Endesa FY 2017 Results

28/02/2018

Agenda

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

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Highlights

2017 results exceeding guidance, despite adverse market conditions, thanks to managerial actions and one-offs

Proposal to pay 1.382€ gross DPS, 4% increase versus 2016

Renewables: Strong commitment with decarbonization towards a diversified mix. 879 MW awarded in auctions and 132 MW to be acquired

Fixed costs reduction -4% (1)

(1) *Includes provisions updates for workforce restructuring and contract suspension (€27 M in 2017and €17 M in 2016), provisions for indemnities and occupational risks (+€3 M in 2017and -€14 M in 2016); EGPE perimeter (-€15 M of personnel costs in 2017 and -€7 M in 2016; -€60 M of O&M costs in 2017 and -€22 M in 2016) and provisions for voluntary departure agreements (-€19 M in 2017and -€226 M in 2016)*

Key financial figures

€M	2017	2016	Change	Like-for-like
EBITDA	3,542	3,432	3%	0% (1)
Net attributable income	1,463	1,411	4%	3% (2)
Cash flow from operations (CFO)	2,438	2,995	-19%	

	31.12.2017	31.12.2016	Change
Net financial debt	4,985	4,938	+1%

- **FY 2017 results above guidance**
- **Managerial actions and continued efficiency efforts, more than compensate adverse market conditions**

(1) *Net of EGPE contribution in FY 2017 (+€181 M), and in FY 2016 (+€75 M)*

(2) *Net of EGPE contribution in FY 2017(+€51 M) and FY 2016 (+€38 M)*

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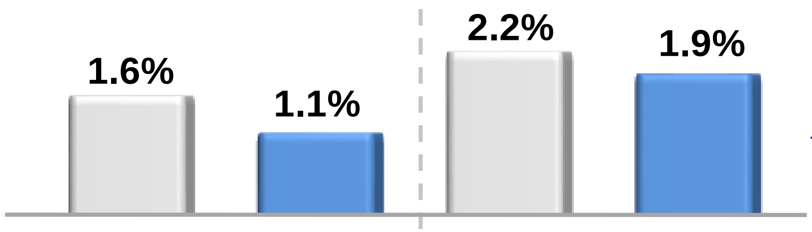
Market context in 2017

Demand[1]

Spain[2]

Endesa distribution area[3]



(Not adjusted)

Industry	+3,0%
Services	+0.2%
Residential	+3.2%

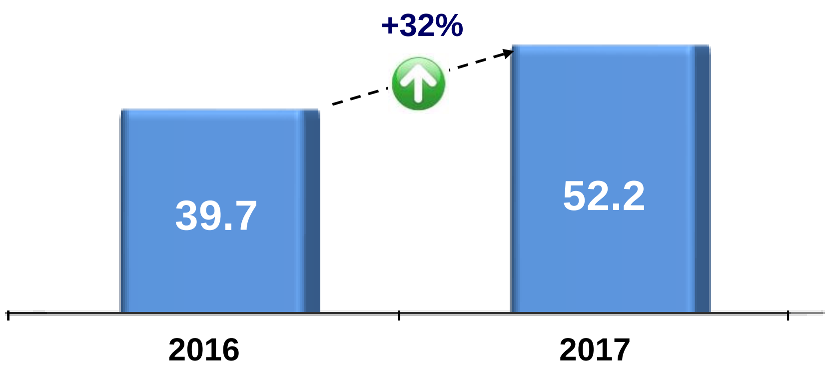
Adjusted for weather and working days

Not adjusted

- **Demand increases driven by industry and residential segments**

Electricity wholesale prices

Average pool prices Spain (€/MWh)



Thermal Gap[1]	60.9 TWh	76.5 TWh

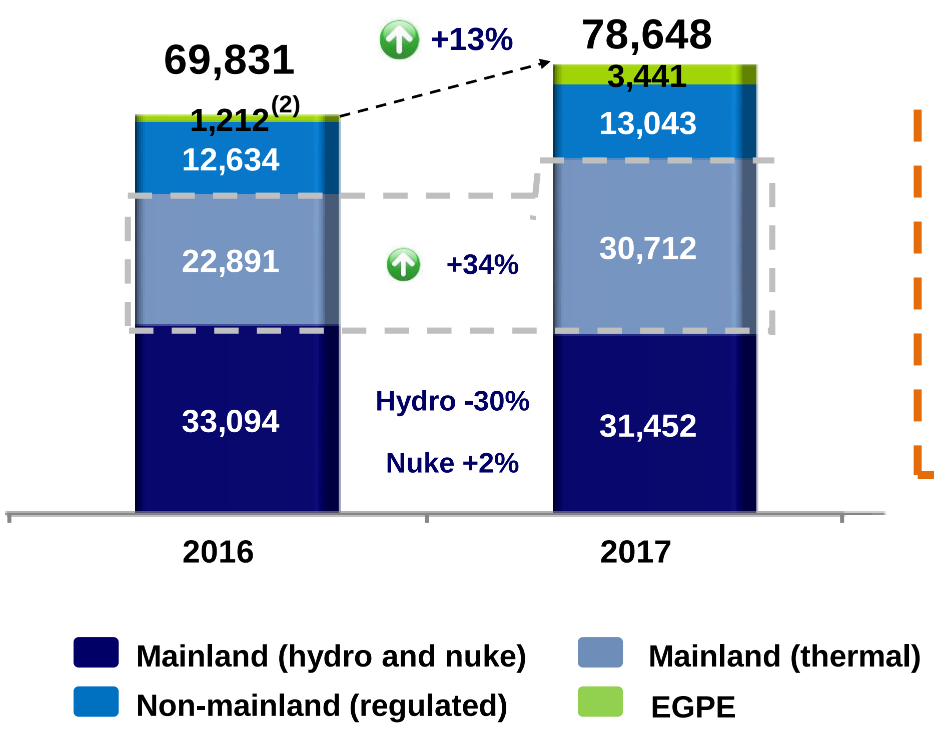
- **Remarkable pool price increase due to the exceptional market conditions**
- **FY 2017 extremely poor hydro conditions (-48%) leading to +26% y-o-y increase in system thermal gap**

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

Endesa's performance in 2017 market context

Energy management

Output[1] (GWh)



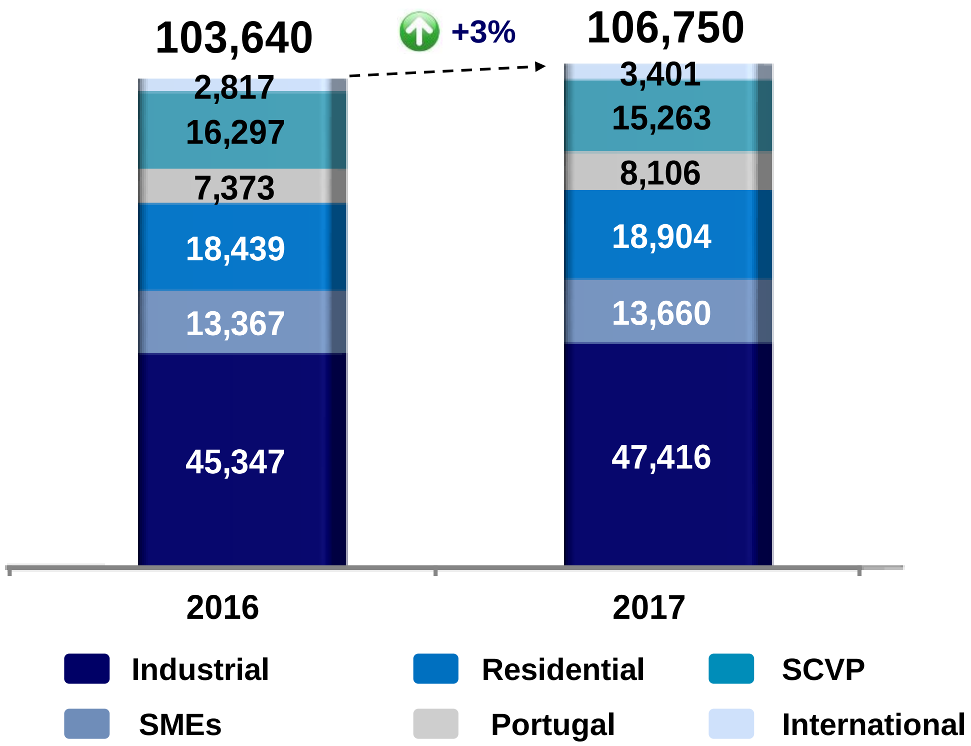
Unitary integrated margin[3]:

€20.2/MWh

(-7% vs. 2016)

(-20% l-f-l)[4]

Electricity sales[1] (GWh)



- **Unitary integrated margin at 20.2 €/MWh despite tough market conditions**

(1) *Energy at power plant busbars*
(2) *Output consolidated since 27th July 2016*
(3) *SCVP, Non mainland Electricity Systems and International sales not included*
(4) *Net of EGPE contribution in 2017*

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Financial results

€M	2017	2016	Change	Like-f-like
Revenues	20,057	18,979	6%	
Gross Margin	5,488	5,652	-3%	
EBITDA	**3,542**	**3,432**	**3%**	**0%** (1)
EBIT	2,031	1,965	3%	
Net Financial Results	(123)	(182)	32%	
Share of profit from associates	(15)	(59)	75%	
Income tax	(427)	(298)	-43%	
Net attributable income	**1,463**	**1,411**	**4%**	**3%** (2)

Net Capex (3)	918	935	-2%

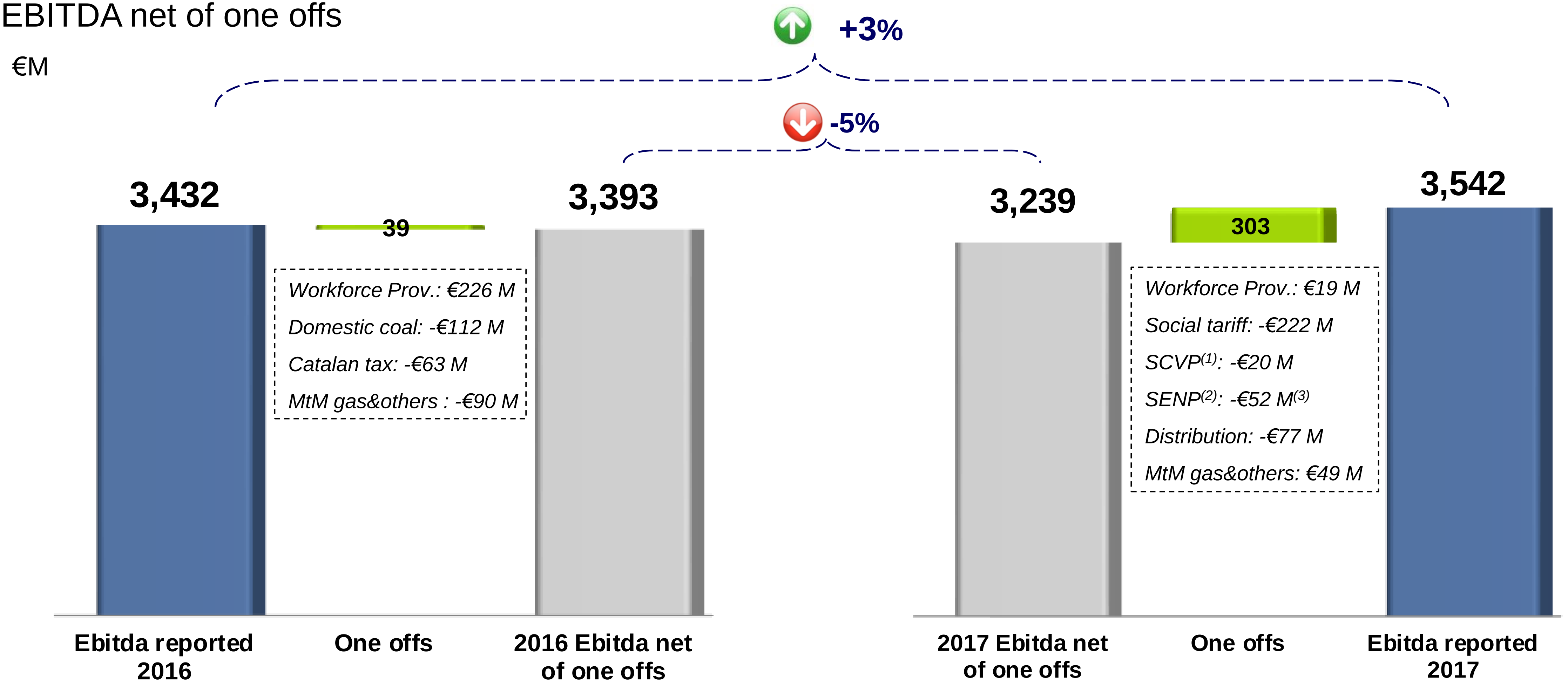
EBITDA evolution:

- (+) EGPE contribution
- (+) Higher Distribution revenues and other extraordinary items
- (-) Liberalized business impacted by challenging market conditions

(1) Net of EGPE contribution in 2017 (+€181 M), and in 2016 (+€75 M)
(2) Net of EGPE contribution in 2017(+€51 M) and 2016 (+€38 M)
(3) Financial investments not included (€64 M in 2017 and €93 M in 2016) . Does not include business combinations made during the year.

EBITDA evolution

EBITDA net of one offs



- **2017 EBITDA above guidance despite challenging market context**

(1) SCVP: Small Consumer Voluntary Price
(2) SENP: Sistemas Eléctricos No Peninsulares (Non-mainland Electricity Systems)
(3) Previous years settlements

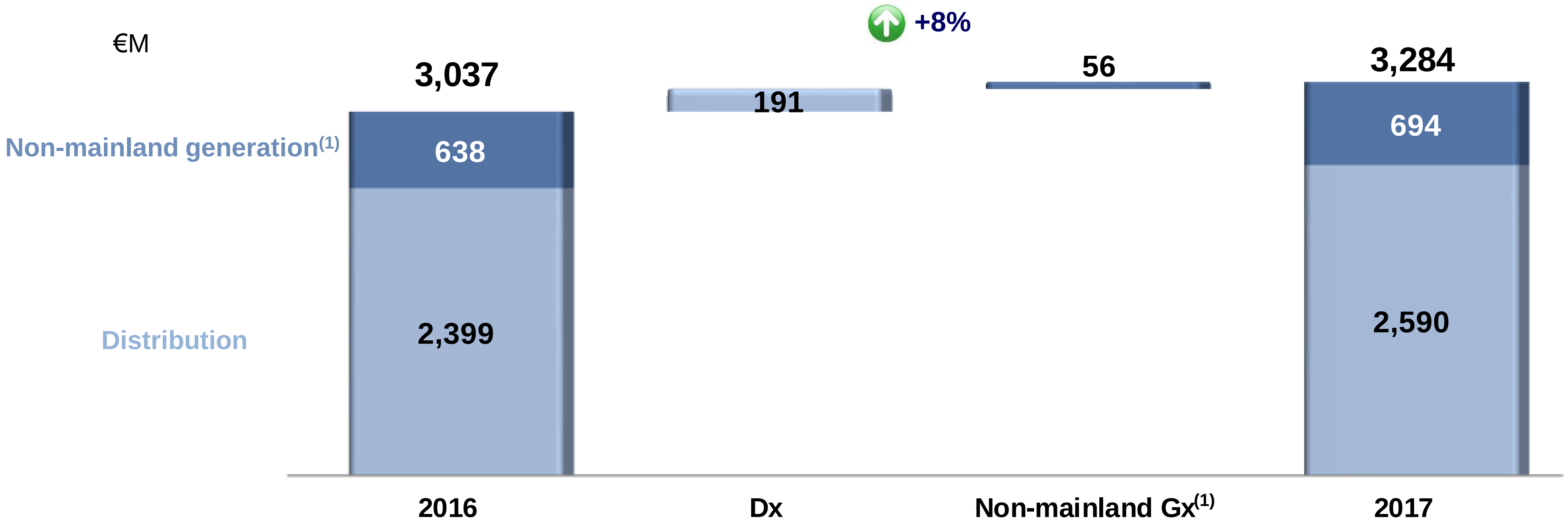
2017 EBITDA breakdown

	2016 %	2016 €M	Change (%)	2017 €M	2017 %
Generation & Supply[1]	37%	1,255 (EGPE: 75)	-17%	1,040 (EGPE: 181)	29%
Non-mainland Gx	11%	389	+16%	452	13%
Distribution	52%	1,788	+15%	2,050	58%
TOTAL		**3,432**	**+3%**	**3,542**	

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

Regulated business

Gross margin evolution

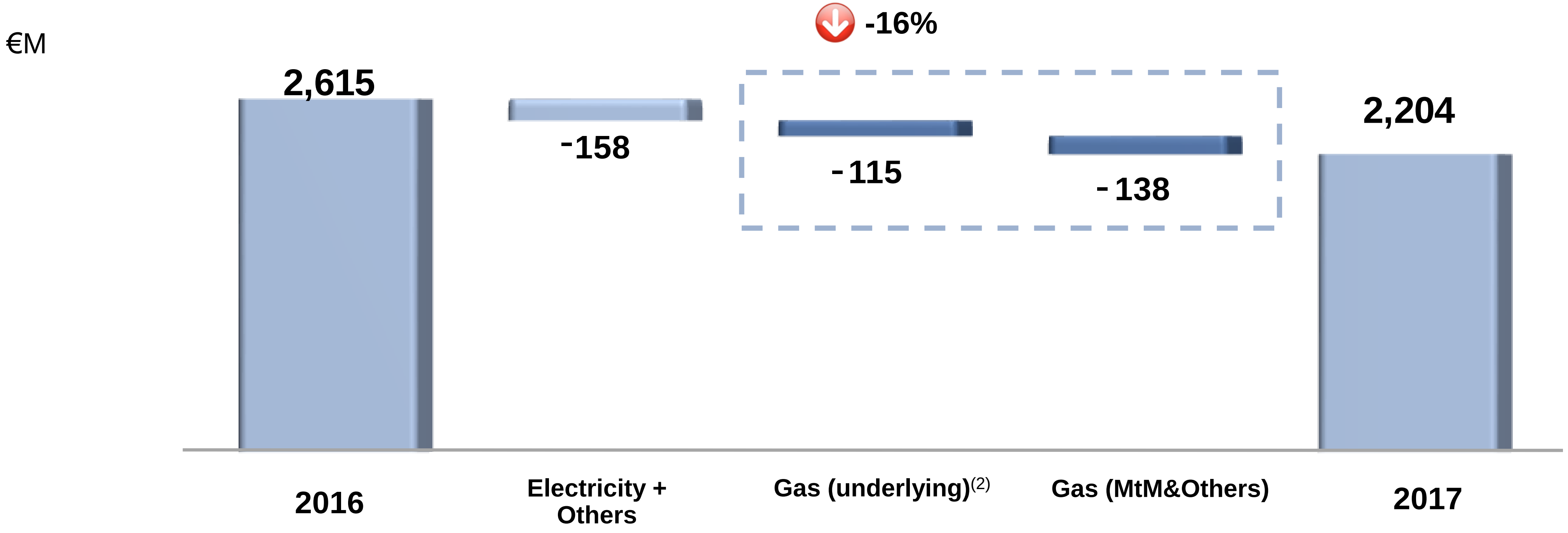


- Increase of regulated gross margin, benefitting from Distribution improvement
- Non-mainland Gx positive contribution due to previous years' settlements

(1) Non-mainland generation Gross Margin figure includes Canary and Balearic Islands, Ceuta and Melilla

Liberalized business[1]

Gross margin evolution



- ↓ Lower integrated unitary margin in the liberalized electricity business
- ↓ Gas business
- ↓ Favorable ruling on Catalonian nuclear tax in 2016 (-€63 M)
- ↓ Domestic Coal final settlements in 2016 (-€112 M)
- ↑ EGPE contribution (+€152 M)
- ↑ 2014-2016 Social Tariff (+€222 M)

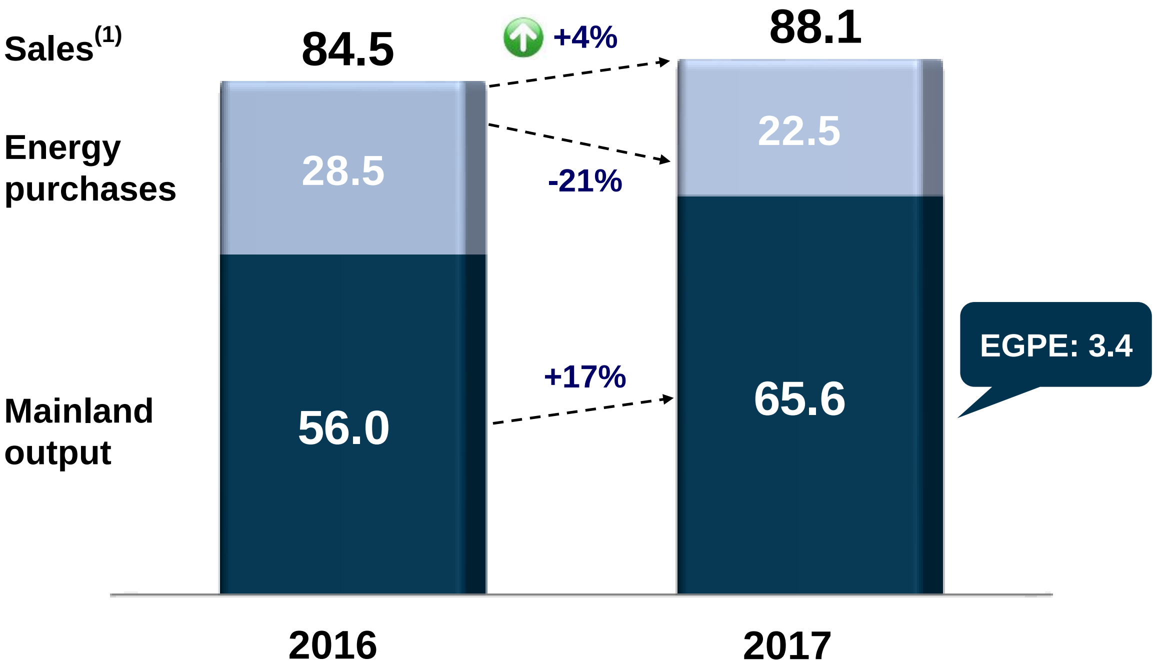
Tough market conditions in both electricity and gas

(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*

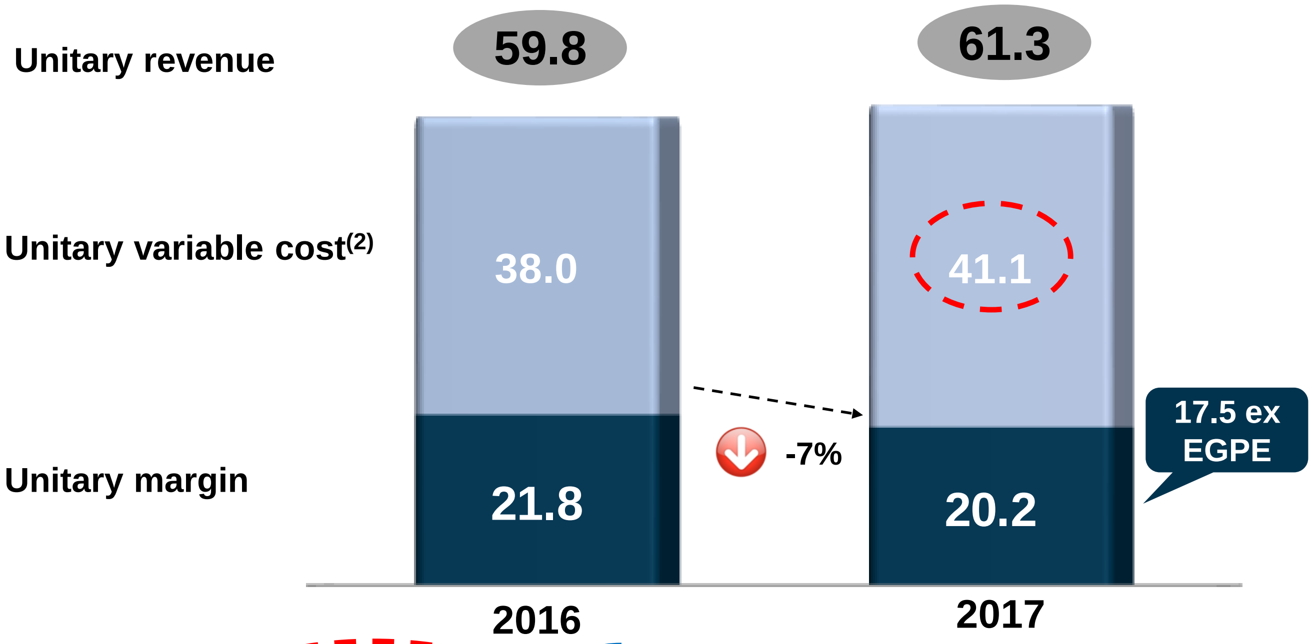
Liberalized business

2017 energy management

Energy (TWh)



Unitary values breakdown (€/MWh)



€41.1
(+€3.1/MWh vs 2016 variable cost)

- **Production cost[3]: €32.7/MWh** (+€0.3/MWh)
- **Energy purchase cost: €54.1/MWh** (+€15.3/MWh)

- **-7% electricity unitary margin (€20.2/MWh) due to higher variable cost**

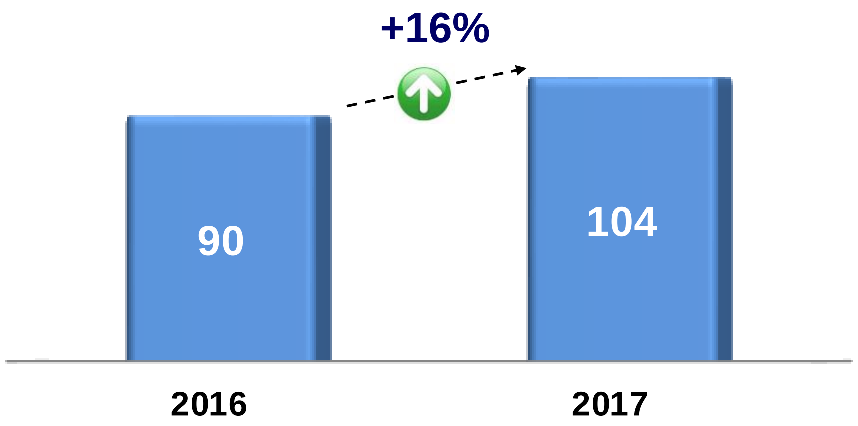
(1) Total electricity sales (at power plant busbars) -SCVP - International Sales
(2) Production cost + energy purchase costs + ancillary services
(3) Production cost = fuel cost + CO_2 + taxes from Law 15/2012

Liberalized business

e-Solutions

Margin evolution

€M



Main KPIs achieved

e-Industries

Projects, k#/year

	2017	2020
	3.4	4.3

e-Mobility

Public charging stations, #

	2017	2020
	6	~600

e-City

Public tenders under management, #

	2017	2020
	18	23

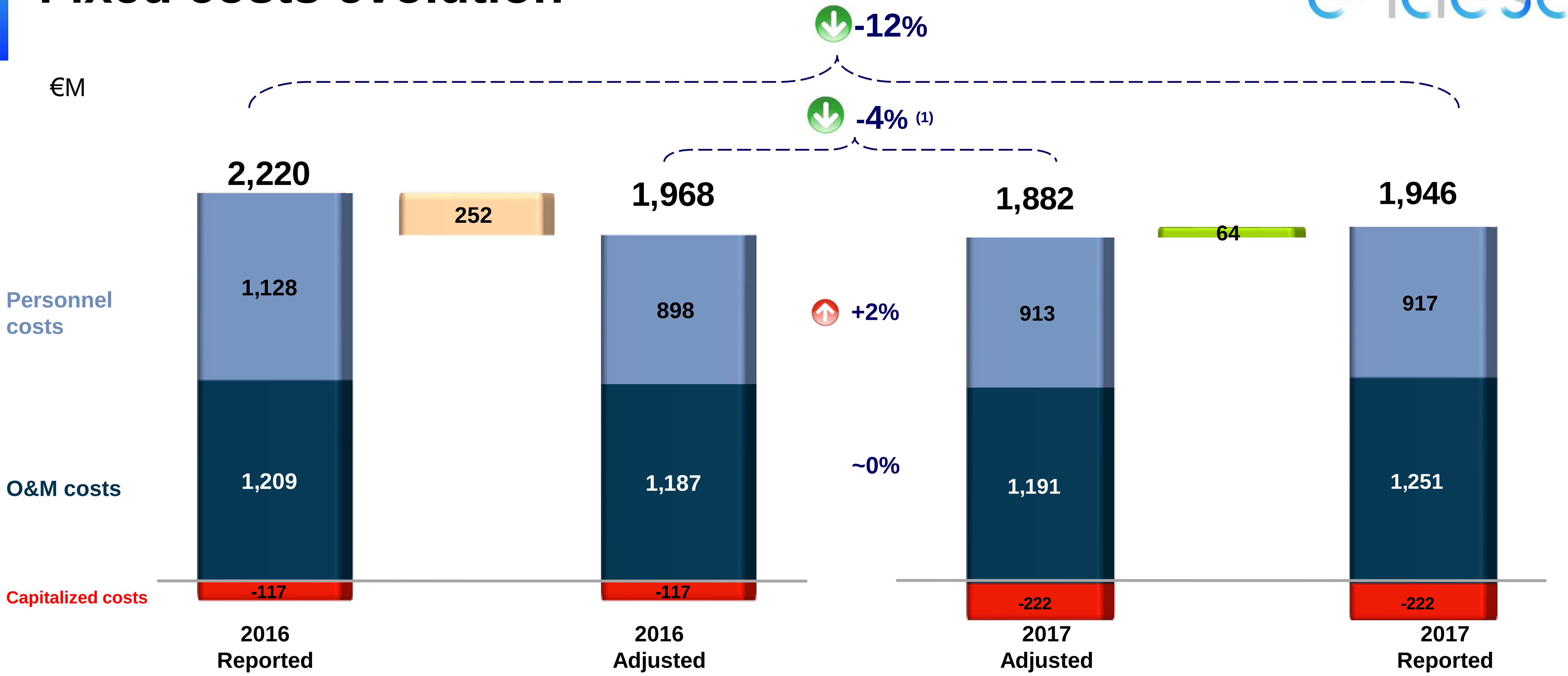
e-Home

Maintenance and repair clients, #mn

	2017	2020
	1.0	1.2

- **Gross margin in line with targets**

Fixed costs evolution



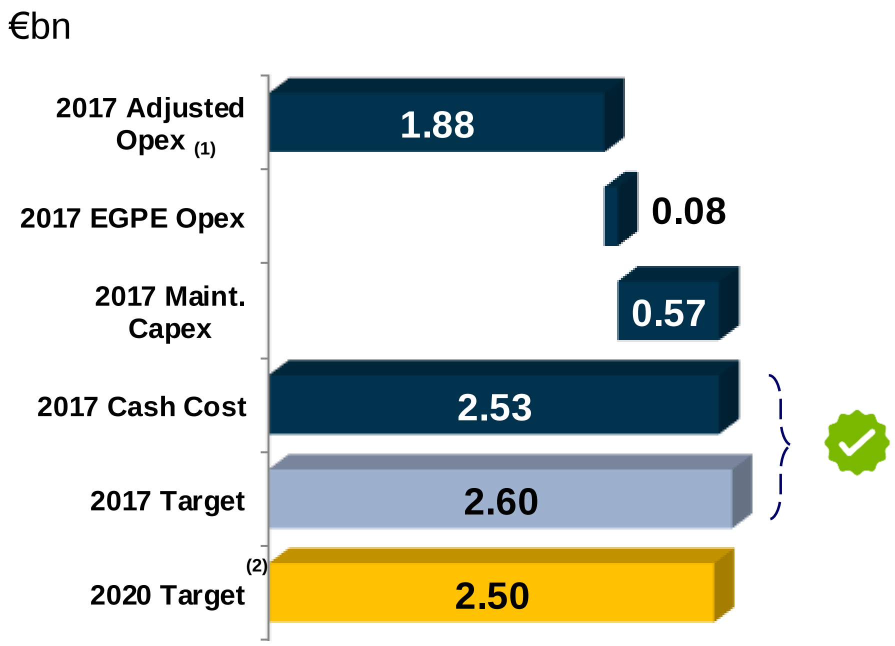
- **4% adjusted fixed costs reduction driven by efficiency plans**(1)

(1) *Includes provisions updates for workforce restructuring and contract suspension (€27 M in 2017and €17 M in 2016), provisions for indemnities and occupational risks (+€3 M in 2017and -€14 M in 2016); EGPE perimeter (-€15 M of personnel costs in 2017 and -€7 M in 2016; -€60 M of O&M costs in 2017 and -€22 M in 2016) and provisions for voluntary departure agreements (-€19 M in 2017and -€226 M in 2016)*

Fixed costs evolution

Monitoring cash cost and key performance indicators

Cash Cost evolution



KPI's evolution and degree of fulfilment

2020 target

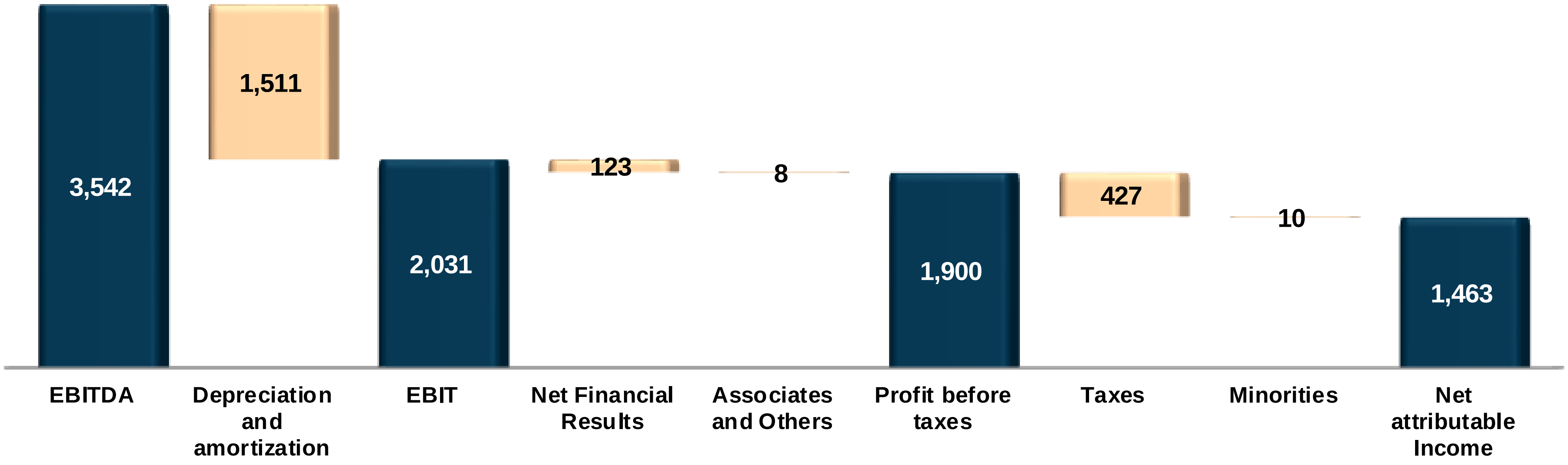
		2016	2017	Change	2020 target
Distribution	Unitary cost (3) (€/customer)	49	45	-8%	41
Generation	Unitary cost (3) (k€/MW)	47	47	-	48
EGPE	Unitary cost(3) (k€/MW)	47	44	-6%	37
Supply	Cost to Serve(3) (€/customer)	14	14	-	13

▪ 2017 Targets achieved

(1) *Includes adjustments shown on previous slide*
(2) *Includes EGPE cash costs*
(3) *Includes corporate fees*

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
2016	3,432	-1,467	1,965	-182	-73	1,710	-298	-1	1,411
Change (%)	+3%	+3%	+3%	-32%	n/a	+11%	+43%	n/a	+4%

(-) D&A affected by EGPE consolidation (-€82 M) and higher provisions (-€78 M), partially offset by (+) hydro and renewables life extension (+€76 M) and asset provisions reversals (+€38 M)

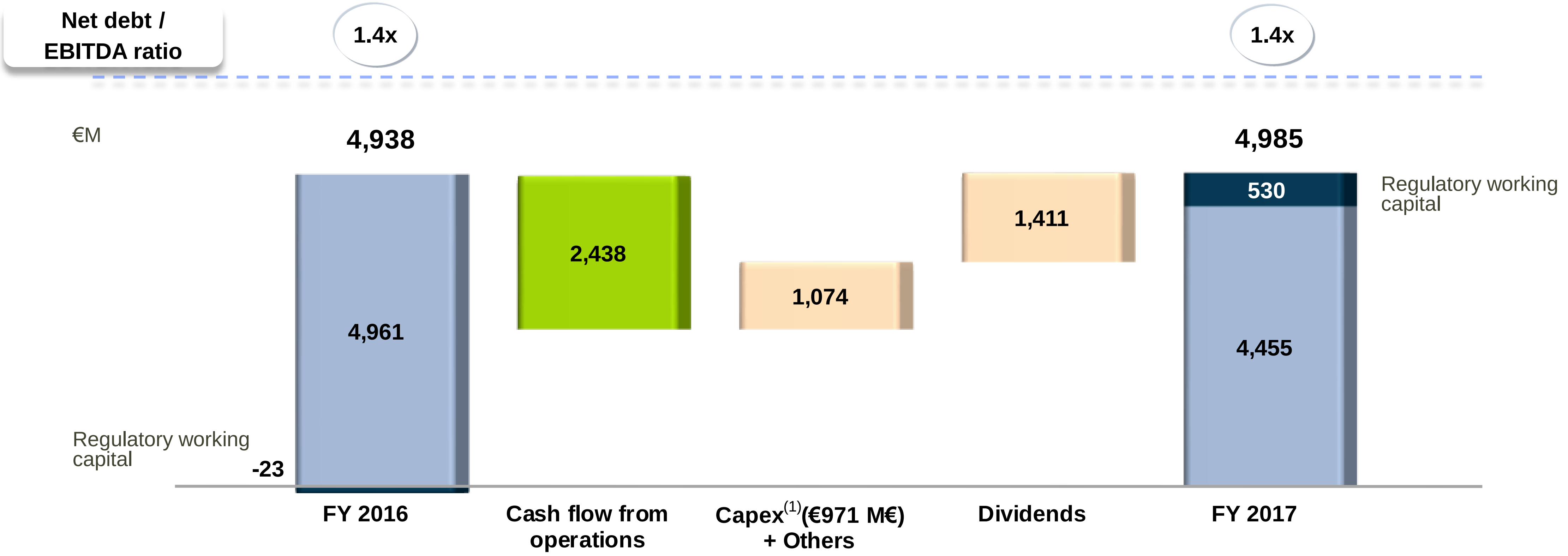
(+) Net financial expenses decrease mainly due to financial provisions update (+€59 M)

(+) Associates impacted in 2016 by 40% EGPE write-down (-€72 M) and in 2017 by higher Nuclenor pre-dismantling provision (-€10 M)

(-) Taxes increase due to deferred taxes provision reversal booked in 3Q16 derived from EGPE acquisition (+€81M)

Net financial debt analysis

Net financial debt evolution



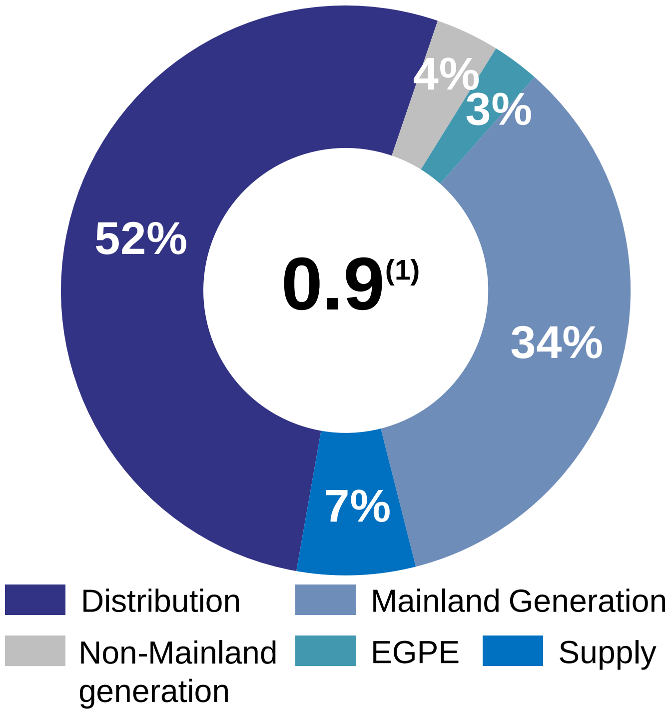
- Normalization of regulatory working capital
- Healthy financial leverage and strong liquidity position

(1) *Cash based Capex*

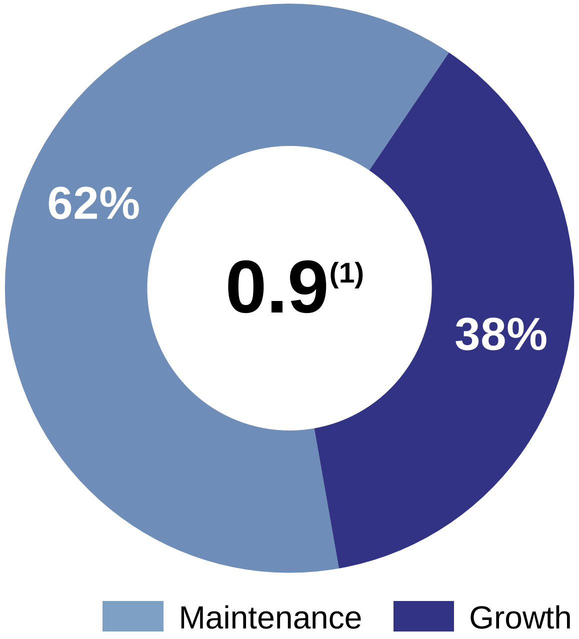
2017 Capex breakdown

endesa

2017
Net CAPEX by business (€bn)



2017
Net CAPEX by nature (€bn)



Main projects

Smart meters and Quality Plan	~€0.2 bn
IED Imported Coal	~€0.1 bn
Nuclear fleet Maintenance	~€0.1 bn

- **Around €300 M Capex in Digital Transformation**

(1) Gross tangible and intangible Capex (€1,111 M) - assets from clients' contributions (€188 M) – subsidies and others (€5 M)

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Sustainability

Monitoring ENDESA´s contribution to UN Sustainable Development Goals

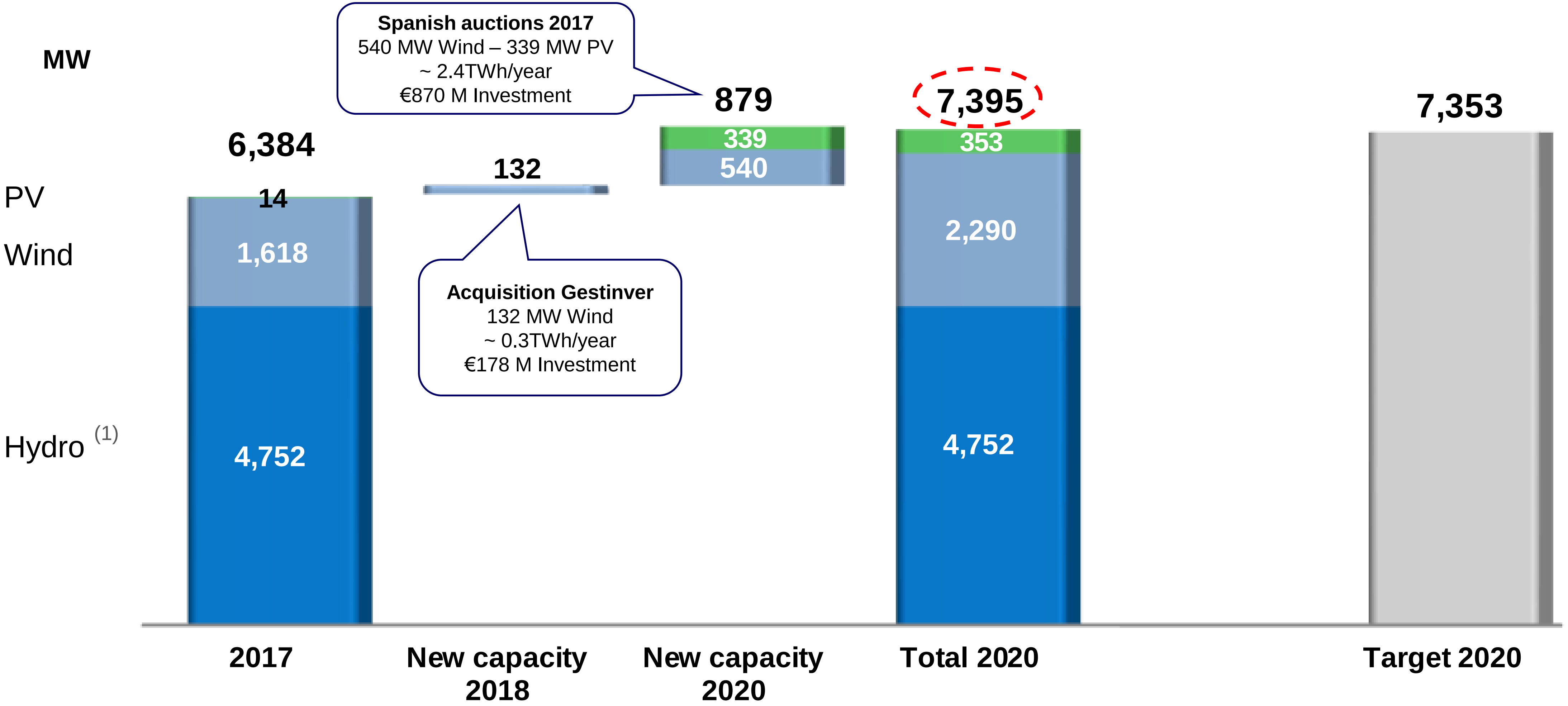
ENDESA commitments[(1)]		Main achievements
13 CLIMATE ACTION	**100%** Energy mix decarbonization by 2050	879 MW awarded in the Spanish renewable auction + 132 MW to be acquired. 44% CO_2 free production
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**~ € 1.4 bn.** to lead energy transformation through digitalization and e-solutions	~ € 0.3 bn. invested in 2017. New “e-solutions” business line launched in 2017
7 AFFORDABLE AND CLEAN ENERGY	Electricity Supply to all vulnerable customers	229 Agreements signed with Public Authorities to guarantee electricity supply to low income customers[(2)]

- **~12% of ENDESA’s capital share owned by Socially Responsible Investors[(3)]**

(1) *Endesa also contributed to the commitments set out by Enel on SDG 4 (Education) and SDG 8 (socioeconomic development), benefiting +32,600 people and +120,700 people in 2017, respectively*
(2) *Under review to adapt them to the new Royal Decree 897/2017 of October 6th, regulating the figure of the vulnerable customer, the social tariff and other measures to protect electricity customers.*
(3) Data refered to the investment advisors that are Endesa´s shareholders and have a public SRI policy, according to last data available in November 2017.

Renewables

Strong commitment with decarbonization

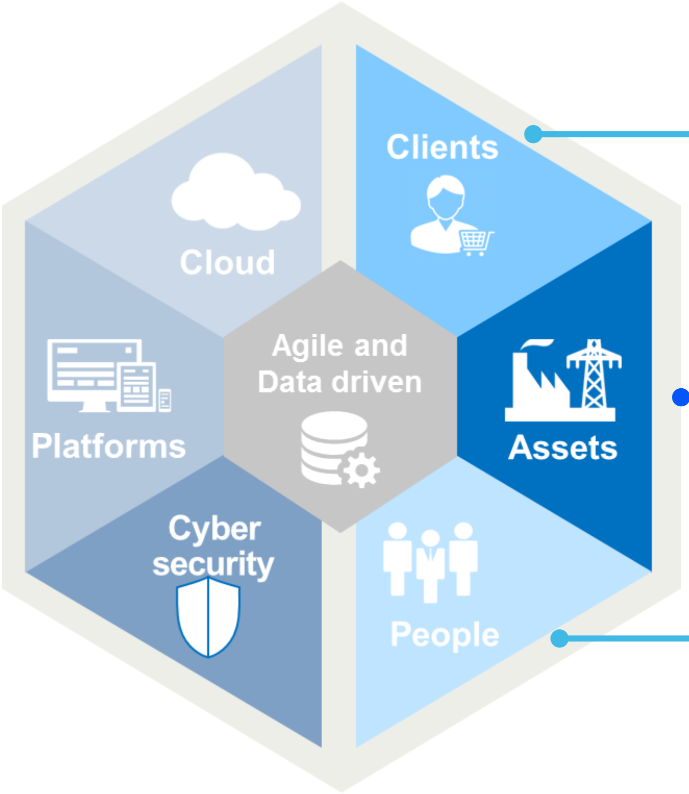


- **2020 Renewable capacity target achieved through auctions and M&A**

(1) *Includes 43MW Mini-Hydro*

Digital Transformation

2017 main outcome



CLIENTS

- ❑ 3.8 M digital customers (+0.7mn vs 2016)
- ❑ 2.1 M contracts with e-billing system (+0.5mn vs 2016)
- ❑ 9% digital sales (+2% vs 2016)
- ❑ 68.5% e-care interactions (+13.5% vs 2016)

ASSETS

- ❑ 11.2 M smart meters installed (93% of the 15KW network)
- ❑ Grid automation:
  - + 15,000 smart remotes installed in MV network
  - 73 smart remotes upgraded in HV network
- ❑ Large scale batteries: implementation of 20MW pilot project in Litoral (Imported coal)

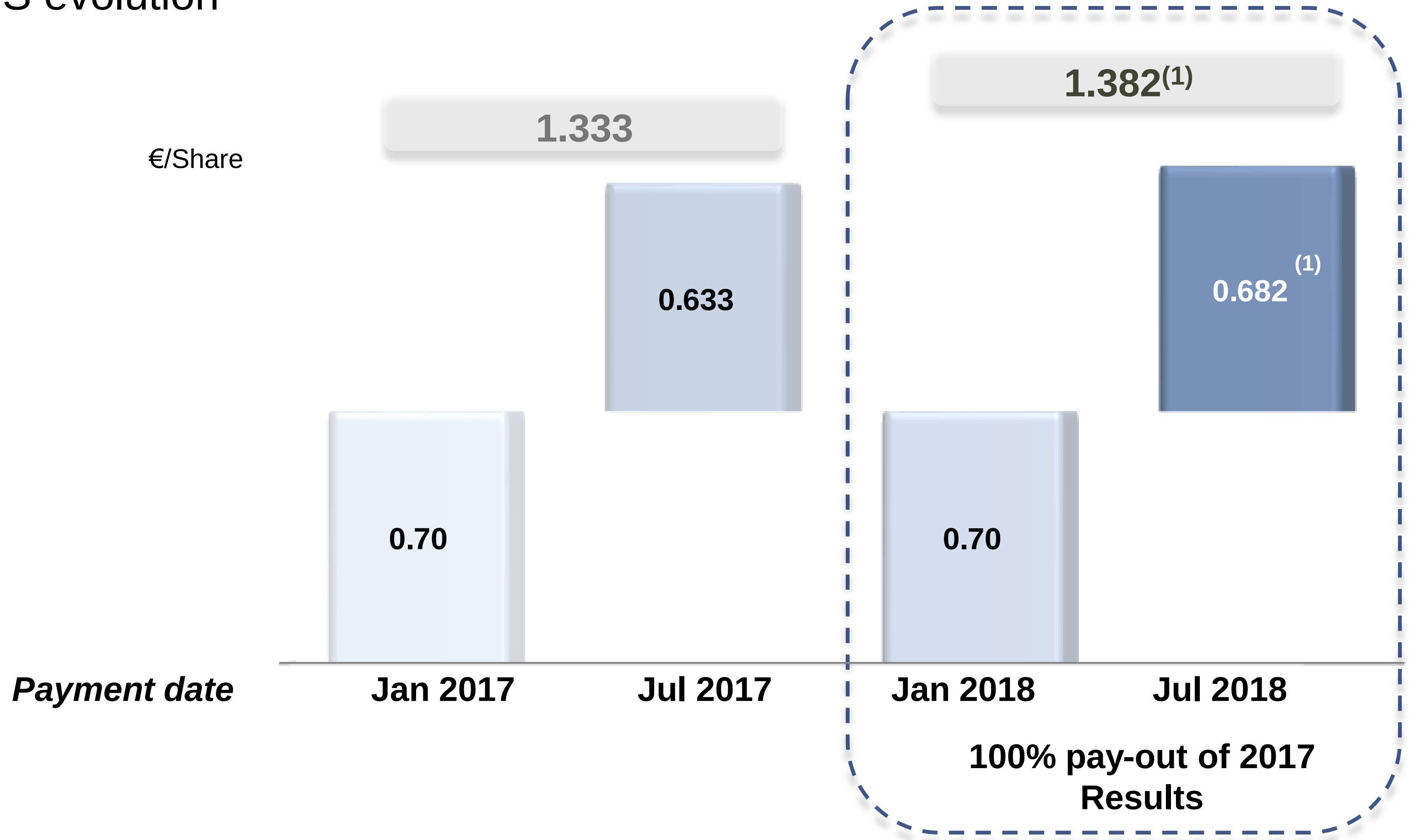
PEOPLE

- ❑ Tech-Bar launched: + 3,600 employees and + 200 workshops
- ❑ E- Talent program development (+400 employees engaged)
- ❑ Other initiatives launched to boost digital transformation within employees: *Are You Digital?* program and reverse mentoring

- **€ ~300 M invested in 2017 to boost digital transformation of our clients, assets and people**

Shareholder remuneration

Gross DPS evolution



- **2017 gross DPS: €1.382[1] (100% pay-out), an increase of 4% vs. 2016 (+5% vs minimum DPS)**

(1) *Subject to AGM approval to be held in 2018*

Delivering and exceeding 2017 targets

	2017 target (€bn)	2017 reported (€bn)		2018e (€bn)	2019e (€bn)	2020e (€bn)	CAGR 2017-2020
EBITDA	3.4	>3.5	✓	3.4	3.5	3.7	~ +2%
Net Income	1.4	~ 1.5	✓	1.4	1.5	1.6	~ +3%
DPS (€/share)(1)	~ 1.32	1.382	✓				
Minimum DPS for 2018				1.33			
Cumulative FCF(2)				2.7 billion euro			

- **100% Pay-out on ordinary net income in 2017-2020**

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

Final remarks

2017 results exceeding guidance thanks to managerial actions and one-offs

Proposal to pay 1.382€ gross DPS, 4% increase versus 2016

Strong commitment with decarbonization

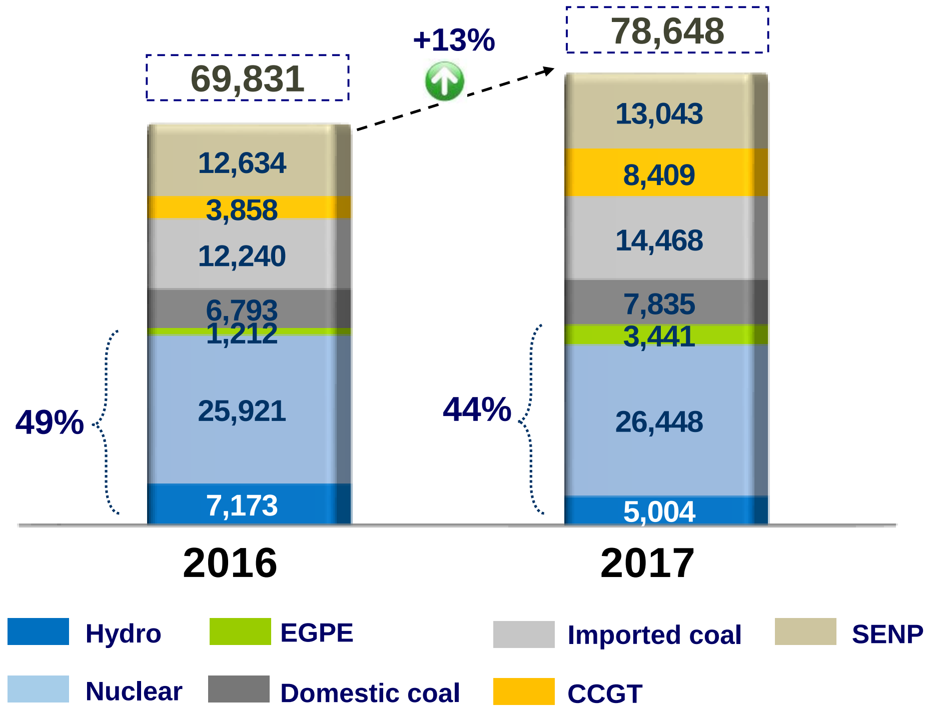
Continued effort in cost reduction

High cash-flow generation supports attractive dividend policy of 100% pay out with a minimum DPS in 2018 of 1.33 €/share

Appendix
Endesa FY 2017 Results

Installed capacity and output

Total output(1) (GWh)



- 34% thermal output increase in mainland
- Hydro, nuclear and renewables represented 44% of total output (vs. 49%(3) in 2016)

Total output (GWh)

GWh 2017
(and chg. vs. 2016)

	Total Output (1)	
Total	78,648	13%
Hydro	5,004	-30%
Nuclear	26,448	2%
Coal	24,906	17%
Natural gas	11,849	60%
Oil-gas	7,000	3%
Renewables	3,441	184% (3)

Total installed capacity (GW)

GW at 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%

(1) Output at power plant bus bars (Gross output minus self-consumption)
(2) Net Capacity
(3) 2016 EGPE output consolidation since 27th July 2016

Endesa: financial debt maturity calendar

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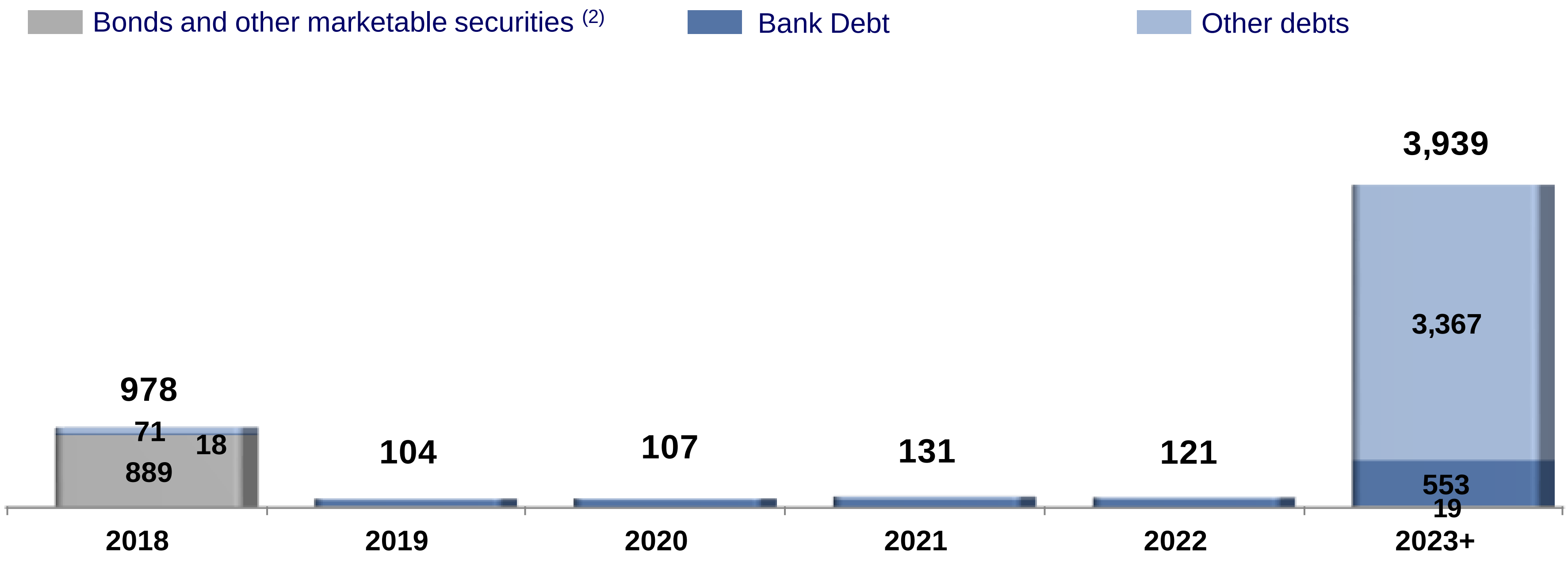
Gross balance of maturities outstanding at 31 December 2017: €5,392 M(1)



Endesa's liquidity covers 29 months of debt maturities

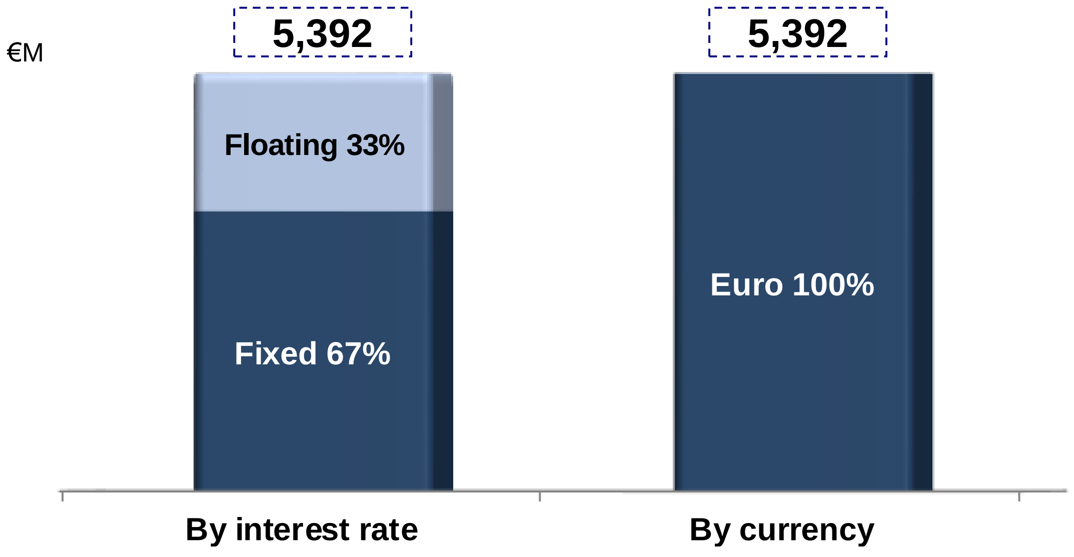
- **Liquidity €3,495 M**
  - **€399 M in cash**
  - **€3,096 M available in credit lines**
- **Average life of debt: 6.1 years**

(1) Including €12 M relating to financial derivatives.
(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

Gross financial debt structure

as of December 31st 2017

Structure of Endesa's gross debt



- Average cost of debt 2.1%

New International Financial Reporting Standards (IFRS)

First Adoption	IFRS	Main Impacts	First Adoption (*)
January 1, 2018	IFRS 15 *Revenue from contracts with customers*	• Revenue agreements • Customer acquisition costs	• Intangible asset: €95 M
	IFRS 9 *Financial instruments*	• Classification of financial assets • Impairment of financial assets • Hedge accounting	• Financial assets: - €53 M
January 1, 2019	IFRS 16 *Leases*	• Unique accounting model for all leases • Expected increase in assets an liabilities	• Right to use the asset: 0.46%-0.50% of Total Assets • Debt relative to asset: 0.56% of Total Liabilities

(*) January 1, 2018 (IFRS 15 and IFRS 9); January 1, 2019 (IFRS 16 with the inventory of contracts as of December 31, 2017).

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: €130 M / €6,082 M = 2.1%	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): 32,944 / 5,380 = 6.1 years	n/a
Cash flow from operations (€M)	Net cash provided by operating activities (€2,438 M)	4.4
Debt maturities coverage (months)	Maturity period (months) for vegetative debt that could be covered with the liquidity available: 29 months	4.1
EBITDA (€M)	Revenues (€20,057 M) – Purchases and Services (€14,569 M) + Work performed by the entity and capitalized (€222 M) – Personnel expenses (€917 M) – Other fixed operating expenses (€1,251 M) = €3,542 M	2.2
EBIT (€M)	EBITDA (€3,542 M) - Depreciation and amortization (€1,511 M) = €2,031 M	2.2
Fixed costs (Opex) (€M)	Personnel expenses (€917,1M) + Other fixed operating expenses (€1,251M) - Work performed by the entity and capitalized (€222,1M) = €1,946 M	2.2.2
Gross margin (€M)	Revenues (€20,057 M) – Purchases and Services (€14,569 M) = €5,488 M	2.3.1
Leverage (times)	Net financial debt (€4,985 M) / EBITDA (€3,542 M from FY 17) = 1.4x	n/a
Net Capex (€M)	Gross tangible (€978 M) and intangible (€133 M) Capex - assets from clients' contributions and subsidies (€193 M) = €918 M	4.5

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 (€4,414 M + €978 M) - Cash and cash equivalents (€399 M) – Derivatives recognized as financial assets (€8 M) = €4,985 M	4.1
Net financial results (€M)	Financial Revenues (€51 M) - Financial Expenses (€178 M) + Foreign Exchanges (€4 M) = -€123 M	2.2.3
Regulatory working capital (€M)	Part of the working capital that is specifically related to the balances of CNMC settlements = €530 M	n/a
Revenues (€M)	Sales (€19,556 M) + Other operating revenues (€501M) = €20,057 M	2.2.1
Electric Integrated Margin (€M)	Contribution margin Gx+Sx (€2,784 M) - Margin SENP (€694 M) - Margin SCVP (€105 M) - Margin gas (€7 M) - Margin E-Solutions (€104 M) - Others (€95 M) = €1,783 M	n/a
Unitary electric integrated margin (€/MWh)	Electric Integrated Margin / Electric sales in the liberalized market in Spain and Portugal: €1,783 M / 88.1 TWh = €20.2/MWh	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.