



Endesa 1H 2017 Results

26/07/2017



endesa

Agenda

- 1. Highlights and key financial figures**
- 2. Endesa's performance in 1H 2017 market context**
- 3. Financial results**
- 4. Final remarks**

Agenda

- 1. Highlights and key financial figures**
2. Endesa's performance in 1H 2017 market context
3. Financial results
4. Final remarks

Highlights

Significant improvement of 2Q liberalized business vs. 1Q despite unfavorable market conditions

Positive evolution of the regulated business

EGPE key strategic contribution

EGPE awarded with 540 wind MWs in the last RW capacity auction

Flat like-for-like⁽¹⁾ fixed costs

New cost and margin action plan under implementation

(1) Includes pension plans obligations provision update (€13 M in 1H 2017 and €8 M in 1H 2016), infringement proceedings provision (€5 M in 1H 2017 and -€8M in 1H 2016); EGPE perimeter [-€7 M of personnel and -€29 M of O&M costs]

Key financial figures



€M	1H 2017	1H 2016	Change	Like-for-like
EBITDA	1,605	1,866	-14%	-19% ⁽¹⁾
Net attributable income	653	796	-18%	-27% ⁽²⁾
Cash flow from operations (CFO)	675	1,470	-54%	
	30.06.2017	31.12.2016	Change	
Net financial debt	5,614 ⁽³⁾	4,938	+14%	

▪ 2Q 17 Results improvement vs. 1Q 17 (~+30% at EBITDA)

- 1H 16 exceptional good performance still affects EBITDA and Net Income comparison
- Lower cash flow mainly due to the expected normalization of regulatory working capital

(1) Net of EGPE contribution in 1H 2017 (+€96 M)
 (2) Net of EGPE contribution in 1H 2017 (+€26 M) and 1H 2016 (-€66 M)

(3) Gross financial debt (€6,074 M) - Cash and cash equivalents (€451 M)
 - Derivatives recognized as financial assets (€9 M)

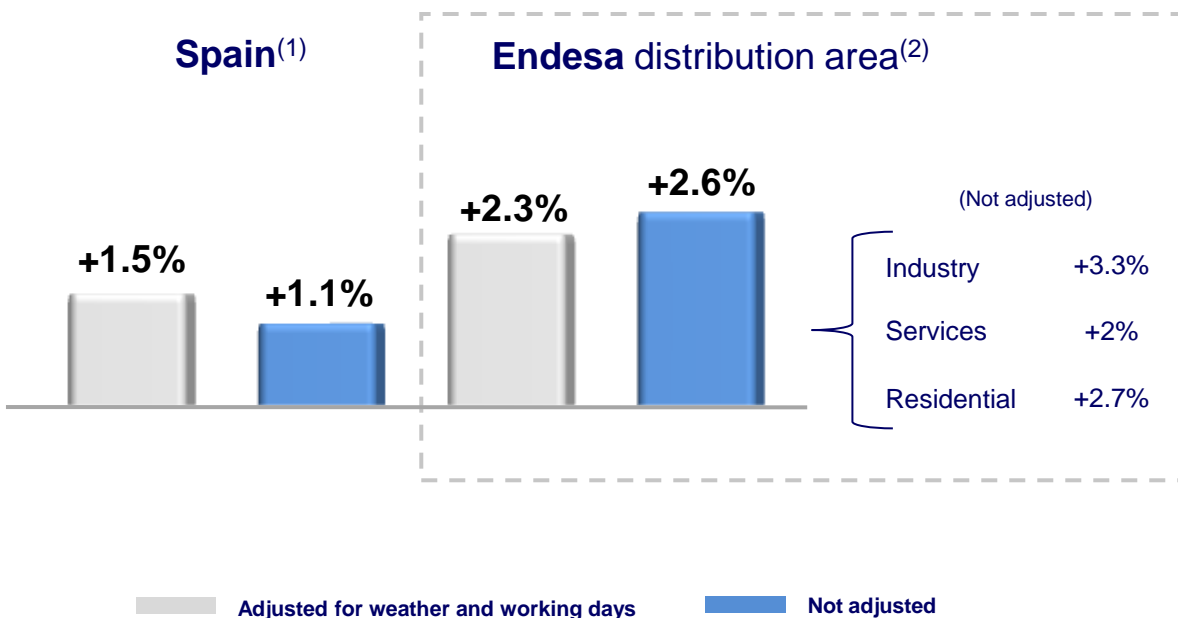
Agenda

1. Highlights and key financial figures
- 2. Endesa's performance in 1H 2017 market context**
3. Financial results
4. Final remarks

Market context in 1H 2017



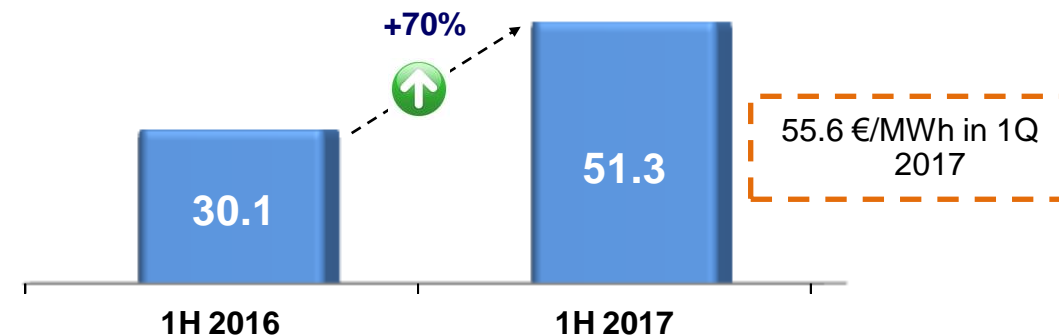
Demand



- Demand increases driven by industry and residential segments

Electricity wholesale prices

Average pool prices Spain (€/MWh)



- Remarkable pool price increase due to the exceptional market conditions (mainly) in 1Q 2017
 - 1H 2016 exceptional low pool price
 - 1H 2017 extremely poor hydro conditions leading to > 65% increase in system thermal gap

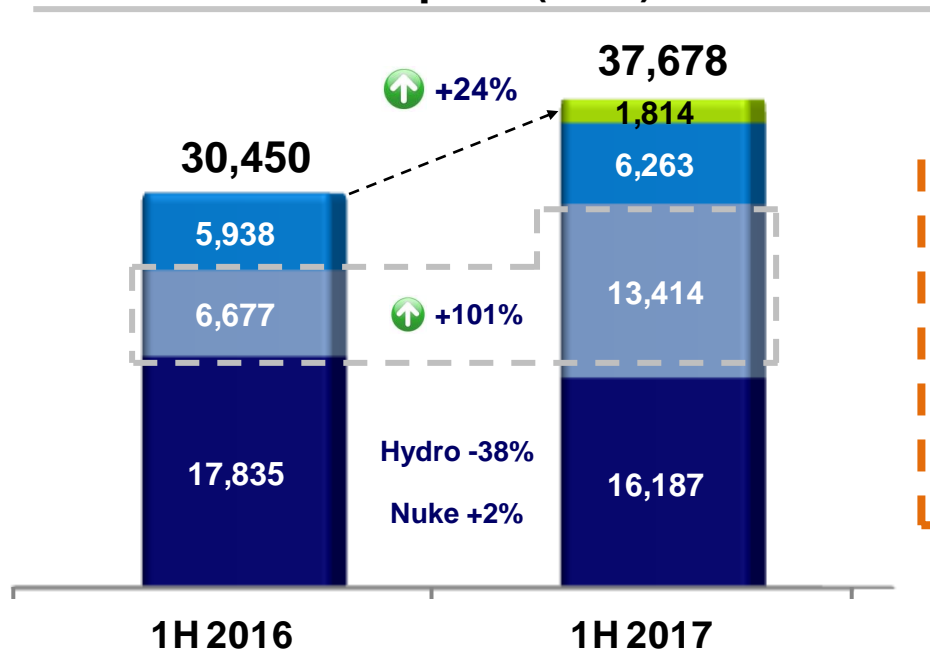
(1) Mainland. Source: REE
 (2) Mainland. Source: Endesa's own estimates

Endesa's performance in 1H 2017 market context

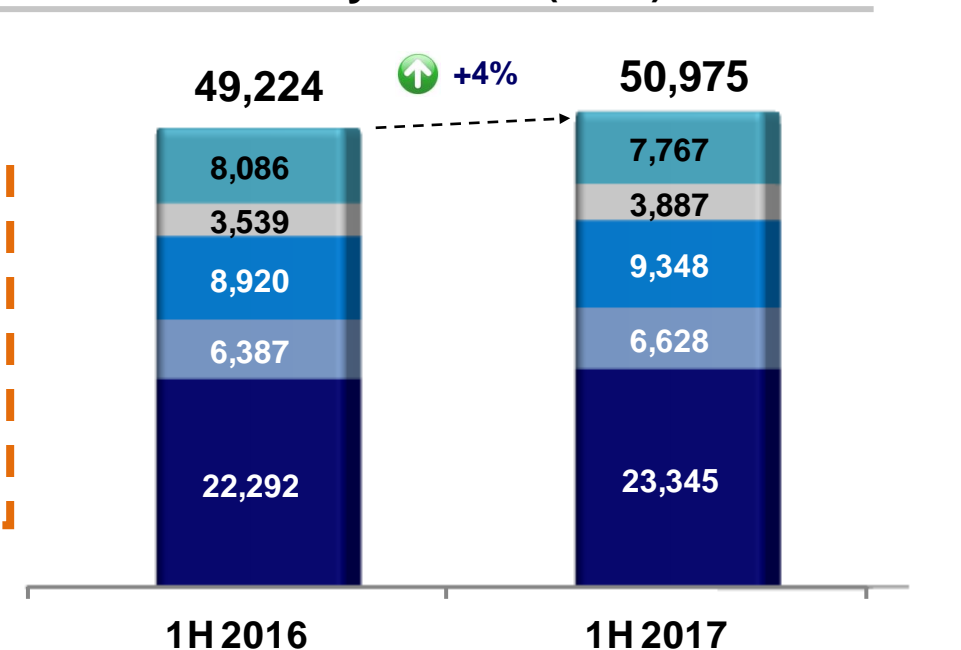


Energy management

Output⁽¹⁾ (GWh)



Electricity sales⁽¹⁾ (GWh)



Unitary integrated margin:
€21.4/MWh
 (-10% vs. 1H 2016)
 (-21% I-f-I)⁽²⁾

- Mainland (hydro and nuke)
- Mainland (thermal)
- Non-mainland (regulated)
- EGPE

- Industrial
- Residential
- SMEs
- Portugal
- SCVP

Noticeable improvement of 2Q integrated margin helped by the action plan put in place and the gradual normalization of market conditions

(1) Energy at power plant busbars

(2) Net of EGPE contribution in 1H 2017

Endesa's performance in 1H 2017 market context

Renewables auctions



✓ May 2017 RW capacity auction:

- Capacity auction closed at maximum discount to standard values
- 3,000 MW were awarded, mostly wind (2,979 MW)
- **Endesa was awarded with 540 MW of wind:**
 - €600 M of estimated capex
 - Energy output: ~1,750 GWh/year
 - Capacity to come on stream before Dec. 2019
 - Attractive expected IRR and perfect strategic fit

✓ New RW capacity auction:

- To be held today, 26th July
- Up to 3,000 MW of capacity to be awarded. Limited to wind and photovoltaic technologies
- Maximum discount to standard values increased vs. May auction

Agenda

1. Highlights and key financial figures
2. Endesa's performance in 1H 2017 market context
- 3. Financial results**
4. Final remarks

Financial results



€M	1H 2017	1H 2016	Change	Like-f-like
Revenues	10,004	9,203	9%	
Gross Margin	2,624	2,836	-7%	
EBITDA	1,605	1,866	-14%	-19%⁽¹⁾
EBIT	901	1,190	-24%	
Net Financial Results	(59)	(101)	-42%	
Share of profit from associates	10	(38)	n/a	
Income tax	(190)	(245)	-22%	
Net attributable income	653	796	-18%	-27%⁽²⁾
Net Capex	288⁽³⁾	322	-11%	

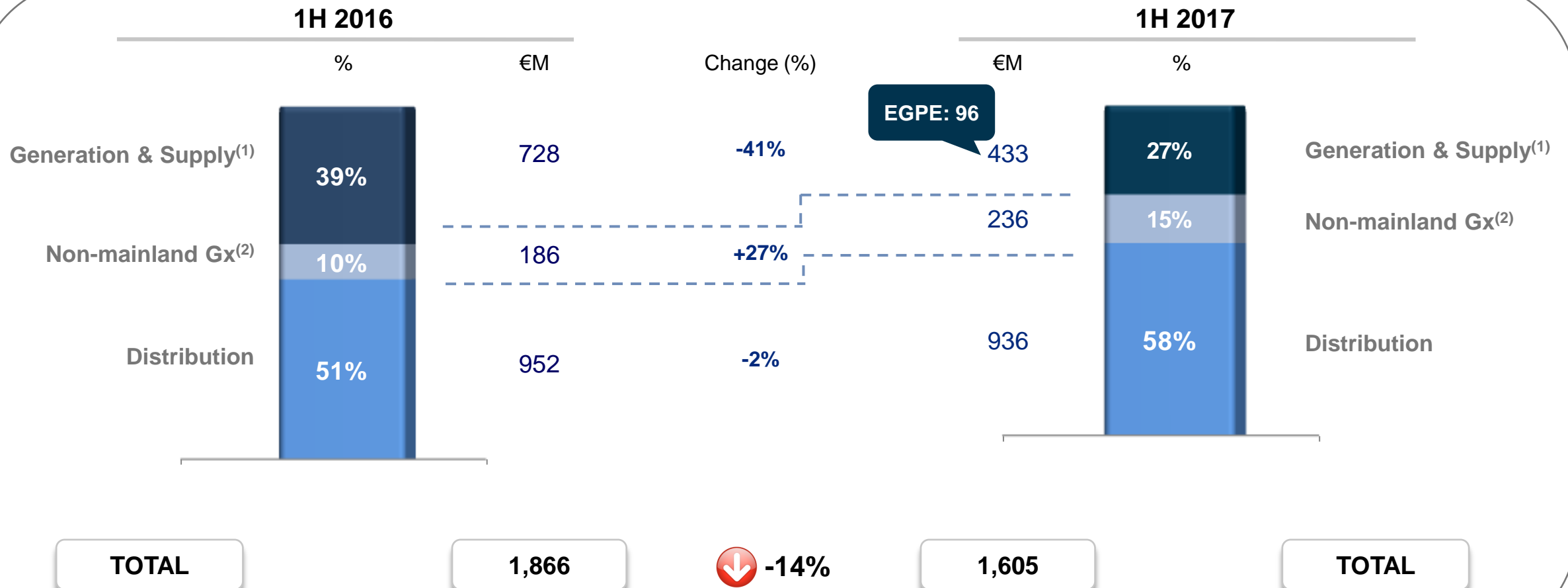
EBITDA evolution:

- (-) Liberalized electricity business impacted by challenging market conditions
- (-) Liberalized gas business impacted by MtM&Others effect and ordinary margin deterioration
- (+) EGPE contribution
- (+) Previous years' positive settlements in non mainland Generation

(1) Net of EGPE contribution in 1H 2017 (+€96 M)
 (2) Net of EGPE contribution in 1H 2017 (+€26 M) and 1H 2016 (-€66 M)

(3) Gross tangible and intangible Capex (€350 M) - assets from clients' contributions and subsidies (€62 M)

1H 2017 EBITDA breakdown



(1) Generation & Supply business EBITDA figure includes EGPE, Corporate Structure, Services and Adjustments and does not include Non-mainland generation

(2) Non-mainland generation EBITDA figure includes Canary and Balearic Islands, Ceuta and Melilla



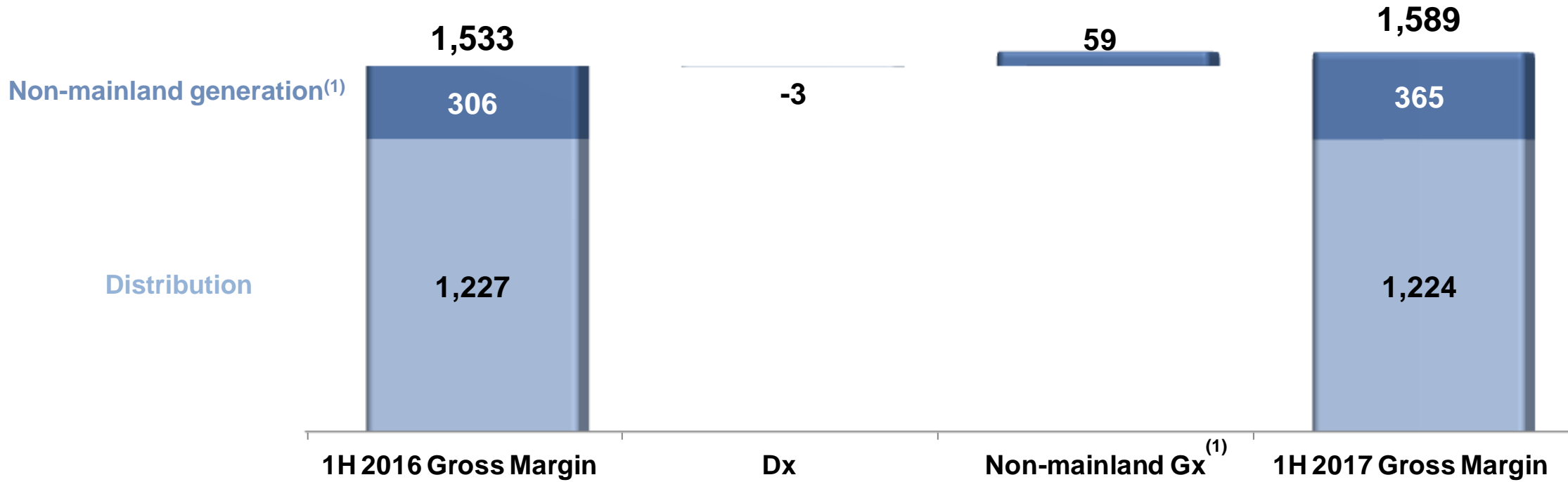
Regulated business

Gross margin evolution



€M

↑ +4%



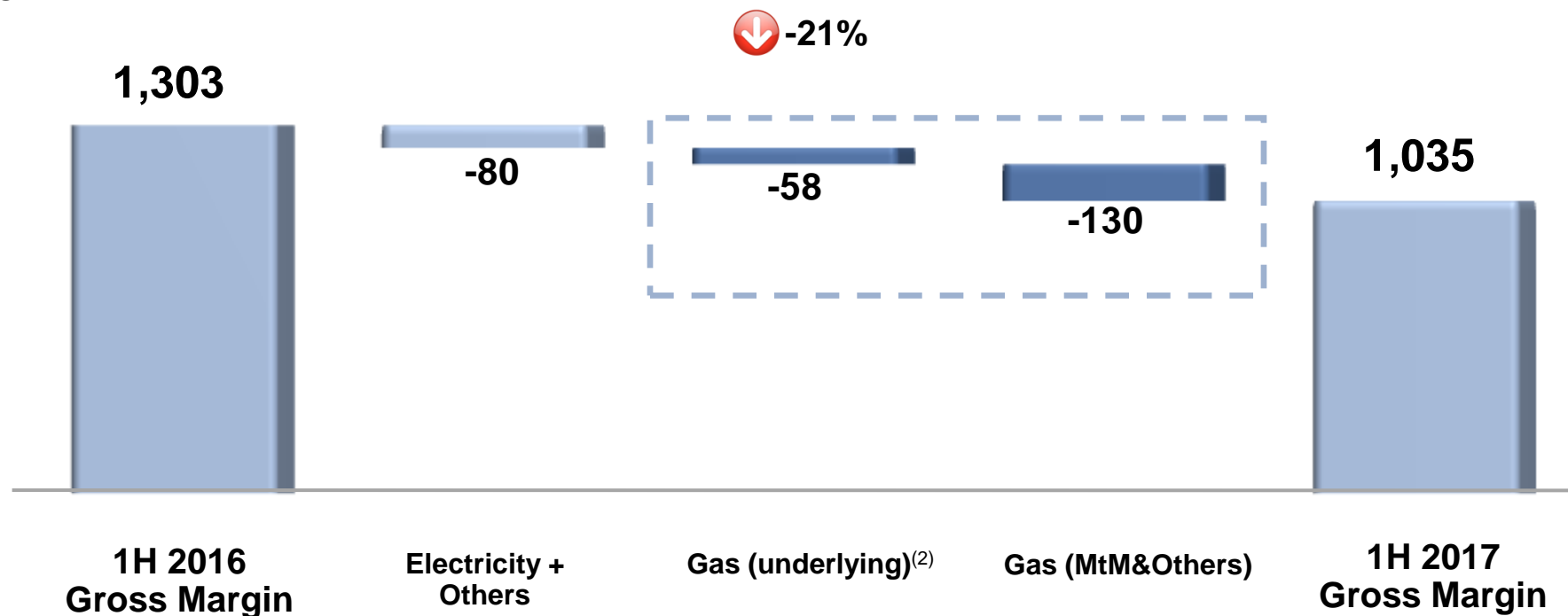
■ **Stable regulated gross margin with non-mainland Gx benefitting from previous years' positive settlements**

Liberalized business⁽¹⁾

Gross margin evolution



€M



- ▼ Lower integrated unitary margin in the liberalized electricity business (with slight increase in sales volumes)
- ▼ Gas business
- ▼ Favorable ruling on Catalan nuclear tax in 1H 2016 (-€63 M)
- ▲ EGPE contribution (€132 M)

■ **Tough market conditions in both electricity and gas**

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

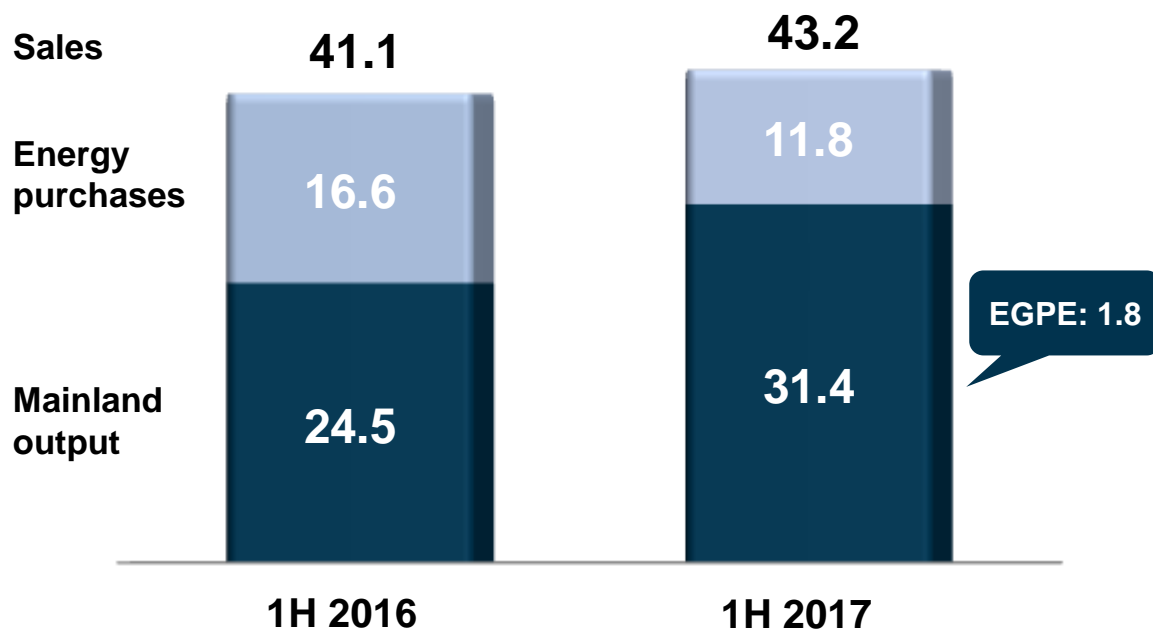
(2) Gas business gross margin relates to that obtained in the gas supply activity

Liberalized business

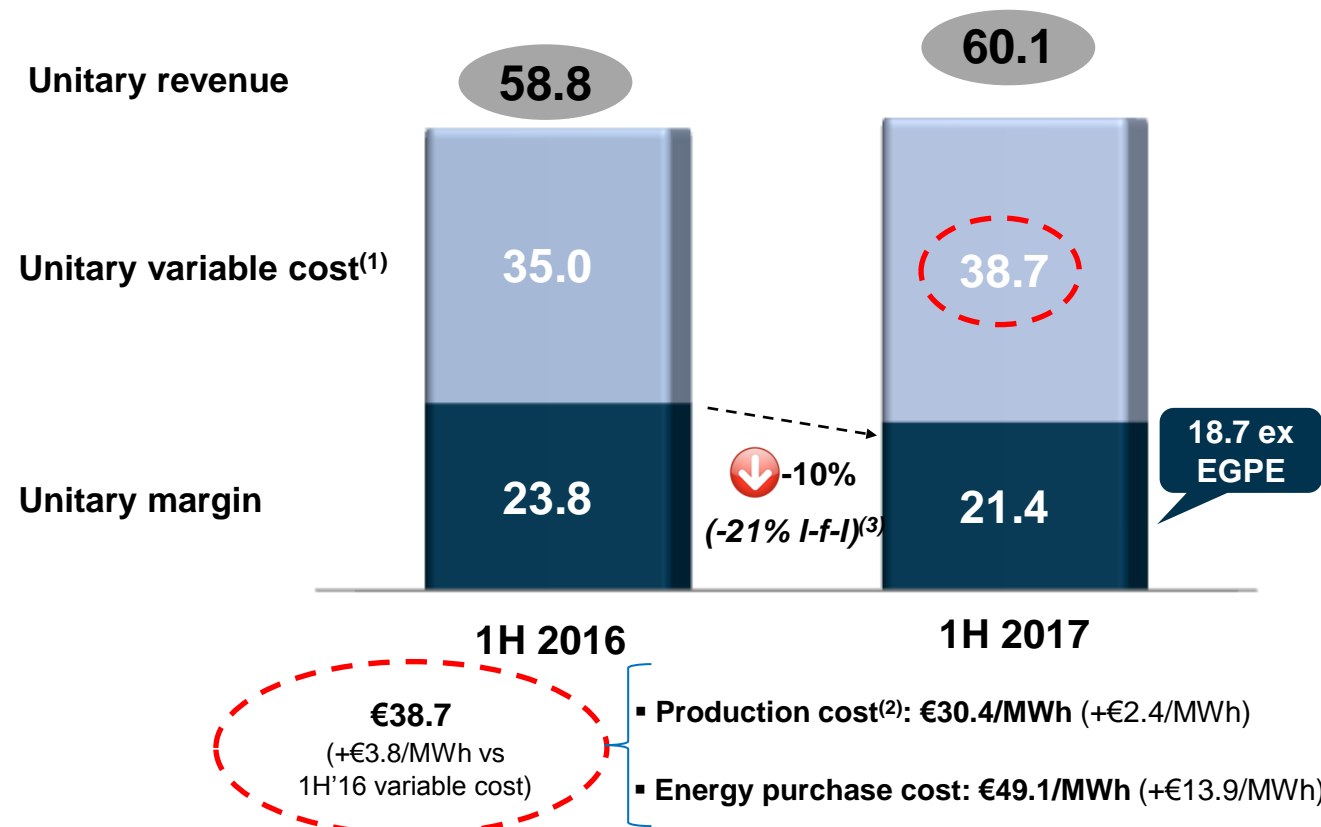
1H 2017 energy management



Energy (TWh)



Unitary values breakdown (€/MWh)



▪ -10% electricity unitary margin (€21.4/MWh) due to higher variable cost

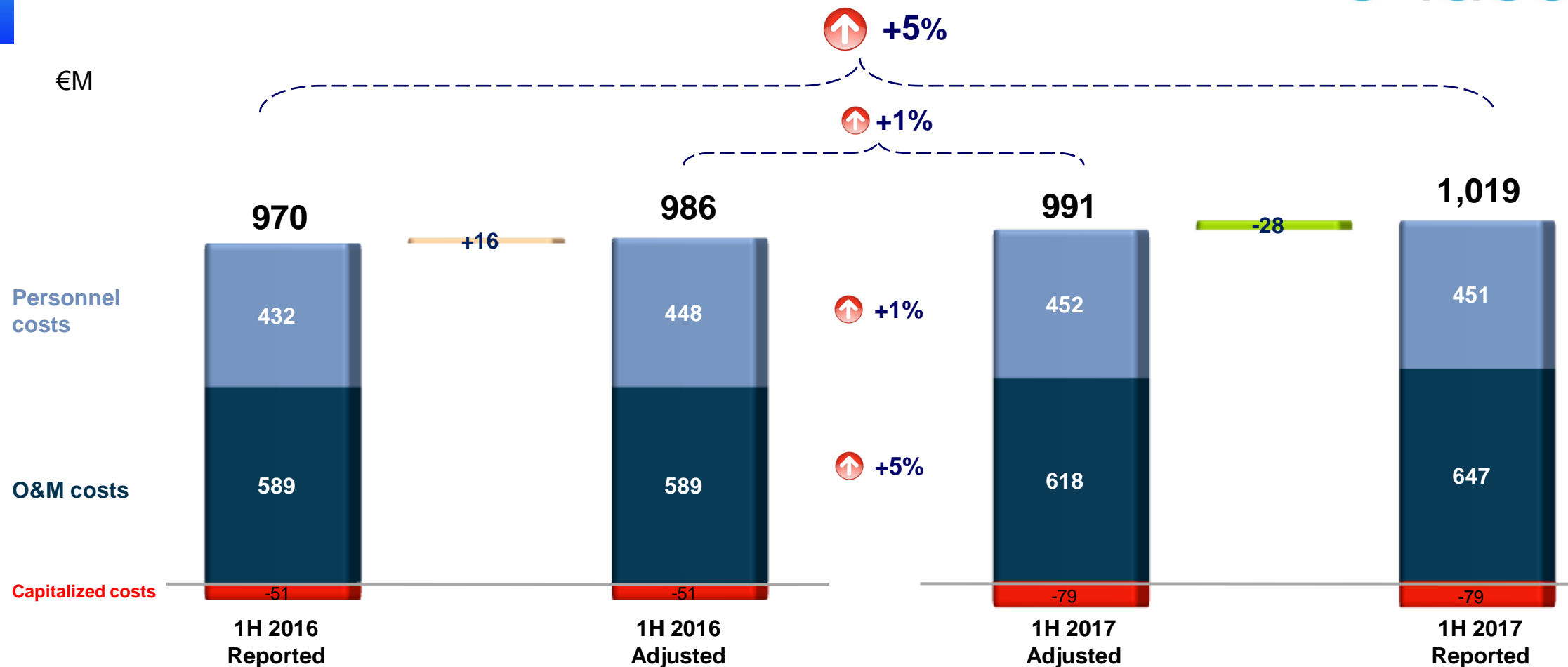
(1) Production cost + energy purchase costs + ancillary services
 (2) Production cost = fuel cost + CO₂ + taxes from Law 15/2012

(3) Net of EGPE contribution in 1H 2017

Fixed costs evolution



€M



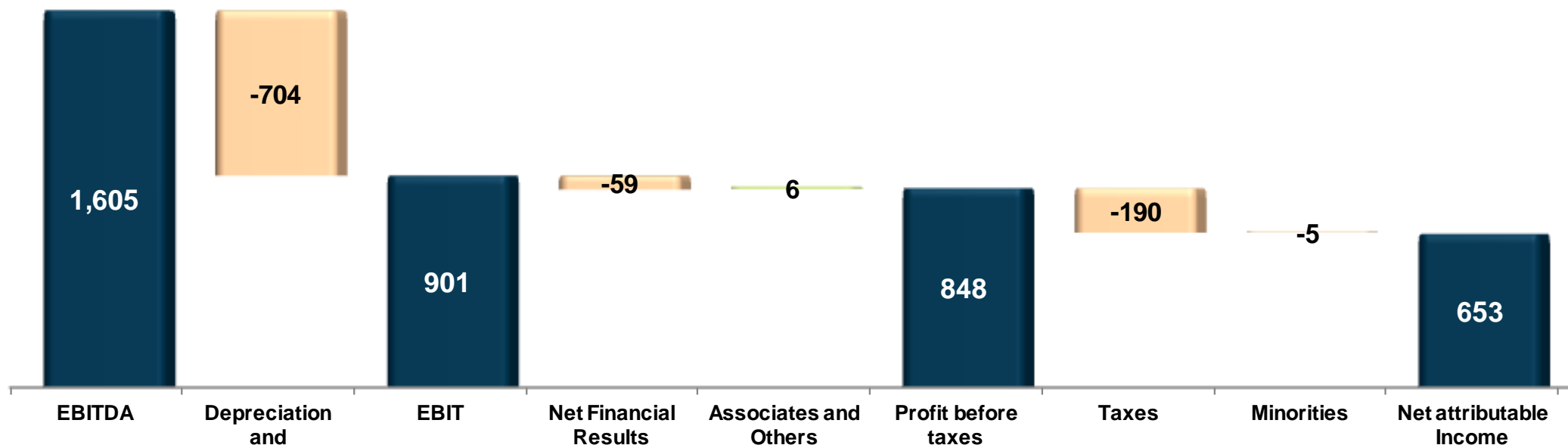
■ Like-for-like⁽¹⁾ fixed costs remained flat

(1) Includes pension plans obligations provision update (€13 M in 1H 2017 and €8 M in 1H 2016), infringement proceedings provision (€5 M in 1H 2017 and -€8M in 1H 2016); EGPE perimeter [-€7 M of personnel and -€29 M of O&M costs]

From EBITDA to Net Income



€M



1H 2016
Change (%)

1,866	-676	1,190	-101	-48	1,041	-245	0	796
-14%	+4%	-24%	-42%		-19%	-22%	N/A	-18%

- (-) D&A increase due to EGPE consolidation (€54 M) partially offset by (+) hydro and renewables life extension (€38 M)
- (+) Net financial expenses decrease due to financial provisions update (+€63 M change)
- (+) Associates positively impacted by 40% EGPE write-down in 1H 2016 (-€72 M)

Net financial debt analysis

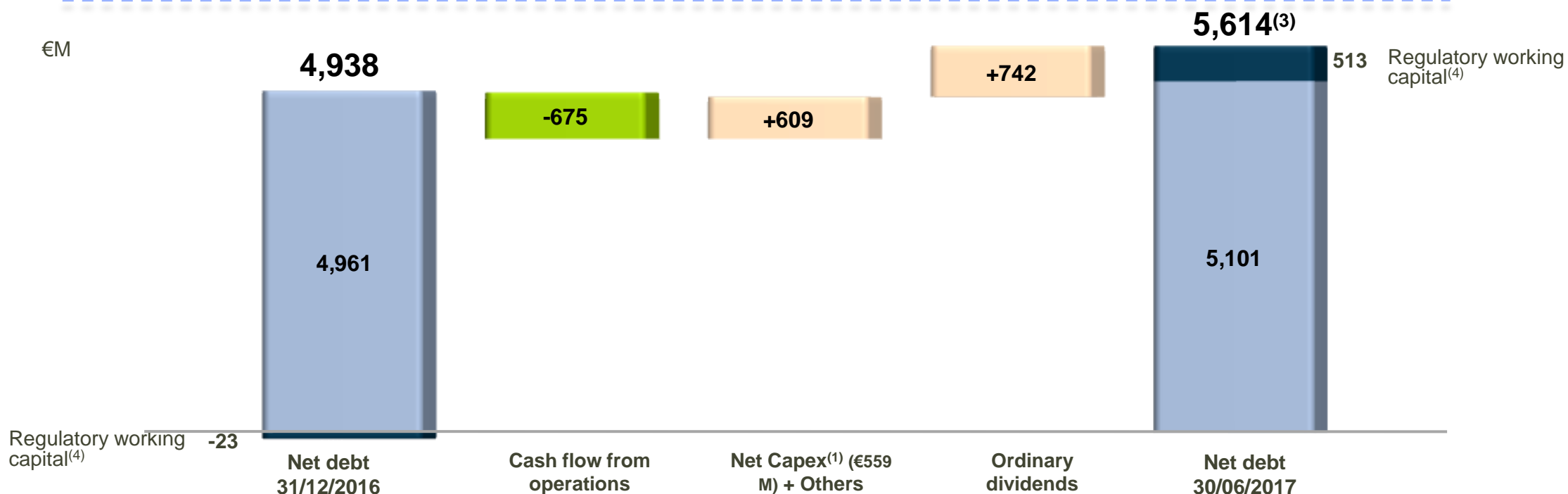
Net financial debt evolution



Net debt / EBITDA ratio

1.4x

1.8x⁽²⁾



- Net debt increase due to normalization of regulatory working capital
 - Healthy financial leverage and strong liquidity position

(1) Cash based (Net Capex)
 (2) Last 12 month EBITDA

(3) Gross financial debt (€6,074 M) - Cash and cash equivalents (€451 M) - Derivatives recognized as financial assets (€9 M)
 (4) Mainland and non-mainland deficit

Agenda

1. Highlights and key financial figures
2. Endesa's performance in 1Q 2017 market context
3. Financial results
- 4. Final remarks**

ENDESA's contribution to UN Sustainable Development Goals

Main actions developed in 1H 2017



> € 1,000 Million to transform the future of energy:
Digitalization and energy solutions

Electricity access to all vulnerable customers

Strong positioning in the last
renewable auction in Spain

New Business Line to accelerate the energy transformation

Social Innovation to tackle fuel poverty

540 MW
awarded to ENDESA
(20% of auction)

~ € 600 MM
expected investment

E- Mobility

E-homes

E-solutions



E- Industries

E-Cities

225 Agreements signed with Local Authorities

Training on Energy Efficiency Awareness

Partnerships to find new disruptive solutions

■ Endesa included in the FTSE4Good Index for its first time

Implementation of a new cost and margin action plan



Identified actions

Costs

- ✓ **Staff and support functions:** BPO, reorganization, office space optimization...
- ✓ **Supply:** Plan to reduce Cost to Serve and Cost to Acquire through digitalization, process simplification and optimization...

Margins

- ✓ **Retail:** B2B and B2C customer base value management
- ✓ **Integrated margin:** Adoption of upgraded tools for gas and power integrated management

- **New action plan already contributing to improve 2017 results with full impact in the next years**

Final remarks

Significant improvement of 2Q liberalized business vs. 1Q despite unfavorable market conditions

Positive evolution of the regulated business

Progressing with the EGPE strategic growth plan

L-f-I⁽¹⁾ fixed costs contention as a result of the efficiency plans

2017 targets supported by additional action plan and expected normalization of results

A floor for 2017 gross DPS of €1.32/share is guaranteed

(1) Includes pension plans obligations provision update (€13 M in 1H 2017 and €8 M in 1H 2016), infringement proceedings provision (€5 M in 1H 2017 and -€8M in 1H 2016); EGPE perimeter [-€7 M of personnel and -€29 M of O&M costs]

Appendix

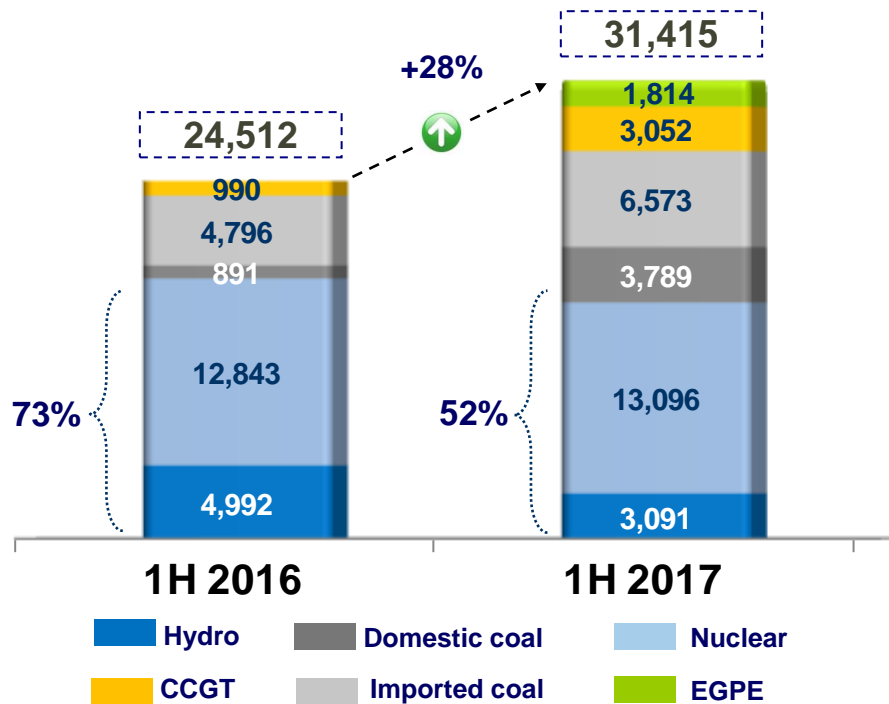
Endesa 1H 2017 Results

endesa

Installed capacity and output



Mainland output⁽¹⁾ (GWh)



101% thermal output increase

Hydro and nuclear represented 52% ⁽³⁾ of total output (vs. 73% in 1H 2016)

Total output (GWh)

GWh 1H 2017
(and chg. vs. 1H 2016)

	Total Output ⁽¹⁾	
Total	37,679	24%
Hydro	3,091	-38%
Nuclear	13,096	2%
Coal	11,634	77%
Natural gas	4,692	65%
Oil-gas	3,352	5%
Renewables	1,814	n/a

Total installed capacity (GW)

GW at 30 June 2017
(and chg. vs. 31 Dic. 2016)

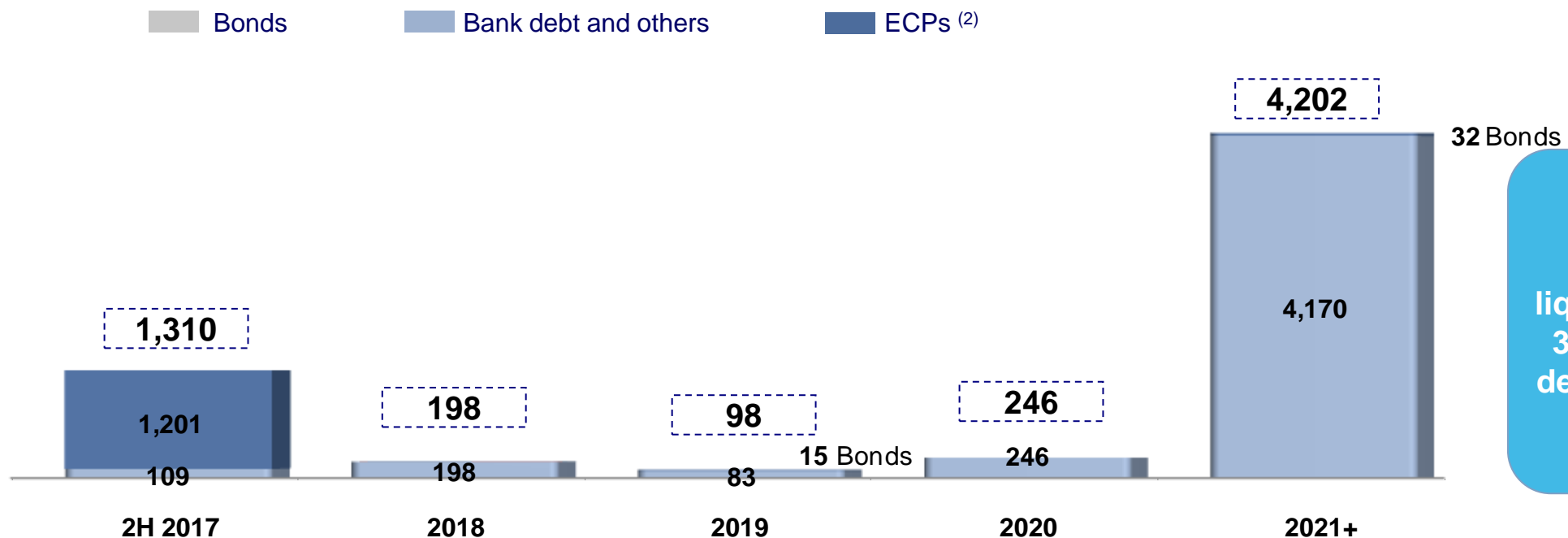
	Total Installed capacity ⁽²⁾	
Total	22.7	0%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.2	0%
Natural gas	5.4	0%
Oil-gas	2.4	0%
Renewables	1.7	0%

⁽³⁾ Includes EGPE output

Endesa: financial debt maturity calendar



Gross balance of maturities outstanding at 30 June 2017: €6,074 M⁽¹⁾



Endesa's liquidity covers 32 months of debt maturities

- Liquidity €3,260 M
 - €451 M in cash
 - €2,809 M available in credit lines
- Average life of debt: 6.2 years

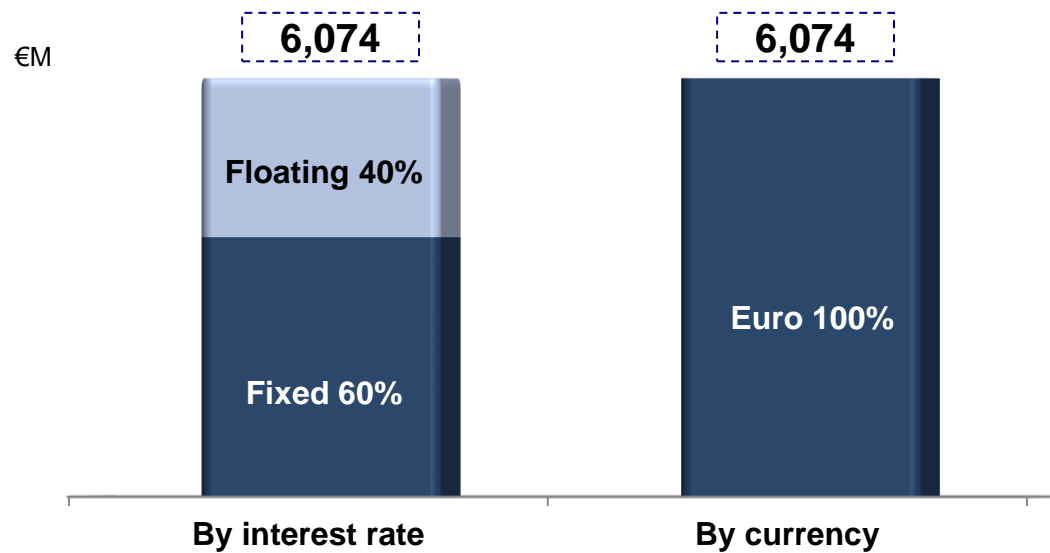
(1) This gross balance includes the outstanding amounts of debt (€6,054 M) and the mark-to-market of derivatives or fair value debt as they do not involve any cash payment (it amounted to €20 M as of 30.06.2017)
 (2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Gross financial debt structure

as of June 30th 2017



Structure of Endesa's gross debt



▪ Average cost of debt 2.3%

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: $\text{€}(69 \times 2) \text{ M} / \text{€}5,910 \text{ M} = 2.3\%$	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): $37,279 / 6,053 = 6.2$ years	4.1
Cash flow from operations (€M)	Net cash provided by operating activities (€675 M)	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 32 months	N/A
EBITDA (€M)	Revenues (€10,004M) – Purchases and Services (€7,380M) + Work performed by the entity and capitalized (€79M) – Personnel expenses (€451M) – Other fixed operating expenses (€647M) = €1,605 M	1.2
EBIT (€M)	EBITDA (€1,605M) - Depreciation and amortization (€704M) = €901 M	1.2
Fixed costs / Opex (€M)	Personnel expenses (€451M) + Other fixed operating expenses (€647M) - Work performed by the entity and capitalized (€79M) = €1,019 M	1.2.2
Gross margin (€M)	Revenues (€10,004M) – Purchases and Services (€7,380M) = €2,624 M	1.2.2
Leverage (times)	Net financial debt (€5,614M) / EBITDA (€ 1,566 from 2H 2016 + €1,605M from 1H 2017) = 1.8x	N/A
Net Capex (€M)	Gross tangible (€309 M) and intangible (€41 M) Capex - assets from clients' contributions and subsidies (€62 M)	4.3

Glossary of terms (II/II)



Item	Calculation	Reference note (#) of Consolidated Management Report
Net financial debt (€M)	Long and short term financial debt (€4,748M + €1,326M) - Cash and cash equivalents (€451M) - Derivatives recognized as financial assets (€9M) = €5,614 M	4.1
Net financial results (€M)	Financial Revenues (€34M) - Financial Expenses (€94M) + Foreign Exchanges (€1M) = -€59 M	1.2.3
Regulatory working capital (€M)	Part of the working capital that is specifically related to the balances of CNMC settlements = €513 M	4.2
Revenues (€M)	Sales (€9,792M) + Other operating revenues (€202M) = €10,004 M	1.2.1
Unitary revenue (€/MWh)	Revenues obtained from i) selling electricity in the liberalized market in Spain and Portugal; ii) generation' ancillary services and capacity payments and iii) renewable generation incentives. All of the above divided by physical electric sales in the liberalized market in Spain and Portugal (€2.597 M / 43,2 TWh = €60,1/MWh)	n/a
Unitary variable cost (€/MWh)	i) fuel and CO ₂ costs in ordinary regime in mainland Spain and Portugal; ii) taxes related to mainland Gx; iii) purchase energy cost to meet electricity sales in the liberalized market in Iberia; iv) ancillary services and other commercial costs related to retail sales in liberalized market in Iberia. All the above divided by physical electric sales in the liberalized market in Iberia (€456 M / 11,8 TWh = €38,7 /MWh)	n/a
Production cost (€/MWh)	i) fuel and CO ₂ costs in ordinary regime in mainland Spain and Portugal; ii) taxes related to mainland generation. All of them divided by mainland Spain and Portugal generation (€955 M / 31,4 TWh = €30,4 /MWh)	n/a
Energy purchase cost (€/MWh)	Energy cost related to energy purchases to meet electricity sales in the liberalized market in Iberia divided by energy purchases (€579 M / 11,8 TWh = €49,1 /MWh)	n/a
Unitary integrated margin (€/MWh)	Unitary revenue - Unitary variable cost (€60,1 /MWh - €38,7 /MWh = €20,4 /MWh)	n/a

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.