



Endesa's supply strategy in the current regulatory and market environment

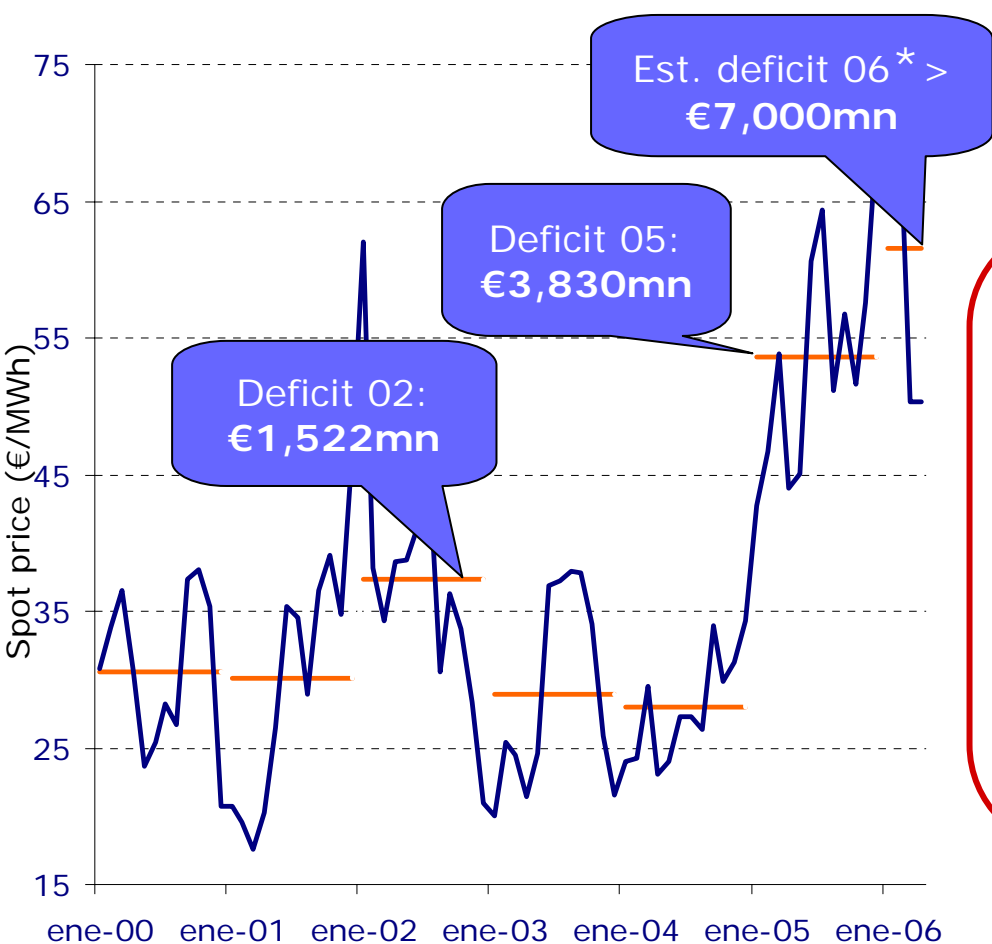
General Management for Spain and Portugal



June 8, 2006

Pool prices trend and the tariff deficit

A significant increase in pool prices has triggered a range of reactions in the players' commercial policies...



Pool prices (Daily spot market in €/MWh)

2001	2002	2003	2004	2005	2006
30.13	37.40	28.96	27.94	53.68	61.42

- In mid-2005 some players began to abandon deregulated supply business :
 - contracts not renewed
 - Penalties for early cancellation.
- Endesa has maintained a selective supply strategy, targeting high value customers.
- 2006 early months highs, anticipated an unsustainable tariff gap (~€7.000M)

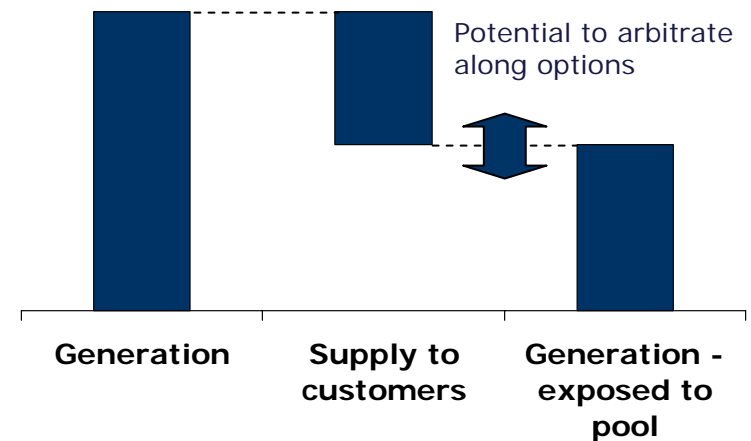
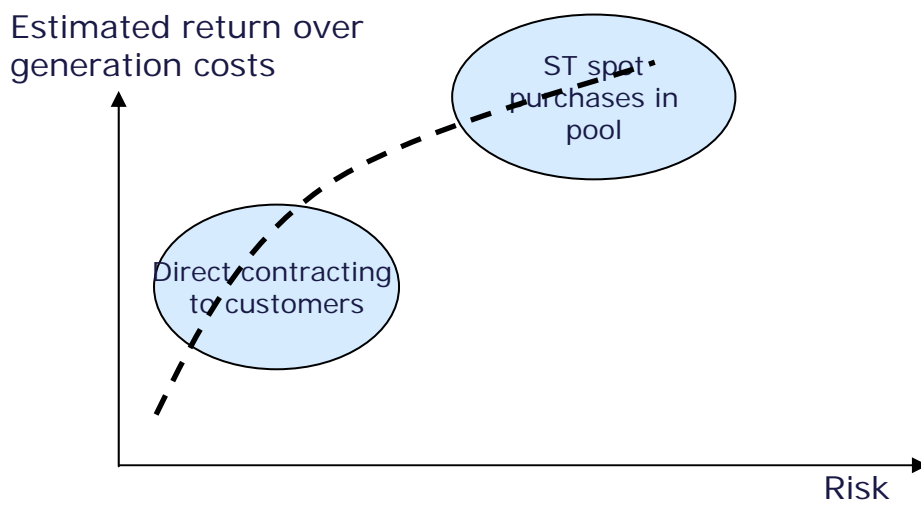
(*) Based on prices in Jan and Feb 2006

- Mid-2005 outlook: rising spot prices over medium-long term:
 - Increasing fuel prices and CO₂ emission rights
 - Ongoing electricity demand growth in Spain
- In this scenario an average tariff increase of 26,5% would be necessary (and of up to 120% in certain segments).
- As Regulator would try to minimise total amount of deficit to be recognised, Endesa analysed the best electricity revenues strategy for maximising shareholders' return

Revenue management alternatives

Endesa can operate in two highly differentiated selling options

Sales to the pool	Direct Sales to customers in the deregulated market
Short term contracting (daily)	Medium/long term contracting (1-3 years)
Volatile and uncertain revenues	Reasonable return guaranteed over the medium/long term for generation business
Regulatory uncertainty: risk of very high tariff deficit	Protection against regulatory risk
Income subject to market volatility	Fixed Price, market risk eliminated

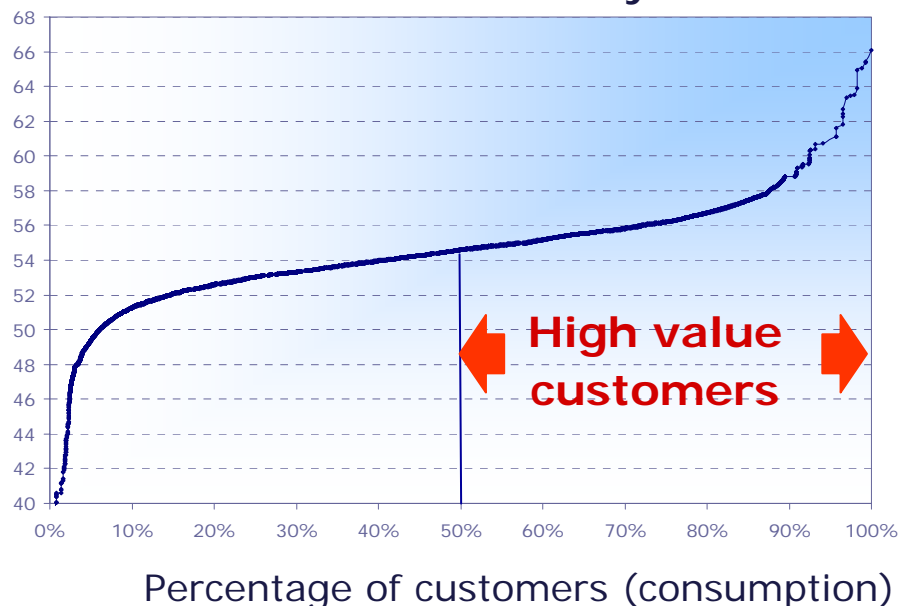


Not all customers add the same value to a vertically integrated company

- In deregulated market, regulated tariff and cost to serve structures' are different
- There are high value customers profitable to supply at pool prices of 54 €/MWh and above.

The value of customers* to Endesa varies dramatically

Energy costs included in the regulated tariff €/MWh



Vertical integration: Generation-supply

- Vertical integration of generation-supply allows:
 - Reasonable and stable medium term return on generation investments
 - Reduced price volatility and regulatory risk
- Customer contracting decisions taken to:
 - ensure reasonable return on generation assets
 - balance of expected returns and associated risk.
- Endesa's excellent and unique generation mix provides a significant competitive advantage

Current selective customer contracting policy ensures revenues to generation business of 56-57 €/MWh (including capacity payment)

Decision on commercial policy

Endesa analyzed possible pool price scenarios and regulatory risk associated with the calculation basis for the deficit

Most appropriate commercial supply policy for each scenario

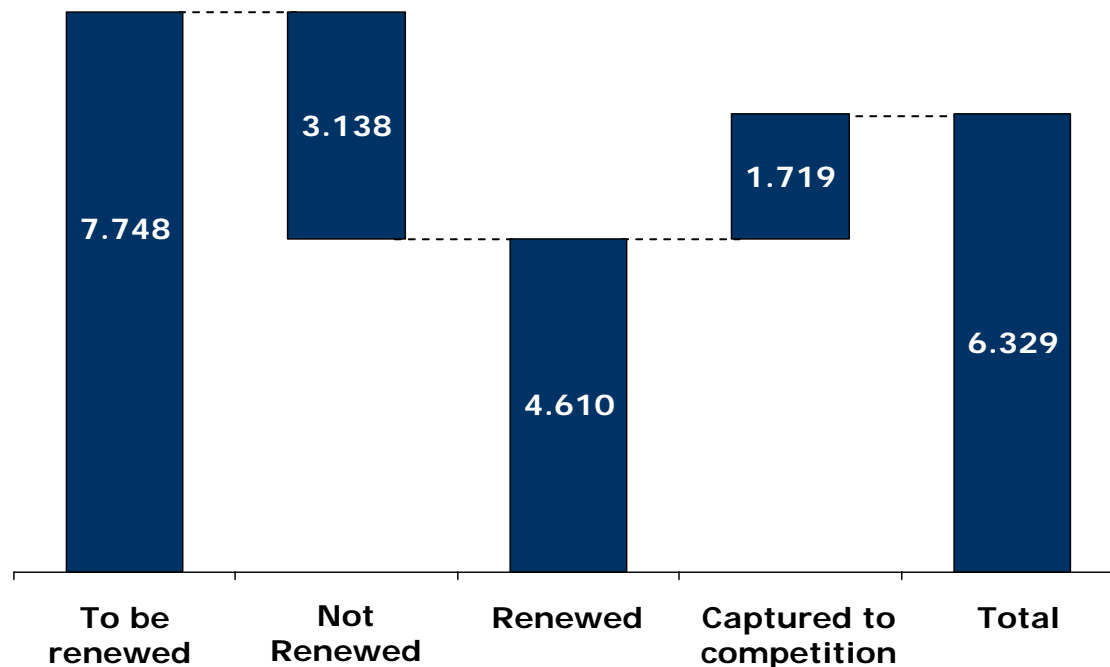
Pool price scenario	High	Increase	Maintain selectively	Abandon
	Average	Increase	Maintain or increase selectively	Reduce selectively
	Low	Increase	N/A*	N/A*
		0%	50%	100%
		Deficit calculation method. (% revenues vs. the method used in 2005)		

(*) if pool prices are low no deficit is generated

Endesa's commercial policy

- Endesa's selective commercial policy allows to improve its customer portfolio* profitability :
 - Renewing and capturing 6.392 GWh at an average price of 56,6 €/MWh.
 - Returning to regulated tariff 3.138 GWh at an average price of 48 €/MWh on average

Annual
GWh



Dec05 - May06
balance:
-1,419GWh

(*) Figures for the period Dec05 - May06.

- Pool prices hit record highs in Jan-Feb, 2006.
- RDL(*) 3/2006 set a provisional price of 42,35 €/MWh (including capacity payment) for netted pool sales and purchases made by generators and distributors of the same group.
- Regulator will revise this price based on “objective and transparent electricity market prices”.
- Price increase should be higher than 14,14 €/MWh to make direct selling to own distributor more attractive than sales contracted since 4Q05.

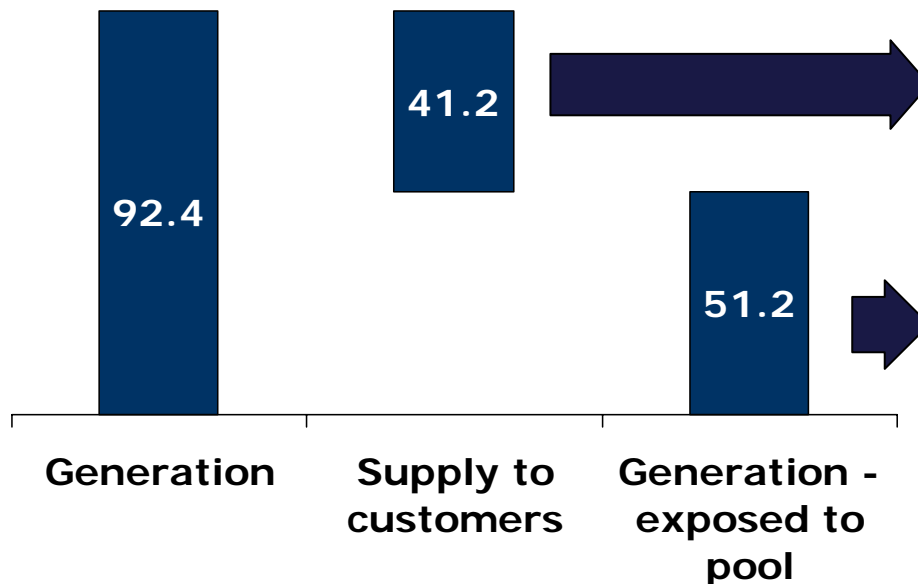
(*) Royal Decree Law

Impact of regulatory changes on ENDESA

Endesa's commercial policy based on diversifying risk, offsets the impact of RDL 3/2006.

Generation revenues (€/MWh)

TWh 2006



	Portfolio 2006	New contracts** 2006
Total revenues (guaranteed*)	51,56	56,59

	2006 sales
Total revenues (provisional) (***)	42,35

In 2006, new customers' contracts remunerate generators 14,14 €/MWh more than sales to the pool which translates in 9,21 €/MWh for entire customer portfolio.

(*) Supply guarantees energy prices over the medium-long term

(**) Contracts signed since 4Q05

(***) Energy prices are provisional and can be revised upwards at a later date

Customer portfolio performance overview

Annualized sales evolution to customers on deregulated market reflects operators' two different commercial policies.

ANNUALIZED (TWh b/c)

ENDESA
COMPETITOR 1
COMPETITOR 2
COMPETITOR 3
COMPETITOR 4
OTHER
TOTAL

Jun-05

33.9	36.4%
32.0	34.5%
10.8	11.7%
5.0	5.4%
6.9	7.4%
4.4	4.7%
93.0	100.0%

Dec-05

34.2	38.0%
25.3	28.2%
12.5	13.9%
6.7	7.4%
6.8	7.6%
4.5	4.9%
90.0	100.0%

Apr-06

35.1	54.0%
8.6	13.2%
6.4	9.8%
8.8	13.6%
3.6	5.6%
2.5	3.8%
65.0	100.0%

Impact avoided by ENDESA

Abandoning the supply business would have had a net impact of -270 M€ for ENDESA in 2006

Estimation of the impact avoided by Endesa due to its commercial policy

Jan-Feb. 2.006

- + Revenue increase for selling energy to the pool vs. selling to customers

Mar.-Dec. 2.006

- Revenue decrease for selling energy to distribution vs. selling to customers
- Cancellation costs



-270 M€.

- Endesa is implementing a diversification policy allowing to meet its shareholder return commitment while reducing regulatory and market risk.
- Other operators chose the apparently more profitable but higher risk option: the pool.
- High pool prices have triggered a regulatory change (RDL 3/2006) modifying profitability of the energy sold to the pool by vertically-integrated generators in short term.
- Commercial policy followed by Endesa has prevented losses of €270M in 2006.

Forward looking statements

This presentation 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 are subject to material risks, uncertainties, changes and other factors which may be beyond Endesa’s control or may be difficult to predict.

The principal assumptions underlying these forecasts and targets relate to economic, market and regulatory environment. In addition to other factors described under “Risk Factors” in our annual report on Form 20-F for the most recent fiscal year and in the Documento Registro de Acciones presently in force registered with the Comisión Nacional de Valores, the following important factors could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

Materially adverse changes in economic or industry conditions generally or in our markets; the effect of existing regulations and regulatory changes; tariff reductions; the impact of any fluctuations in interest rates; the impact of fluctuations in exchange rates; the impact of more stringent regulations and the inherent environmental risks relating to our business operations; any delays in or failure to obtain necessary regulatory, antitrust and other approvals, or any conditions imposed in connection with such approvals; opposition or actions of partners, competitors and political or ethnic groups; adverse changes in the political and regulatory environment; adverse weather conditions; natural disasters, accidents or other unforeseen events. No assurance can be given that the forward-looking statements in this document will be realized.

Except as may be required by applicable law, neither Endesa nor any of its affiliates intends to update these forward-looking statements.

For all of these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.



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