Endesa FY 2016 Results

23/02/2017

Agenda

1. Highlights and key financial figures
2. Endesa’s performance in 2016 market context
3. Financial results
4. Final remarks

Agenda

Highlights

2016 financial targets exceeded

Strong Net Income figure (+30%) up to €1,411 M

Proposal to pay €1.333 gross DPS (+30%) against 2016 Results

Sound underlying(1) EBITDA evolution (+11%) supported by the liberalized business

3% like-for-like(2) drop in fixed costs

(1) Net of 2015 CO_2 swap transaction (+€184 M), EGPE contribution in 2016 (+€75 M) and workforce restructuring provision in 2015 (-€380 M) and 2016 (-€226 M)
(2) Includes pension plans obligations provision update (€19 M in 2015 and €17 M in 2016), infringement proceedings provision (-€42 M in 2015 and -€14 M in 2016), workforce restructuring plans provisions (-€380 M in 2015 and -€226 M in 2016) and EGPE fixed costs in 2016 (-€29 M)

Key financial figures

€M	2016	2015	Change	Like-for-like
EBITDA	3,432	3,039	+13%	+11%(1)
Net attributable income	1,411	1,086	+30%	+27%(2)
Cash flow from operations	2,995	2,656	+13%	

	FY 2016	FY 2015	Change
Net financial debt(3)	4,938	4,323	+14%

- **Like-for-like(1) EBITDA grew by 11%**

(1) Net of 2015 CO_2 swap transaction (+€184 M), EGPE contribution in 2016 (+€75 M) and workforce restructuring provision in 2015 (-€380 M) and 2016 (-€226 M)

(2) Net of 2015 CO_2 swap transaction (+€132 M), EGPE contribution in 2015 (+€10 M) and 2016 (+€38 M) and workforce restructuring provision in 2015 (-€274 M) and 2016 (-€170 M)

(3) Gross financial debt (€5,367 M) - Cash and cash equivalents (€418 M) – Derivatives recognized as financial assets (€11 M)

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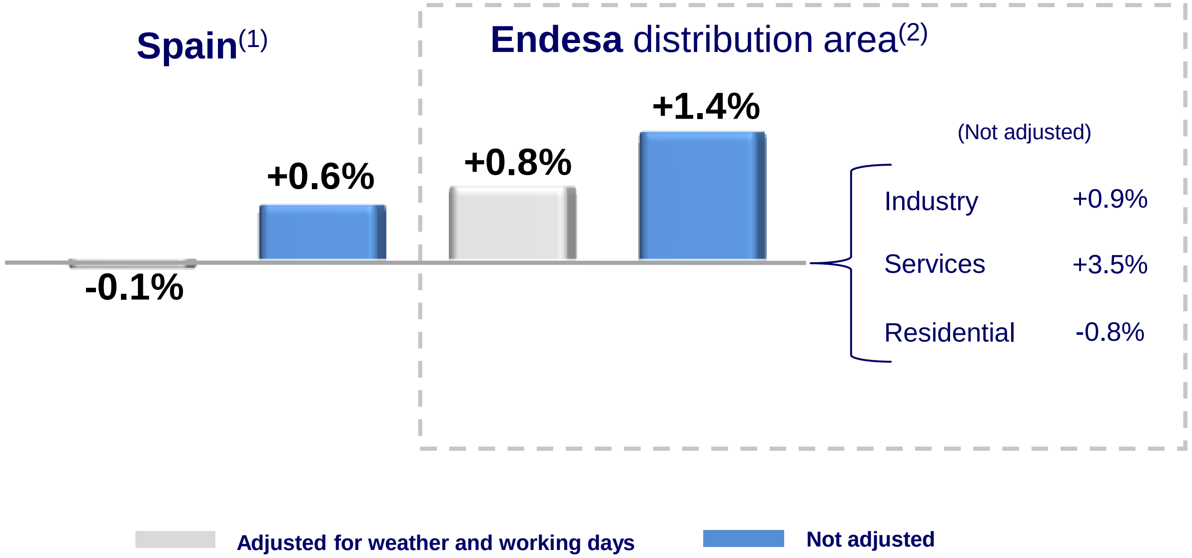
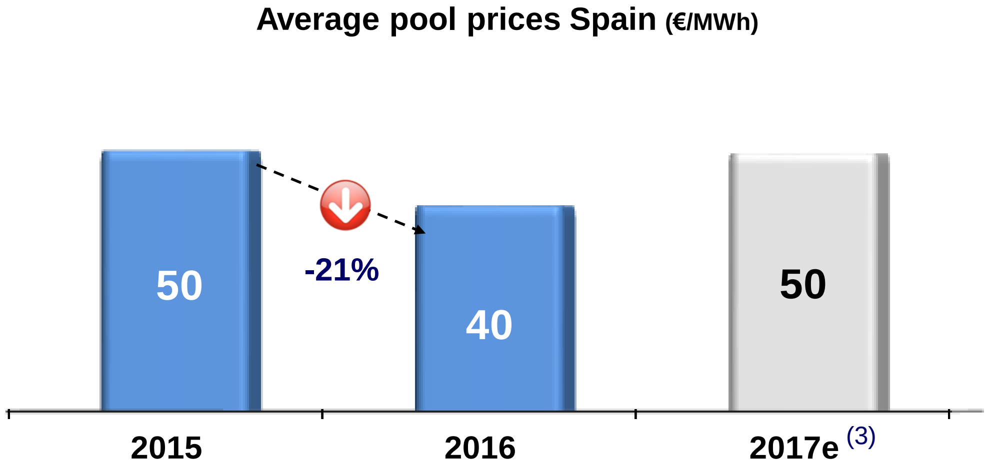
Market context in 2016

Demand



- Demand recovery: Services and industry upward trend more than offsets weak residential demand

Electricity wholesale prices



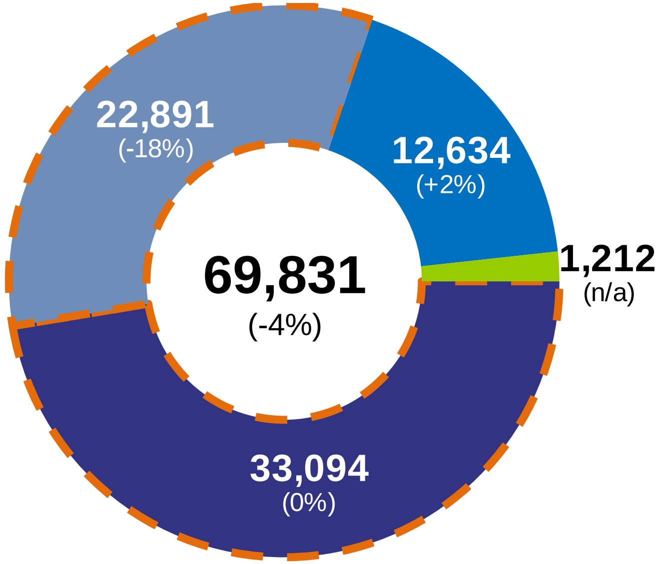
- Pool price decrease due to better hydro and wind conditions partially offset by commodity prices recovery in 4Q 2016

(1) *Mainland. Source: REE*
(2) *Mainland. Source: Endesa's own estimates*
(3) *Own elaboration: weighted average of real data (1 Jan 2017 – 21 Feb 2017) and 2017 Balance forwards*

Endesa's performance in 2016 market context (I/II)

Energy management

Output(1) (GWh)



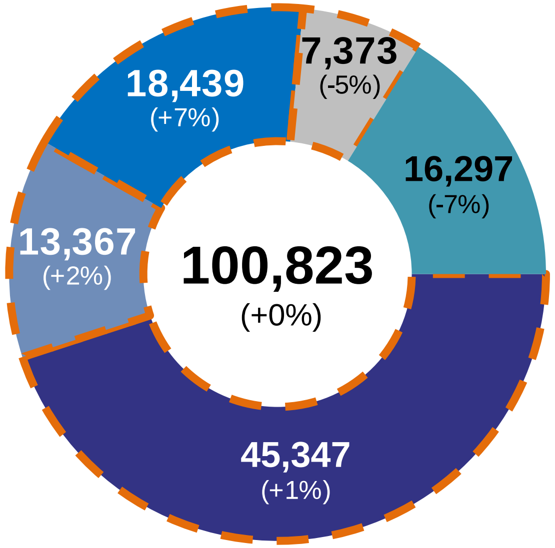
Mainland (hydro and nuke)
Mainland (thermal)
Non-mainland (regulated)
EGPE

Unitary integrated margin:

€21.8/MWh

(+8% vs. 2015)

Electricity sales(1) (GWh)



Industrial
SMEs
Residential
Portugal
SCVP

- **~80% of 2017 estimated output already hedged**

(1) Energy at power plant busbars

Endesa's performance in 2016 market context (II/II)

Regulatory update

✓ Latest main regulatory developments

✓ **2017 access tariffs:**

- Access tariffs remained unchanged
- Access costs include additional ~€600 M renewables remuneration related to 2nd regulatory semi period revision
- €9 M of tariff surplus according to Ministry of Industry estimates

✓ **Social tariff:**

- RDL 7/2016 sets a new financing scheme applying from end 2016
  - Endesa to fund 37.7% of social tariff cost
  - Government working on pending details (income and degree of vulnerability criteria)
- Concerning 2014-2016 amounts, legal proceedings still to be completed

✓ **Renewables:**

- Capacity auctions expected by mid 2017

✓ **Garoña nuclear power plant:**

- Nuclear Security Council sets conditions related to the renewal' authorization request
- Ministry of Industry authorization is needed before the nuclear operator takes its final decision

Agenda

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Financial results

€M	2016	2015	Change	Like-for-Like
Revenues	18,979	20,299	-7%	
Gross Margin	5,652	5,481	3%	
EBITDA	3,432	3,039	13%	11%[1]
EBIT	1,965	1,598	23%	
Net Financial Results	(182)	(186)	-2%	
Share of profit from associates	(59)	(15)	293%	
Income tax	(298)	(301)	-1%	
Net attributable income	1,411	1,086	30%	27%[2]
Net Capex [3]	934	786	19%	

P&L evolution:

(+) Underlying[1] EBITDA increase (+11%): good performance of liberalized business

(-) 2016 Share of profit from associates impacted by write-down on 40% EGPE (-€72 M) and new provision related to Nuclenor (-€38 M)

(+) Income tax positively impacted by reversal of deferred tax liabilities generated by EGPE acquisition (+€81 M)

(1) *Net of 2015 CO2 swap transaction (+€184 M), EGPE contribution in 2016 (+€75 M) and workforce restructuring provision in 2015 (-€380 M) and 2016 (-€226 M)*

(2) *Net of 2015 CO_2 swap transaction (+€132 M), EGPE contribution in 2015 (+€10 M) and 2016 (+€38 M) and workforce restructuring provision in 2015 (-€274 M) and 2016 (-€170 M)*

(3) *Gross tangible and intangible Capex (€1,128 M) - assets from clients' contributions (€191 M) – subsidies and others (€3 M). It does not include 60% EGPE nor Electrica del Ebro acquisitions*

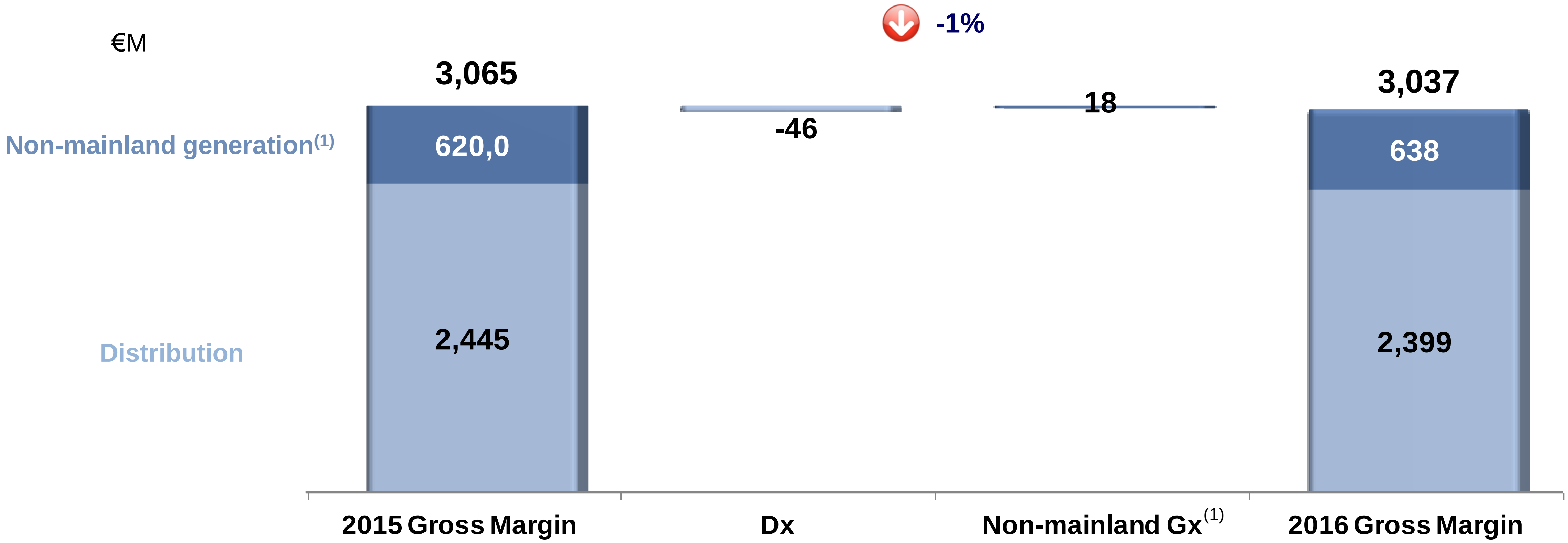
2016 EBITDA breakdown

	2015 %	2015 €M	Reported Change (%)	Like-for-Like Change [(4)] (%)	2016 €M	2016 %	
Generation & Supply[(1)]	37%	1,131	+4%	+25%	1,180	35%	Generation & Supply[(1)]
Non-mainland Gx[(2)]	11%	339	+15%	+13%	389	11%	Non-mainland Gx[(2)]
Distribution	52%	1,569	+14%	+2%	1,788	52%	Distribution
					75	2%	EGPE[(3)]
TOTAL		3,039	+13%	+11%	3,432		TOTAL

(1) Generation & Supply business EBITDA figure includes Corporate Structure, Services and Adjustments and does not include Non-mainland generation nor EGPE EBITDA
(2) Non-mainland generation EBITDA figure includes Canary and Balearic Islands, Ceuta and Melilla
(3) EBITDA coming from EGPE and its controlled affiliates since 27.07.2016
(4) Adjusted by 2015 CO_2 Swap transaction, 2015 and 2016 workforce restructuring provisions and EGPE contribution in 2016

Regulated business

Gross margin evolution



- **Stable gross margin**

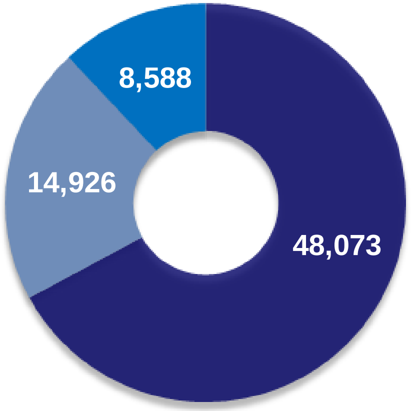
(1) *Non-mainland generation Gross Margin figure includes Canary and Balearic Islands, Ceuta and Melilla*

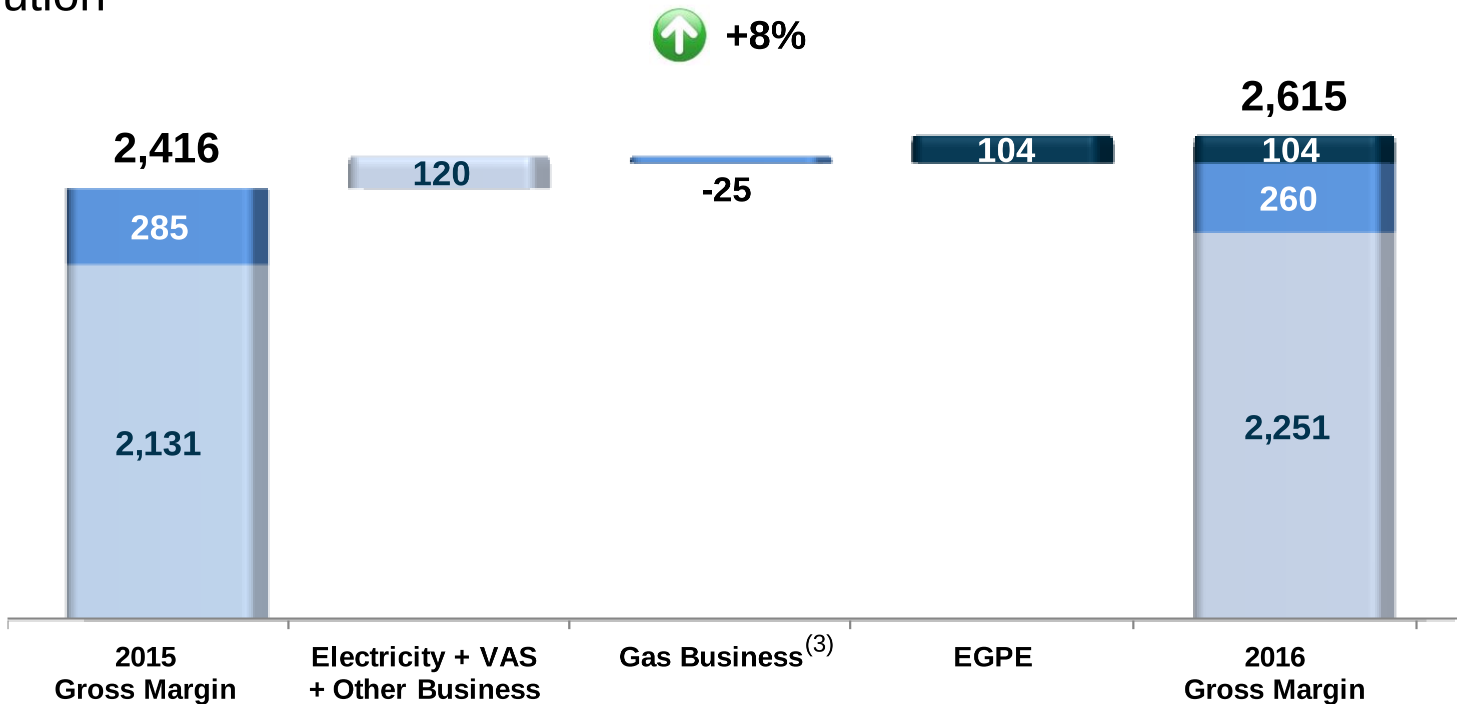
Liberalized business[1]

Gross margin evolution

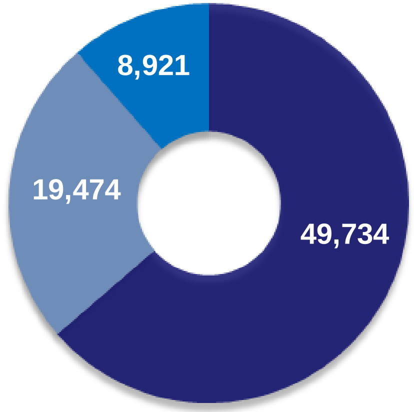
€M

2015 Gas sales
(71,587 GWh)





2016 Gas sales
(78,129 GWh)



- **Domestic**
- **Wholesale**
- **International**

- ↑ Higher unitary margin in the liberalized electricity business
- ↑ Favorable Constitutional Court ruling on Catalonia nuclear tax
- ↑ Domestic Coal settlements (Years 2012-14)
- ↑ EGPE contribution

- ↓ CO_2 swap transaction in 2015
- ↓ GAS business (partially offset by gas derivatives mark-to-market and others)

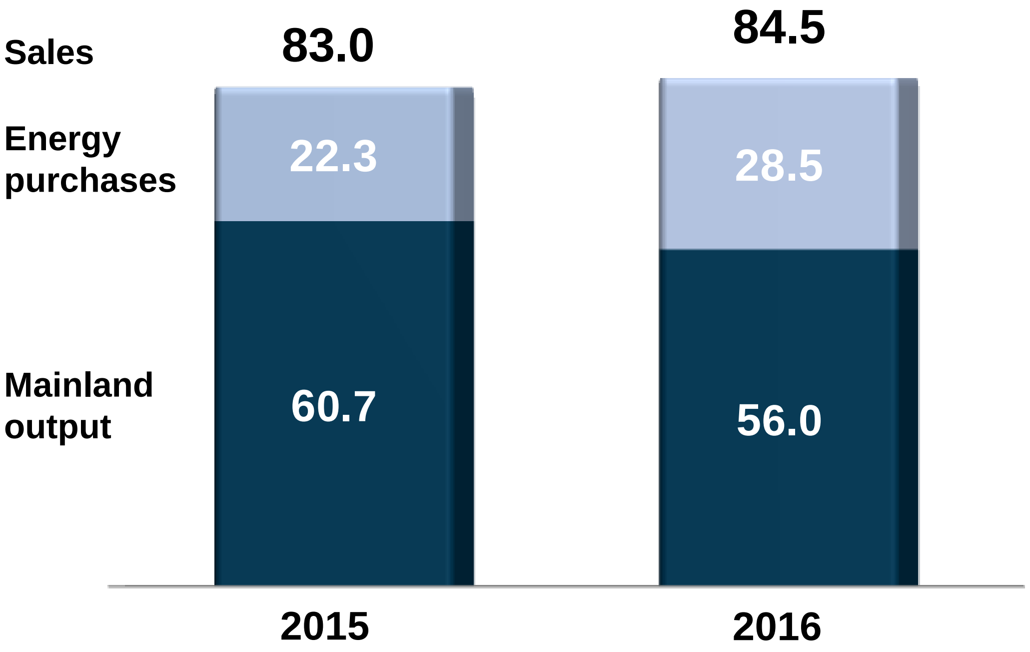
- **Increase in underlying gross margin[2] (+13%) supported by successful energy management**

(1) Liberalized business Gross Margin figure includes Generation and Supply business, Corporate Structure, Services and Adjustments and does not include Non-mainland generation
(2) Excluding CO_2 swap transaction in 2015 (+€184 M) and EGPE contribution in 2016 (+€104 M)
(3) Gas business gross margin relates to that obtained in the gas supply activity

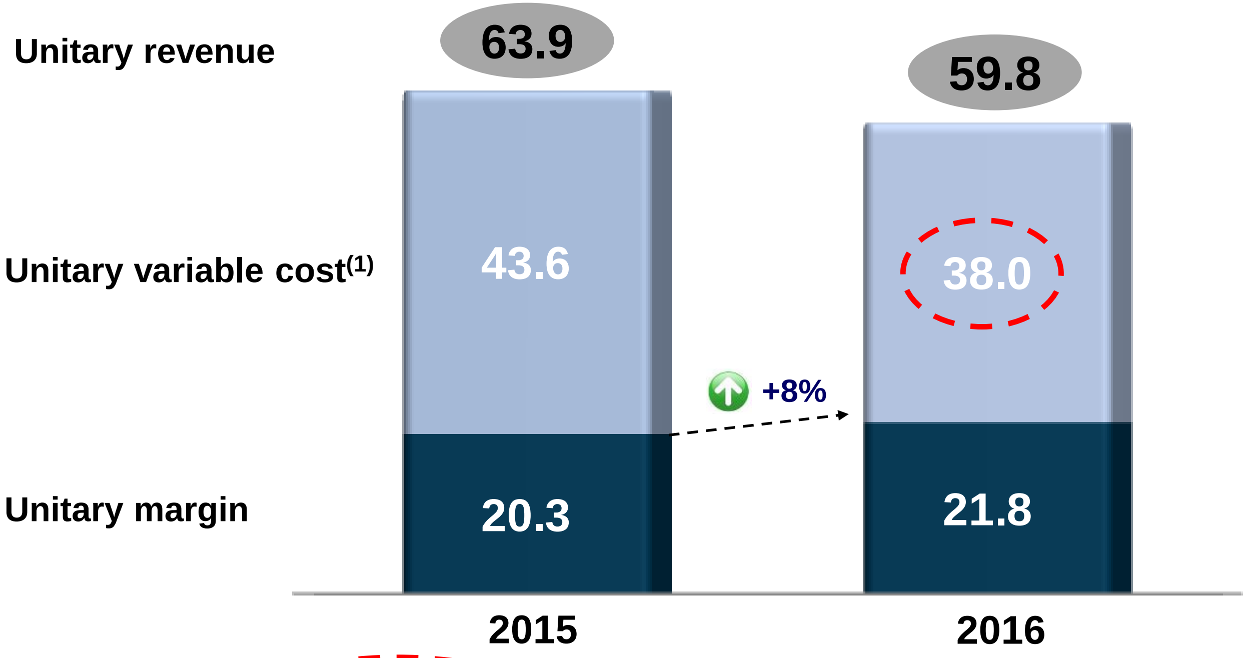
Liberalized business

2016 energy management

Energy (TWh)



Unitary values breakdown (€/MWh)



€38.0/MWh
(-€5.6/MWh vs
FY'15 variable cost)

- **Production cost[2]: €32.4/MWh** (-€3.1/MWh)
- **Energy purchase cost: €38.8/MWh** (-€12.4/MWh)

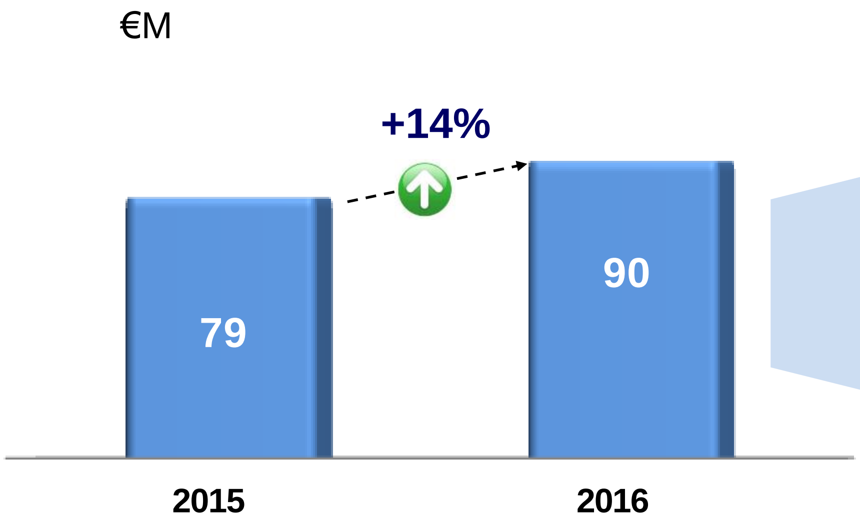
- **+8% electricity unitary margin (€21.8/MWh) supported by successful energy management strategy**

(1) *Production cost + energy purchase costs + ancillary services*
(2) *Production cost = fuel cost + CO_2 + taxes from Law 15/2012*

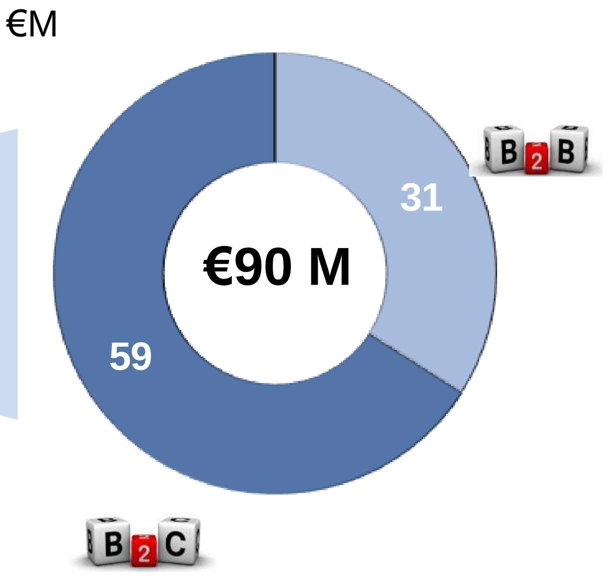
Liberalized business

Value added services

VAS Margin evolution



2016 VAS Margin breakdown

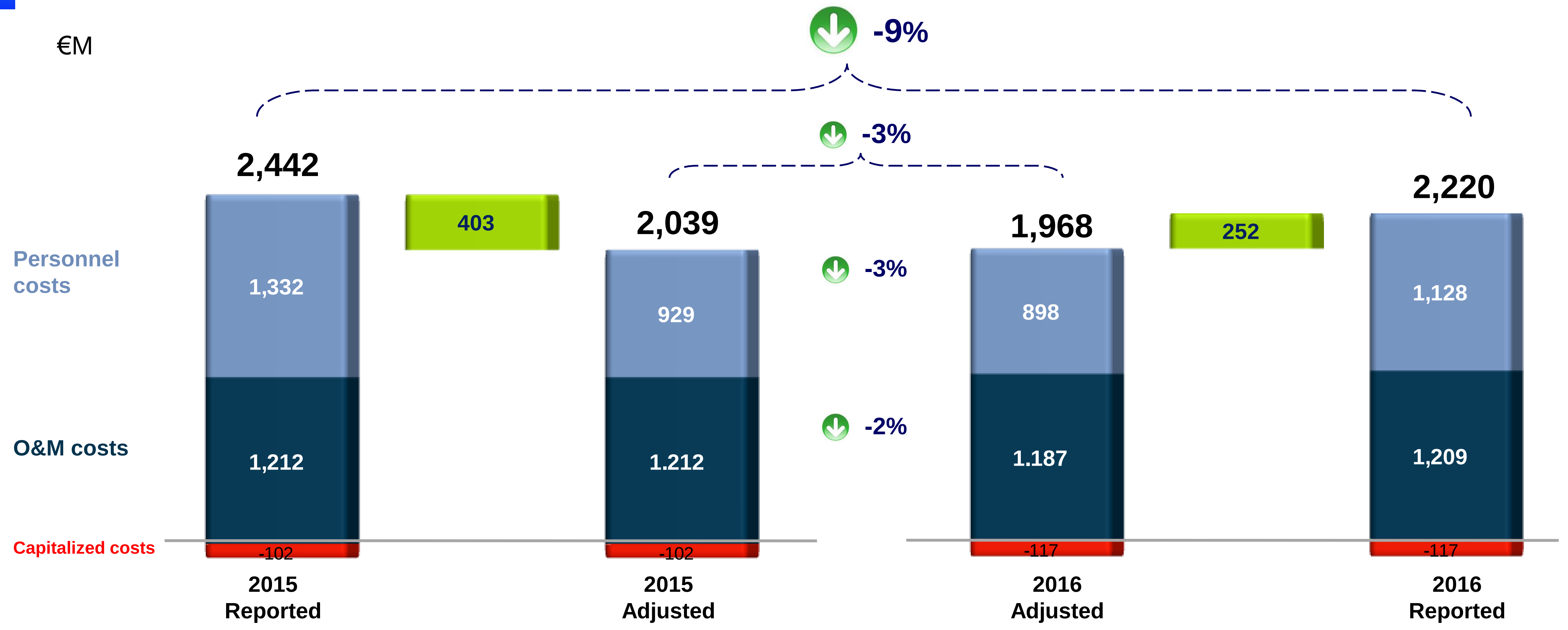


Contribution from VAS categories (€M)

B2B	Maintenance services	13
	Monitoring, control and energy consultancy	11
	Energy Efficiency Solutions and Renewables	6
B2C	Maintenance services	39
	Alliances: Insurance and Finance Projects	15
	Equipment solutions	5

- **VAS gross margin in line with targets**

Fixed costs evolution (I/III)



- **3% decrease in like-for-like[1] fixed costs**

(1) *Includes pension plans obligations provision update (€19 M in 2015 and €17 M in 2016), infringement proceedings provision (-€42 M in 2015 and -€14 M in 2016), workforce restructuring plans provisions (-€380 M in 2015 and -€226 M in 2016) and EGPE fixed costs in 2016 (-€29 M)*

Fixed costs evolution (II/III)

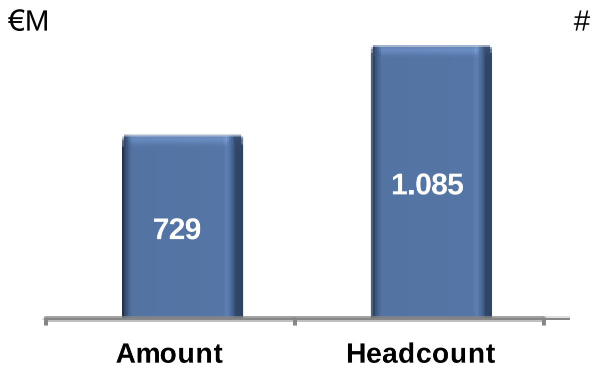
Latest workforce restructuring plans[1]

2014

- Provision amount: €349 M
- People involved 473
- Annual average savings ~ €45M

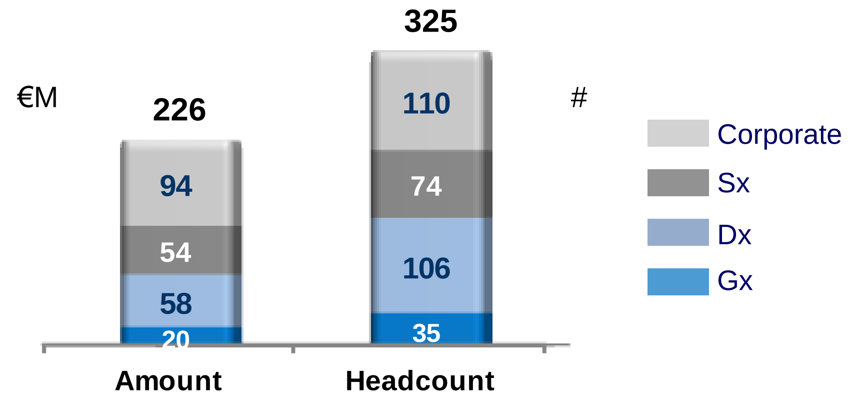
2015

- Provision amount: €380 M
- People involved 612
- Annual average savings ~ €55M



2016

- Provision amount: €226M
- People involved: 325
- Annual average savings: ~ €29M



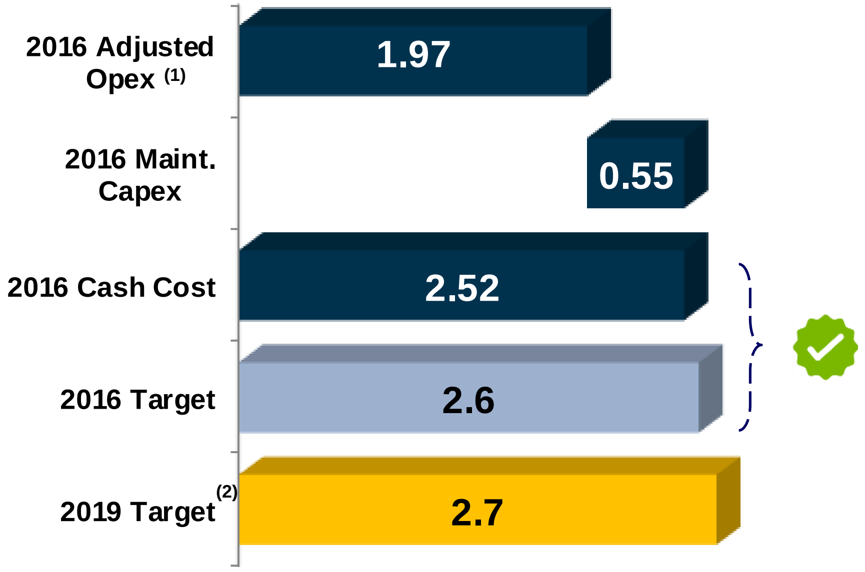
- **2014-2016 workforce restructuring plans allow for an average annual decrease of ~ €~130 M in personnel costs**

(1) *It is booked within the Personnel expenses line of the P&L*

Fixed costs evolution (III/III)

Monitoring cash cost and key performance indicators

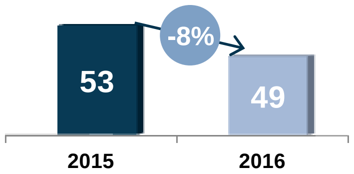
Cash Cost evolution



KPI's evolution and degree of fulfilment

2019 target

Distribution — Unitary cost (3) (€/customer)



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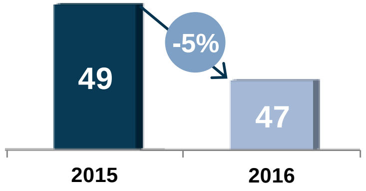
Generation — Unitary cost (3) (k€/MW)



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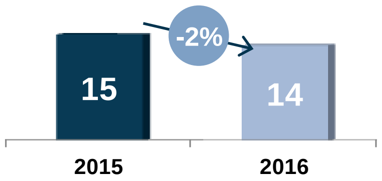
Supply — Cost to Serve(3) (€/customer)



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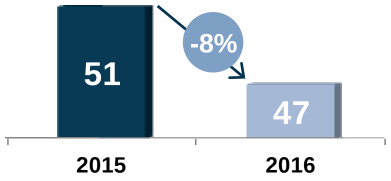
EGPE — Unitary cost(3) (k€/MW)



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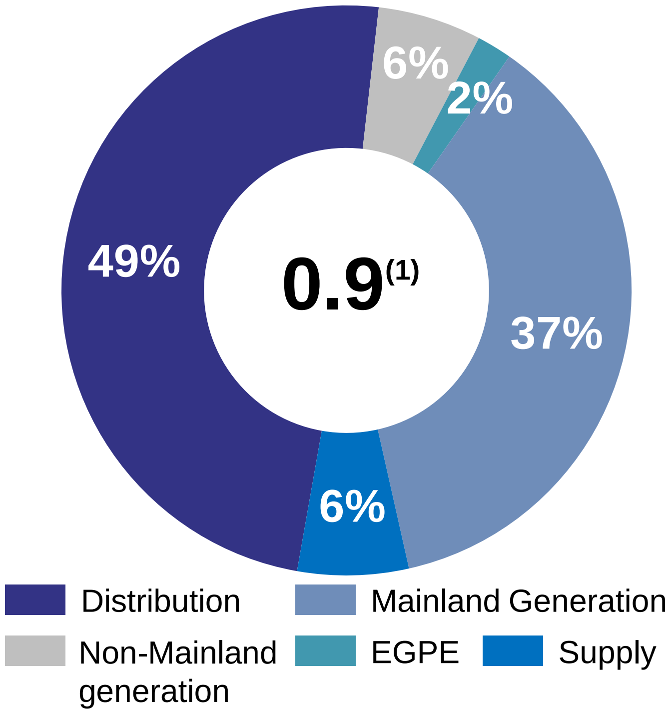
- **Already ahead of 2019 targets in some KPIs**

(1) Excludes workforce restructuring plan provision in 2016 (€226 M) and EGPE fixed costs since 27.07.2016 (€29 M)
(2) Includes EGPE cash costs
(3) Includes corporate fees

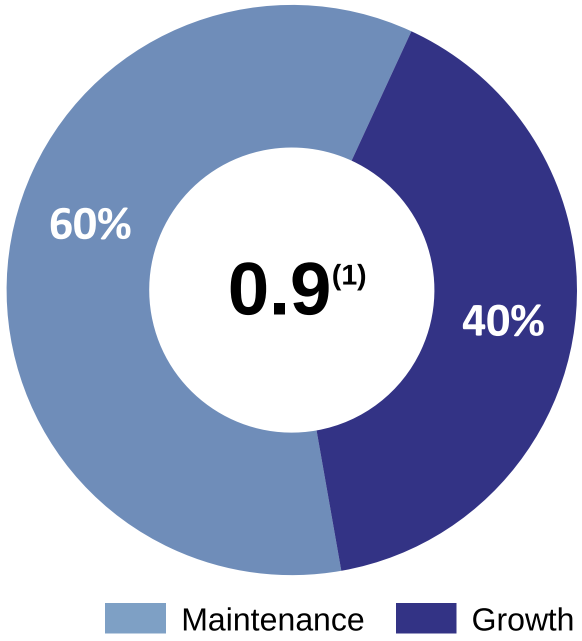
2016 Capex breakdown

endesa

2016
Net CAPEX by business (€bn)



2016
Net CAPEX by nature (€bn)



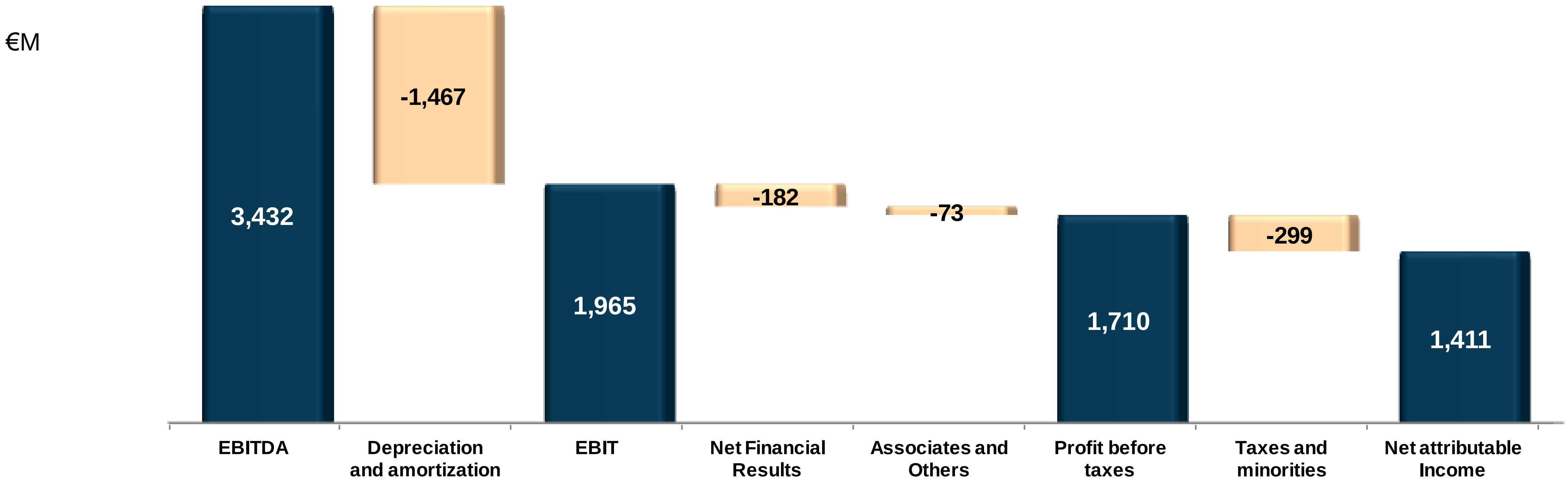
Main projects

Smart meters and remote control	~€0.2 bn
IED Imported Coal	~€0.1 bn
Nuclear fleet Maintenance	~€0.1 bn

- **~€1.6 bn devoted to organic and inorganic[2] growth**

(1) Gross tangible and intangible Capex (€1,128 M) - assets from clients' contributions (€191 M) – subsidies and others (€3 M). It does not include 60% EGPE nor Electrica del Ebro acquisitions
(2) €1.2 bn for 60% EGPE and Eléctrica del Ebro acquisitions

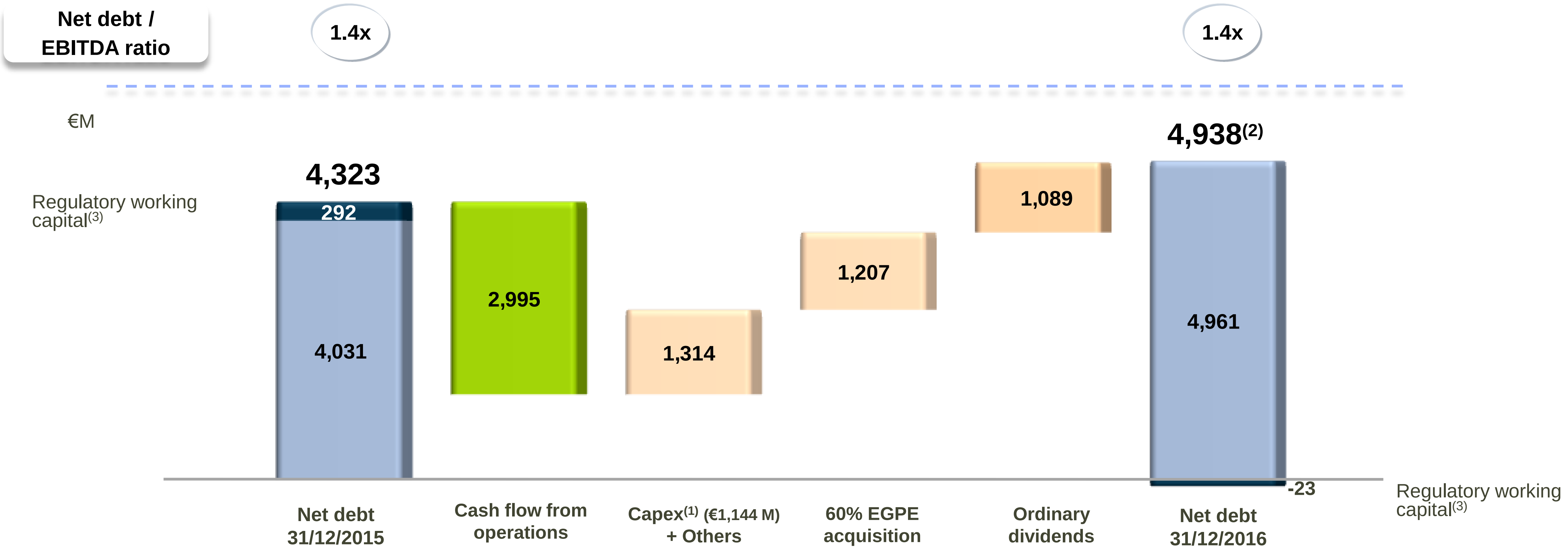
From EBITDA to Net Income



	EBITDA	Depreciation and amortization	EBIT	Net Financial Results	Associates and Others	Profit before taxes	Taxes and minorities	Net attributable Income
2015	3,039	-1,441	1,598	-186	-21	1,391	-305	1,086
Change (%)	+13%	+2%	+23%	-2%	+248%	+23%	-2%	+30%

Net financial debt analysis

Net financial debt evolution



- Healthy financial leverage and strong liquidity position
- Endesa liquidity covers 17 months of debt maturities

(1) *Cash based Capex*
(2) *Gross financial debt (€5,367 M) - Cash and cash equivalents (€418 M) – Derivatives recognized as financial assets (€11 M)*
(3) *Mainland and non-mainland deficit*

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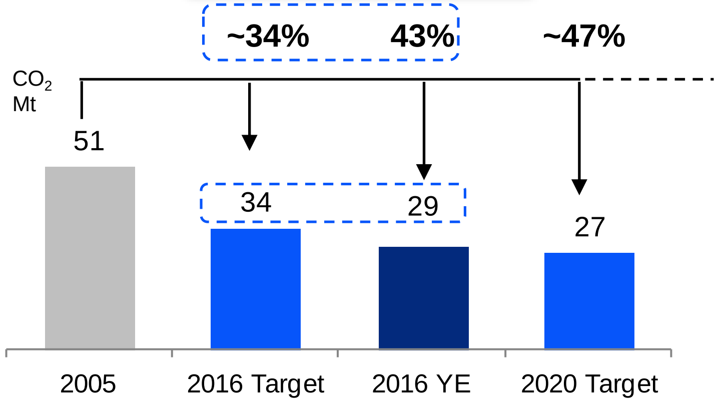
Sustainability

Monitoring Endesa’s contribution to UN Sustainable Development Goals

Energy mix decarbonization by 2050

2016 target achieved



2016 CO_2 emissions well below target

% = reduction vs. 2005 data

Digitalization + VAS

	YE 2016	2019 Target
Grid Automatization ▪ Smart Meters (M) ▪ Remotes (K)	~9.2 M 12.3 K	~12.5 M 18 K
Quality of supply interruption time improvement (vs 2015)	9.3%	8%(1)
Digitalization ▪ Digital customers (M) ▪ Digital sales (%)	~1.6 M 8%	~3.7 M 15%
VAS Gross Margin	~ €90 M	~€200 M

(1) Target updated to 12.5%

Electricity access to all vulnerable customers

YE 2016

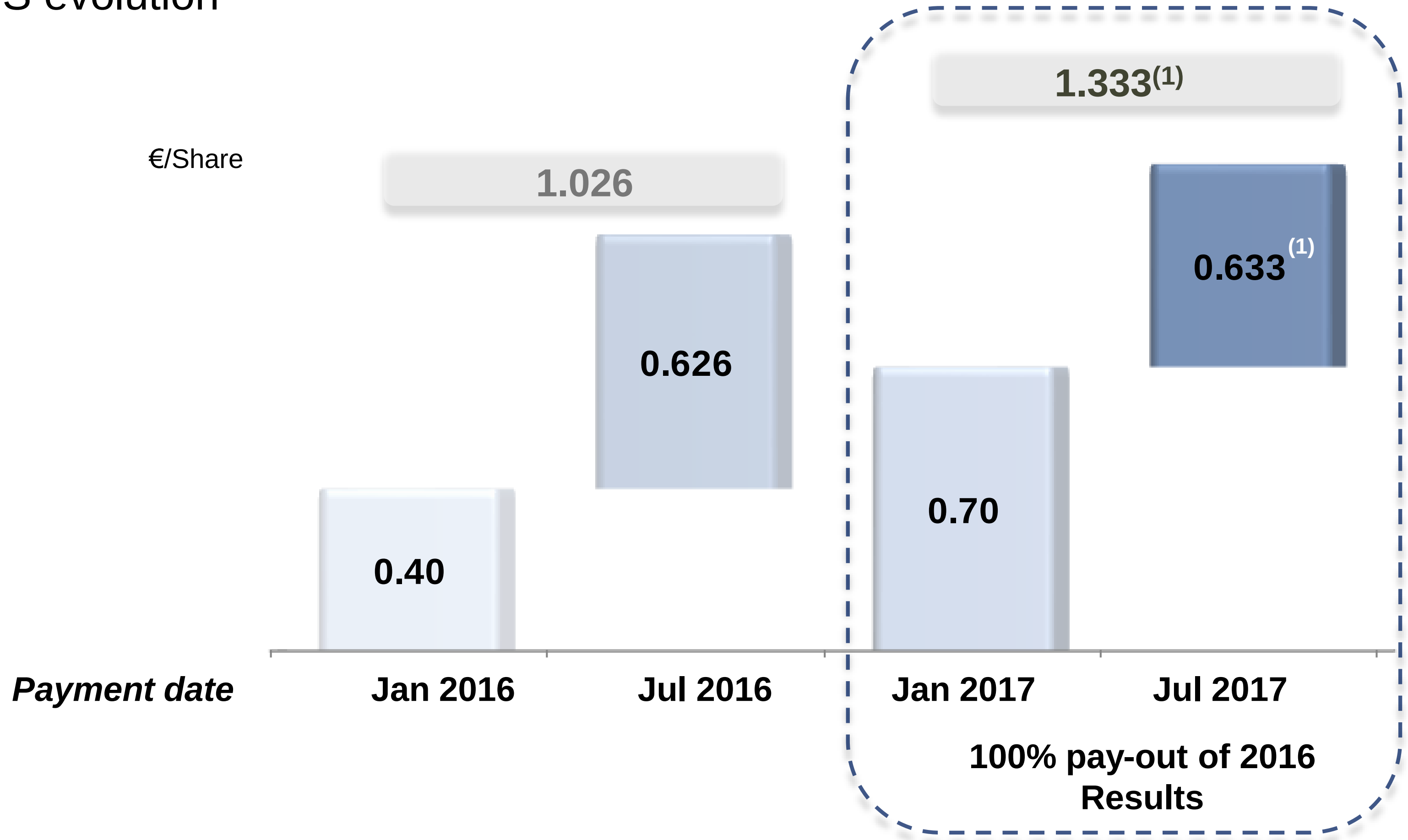
- **166** agreements to tackle fuel poverty
- Covering > **10 MM** households, in **26** provinces

- **~€4 bn of total tax contribution**

Note: achievements on SDGs 4,7,8 and 13 is the contribution of Endesa to Enel public commitments to UN SDGs

Shareholder remuneration

Gross DPS evolution



- **2016 gross DPS: €1.333(1) (100% pay-out), an increase of 30% vs. 2015**

(1) *Subject to AGM approval to be held in 2017*

Delivering and exceeding 2016 targets

	2016 target (€bn)	2016 reported (€bn)		2017e (€bn)	2018e (€bn)	2019e (€bn)	CAGR 2016-2019
EBITDA	~ 3.2	3,4	✓	3.4	3.5	3.7	~ +3%
Net Income	~ 1.3	1,4	✓	1.4	1.5	1.7	~ +6%
DPS (€/share)[1]	~ 1.26	1.333	✓	1.37	1.42	1.57	~ +6%
Minimum DPS for 2017				1.32			
Cumulative FCF[2]				3.2 billion euro			

- **100% Pay-out on ordinary net income in 2017[3]-19**

(1) Gross DPS calculated according to Net Income guidance
(2) FCF =Funds from Operations (FFO) – Maintenance & Growth Net investments
(3) €1.32 /share as minimum DPS for 2017

Final remarks

Exceeding financial targets

Outstanding Net income increase (+30%)

Adjusted EBITDA(1) increases by +11% thanks to the liberalized business

3% like-for-like(2) fixed costs reduction

EGPE consolidation provides solid growth platform

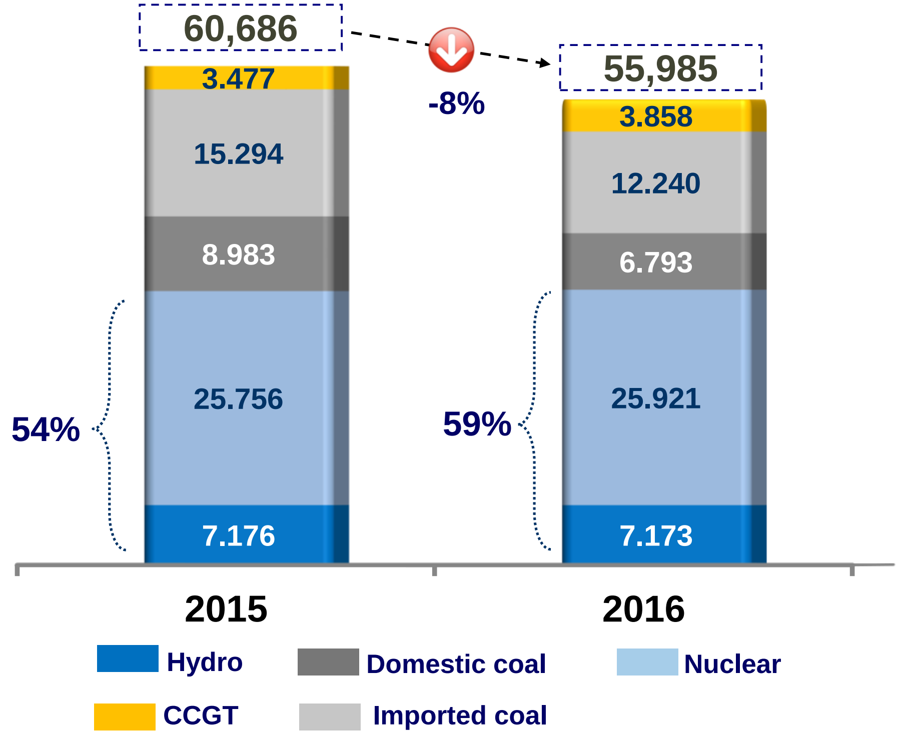
High cash flow generation supports Endesa's growth strategy and attractive dividend policy

(1) Net of 2015 CO_2 swap transaction (+€184 M), EGPE contribution in 2016 (+€75 M) and workforce restructuring provision in 2015 (-€380 M) and 2016 (-€226 M)
(2) See slide 4 and 17 for further details

Appendix
Endesa FY2016 Results

Installed capacity and output

Mainland output[1] (GWh)



- 18% thermal output decrease
- Hydro and nuclear represented 59% of total output (vs. 54% in 2015)

Total output (GWh)

GWh FY 2016
(and chg. vs. FY 2015

	Total Output [2]	
Total	69,831	-4%
Hydro	7,173	0%
Nuclear	25,921	1%
Coal	21,336	-18%
Natural gas	7,425	-1%
Oil-gas	6,764	4%
Renewables	1.212	n/a

Total installed capacity (GW)

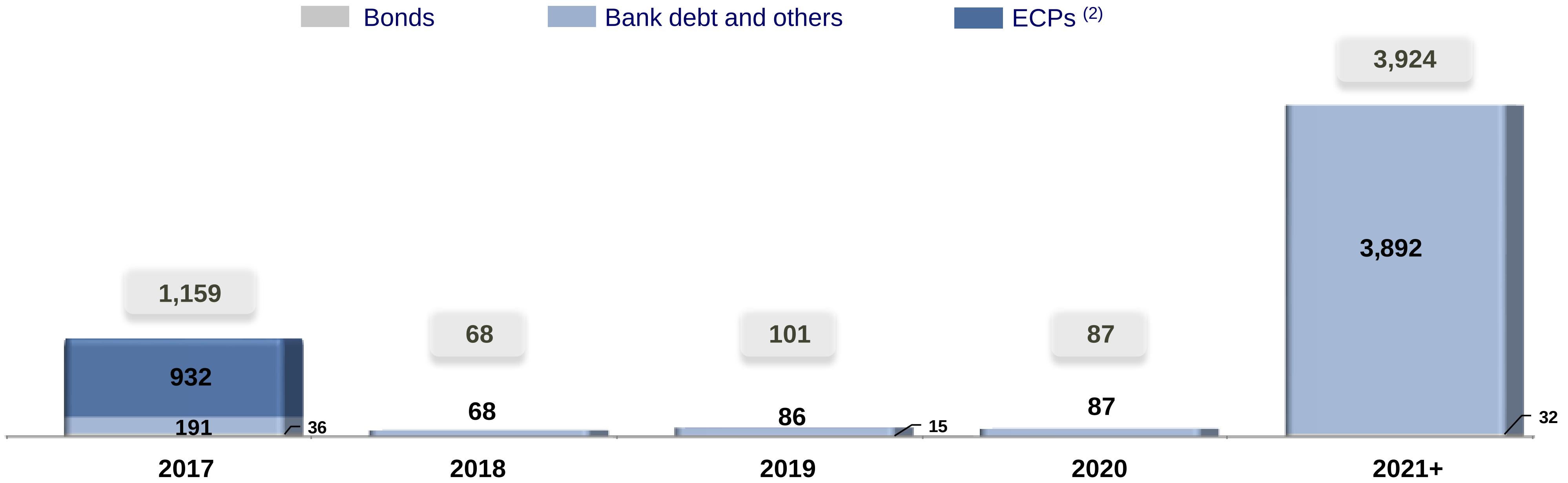
GW at FY 2016
(and chg. vs. FY 2015)

	Total Installed capacity [3]	
Total	22,7	7%
Hydro	4,7	0%
Nuclear	3,3	0%
Coal	5,2	-3%
Natural gas	5,4	0%
Oil-gas	2,4	0%
Renewables	1,7	n/a

(1) Does not include EGPE output of 1,212GWh (consolidation since 27 July 2016)
(2) Output at power plant bus bars (Gross output minus self-consumption)
(3) Net Capacity

Endesa: financial debt maturity calendar

Gross balance of maturities outstanding at 31 December 2016: €5,367 M(1)



Endesa's liquidity covers 17 months of debt maturities

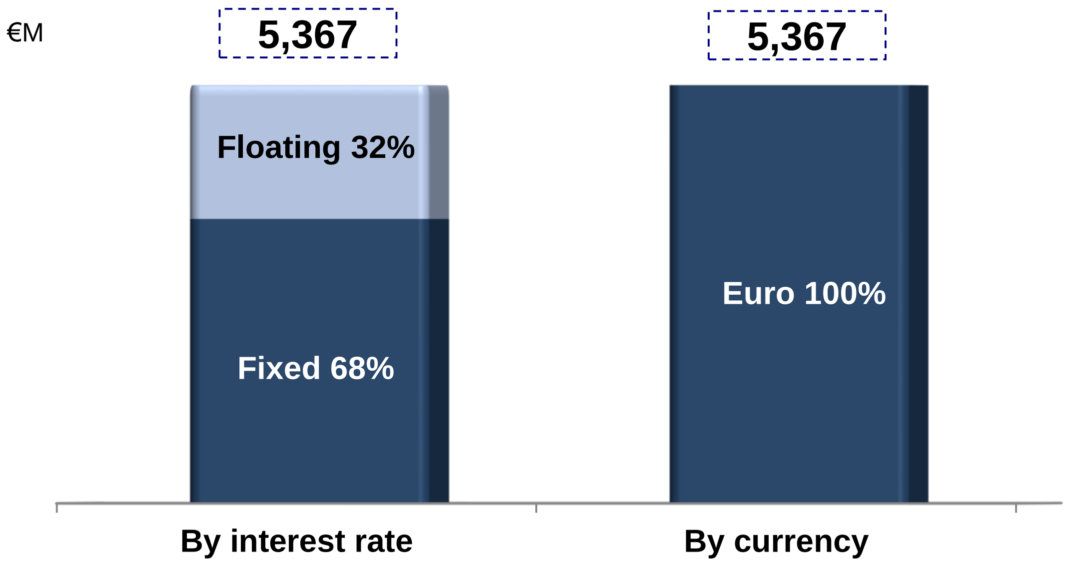
- Liquidity €3,620 M
  - €418 M in cash
  - €3,202 M available in credit lines
- Average life of debt: 6.5 years

(1) This gross balance includes the outstanding amounts of debt (€5,339 M) and the mark-to-market of derivatives or fair value debt as they do not involve any cash payment (it amounted to €28 M as of 31.12.2016)
(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 2016

Structure of Endesa's gross debt



- **Average cost of debt** **2.5%**

Glossary of terms (I/II)

- Average cost of debt (%): (cost of financial debt) / gross average financial debt
- Average life of debt: (principal x number of days of term) / (principal in force at 31 December x 365 days)
- Cash flow from operations: Net cash provided by operating activities
- Debt maturities coverage: maturity period (months) for vegetative debt that could be covered with the liquidity available
- DPS: Dividend per Share. Total gross dividend divided by number of outstanding shares as of year end.
- EBIT: EBITDA - Depreciation and amortization
- EBITDA: Revenues – Purchases and Services + Work performed by the entity and capitalized – Personnel expenses – Other fixed operating expenses
- Fixed costs / Opex: Personnel expenses + Other fixed operating expenses - Work performed by the entity and capitalized
- Gross margin: Revenues – Purchases and Services
- Maintenance Capex: Investment that improves the useful life of an existing capital asset
- Net Capex: Gross tangible and intangible Capex - assets from clients' contributions – subsidies
- Net financial debt: Gross financial debt - Cash and cash equivalents – Derivatives recognized as financial assets

Glossary of terms (II/II)

- Net financial results: Financial Revenues - Financial Expenses + Foreign Exchanges
- Regulatory working capital: part of the working capital that is specifically related to the balances of CNMC settlements
- Revenues: Sales + Other operating revenues
- Unitary revenue: Revenues obtained from (i) generating electricity in ordinary regime in mainland Spain and (ii) selling electricity in the liberalized market in Spain and Portugal . All of the above divided by physical electricity sales in the liberalized market in Spain and Portugal
- Unitary variable cost: (i) Fuel cost from generating electricity in ordinary regime in mainland Spain (divided by generation output) + (ii) energy cost related to energy purchases to meet electricity sales in the liberalized market in Spain and Portugal (divided by physical sales not covered with own generation)
- Unitary integrated margin: Unitary revenue - Unitary variable cost
- VAS Business: in the context of the liberalized retail business, it is referred to energy-related products and services apart from the pure electricity or gas commodity.

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, 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.

Endesa Corporate

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