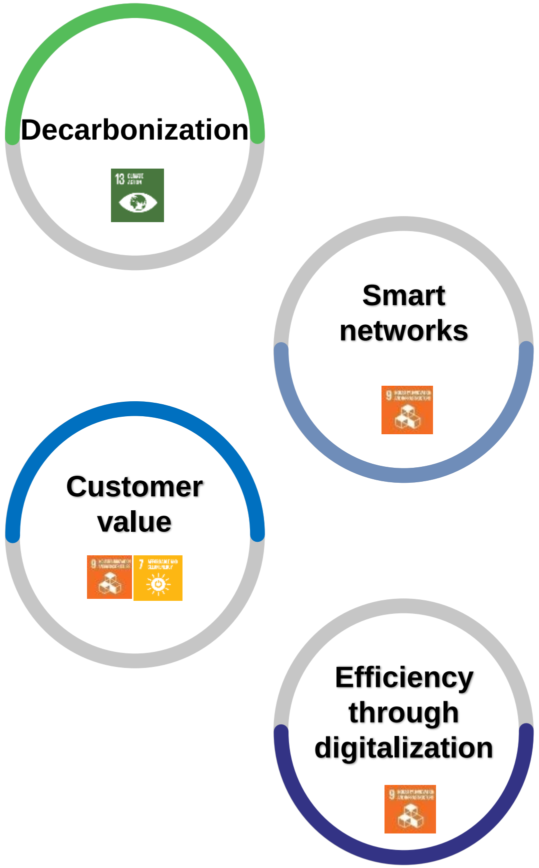
Endesa 1Q 2019 Results

May 07, 2019

Key highlights



EBITDA increased by +5% in a challenging market context both in electricity and gas

Steady evolution in the regulated business

Continued efforts in efficiency: adjusted fixed (1) costs reduced by -5%

Stable Net Ordinary Income (2)

AGM confirms final gross dividend on 2018 results: €1.427 per share

(1) 1Q 2018 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€7 M), and provision for compensations and other labour risks (€7 M). 1Q 2019 Fixed costs adjusted by : Provisions for workforce reduction plans and contract suspension agreements updates (€-12 M), provision for compensations and other labour risks (€-1 M) and IFRS 16 effect on leases (€7 M).
(2) Reported Net Income – Net Result on Disposals of Non-Financial Assets (over €10 M) - Net Results on Impairment of Non-Financial Assets (over €10 M)

Regulatory milestones

1Q 2019	2Q 2019	3Q 2019	4Q 2019

• CNMC empowerment
• Green Package
  ◦ Integrated National Energy and Climate Plan (PNIEC)
  ◦ Energy Transition Law
  ◦ Fair Transition Strategy
• Nuclear agreement
	• RW's Canary Islands auction
	• Self-Consumption R.D.
	• National Strategy against Energy Poverty
		• RW's Balearic Islands auction	• Regulatory remuneration for 2020-2025 period

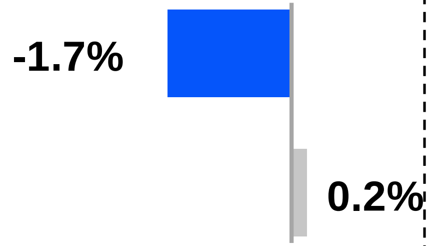
2019

Endesa is firmly supporting the steps towards the Energy Transition

Market context in 1Q 2019

Demand (1)

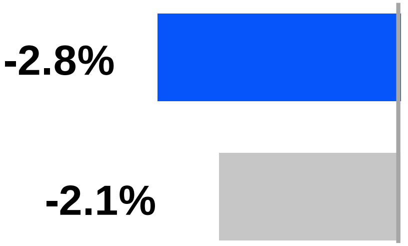
Endesa distribution area(2)



(Not adjusted)

Industry	+1.7%
Services	+0.8%
Residential	-7.0%

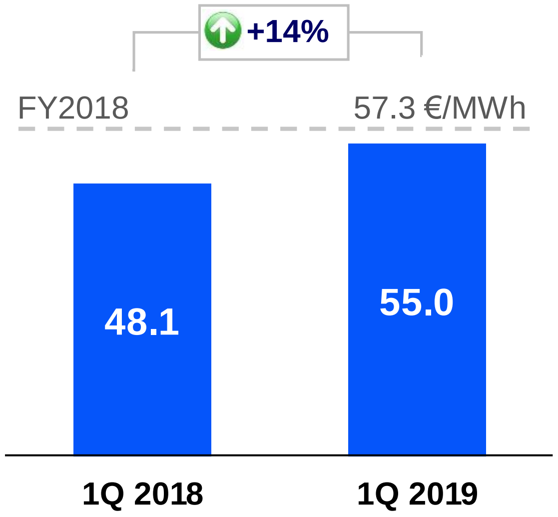
Spain(3)



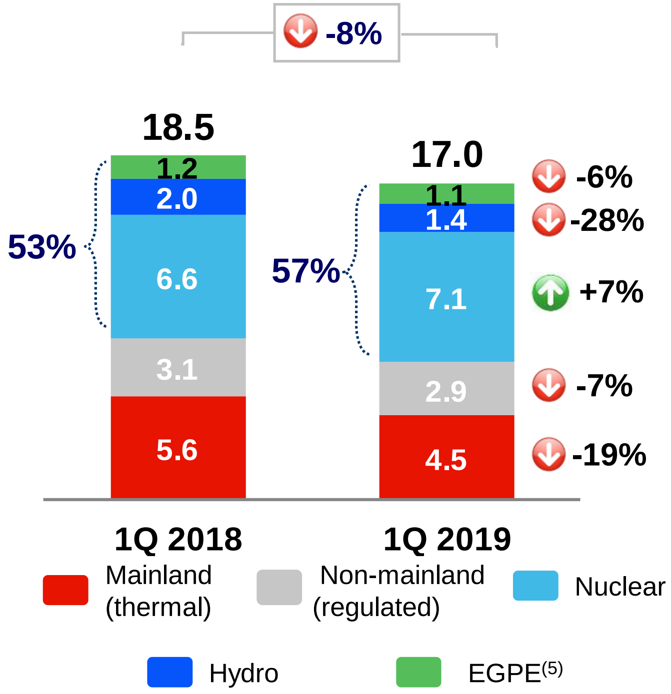
Not adjusted — Adjusted for weather and working days

Electricity wholesale prices

Average pool prices Spain (€/MWh)



Endesa output(4) (TWh)

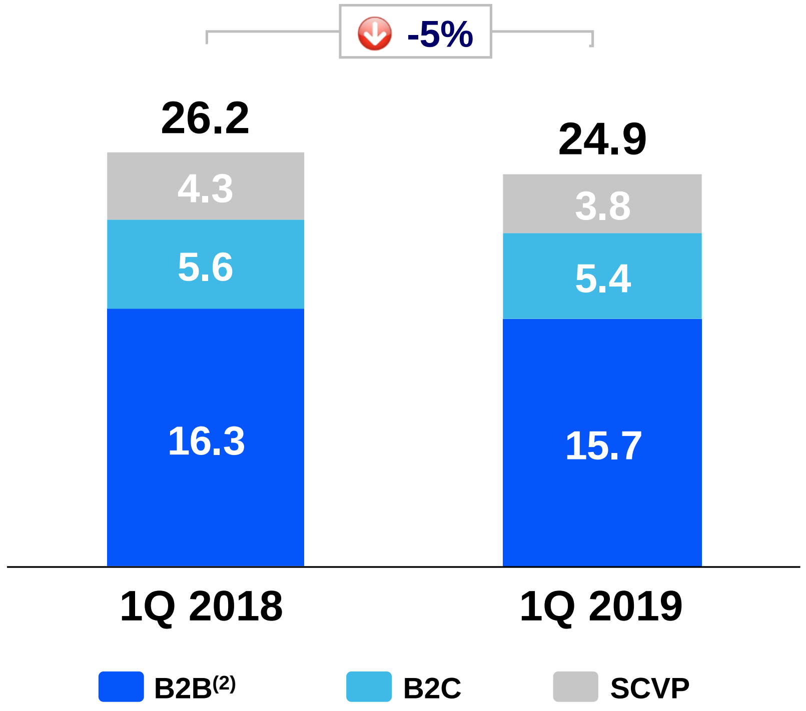


Increase in CO2 prices and low hydrology drove high power prices, in a context of demand reduction

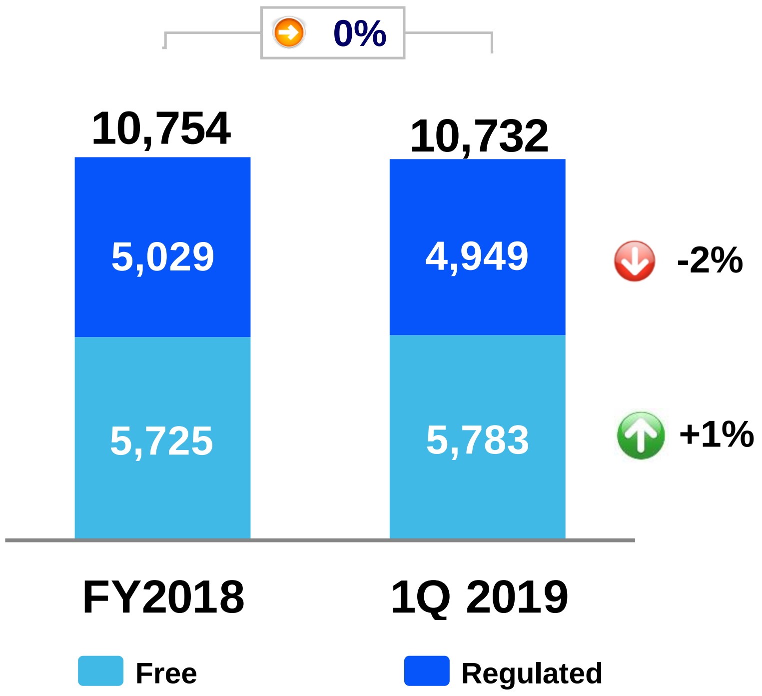
(1) Mainland.
(2) Source: Endesa's own estimates
(3) Source: REE
(4) Energy at power plant busbars.
(5) Includes 24 GWh in non-mainland in 1Q 2019 (40 MW) vs 30 GWh in 1Q 2018 (40 MW)

Power operational highlights

Electricity sales[1] (TWh)



Number of electricity customers (Thousands)

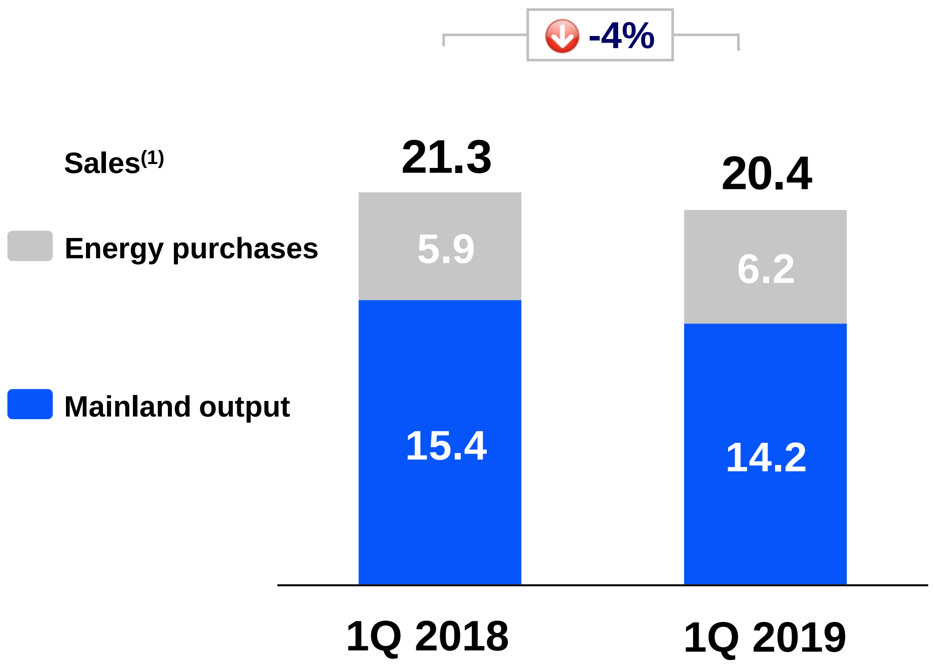


Electricity sales affected by lower demand while customer mix improves

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

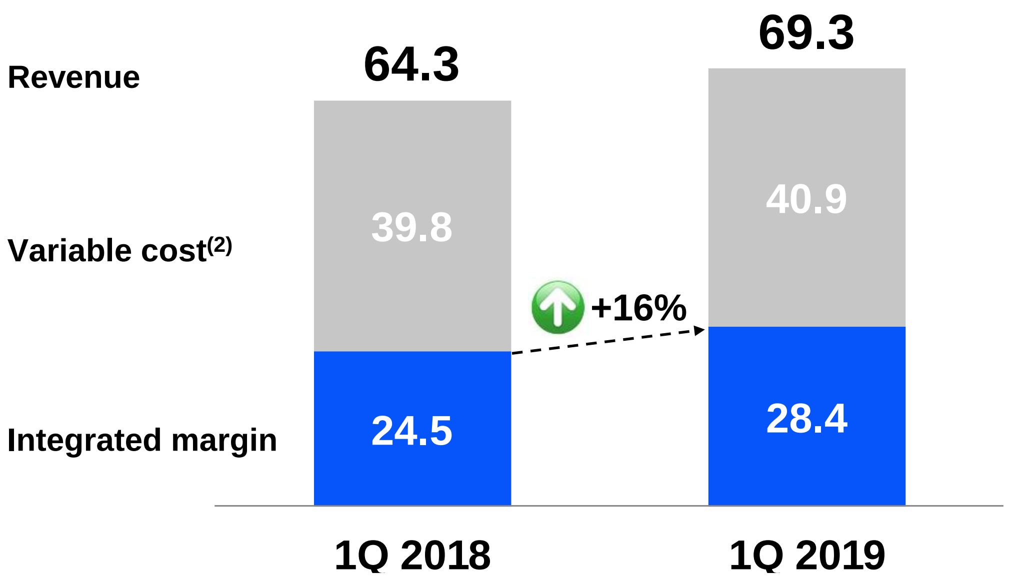
Electricity sales and energy management

Energy management (TWh)



Free customers FY2018-1Q2019 (k#) 5,725 +1% 5,783

Integrated unitary margin (€/MWh)

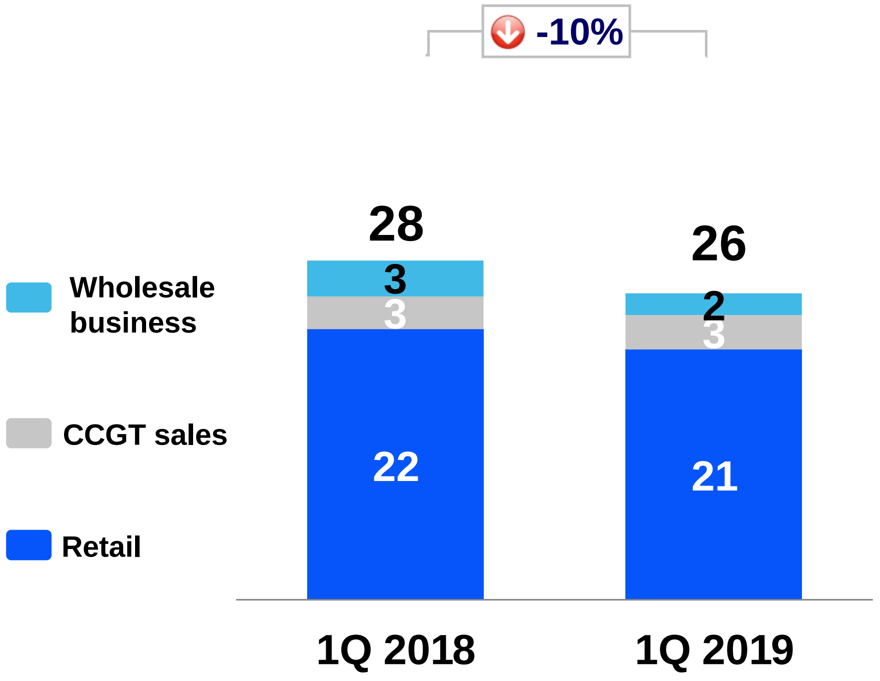


Sound growth of electricity integrated margin

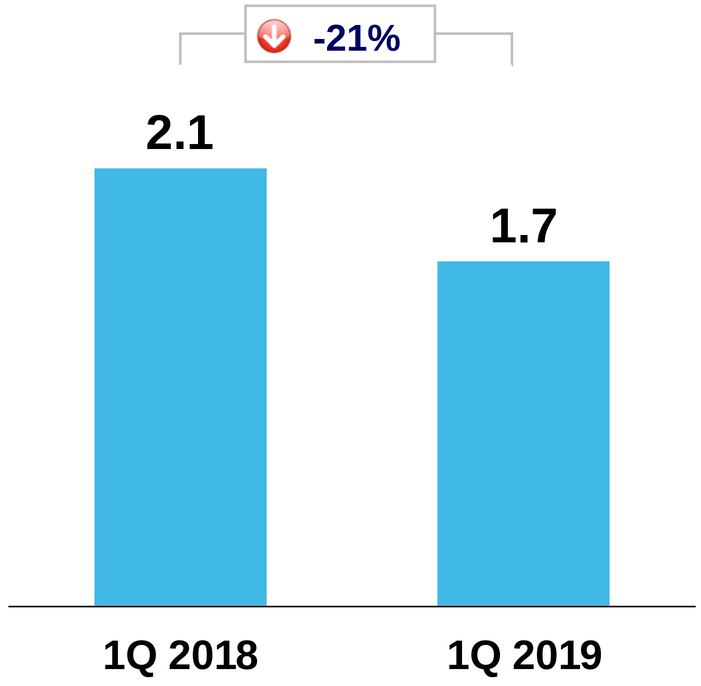
(1) Total free sales excluding international sales and SCVP, not considered in the integrated margin.
(2) Production cost + energy purchase cost + ancillary services

Gas operational highlights

Total sales (TWh)



Gas unitary margin[(1)] (€/MWh)



Number of gas customers FY2018-1Q2019 (k#)	1,604	+1%	1,619

Gas margin affected by increased market volatility

(1) Gas unitary margin does not include CCGT sales

1Q 2019 consolidated results

Financial results

1Q 2019 consolidated results

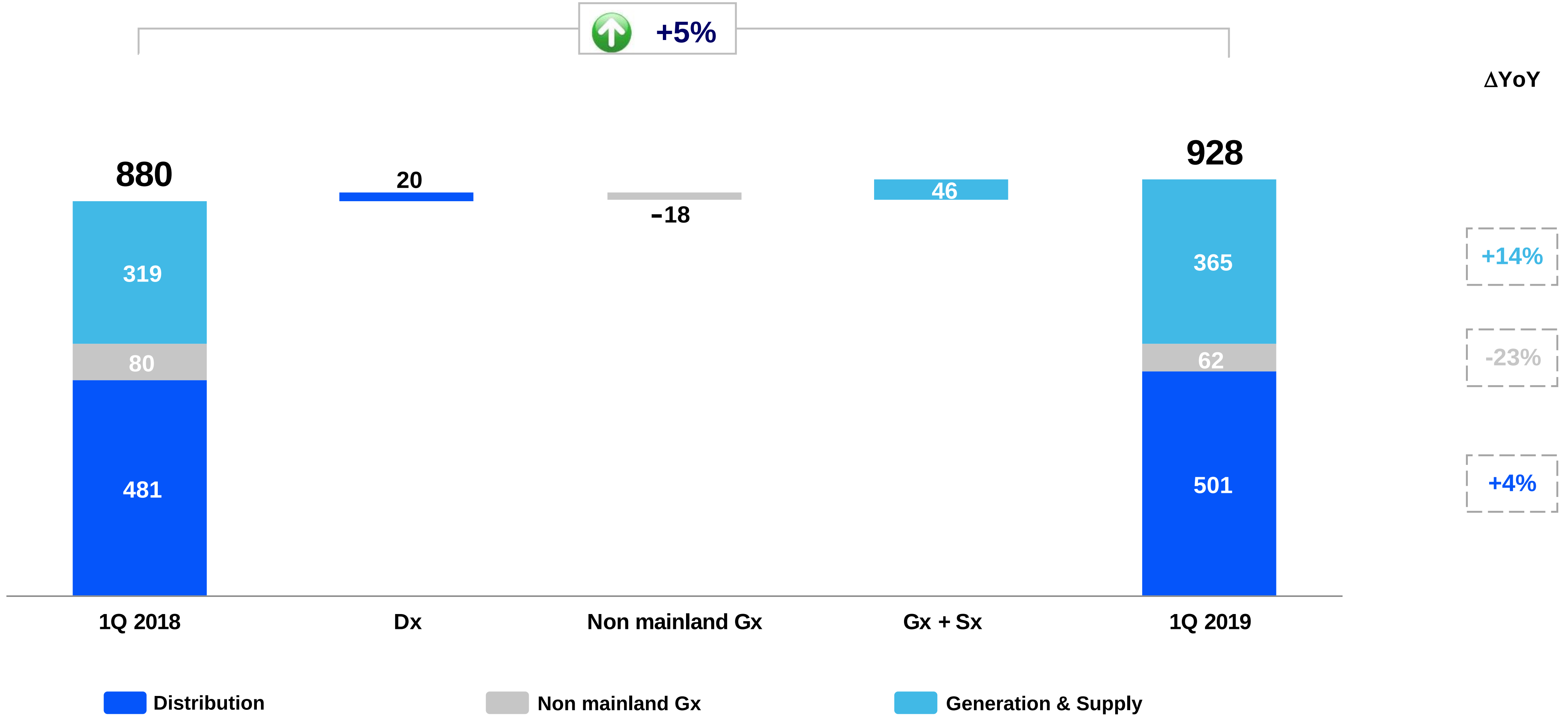
Financial highlights (€M)

	1Q 2019	1Q 2018	Δyoy
Revenues	5,085	5,169	-2%
Gross Margin	1,453	1,415	+3%
EBITDA	928	880	+5%
EBIT	522	508	+3%
Reported Net Income	363	372	-2%
Net Ordinary Income [1]	363	372	-2%
Net Capex [2]	357	149	+140%
FCF [3]	(191)	(350)	+45%
Net Debt	6,897	5,770 [4]	+20%

(1) Reported Net Income – Net Result on Disposals of Non-Financial Assets (over €10 M) - Net Results on Impairment of Non-Financial Assets (over €10 M)
(2) Financial investments not included (€19 M in 1Q 2019 and €16 M in 1Q 2018). Does not include business combinations made during the year
(3) Cash flow from operations (€335 M) - Net change of tangible and intangible assets (€446 M) + Subsidies and other deferred incomes (€9 M) - Net change of other investments (€89 M)
(4) As of 31.12.2018. Not including €186 M of IFRS16 first adoption. 2018 adjusted Net Debt would have been €5,956 M, representing an increase in 1Q 2019 of 16%

EBITDA evolution

€M

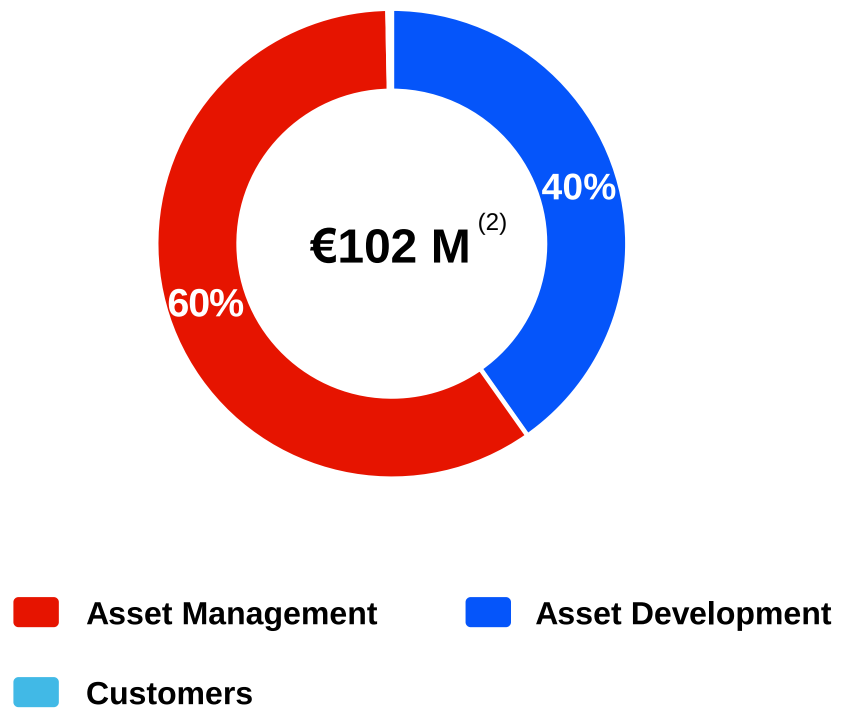


Improvement of EBITDA mainly due to liberalized business performance

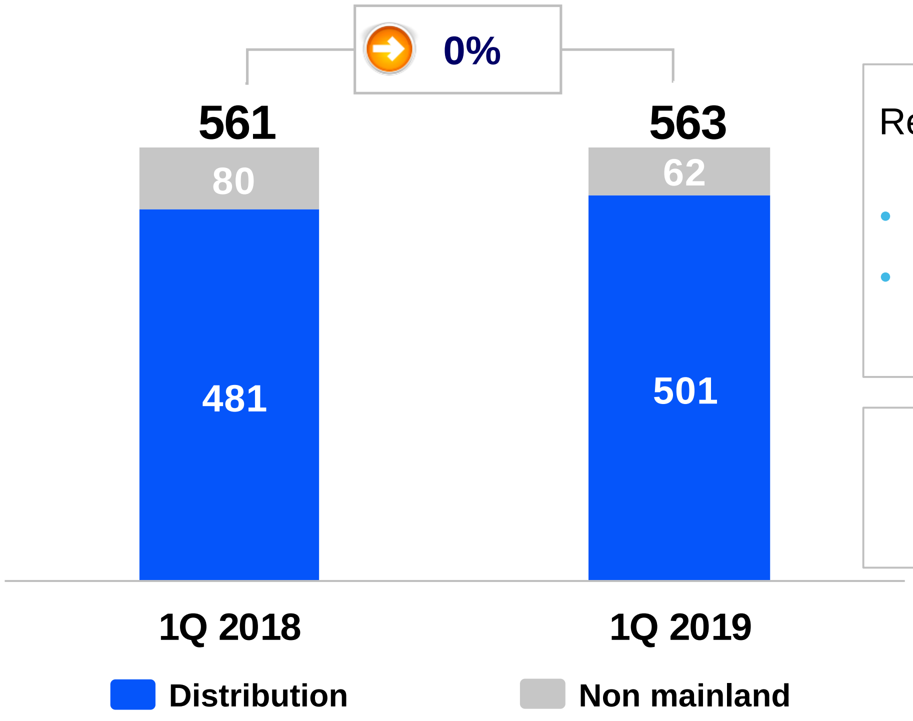
Regulated business

€M

Net capex(1)



EBITDA



Regulated margin: €774 M (-1%)

- Dx margin: €643 M (+2%)
- Non mainland margin: €131 M (-11%)

Fixed costs: €211 M (-3%)

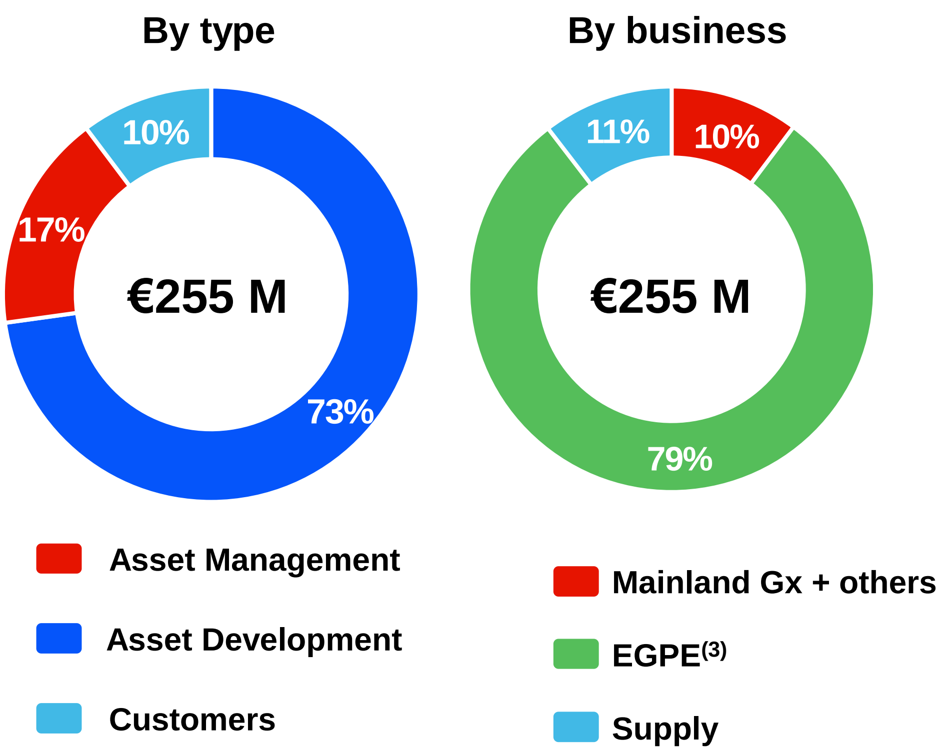
Stable regulated EBITDA

(1) Financial investments not included. Does not include business combinations made during the year
(2) Includes €5 M in non mainland business

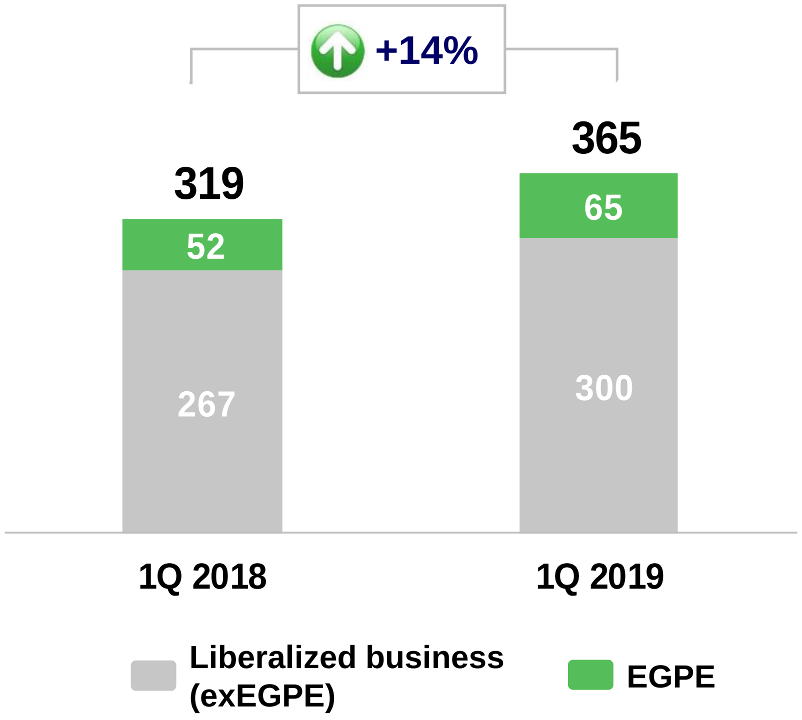
Liberalized business(1)

€M

Net capex(2)



EBITDA



Liberalized margin: €679 M (+7%)

- Electricity&Others margin: €613 M (+11%)
- Gas margin: €38 M (-30%)
- Endesa X margin: €28 M (-13%)

Fixed costs: €314 M (-1%)

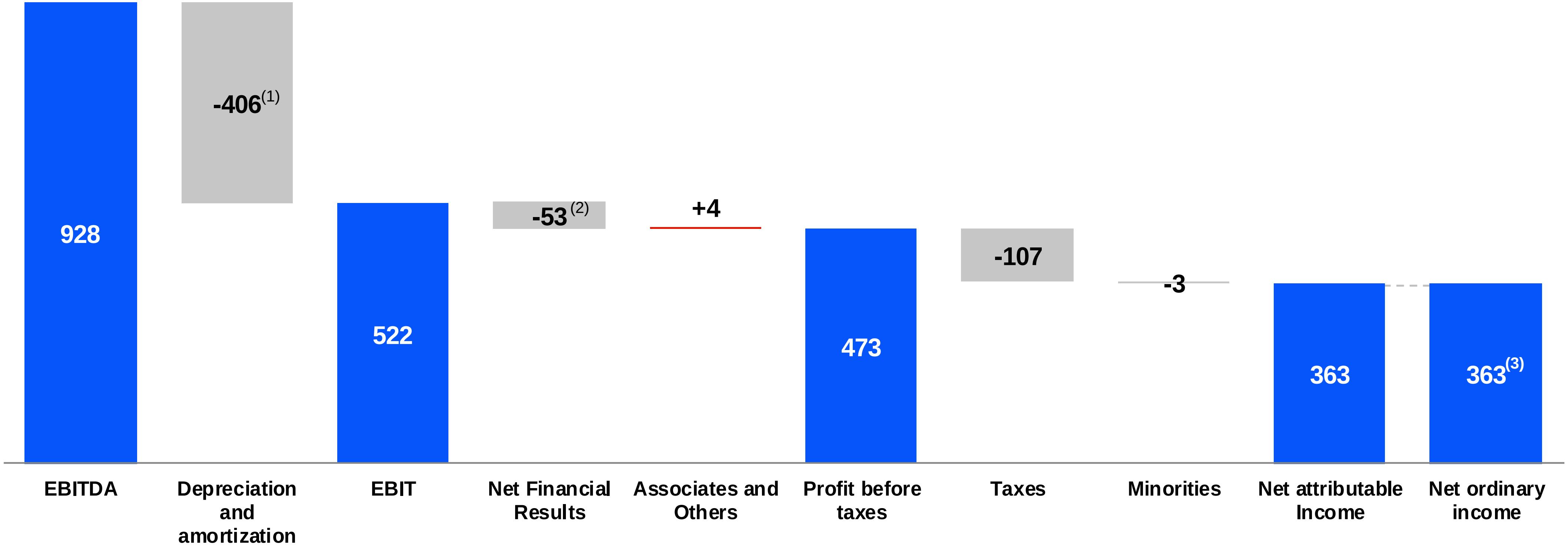
Strong capex increase in asset development, mainly devoted to 2017 renewable auctions (€184 M)

Resilience in the power and gas businesses in a challenging market context

(1) Liberalized business figures include Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation
(2) Financial investments not included. Does not include business combinations made during the year
(3) Figure includes hydro capex

From EBITDA to Net Ordinary Income

€M

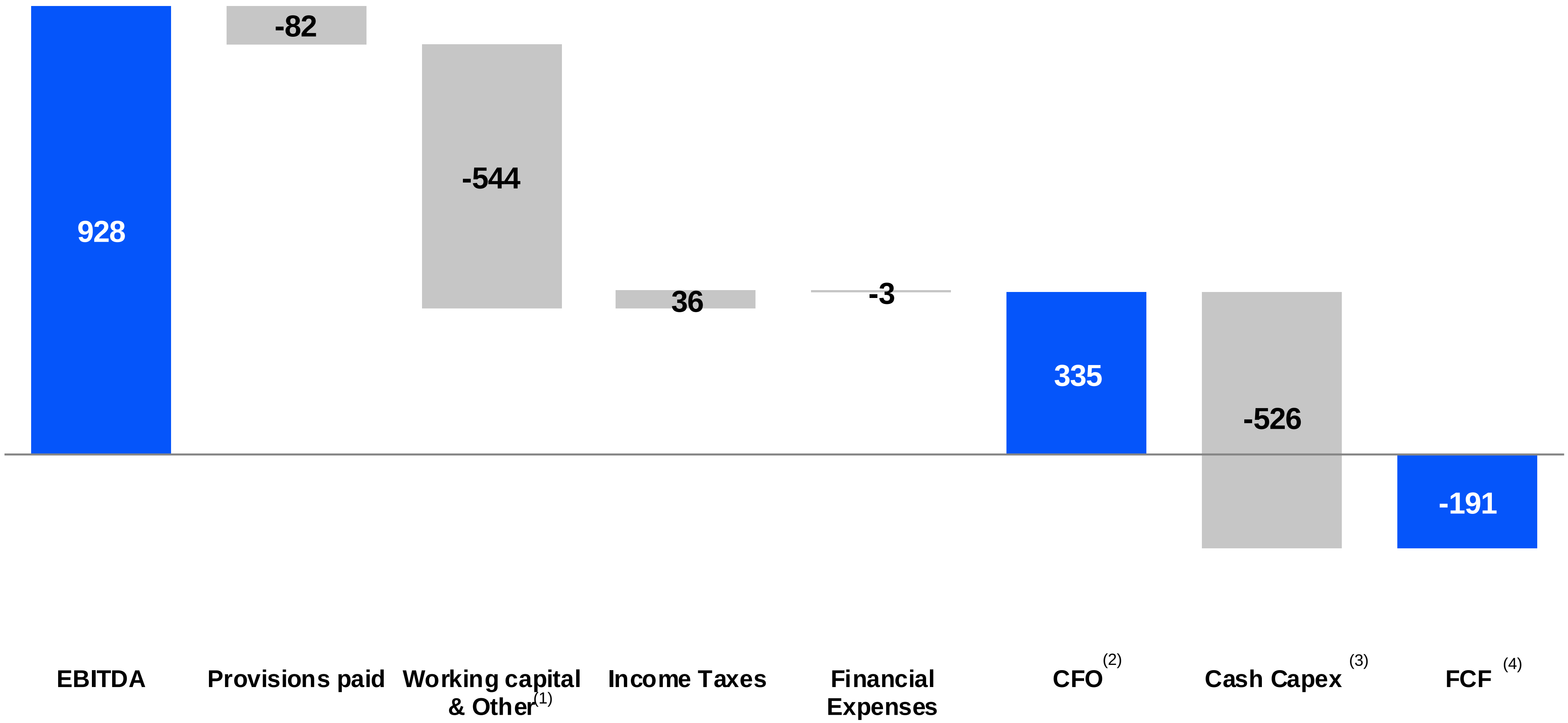


	EBITDA	Depreciation and amortization	EBIT	Net Financial Results	Associates and Others	Profit before taxes	Taxes	Minorities	Net attributable Income	Net ordinary income
Delta YoY	+5%	+9%	+3%	+89%	-20%	-2%	-3%	+0%	-2%	-2%

(1) Includes €7 M as a consequence of IFRS 16 effect (Leases)
(2) Update of financial provisions for workforce reduction plans, decommissioning of facilities and impairment of financial assets according to IFRS 9 "Financial Instruments" and IFRS 16 "Leases" (€-20 M in 1Q 2019 and €1 M in 1Q 2018)
(3) Net Result on Disposals of Non-Financial Assets of over €10 M (€0 M in 1Q 2019) - Net Results on Impairment of Non-Financial Assets of over €10 M (€0 M in 1Q 2019).

Cash Flow

€M



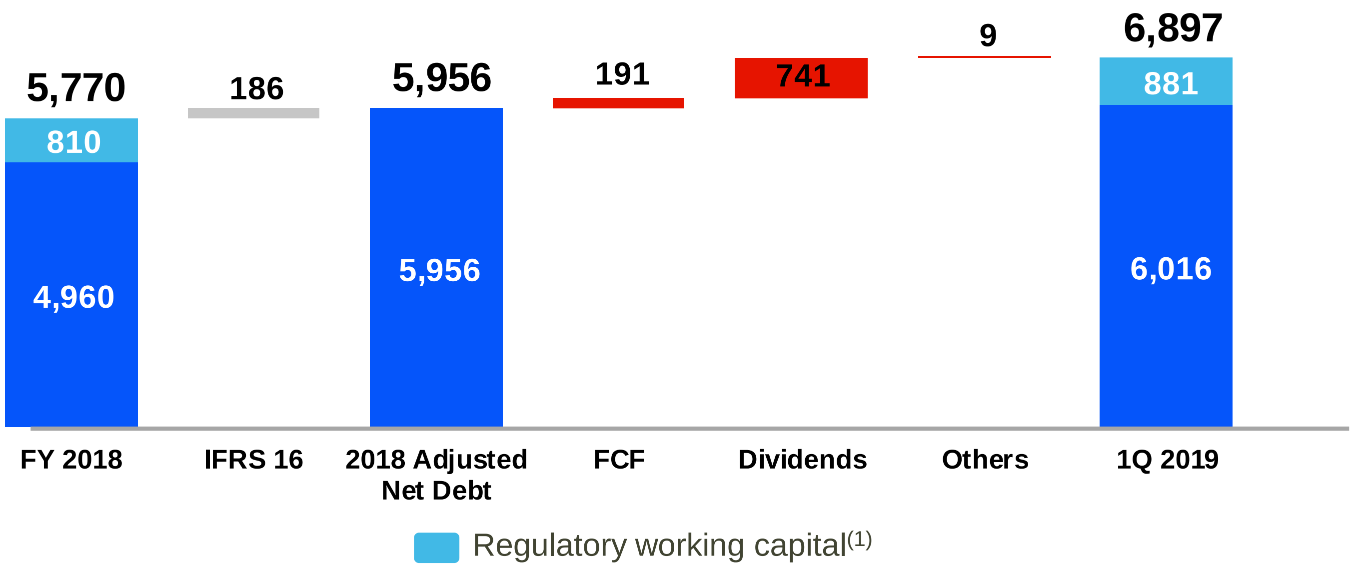
	EBITDA	Provisions paid	Working capital & Other (1)	Income Taxes	Financial Expenses	CFO (2)	Cash Capex (3)	FCF (4)
Delta YoY	+5%	+28%	-39%	-70%	-77%	13x	+41%	+45%

(1) Net working capital + Regulatory NWC + non cash items
(2) CFO: Net Cash Flows from operating activities
(3) Cash based Capex
(4) Cash flow from operations (€335 M) - Net change of tangible and intangible assets (€446 M) + Subsidies and other deferred incomes (€9 M) - Net change of other investments (€89 M)

Net financial debt analysis

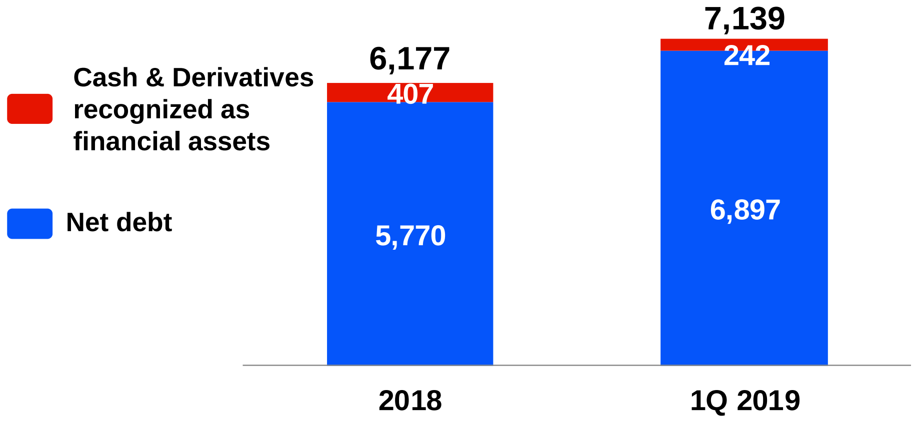
€M

Net debt evolution

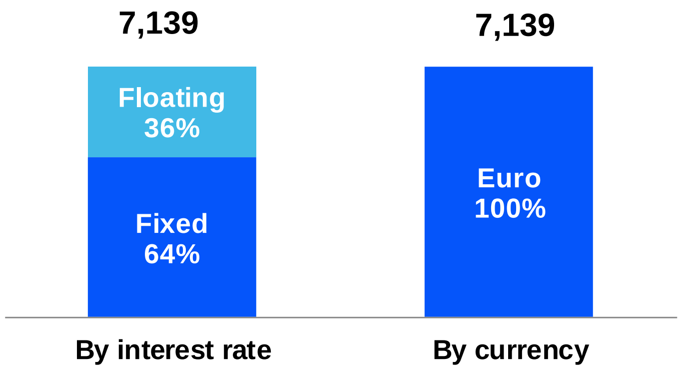


1.6x	Leverage	1.9x
1.9%	Cost of Debt	1.8%

Gross and net debt



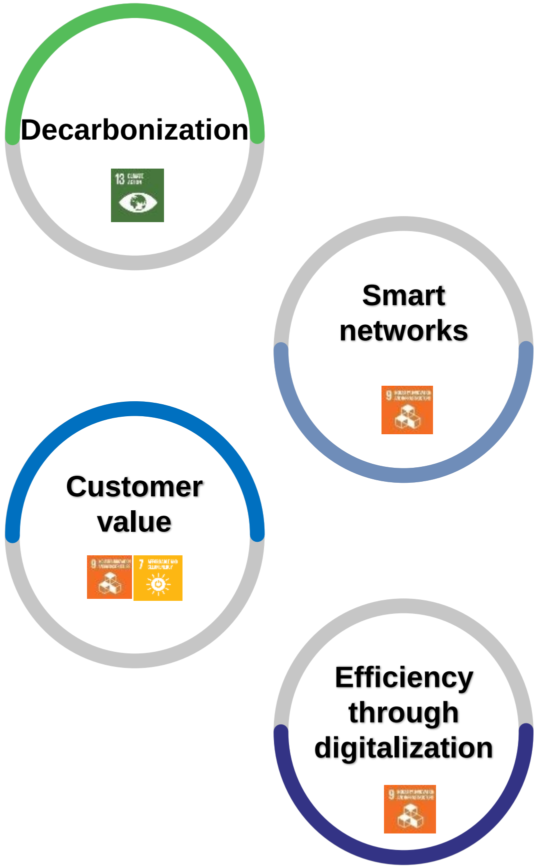
2019 Gross debt structure



Healthy financial leverage and record low cost of debt

(1) Net balance with CNMC settlements

Final Remarks



EBITDA evolution supported by our liberalized business

Strong investment effort to lead the Energy Transition

Overdelivery on efficiency in a new investment cycle

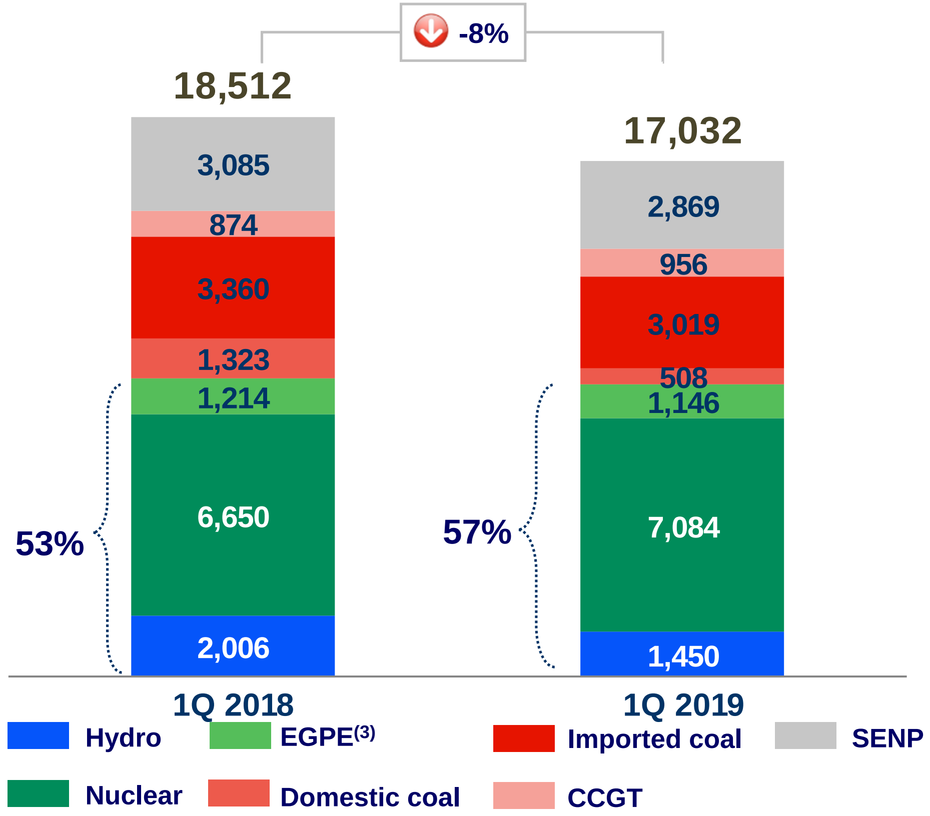
Progressing to meet 2019 guidance

1Q 2019 consolidated results

Appendix

Installed capacity and output

Total output(1) (GWh)



- 19% thermal output decrease in mainland
- Hydro, nuclear and renewables represented 57% of total output (vs. 53% in 1Q 2018)

Total output (GWh)

GWh 1Q 2019 (and chg. vs. 1Q 2018)	Total Output (1)	
Total	17,032	-8%
Hydro	1,450	-28%
Nuclear	7,084	7%
Coal	4,059	-23%
Natural gas	1,844	7%
Oil-gas	1,449	-12%
Renewables	1,146	-6%

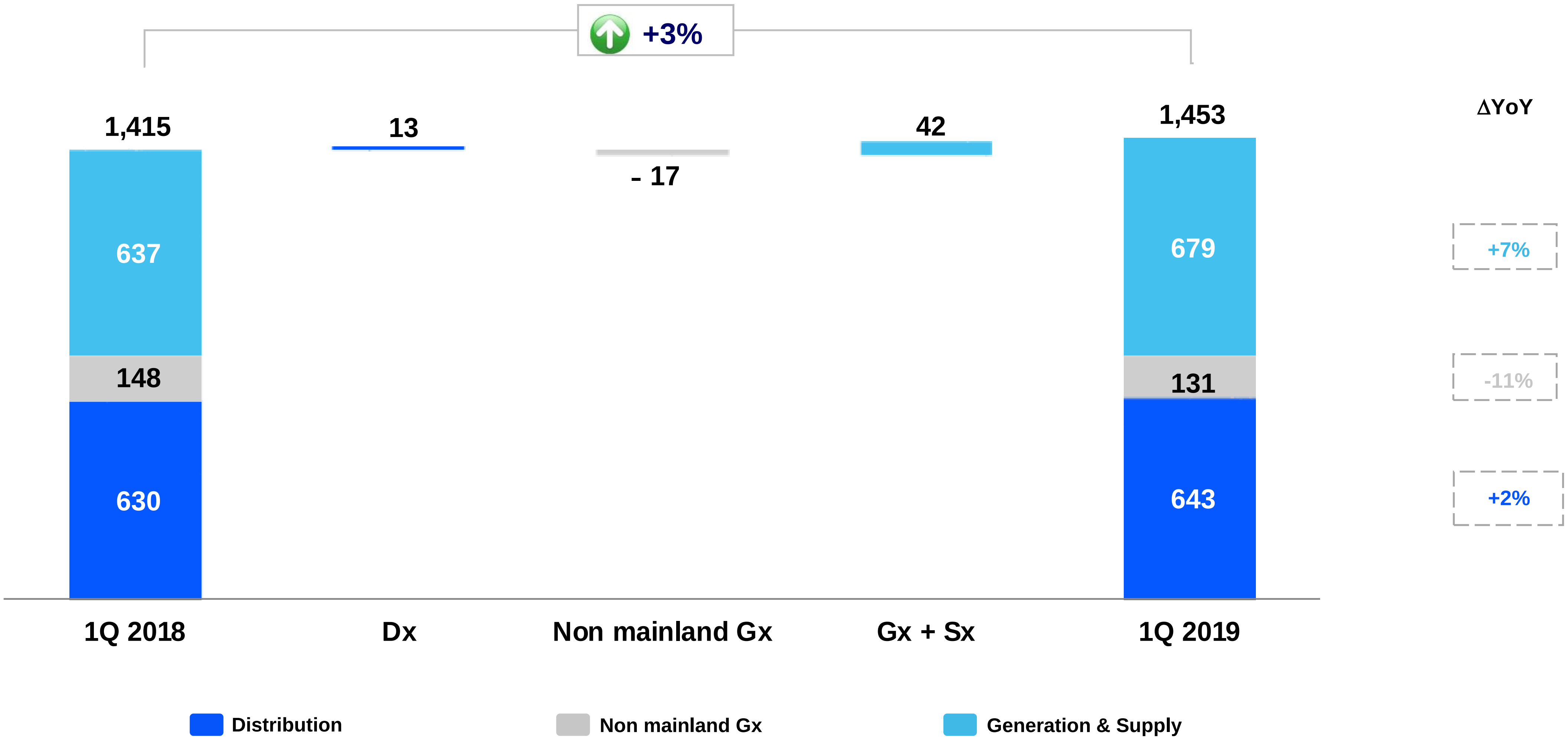
Total installed capacity (GW)

GW at 1Q 2019 (and chg. vs. 31 Dec. 2018)	Total Installed capacity (2)	
Total	22.8	0%
Hydro	4.7	0%
Nuclear	3.3	0%
Coal	5.1	0%
Natural gas	5.5	1%
Oil-gas	2.4	0%
Renewables	1.8	0%

(1) Output at power plant bus bars (Gross output minus self-consumption)
(2) Net Capacity
(3) Includes 24 GWh in non-mainland in 1Q 2019 (40 MW) vs 30 GWh in 1Q 2018 (40 MW)

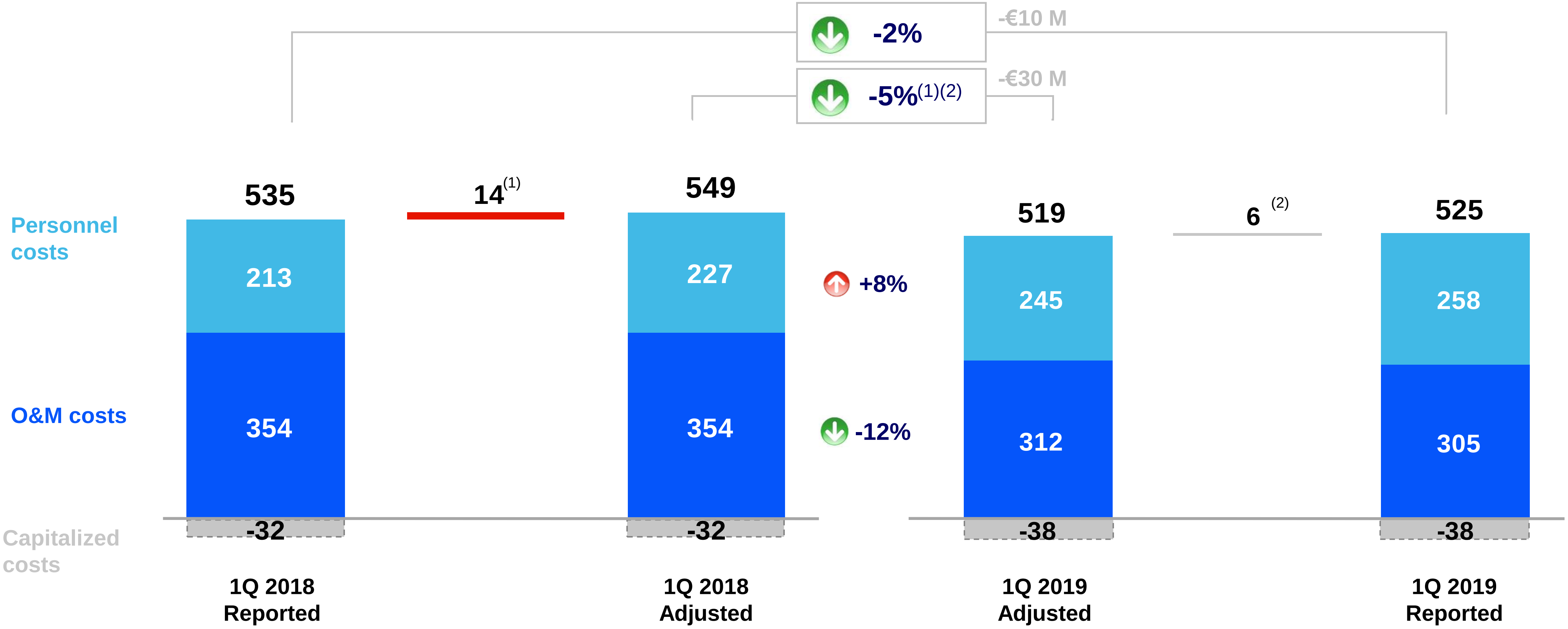
Gross margin evolution

€M



Fixed costs evolution

€M



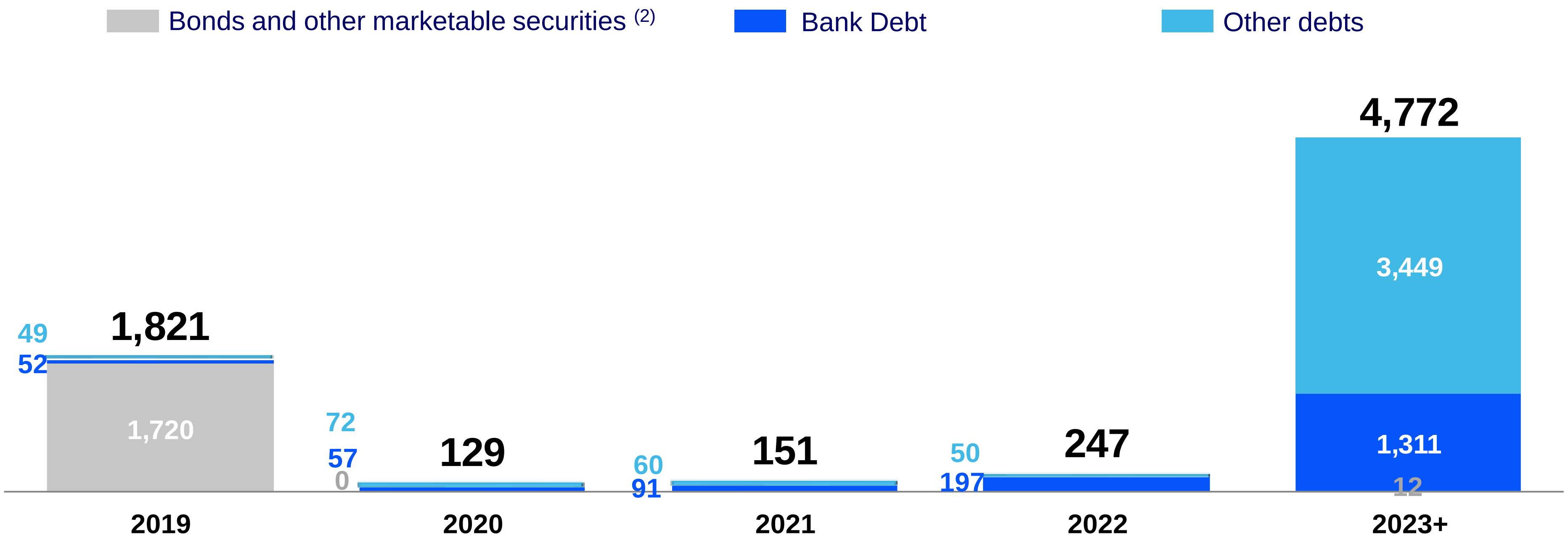
(1) 1Q 2018 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€7 M), and provision for compensations and other labour risks (€7 M)

(2) 1Q 2019 Fixed costs adjusted by: Provisions for workforce reduction plans and contract suspension agreements updates (€-12 M), provision for compensations and other labour risks (€-1 M) and IFRS 16 effect on leases (€7 M)

Endesa: financial debt maturity calendar

€M

Gross balance of maturities outstanding at 31 March 2019: €7,120 M(1)



Endesa's liquidity covers 35 months of debt maturities

- **Liquidity 3,340 M€**
  - **235 M€ in cash**
  - **3,105 M€ available in credit lines**
- **Average life of debt: 5.2 years**

(1) Does not include €13 M relating to financial derivatives, and €6 M relating to the difference between the accounting value and the nominal value of gross debt.
(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Endesa: 1Q 2019 P&L

	Gx+Sx	Dx	Structure	Adjustments	TOTAL
Income	*4,454*	*686*	*133*	*-188*	*5,085*
Procurements and services	*-3,630*	*-43*	*-4*	*45*	*-3,632*
Gross margin	*824*	*643*	*129*	*-143*	*1,453*
Self-constructed assets	*7*	*29*	*2*	*0*	*38*
Personnel expenses	*-133*	*-75*	*-52*	*2*	*-258*
Other fixed operating expenses	*-279*	*-96*	*-69*	*139*	*-305*
EBITDA	*419*	*501*	*10*	*-2*	*928*
D&A	*-228*	*-163*	*-15*	*0*	*-406*
EBIT	*191*	*338*	*-5*	*-2*	*522*
Net financial results	*-32*	*-19*	*-2*	*0*	*-53*
Net results from equity method	*12*	*0*	*0*	*0*	*12*
Results from other investments	*0*	*0*	*0*	*0*	*0*
Results on disposal of assets	*-8*	*0*	*0*	*0*	*-8*
PROFIT BEFORE TAX	*163*	*319*	*-7*	*-2*	*473*
Income Tax Expense	*-32*	*-77*	*1*	*1*	*-107*
Minorities	*-3*	*0*	*0*	*0*	*-3*
NET ATTRIBUTABLE INCOME	*128*	*242*	*-6*	*-1*	*363*

Endesa: 1Q 2018 P&L

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

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: (€33 M x (360/90) + €1 M) / €7,438 M = 1.8%	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): 37,122 / 7,120 = 5.2 years	4.1
Cash flow from operations (€M)	Net cash provided by operating activities (€335 M)	4.2
Free cash flow (€M)	Cash flow from operations (€335 M) - Net change of tangible and intangible assets (€446 M) + Subsidies and other deferred incomes (€9 M) - Net change of other investments (€89 M) = €-191 M	4.2
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 35 months	4.1
EBITDA (€M)	Revenues (€5,085 M) – Purchases and Services (€3,632 M) + Work performed by the entity and capitalized (€38 M) – Personnel expenses (€258 M) – Other fixed operating expenses (€305 M) = €928 M	1.3
EBIT (€M)	EBITDA (€928 M) - Depreciation and amortization (€406 M) = €522 M	1.3
Fixed costs (Opex) (€M)	Personnel expenses (€258 M) + Other fixed operating expenses (€305 M) - Work performed by the entity and capitalized (€38 M) = €525 M	1.3
Gross margin (€M)	Revenues (€5,085 M) – Purchases and Services (€3,632 M) = €1,453 M	1.3
Leverage (times)	Net financial debt (€6,897 M) / EBITDA (€2,747 M from 2Q, 3Q & 4Q 18 + €928 M from 1Q 2019) = 1.9x	4.1

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 Capex (€M)	Gross tangible (€347 M) and intangible (€29 M) Capex - assets from clients' contributions and subsidies (€19 M) = €357 M	4.3
Net financial debt (€M)	Long and short term financial debt (€5,283 M + €1,856 M) - Cash and cash equivalents (€235 M) – Derivatives recognized as financial assets (€7 M) = €6,897 M	4.1
Net financial results (€M)	Financial Revenues (€5 M) - Financial Expenses (€60 M) + Foreign Exchanges (€2 M) = -€53 M	1.3
Revenues (€M)	Sales (€5,001 M) + Other operating revenues (€84 M) = €5,085 M	1.3
Net ordinary income (€M)	Reported Net Income (€363 M) – Gains/(losses) on disposals of non-financial assets of over €10 M (€0 M) – Net Impairment losses on non-financial assets of over €10 M (€0 M) = €363 M	1.3
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€810 M) - Margin SENP (€131 M) - Margin SCVP (€20 M) - Margin gas (€38 M) - Margin Endesa X (€28 M) - Others (€13 M) = €580 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €580 M / 20.4 TWh = €28.4/MWh	n/a
Gas unitary margin (€/MWh)	Total Gas Margin / Gas sales excluding CCGT sales: €38.3 M / 22.8 TWh = €1.7/MWh	n/a
Endesa X Gross Margin (€M)	Gross margin generated by the added value products and services commercialized by the Endesa X unit = €28 M	n/a

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

Disclaimer

This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements are not guarantees of future performance and they are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or may be difficult to predict.

Forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated changes in generation and market share; expected changes in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures; estimated asset disposals; estimated changes in capacity and capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are related to the regulatory framework, exchange rates, commodities, counterparties, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, allocation of production amongst different technologies, increases in costs associated with higher activity that do not exceed certain limits, electricity prices not below certain levels, the cost of CCGT plants, and the availability and cost of the gas, coal, fuel oil and emission rights necessary to run our business at the desired levels.

In these statements, ENDESA avails itself of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following important factors, in addition to those discussed elsewhere in this document, could cause financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

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

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained in this document are given in the Risk Factors section of the current ENDESA regulated information filed with the Comisión Nacional del Mercado de Valores (the Spanish securities regulator or the “CNMV” for its initials in Spanish).

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