.1
Cash flow from operations (€M)	Net cash provided by operating activities (€1,141 M)	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 20 months	4.1
EBITDA (€M)	Revenues (€15,353 M) – Purchases and Services (€11,082 M) + Work performed by the entity and capitalized (€145 M) – Personnel expenses (€704 M) – Other fixed operating expenses (€921 M) = €2,791 M	1.3
EBIT (€M)	EBITDA (€2,791 M) - Depreciation and amortization (€1,147 M) = €1,644 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€704 M) + Other fixed operating expenses (€921 M) - Work performed by the entity and capitalized (€145 M) = €1,480 M	1.3.2
Gross margin (€M)	Revenues (€15,353 M) – Purchases and Services (€11,082 M) = €4,271 M	1.4.1
Leverage (times)	Net financial debt (€6,640 M) / EBITDA (€994 M from 4Q 2017 + €2,791 M from 9M 2018) = 1.8x	n/a
Net Capex (€M)	Gross tangible (€711 M) and intangible (€125 M) Capex - assets from clients’ contributions and subsidies (€101 M) = €735 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 (€5,514 M + €1,332 M) - Cash and cash equivalents (€199 M) – Derivatives recognized as financial assets (€7 M) = €6,640 M	4.1
Net financial results (€M)	Financial Revenues (€29 M) - Financial Expenses (€133 M) - Foreign Exchanges (€2 M) = -€106 M	1.3.3
Revenues (€M)	Sales (€14,650 M) + Other operating revenues (€703 M) = €15,353 M	1.3.1
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€2,432 M) - Margin SENP (€477 M) - Margin SCVP (€81 M) - Margin gas (€107 M) - Margin Endesa X (€88 M) - Others (€104 M) = €1,575 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €1,575 M / 61.9 TWh = €25.5/MWh	n/a
Gas ordinary unitary margin (€/MWh)	Gas Ordinary Margin / Gas sales excluding Wholesales business: €99.6 M / 65.5 TWh = €1.5/MWh	n/a
Endesa X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Endesa X unit = €88 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).

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.