



# *2006 Results*










**22 February, 2007**

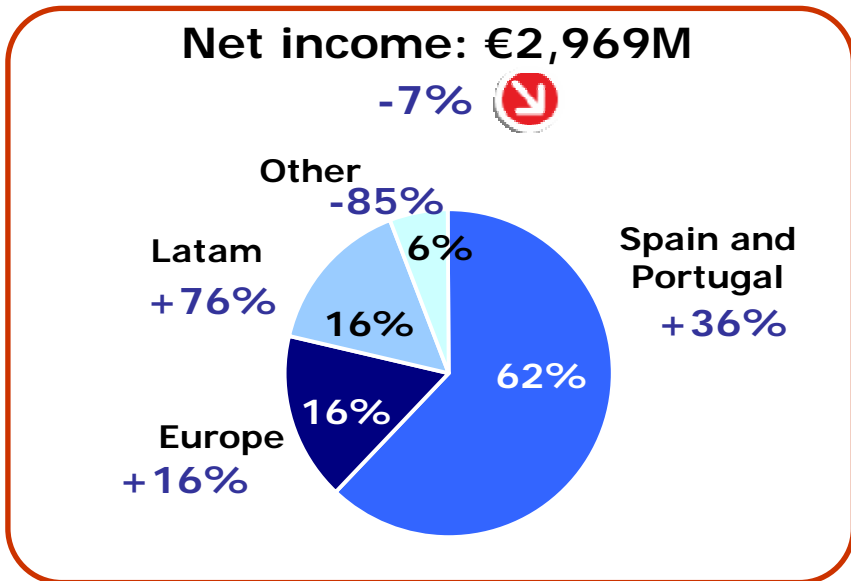
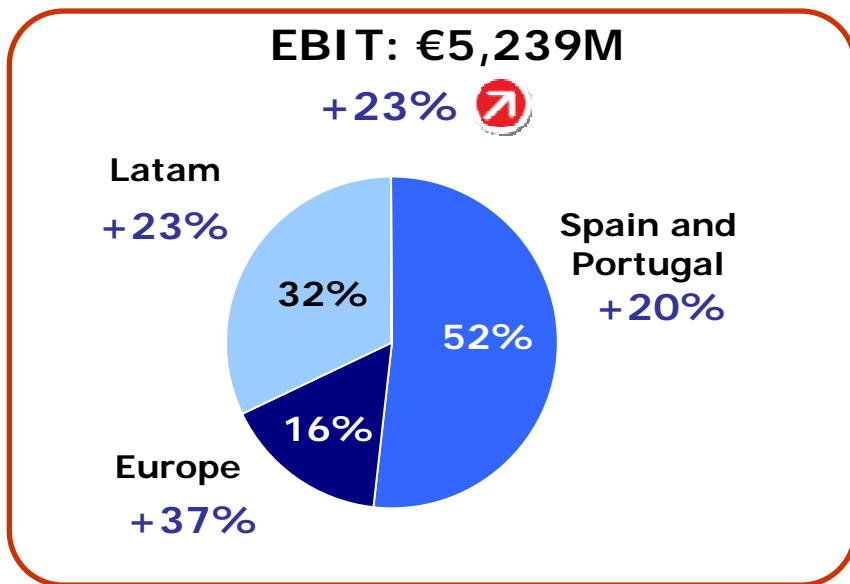
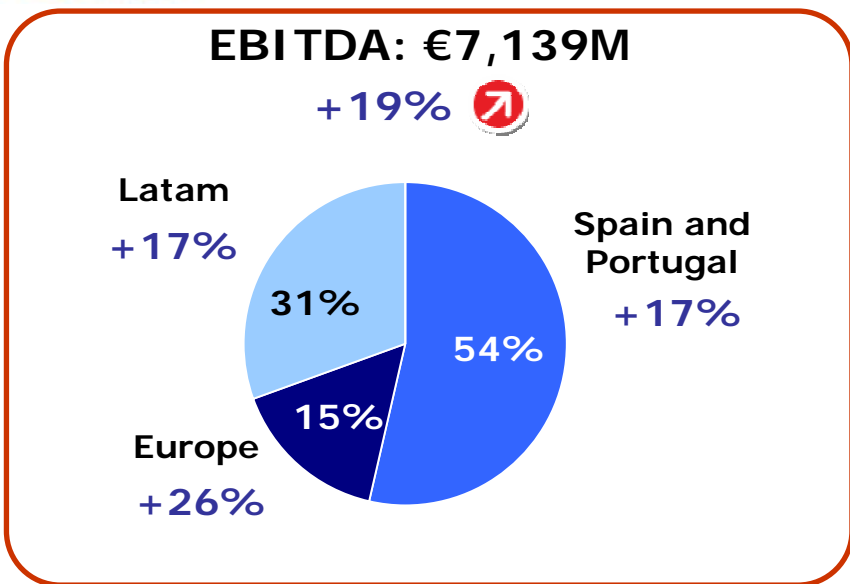
## **Excellent 2006 results and progress on 2007-09 targets**

- **Strong operating growth across all businesses**
- **Significant progress on disposals programme**
- **Consistently exceeding targets**
- **Positive outlook for all businesses in 2007-2009**

## Excellent 2006 results

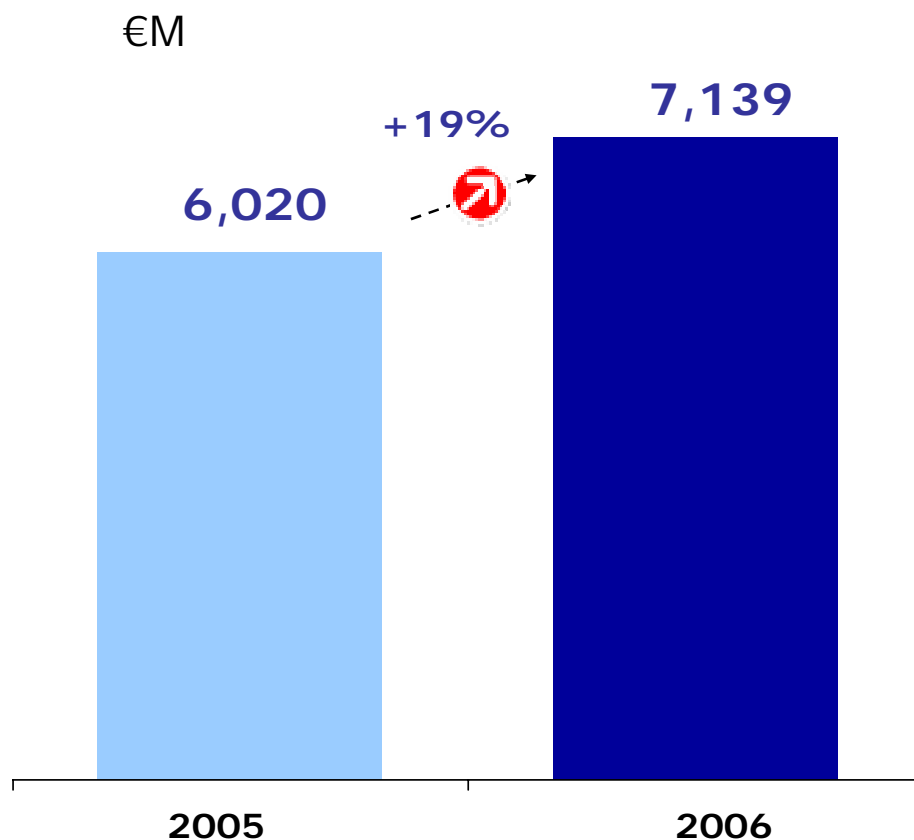
€M	2005	2006	Change
<b>Sales</b>	17,508	19,637	+12% 
<b>Gross margin</b>	9,126	10,434	+14% 
<b>EBITDA</b>	6,020	7,139	+19% 
<b>EBIT</b>	4,244	5,239	+23% 
<b>Net financial expenses</b>	-1,257	-969	-23% 
<b>Net income excl. asset sales</b>	1,841	2,576	+40% 
<b>Net income</b>	3,182	2,969	-7% 
	31/12/05	31/12/06	Change
<b>Leverage</b>	1.12x	1.24x	+0.12p

**Strong growth across all businesses**



## Results exceeding targets

### EBITDA performance

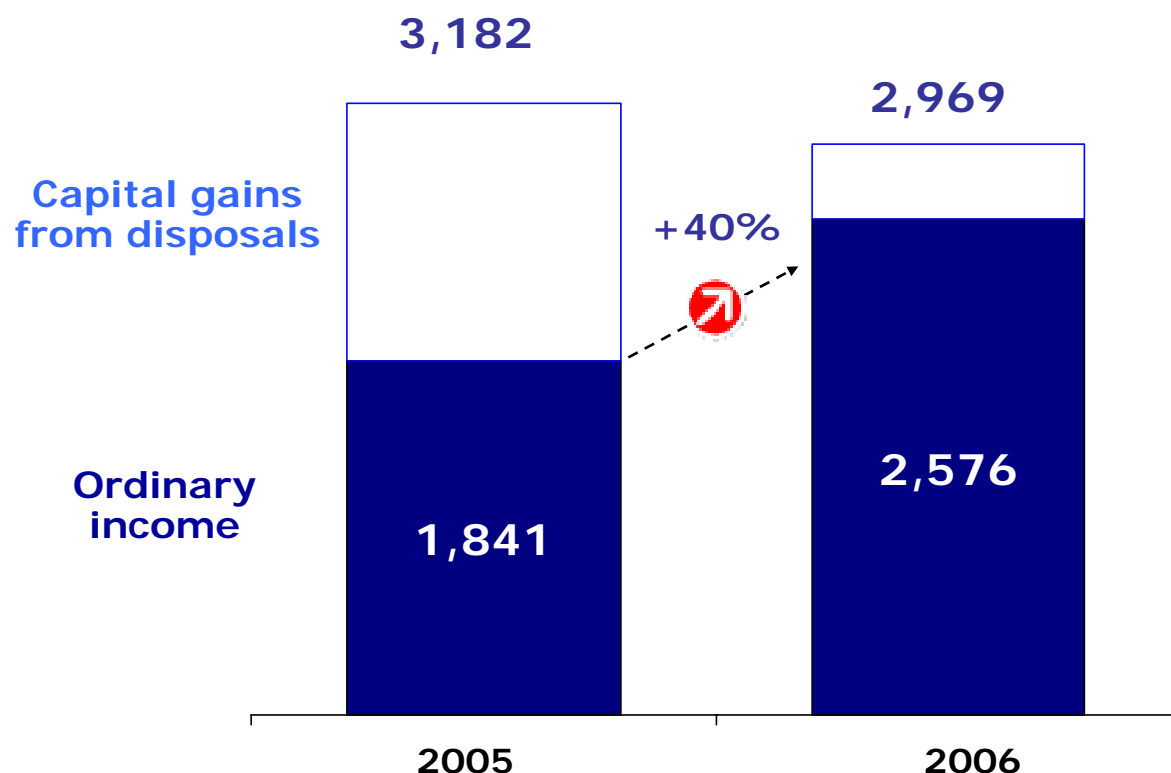


### Strong growth across all business lines

- Strong margins and volume growth
- Progress on the regulatory front
- Efficiency Improvement Plan ahead of schedule
- Macroeconomic stability in Latin America

## Results exceeding targets

€M Net income

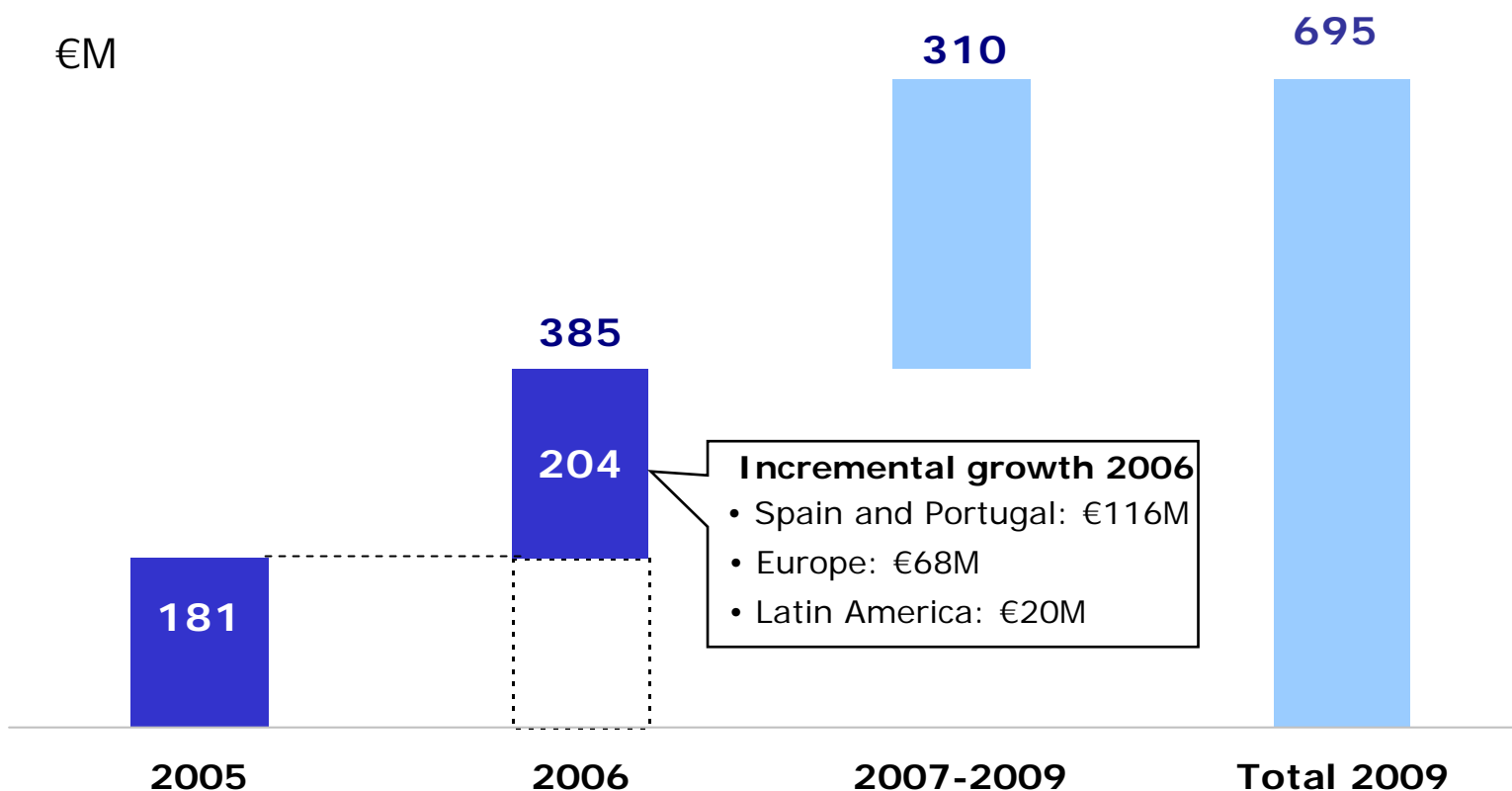


- Net income ahead of guidance, despite impact of lower tax rate in Spain<sup>(1)</sup>
- Strong operating growth
- Ongoing progress on Disposals Plan

(1) Negative non-cash impact in 2006 of approximately -€137M due to the lower carrying amount of pending tax credits following the amended income tax rate enacted in Spain. The new rate, however, has a positive impact on the Company's value

## Efficiency Improvement Plan ahead of schedule

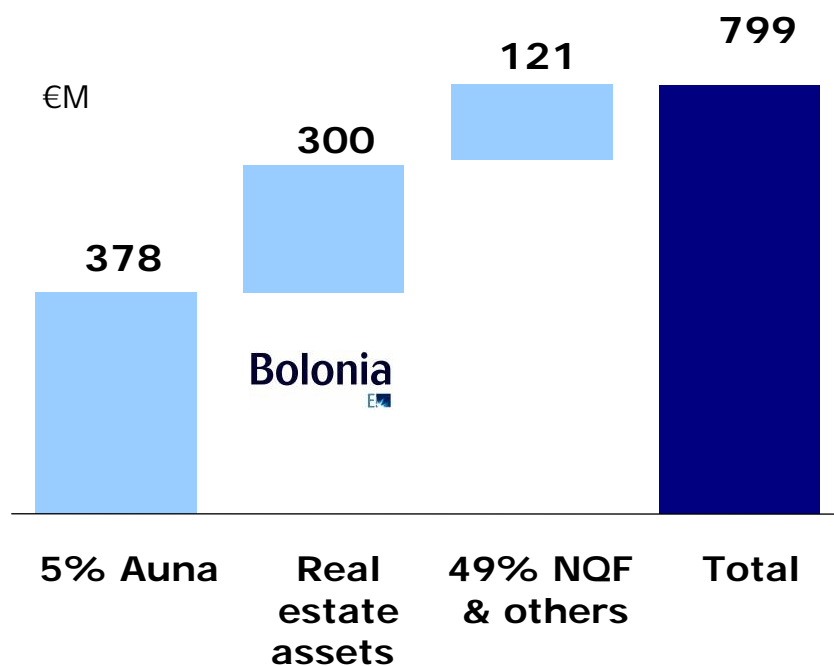
**Increase in annual EBITDA  
due to Efficiency Improvement Plan**



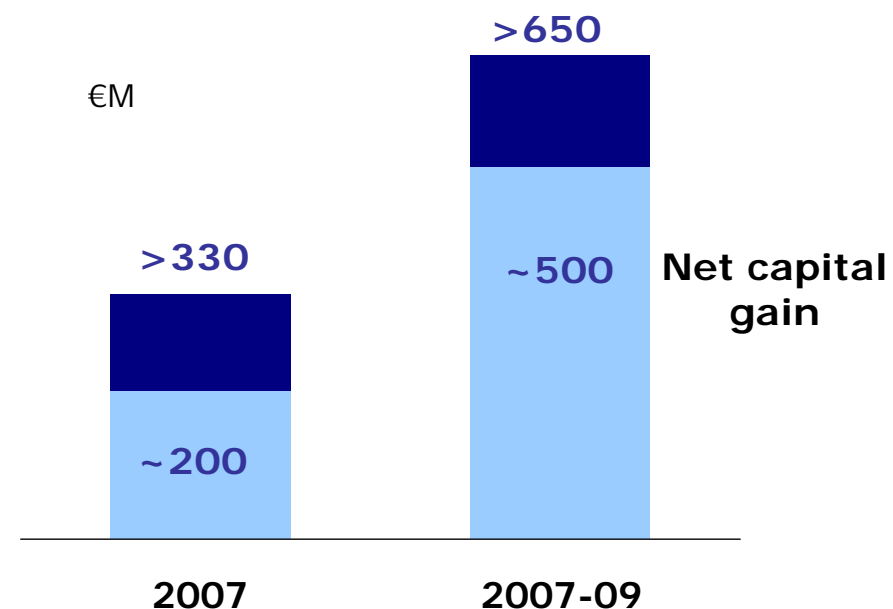
2006 efficiency improvements 32% ahead of announced targets (€385M vs. €292M)

## Significant progress on Disposals Plan

Disposals completed in 2006



Disposals: 2007-2009



Accumulated net capital gains in 2006 of €393M, of which €208M relate to real estate assets







2006 results



# Spain and Portugal

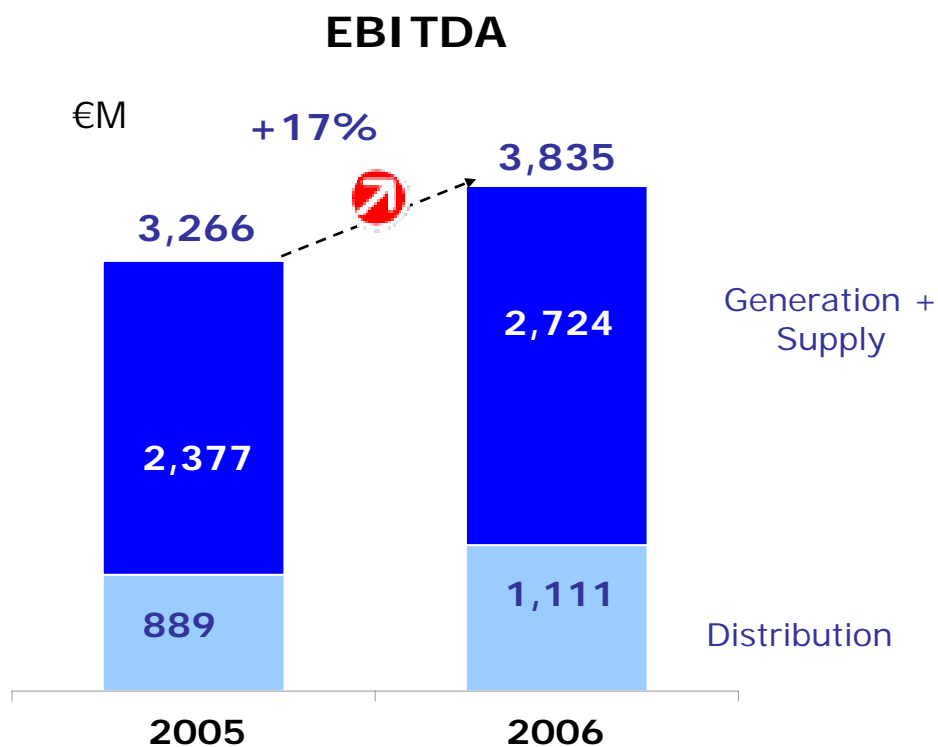


## Strong growth in results

€M	2005	2006	Change
<b>Sales</b>	8,761	9,520	+9% 
<b>Gross margin</b>	5,202	5,859	+13% 
<b>EBITDA</b>	3,266	3,835	+17% 
<b>EBIT</b>	2,264	2,705	+20% 
<b>Net financial expenses</b>	-602	-398	-34% 
<b>Net income</b>	1,358	1,843	+36% 

\* Negative non-cash impact in 2006 of approximately €137M due to the lower book value of pending tax credits following the corporate income tax rate enacted in Spain.

## Strong EBITDA growth



### Highlights

- Impact of RDL 3/2006
- Leadership and margin enhancement in deregulated business
- Operational improvements and improved supply quality
- Progress on the regulatory front

*Note: Includes the best estimate of the effects of RDL 3/2006 with the information available. The Ministry of Industry, Tourism and Trade has stated that the definitive resolution will not be announced before June 2007; possible variations on the amounts booked will be recorded in 2007. These possible changes are not expected to be significant.*

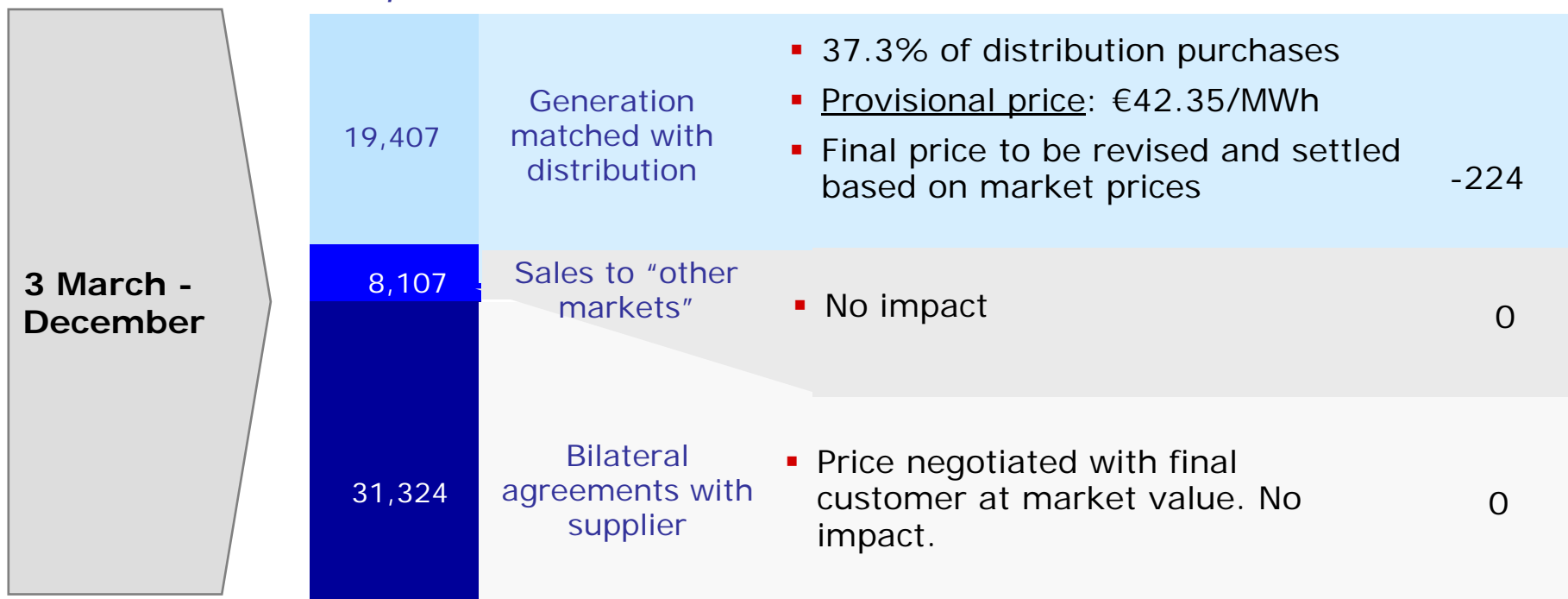
## Impact of RDL 3/2006

€M

January - February

Deduction of the value of the assigned emission rights for the period: -121

**58,837**



Generator sales (GWh)

**Impact: -€345M**

**Limited impact due to strategy of hedging market risk**

## Leadership and revenue enhancement in deregulated business

### Generation revenue via sales to:

€/MWh

Bilateral with distribution

42.35

RDL 3/2006

Underlying energy price (€/MWh)

33.6

Deregulated market

54.14

Dereg. Market sales 2006

45.4

61.04

Renewals

52.3

### Average price from mainland generation

€/MWh

50.6

2005

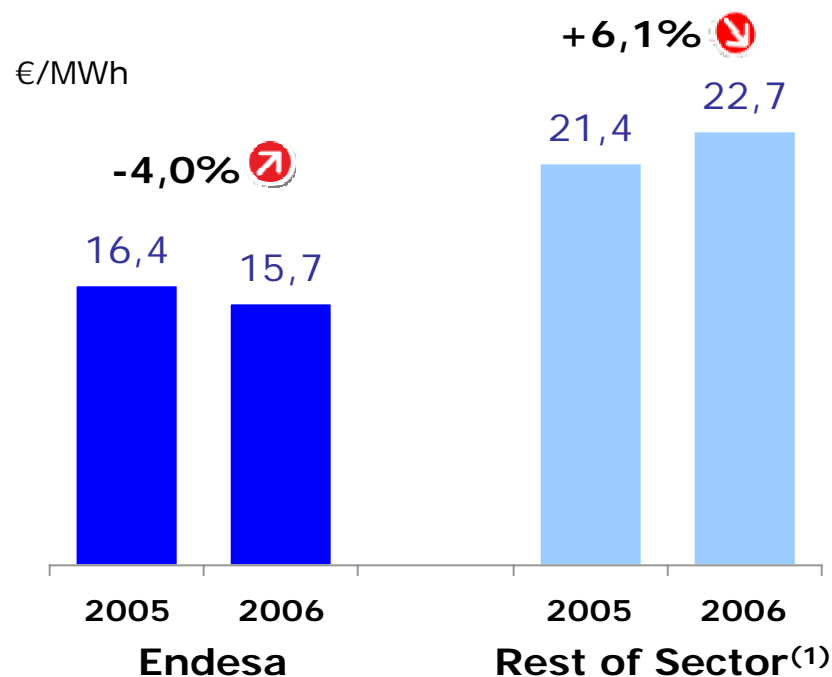
51.5

2006

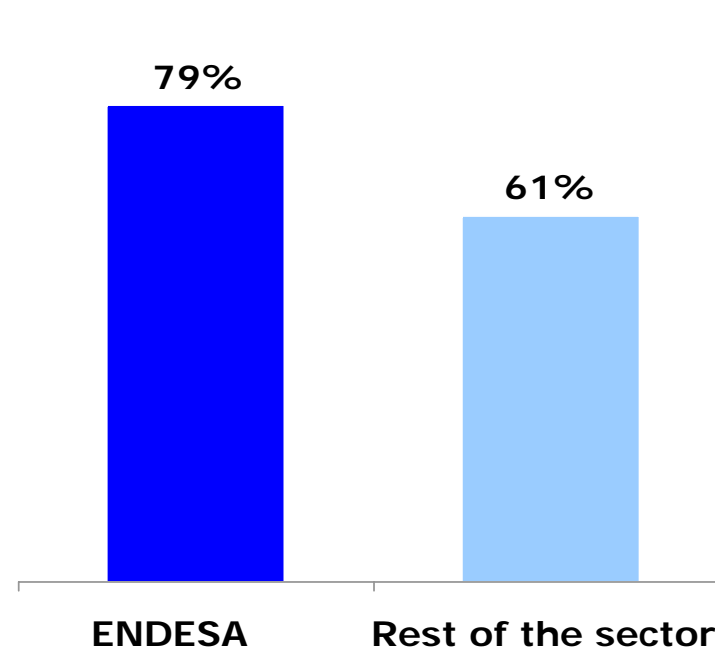
- **Unlocking the value of the customer portfolio: renewal and signature of new contracts at a price equivalent to €61/MWh (€19/MWh higher than RDL 3/2006)**
- **Average sales price increased despite impact of RDL 3/2006**

## Competitive mainland fuel costs thanks to efficient use of generation portfolio

### Mainland fuel costs in Ordinary Regime



### Load factor at thermal capacity<sup>(2)</sup> vs. rest of sector

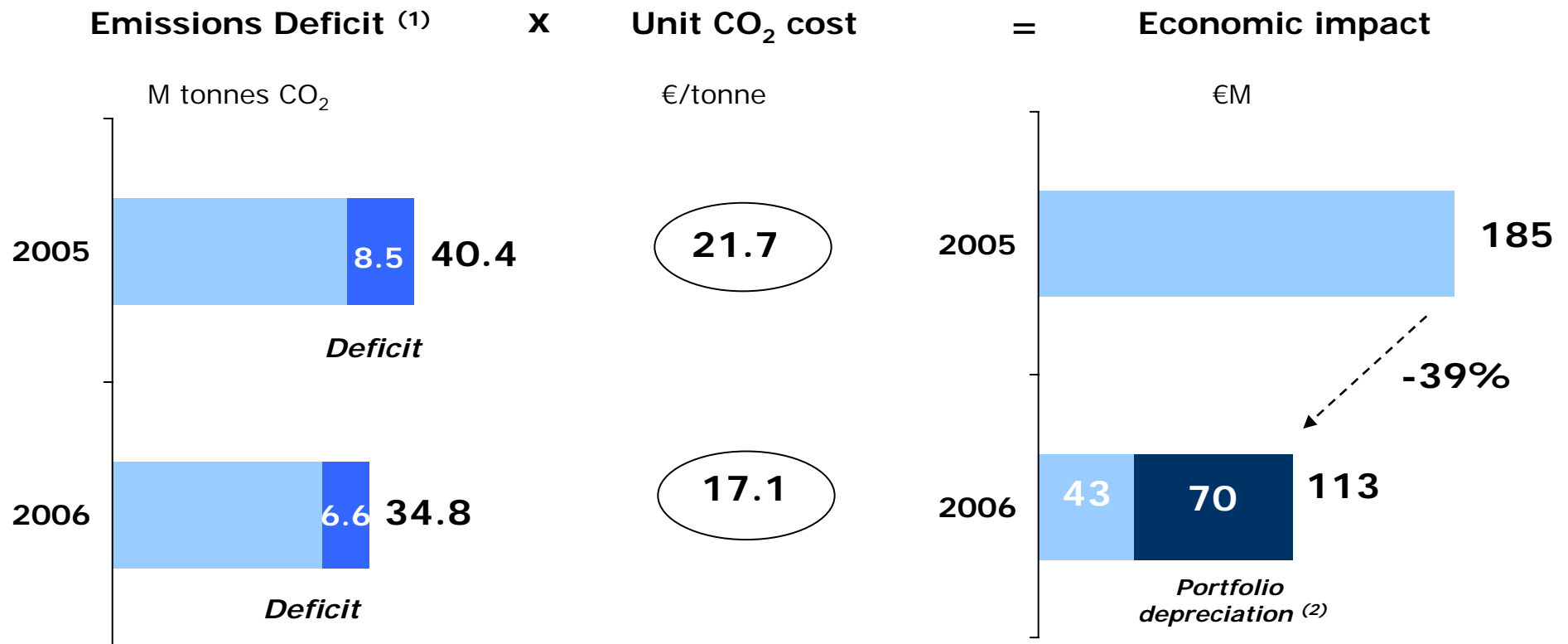


- Efficient procurement management against backdrop of rising prices
- Most competitive and efficient generation portfolio in the sector

(1) Estimate

(2) Does not include fuel-oil

## Lower emissions and CO<sub>2</sub> cost



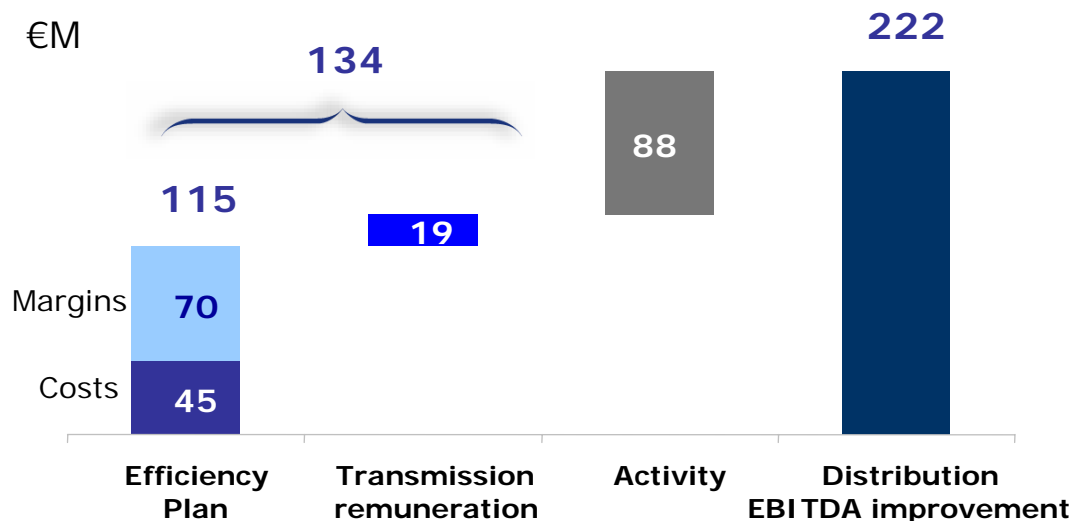
▪ **Emission rights portfolio 2007-2012: 110Mtn tonnes at average price of €8.1/tonne**

(1) Mainland

(2) Relates to the change in amount paid for the allowances over the final market price in accordance with the accounting treatment for CO<sub>2</sub> emissions

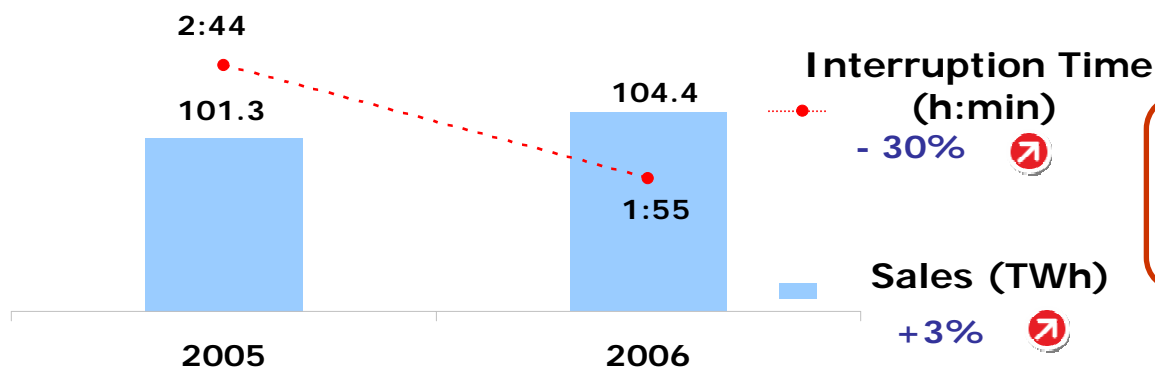
## Distribution: operational improvements and increase in quality of supply

### Increase in EBITDA driven by capex plans



- 60% of the increase in Distribution EBITDA is the result of investments made
  - 52% due to efficiency improvements
  - 8% due to higher remuneration of transmission investments

### Sales and Quality of Supply



- Increase in quality of supply with higher demand

## Favourable shift in the regulatory environment

### January 2007

### Developments expected

#### Tariffs

- Energy at expected market prices
- Ex-ante tariff deficit recognition
- Access tariff reduced, move towards liberalization

- Quarterly tariff update
- Full deregulation in 2009/2011

#### Wholesale market

- Elimination of 42.35€/MWh cap on bilateral contracts between intra-group generation and distribution

- Virtual capacity auctions (VPP): up to 1,000 MW, gradually
- Review of the capacity payment methodology

#### Regulated activities

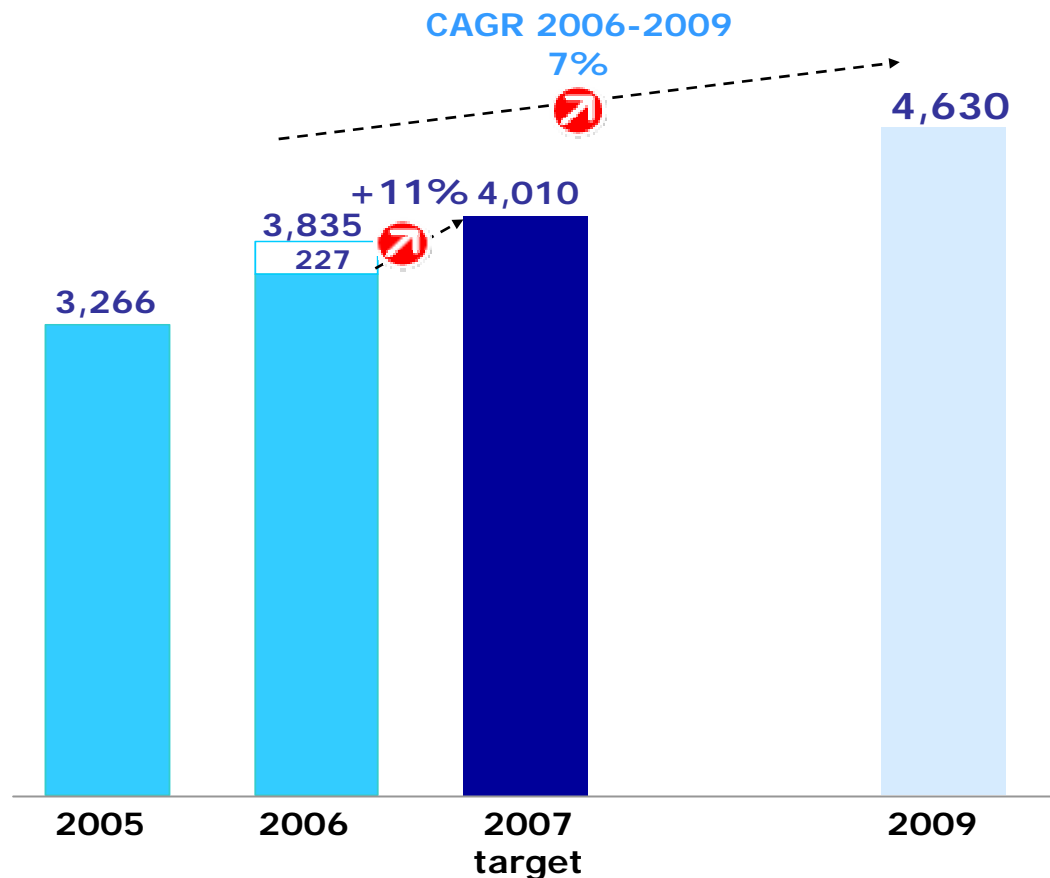
- Non-mainland: regulatory framework enacted in 2006
- Distribution: €578M increase in remuneration vis-à-vis 2006 (+€240M for Endesa)

- Distribution: remuneration evolution for the coming years
- Renewables/CHP: new RD pending

**Moving towards full liberalization and recognition of market price**

## Positive outlook for 2007-2009

### EBITDA (€M)



- More favourable regulations
  - Distribution
  - Wholesale markets
- Capacity Plan 2007-2009:
  - CCGT: 3,200 MW
  - Renewables: 840 MW
  - Islands: 850 MW
- Additional efficiency improvements 2007-2009: €161M







2006 results



# Europe



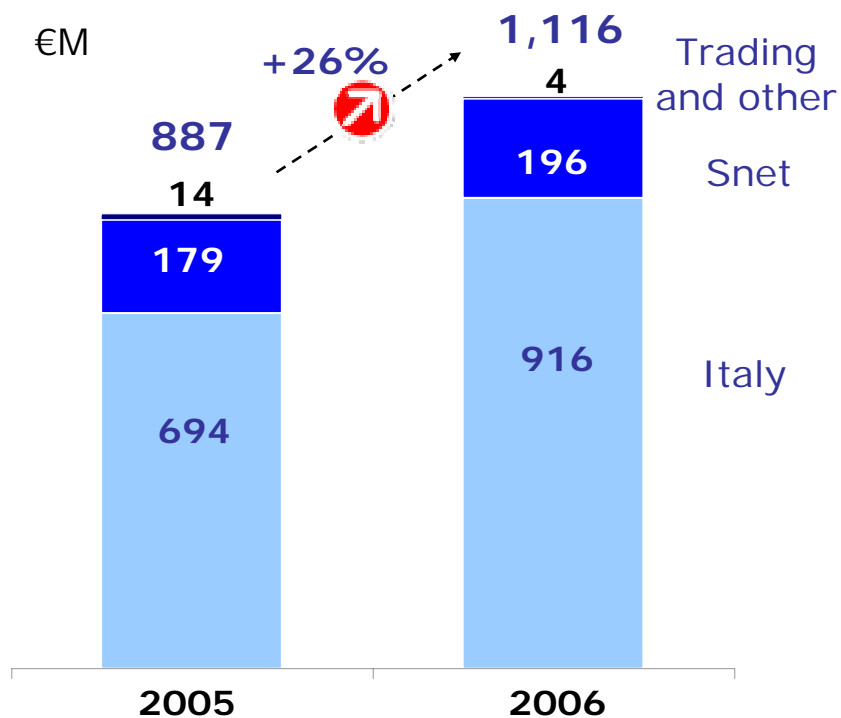
## Results underscore strength of European business

€M	2005	2006	Change
<b>Sales</b>	3,598	4,190	+16% 
<b>Gross margin</b>	1,223	1,466	+20% 
<b>EBITDA</b>	887	1,116	+26% 
<b>EBIT</b>	618	846	+37% 
<b>Net financial expenses</b>	-63	-58	-8% 
<b>Net income<sup>(1)</sup></b>	425	493	+16% 

(1) Includes €118M in 2006 and €107M in 2005 from fiscal asset revaluation

## Strong EBITDA growth

### EBITDA



### Highlights

#### Italy

- Improved mix through new CCGTs
- Increased output and margins

#### France

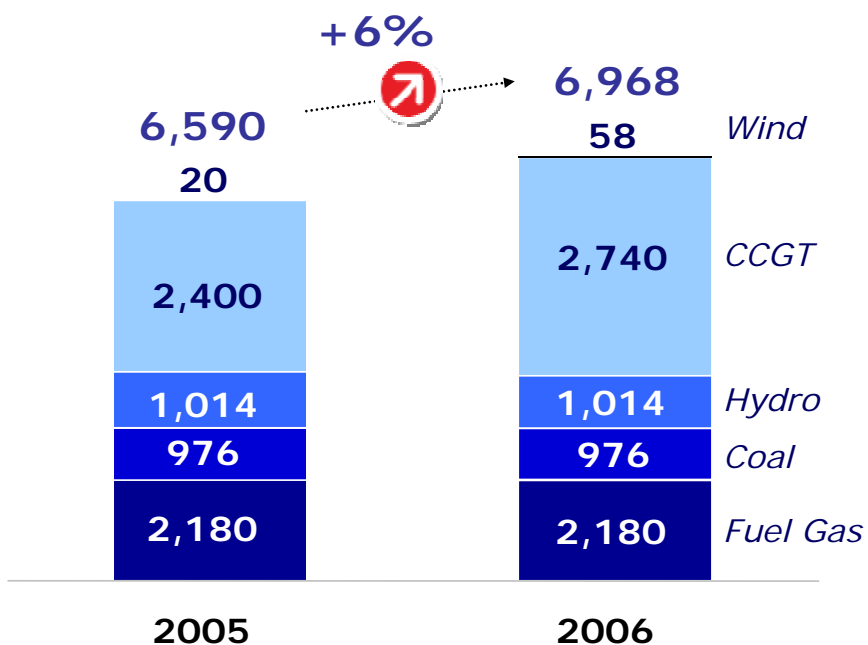
- Diversification of customer portfolio
- Reduction in fixed costs

#### Energy management

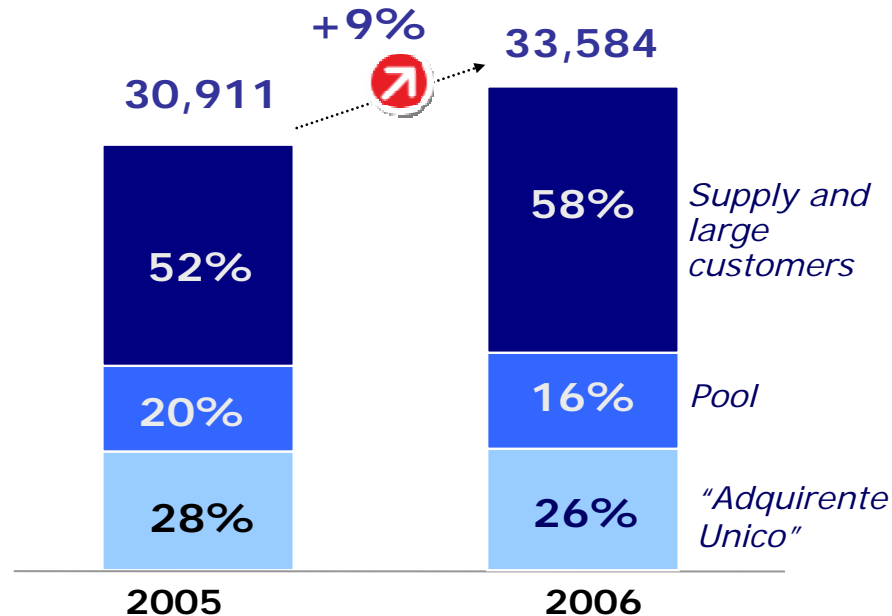
- Asset portfolio optimisation with integrated management

## Endesa Italia: higher output and margins

Installed capacity (MW)



Breakdown of sales (1) (GWh)



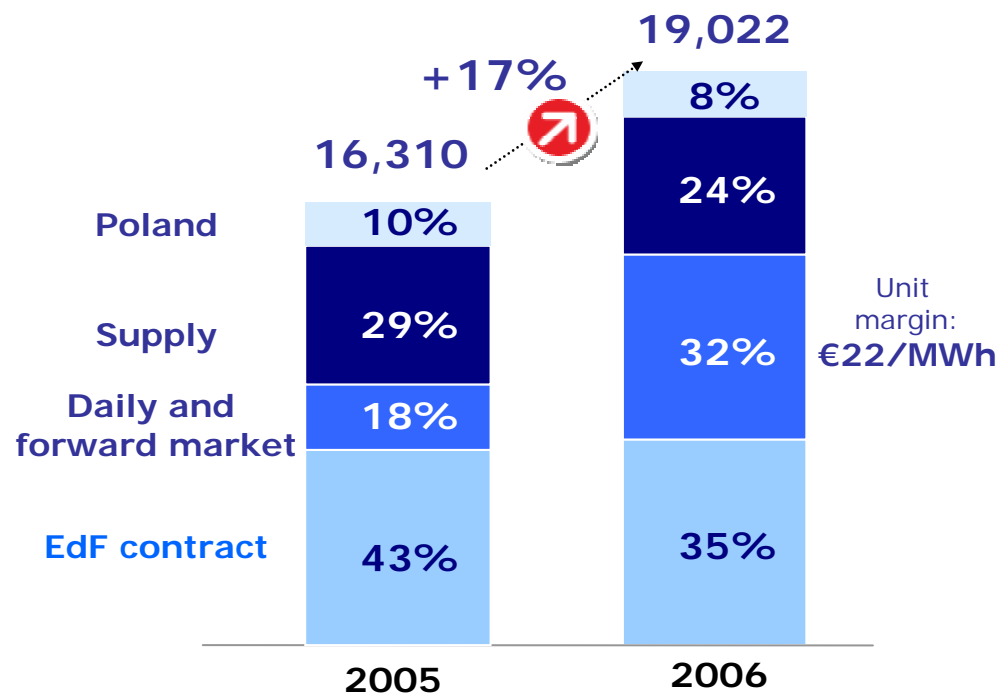
- Increase in output: +10%

- Significant progress in supply
- Unit margin: +18%

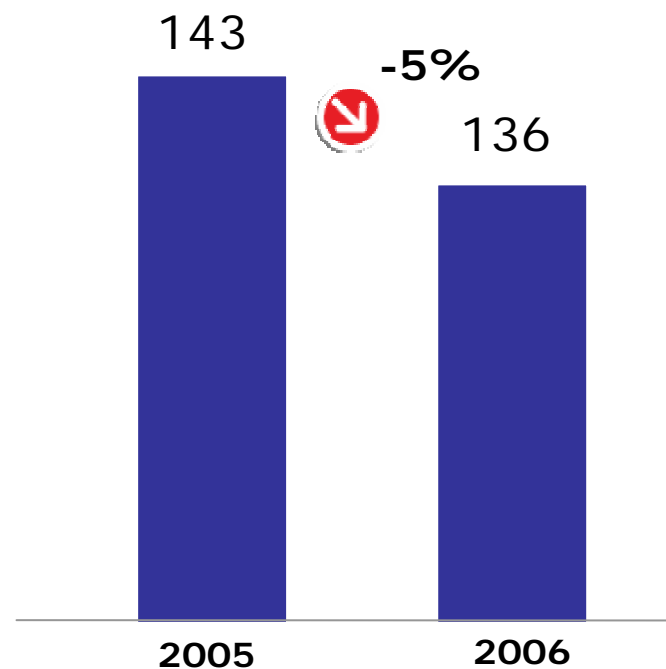
<sup>1</sup> Includes energy produced and purchased

## Snet: diversification of sales portfolio and reduction in fixed costs

**Breakdown of sales (GWh)**



**Fixed costs (€M)**



- Increasing contribution from sales not linked to EdF contract
- Significant developments on the supply side

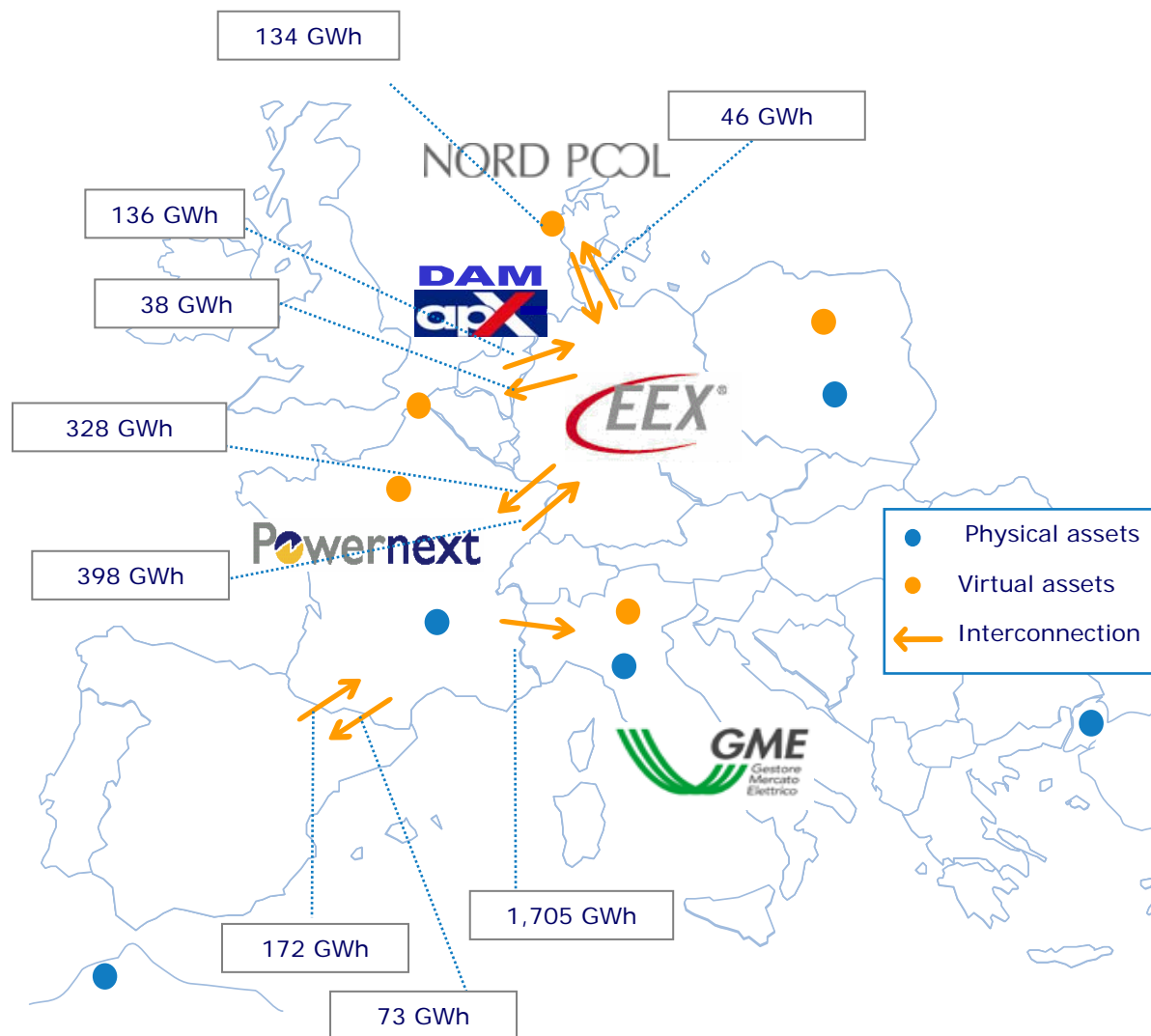
- Unit fixed costs : -18%
- Productivity (GWh sold/employee): +22%

## Energy management: increase in activity

**Trading EBITDA: €42M**

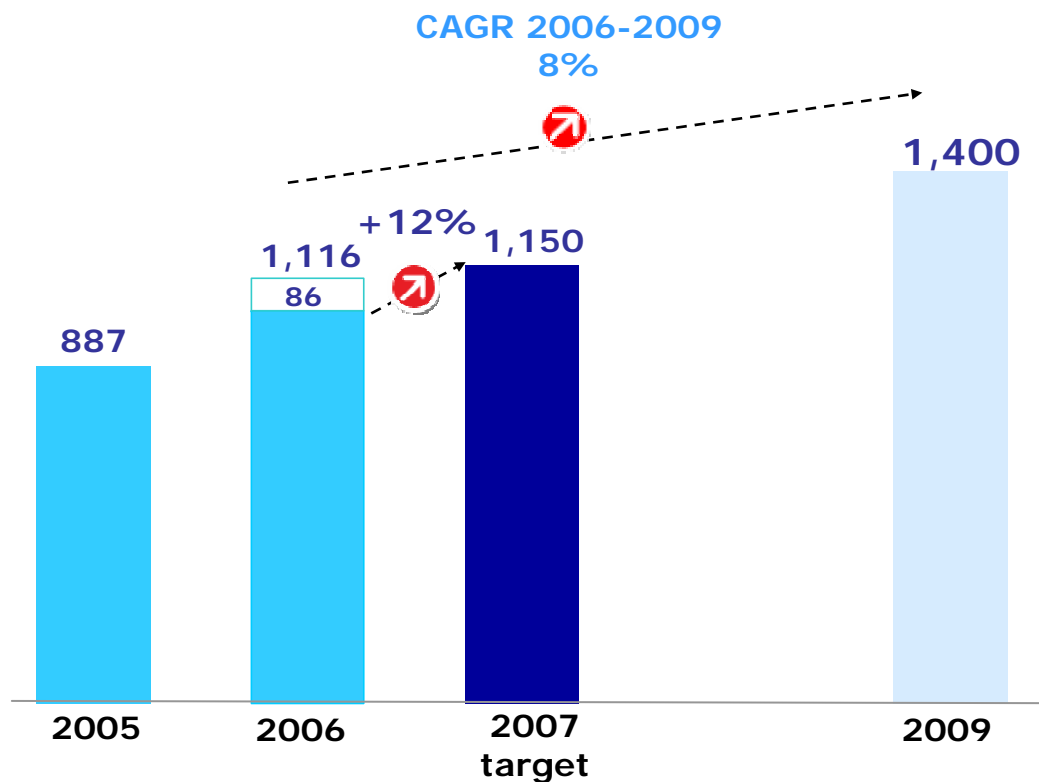
**Additional contributions:**

- Endesa Italia: €35M
- Snet: €10M



## Positive outlook for 2007-2009

### EBITDA (€M)



#### Italy:

- New capacity (CCGT and renewables)
- Access to competitive gas
- Self-supply of green certificates

#### France:

- New capacity (CCGT and renewables)
- Development of a more balanced supply portfolio

#### New markets








2006 results



# Latin America

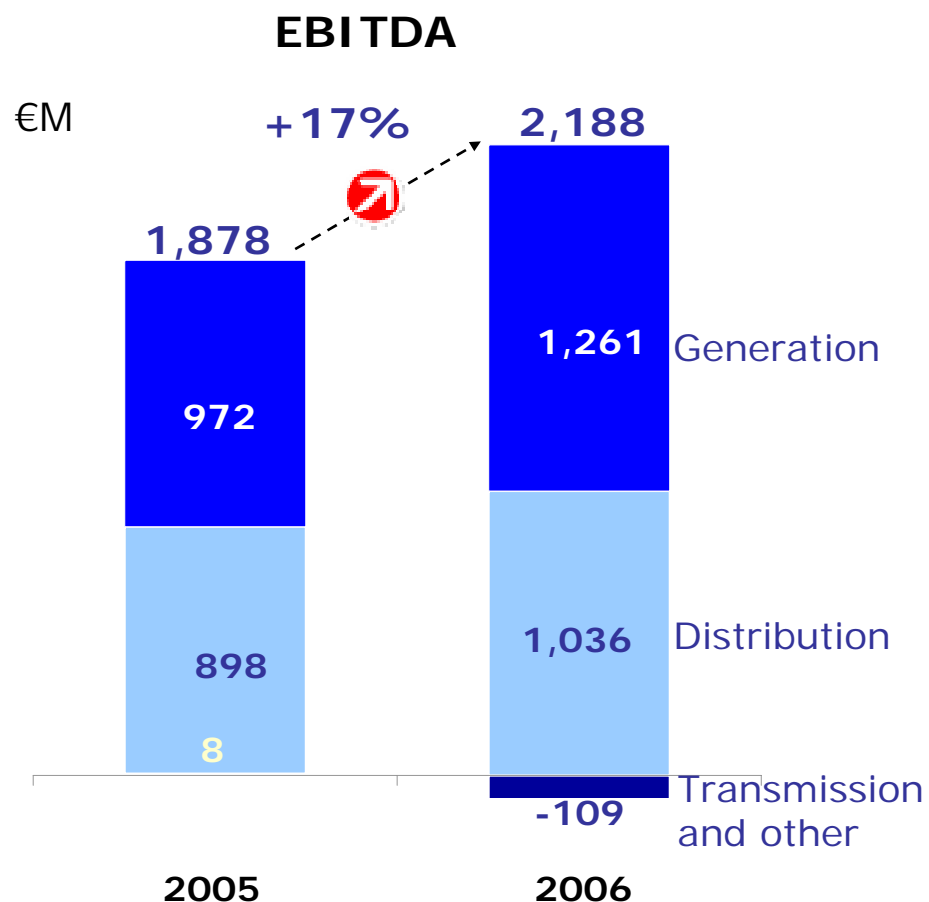


## Strong growth in results

€M	2005	2006	Change
<b>Sales</b>	5,149	5,927	+15% 
<b>Gross margin</b>	2,698	3,109	+15% 
<b>EBITDA</b>	1,878	2,188	+17% 
<b>EBIT</b>	1,376	1,688	+23% 
<b>Net financial expenses</b>	-540	-513	-5% 
<b>Net income excl. minorities</b>	710	1,137	+60% 
<b>Net income <sup>(1)</sup></b>	262	462	+76% 

(1) Includes €101M in 2006 for the tax credit from the Chilectra-Elesur merger (+38% excl. this effect)

## Sustained and profitable organic growth

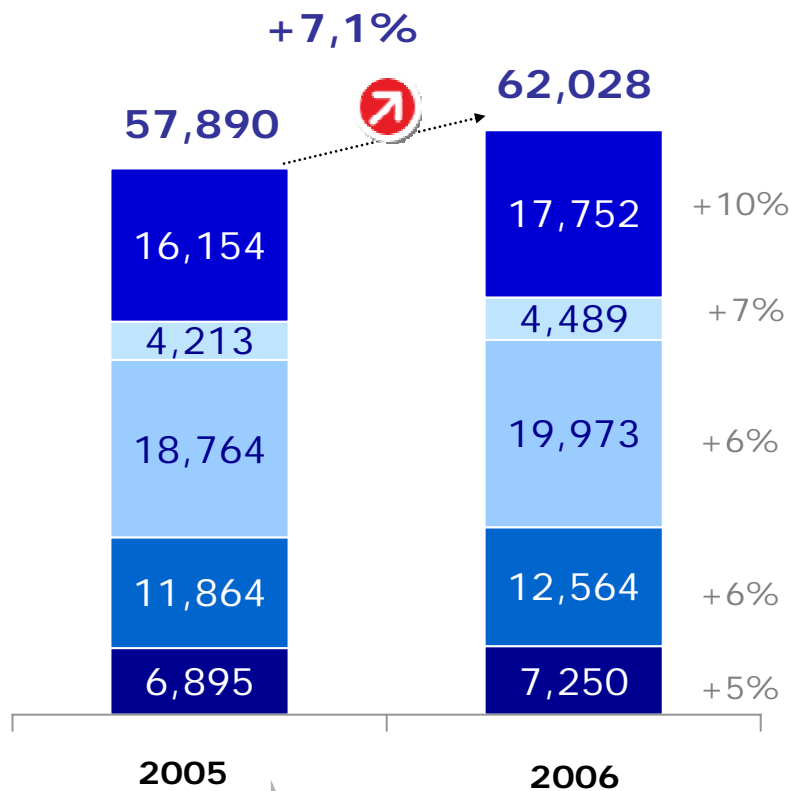


### Highlights

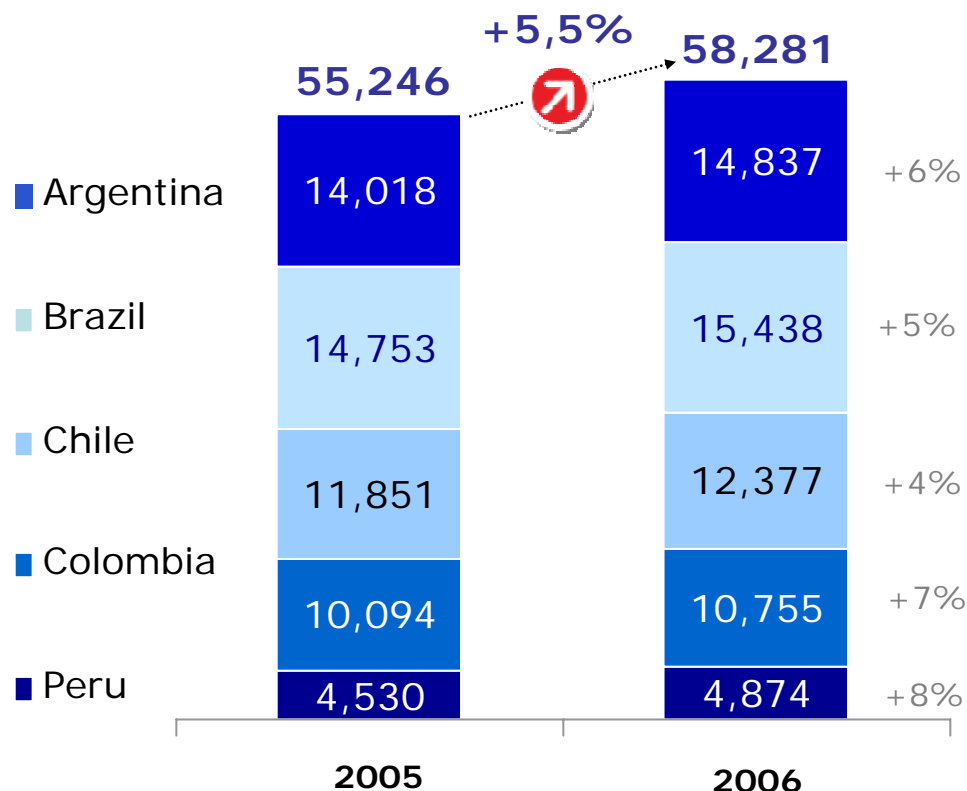
- Stable average exchange rate and macroeconomic environment
- Strong growth in demand in all countries
- Better unit margins in generation and distribution
- Positive regulatory progress
- Cash returns in line with the Strategic Plan targets

## Strong growth in output and sales

Output (GWh)



Sales (GWh)



2004-2009 Strategic Plan

CAGR +3.5%

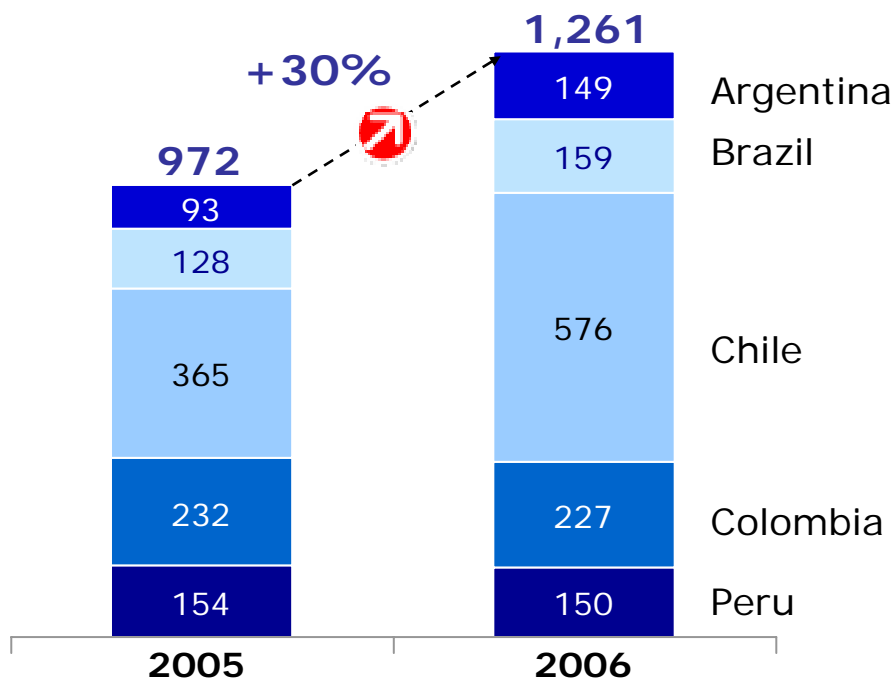


CAGR +5.0%

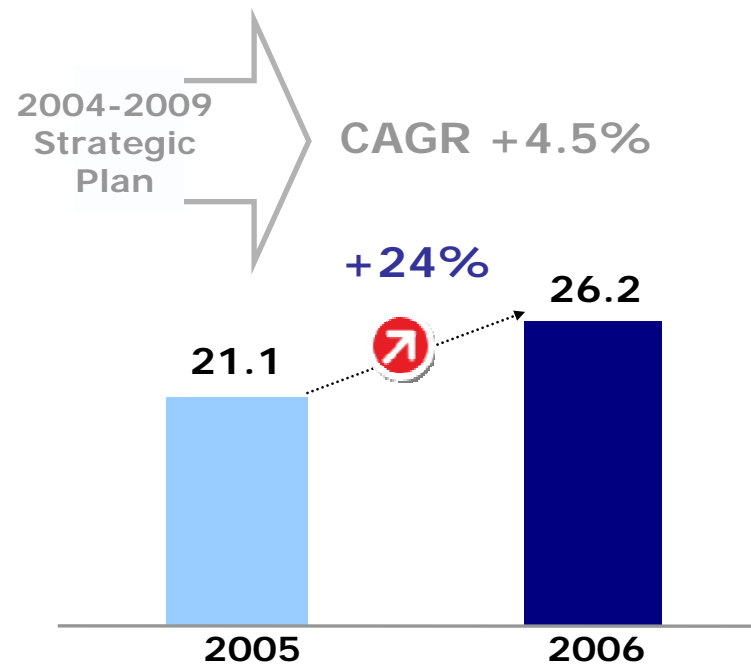


**Generation EBITDA up strongly, especially in Chile**

**EBITDA Generation (€M)**



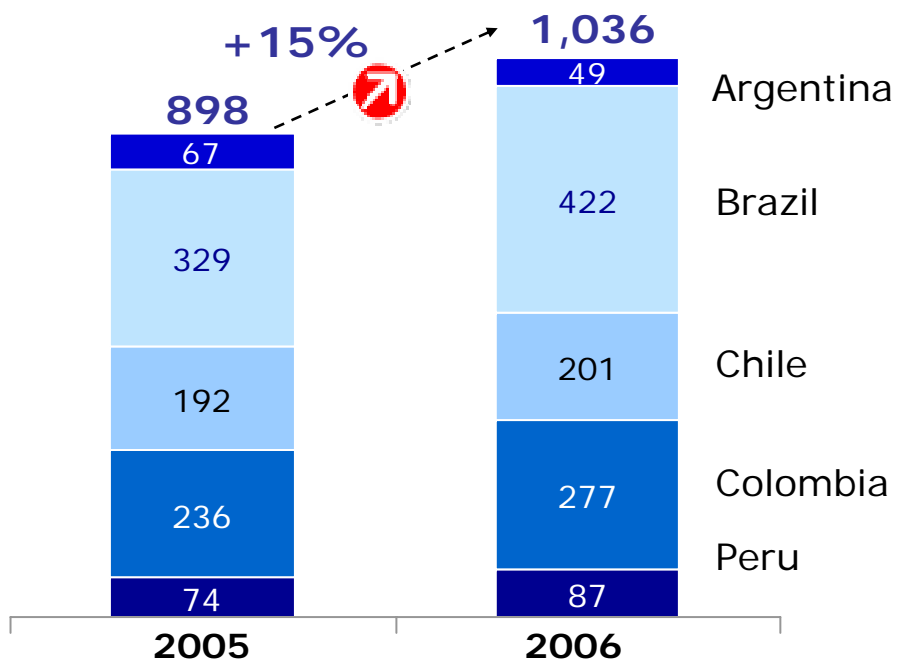
**Generation margin US\$/MWh**



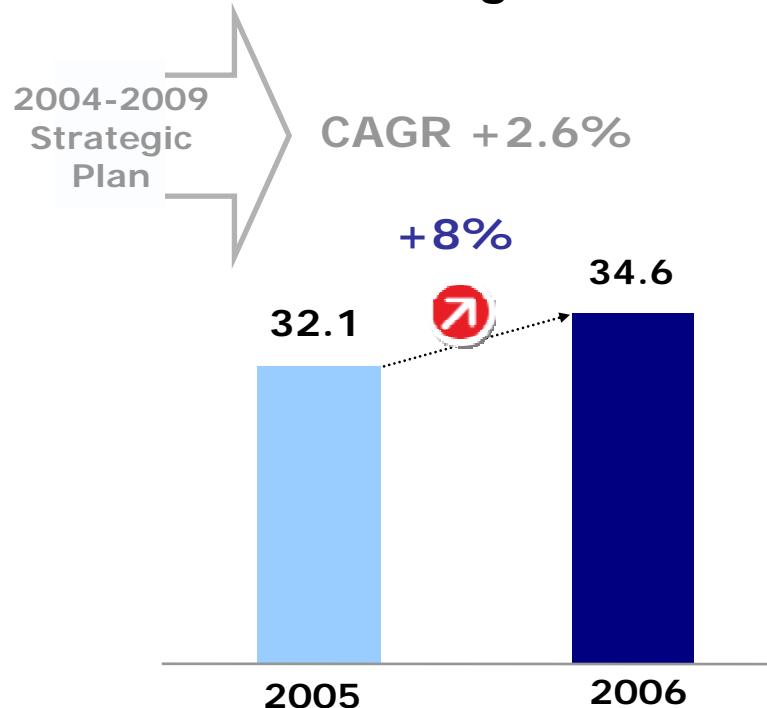
- Higher wholesale prices in Chile and Argentina
- Lower fuel costs due to better generation mix

## Strong EBITDA growth in distribution, particularly in Brazil

**EBITDA Distribution (€M)**



**Distribution margin USD/MWh**



- Higher distribution unit margin, most notably in Brazil, due to:
  - Increased demand and better pass-through
  - Operational improvements: reduction in energy losses

## Favourable progress on the regulatory front

### ARGENTINA

- **Increase in Edesur tariffs.** The Decree ratifying the 38% increase in Edesur's VAD was enacted at end of 2006 to be applied retroactively to November 2005. This increase is not included in 2006 results.

### BRAZIL

- **Higher tariffs at Ampla and Coelce:** 2.9% and 10%, respectively, implemented in March and April.
- **Refinement of the methodology for setting distribution tariffs.** Asset remuneration bases were redefined for the next 10 years as was the WACC calculation

### CHILE

- **Long-term energy tenders:** the first long-term energy tenders (15 years) were completed pursuant to the "Ley Corta II", guaranteeing demand for distributors for 2010-2024 at a fixed price and with guaranteed pass-through.

### COLOMBIA

- **Consolidation of capacity payments:** the new so-called Reliability Charge was defined to remunerate generators for firm capacity commitments.

### PERU

- **New legislation - long-term contracts:** the approval of long-term energy contracts (up to 10 years) at fixed prices and with guaranteed pass-through.

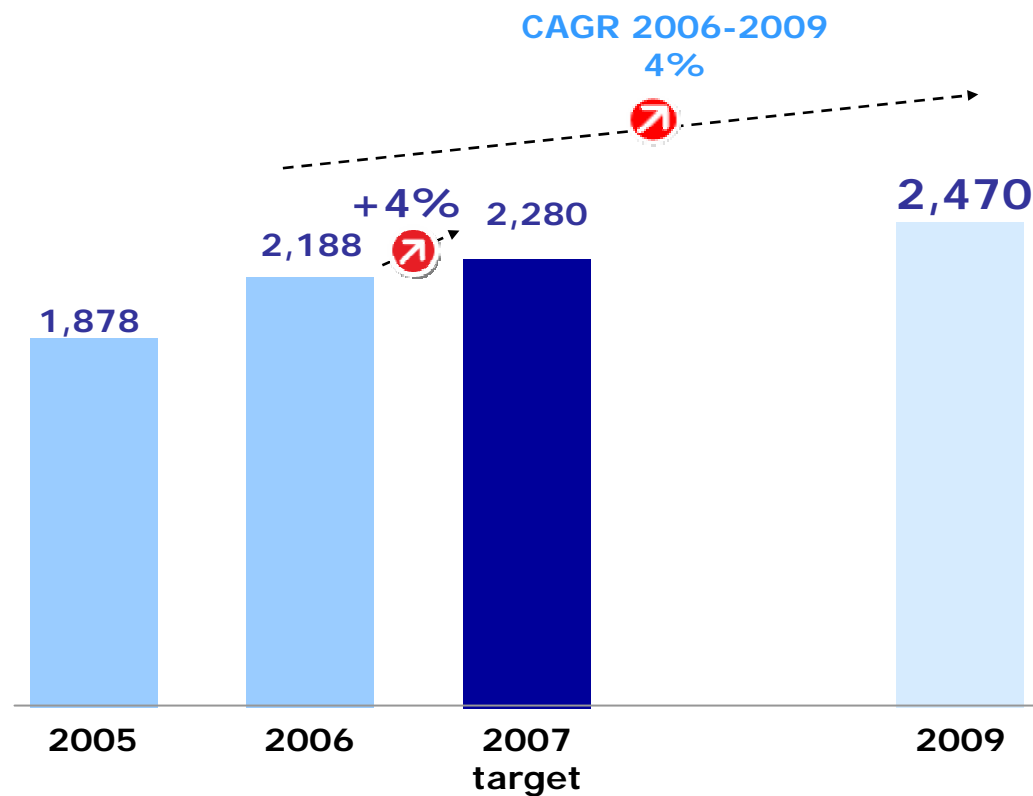
## Cash returns in line with the Strategic Plan targets

US\$ million	2005	2006	Total
Dividends and interest	86	121	207
Capital reductions and others	195	132	327
Disposals	27		27
<b>Total</b>	<b>308</b>	<b>253</b>	<b>561</b>

- 2005-09 Strategic Plan: US\$1,600M
- Scope for additional cash return of US\$ 1,000M through changes in structure of shareholding and Endesa Brasil

## Positive outlook for 2007-2009

### EBITDA (€M)



- New generation capacity, notably in Chile
- New customers: 1.3 million
- Regulatory improvements in Argentina

2006 results

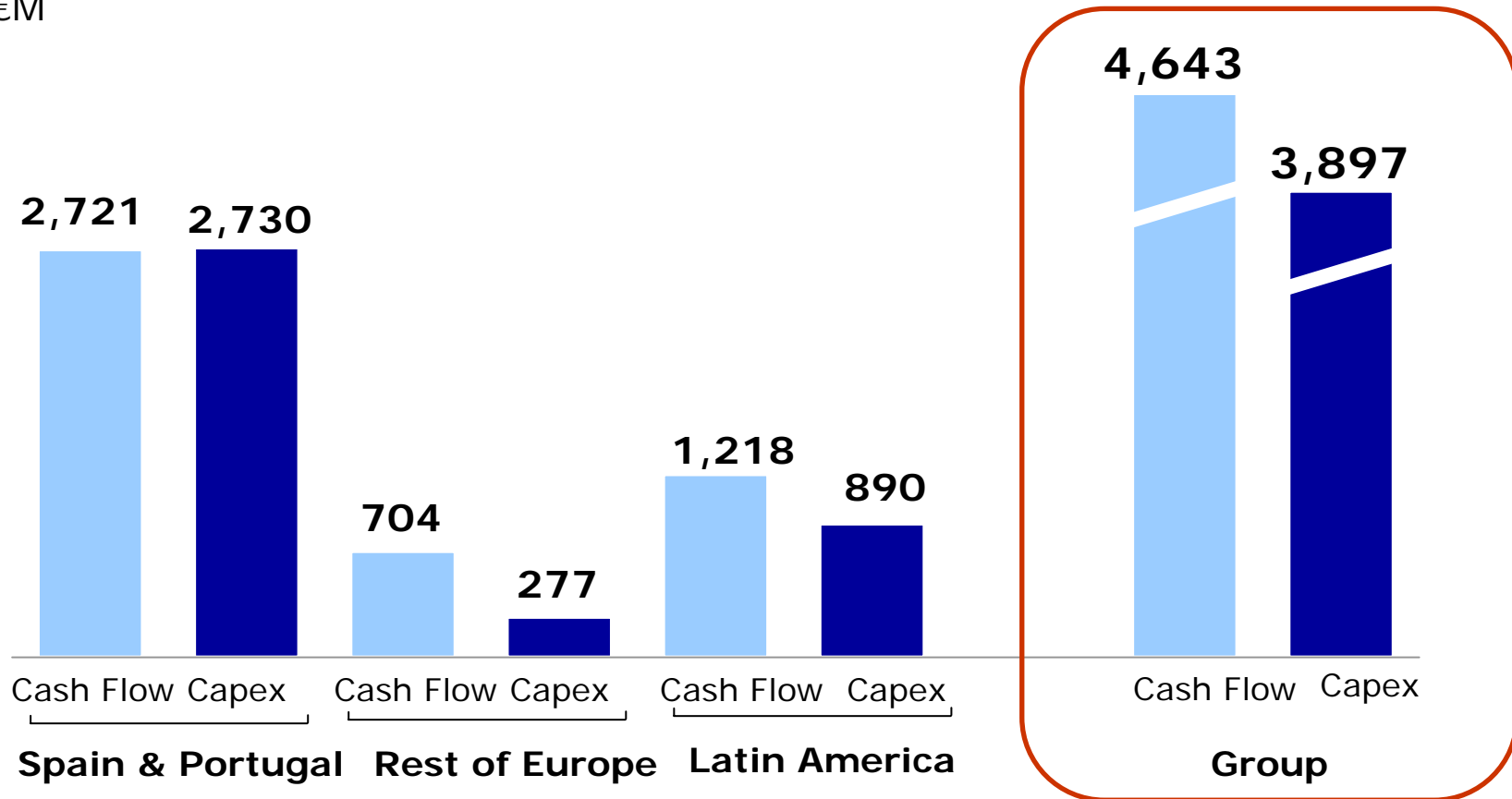


# Financial analysis

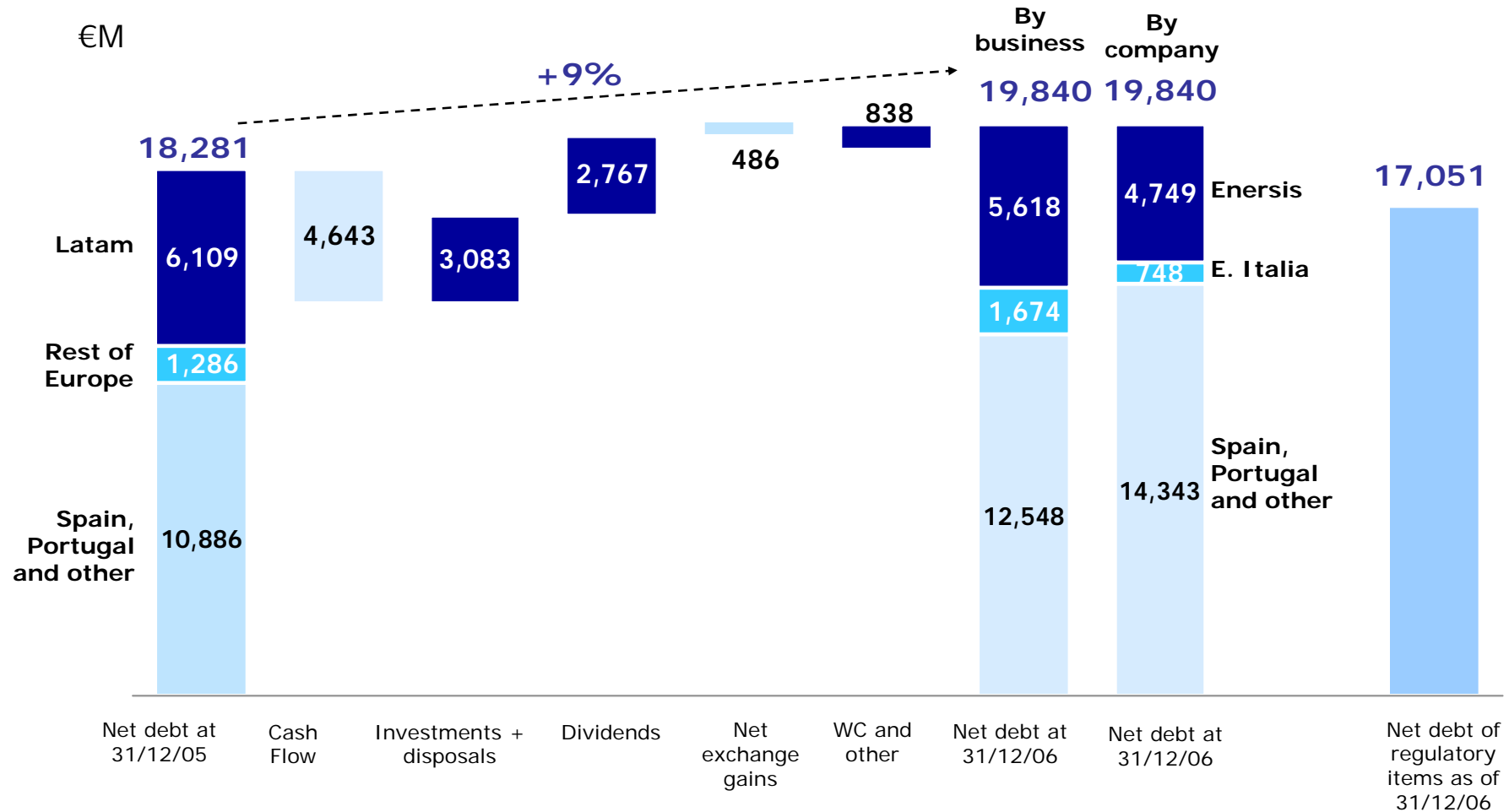


**Positive cash flow**

€M

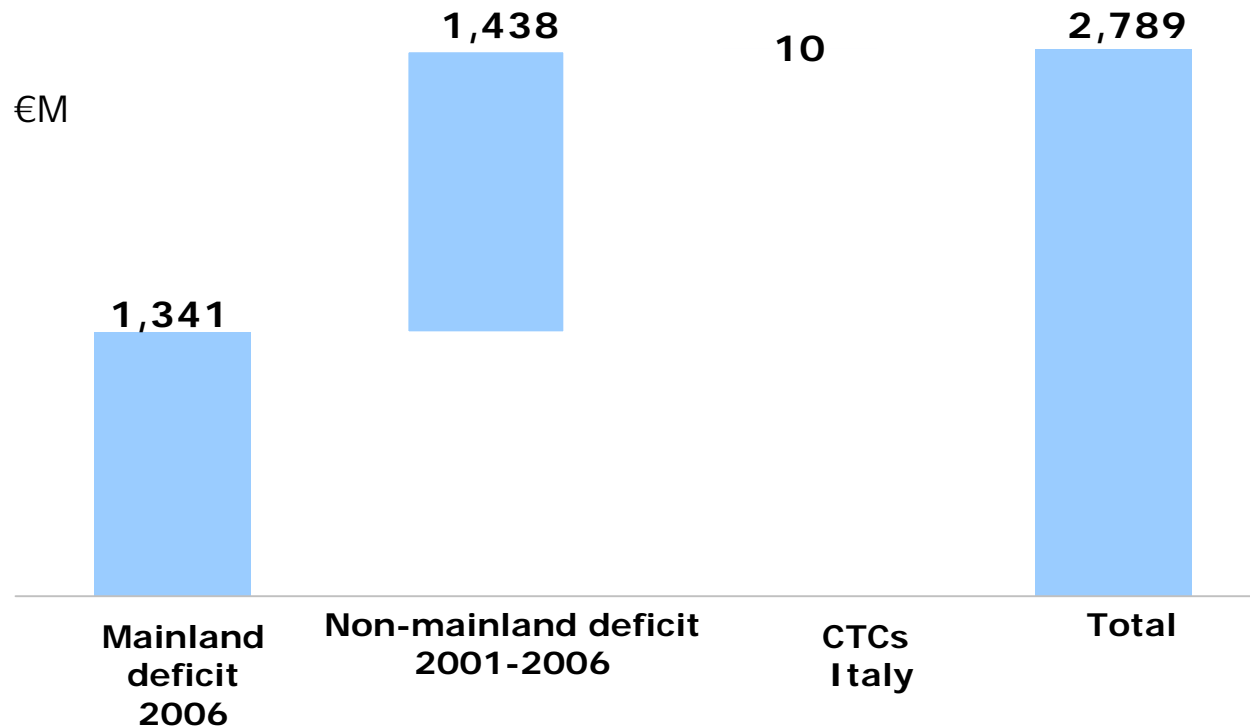


## Debt performance



**Net debt excluding regulatory items: €17,051M**

## Recognised regulatory receivables

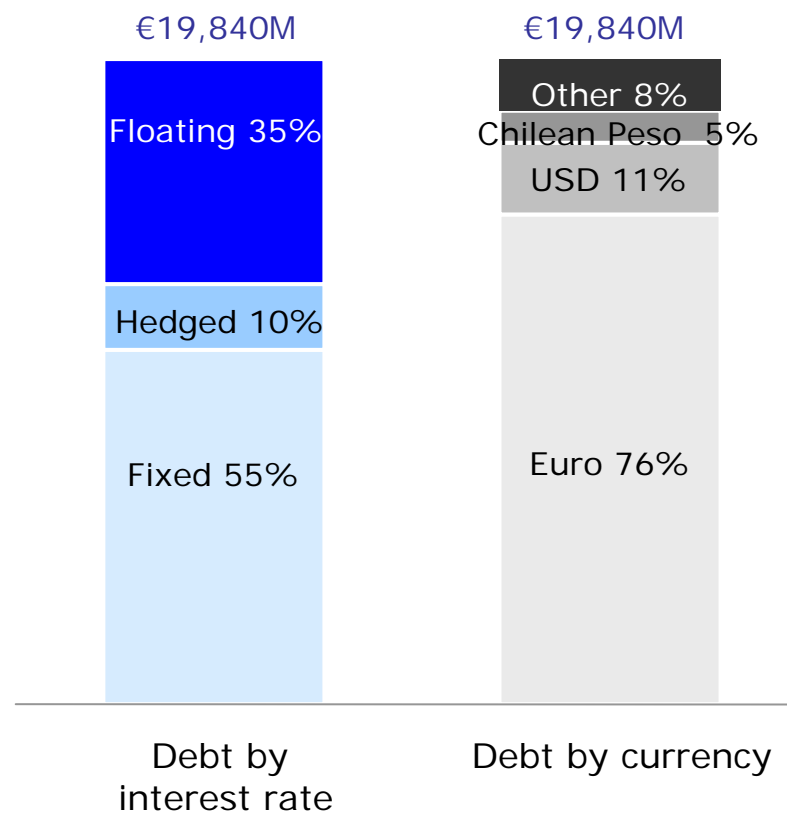


- Formalized in November the securitisation of 2005 mainland tariff deficit of €1,676M

## Favourable debt structure in a context of rising interest rates

- **Debt structure:**
  - Fixed-rate or hedged: 65%
  - Debt in currency in which cash flow is generated
- **Average cost of debt: 5.45%:**
  - Endesa excl. Enersis: 4.19%
  - Enersis: 9.12%
- **Average life of debt: 5.2 years**
- **Liquidity at Endesa:**
  - Endesa excl. Enersis: €6,197M
  - Enersis: €1,218M

**Debt structure**



## Conclusions

- **Excellent results in 2006 across all businesses**
- **Consistently exceeding targets**
- **Positive outlook for 2007-2009**
- **Investment Plan to ensure long-term growth**
- **Unique business portfolio operating in very attractive markets**
- **An experienced and committed team**

## **E.On bid**

- **Report of Endesa's Board of Directors**
- **E.On bid milestones**
- **Extraordinary General Shareholders' Meeting**

## Report of Endesa's Board of Directors

### Regarding the E.ON takeover bid (€38.75 €/share)

- On 6 February, the Board of Directors, by a unanimous vote, has viewed the terms of the E.ON Offer favourably as:
  - It is fair from a financial point of view
  - It is entirely in cash, and made for 100 percent of the outstanding shares
  - It has stated its intention to continue implementing Endesa's commercial strategy, investment plan and preserve workforce

### Regarding the bylaw amendments on which the E.On bid is contingent, including the removal of the 10% limit to voting rights of a single shareholder

- The Board of Director has recommended:
  - That shareholders attend the Extraordinary Shareholders' Meeting
  - That they vote in favour of these bylaw amendments
- **The Board members who own shares in Endesa have stated their intention of voting in favour of the bylaw amendments**
  - **Caja Madrid has also stated its intention of voting in favour of the aforementioned bylaw amendments**

## E.ON bid milestones

### Acceptance

- 26 January**      ■ The acceptance period of E.ON bid begins
- 6 February**      ■ Endesa Board report on the E.ON bid
- 8 February**      ■ Publication of the call notice for the Extraordinary GSM
- 20 March**      ■ Extraordinary General Shareholders' Meeting (at first call)
- 21 March**      ■ Settlement of the attendance premium begins
- 29 March**      ■ The acceptance period of E.ON bid ends

### Settlement

- On or after 30 March**      ■ Notification of the positive or negative outcome of the takeover bid
- Shares settled if the bid is successful

## Extraordinary General Shareholders' Meeting

### Interest for Endesa shareholders

- E.ON's bid is contingent on **the approval of certain bylaw amendments**, including the removal of the 10% limiting on a shareholders' voting rights
- The approval of this amendment requires that **more than a 50% of Endesa's share capital vote in favour**
- If the required majority to approve these amendments is not reached, **E.ON could withdraw its bid** <sup>(1)</sup>

Resolutions adopted at the shareholders' meeting could be decisive for the future of E.ON's bid

**Shareholders wishing to accept the E.ON bid have an interest in participating in the Extraordinary General Shareholders' Meeting and in voting in favour of the bylaw amendments, in line with the Board of Directors' recommendation**

**Failure to participate in the Shareholders' Meeting is equivalent to a "No" vote to the bylaw amendments on which E.ON's bid is contingent**

## How to participate in the Extraordinary General Shareholders' Meeting

### Shareholders with shares custody in Spain

- Vote delegation:
  - Deliver the signed attendance card to Endesa's headquarters or office, or the custodian banks or savings banks for the shares.
- Vote by post
- Vote by electronic communication
- Vote in person at the Meeting

#### More information

900 666 900  
[www.endesa.es](http://www.endesa.es)

### Shareholders with shares custody outside Spain

- Vote by proxy:
  - Contact with custodian banks
  - Advice from D.F.King
- Vote by electronic communication
- Vote in person at the Meeting

#### More information

Europe: + (800) 5464-5464  
US: + 1 (800) 549-6746  
[www.endesa.es/egm](http://www.endesa.es/egm)

### ATTENDANCE PREMIUM

All shareholders participating in the Extraordinary Shareholders' Meeting by any of these ways, will receive €0.15/share

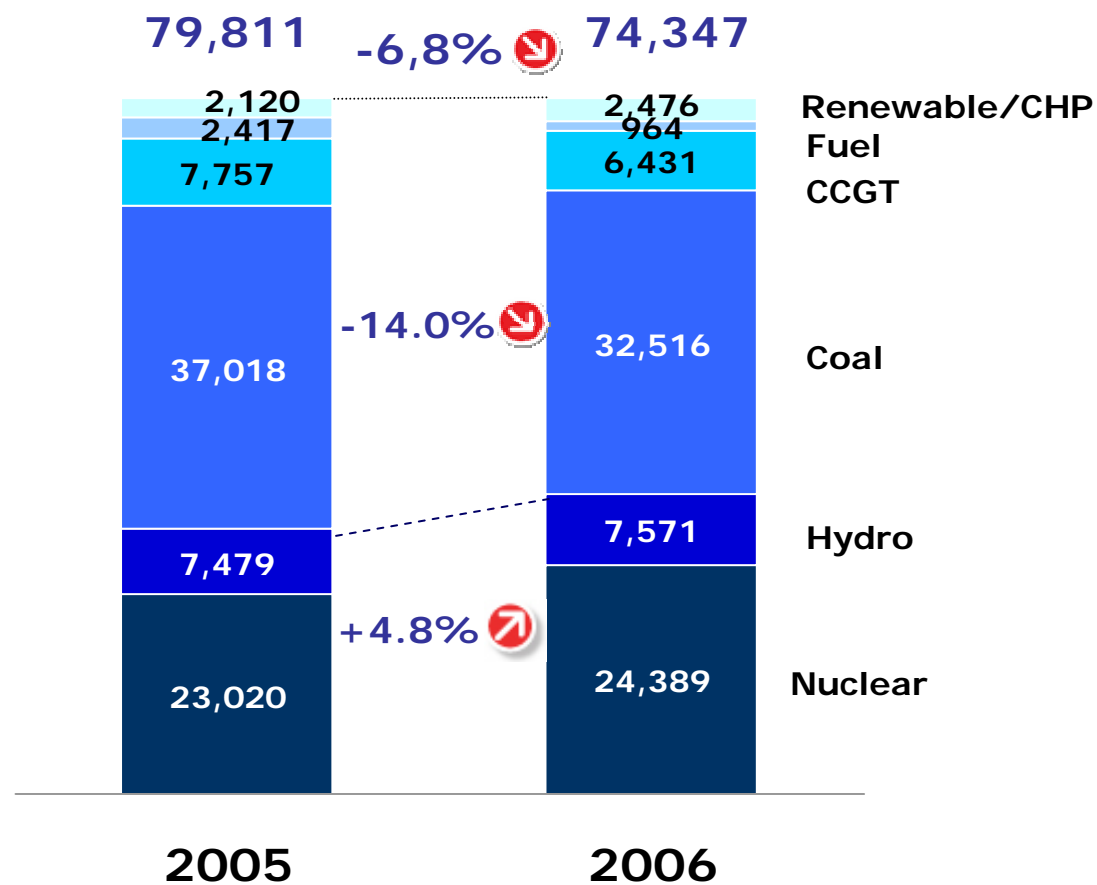


# Back-up



## Generation business in Spain and Portugal

### Endesa's mainland generation business (GWh)



## Impact of RDL 3/2006

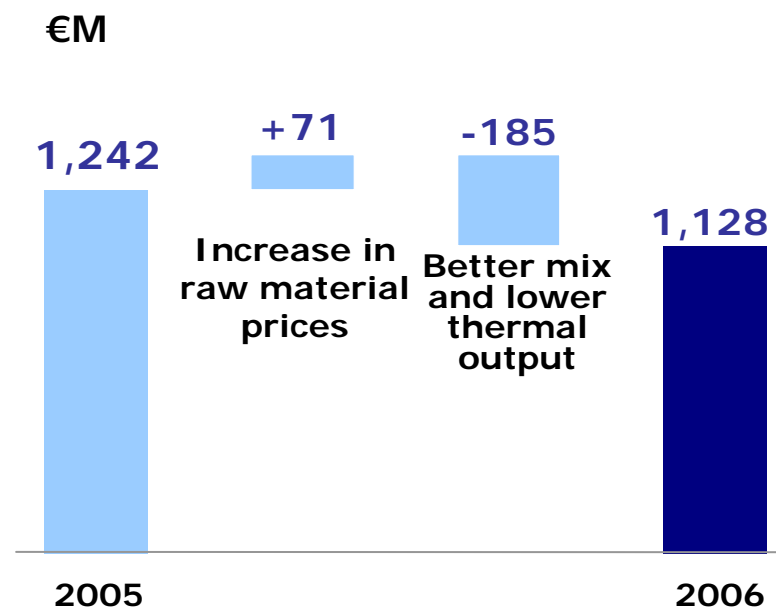
1) CRITERIA FOR DEDUCTION OF CO <sub>2</sub> : ALTERNATIVES	€M
A. Booking of RDL 3/2006 under the interpretation made by Endesa through 2006	-121
B. Draft of Ministerial Order (100% of CO <sub>2</sub> in daily and intraday markets):	-76
C. Draft of Ministerial Order and CNE Report (Impact of CO <sub>2</sub> in marginal technology in daily and intraday markets):	-113
2) CRITERION FOR PROVISIONAL PRICE	M€
Impact of €42,35 MWh price cap vs. market prices	-224
<b>NET IMPACT:</b>	<b>-345 M€</b>

## Competitive mainland fuel costs

Breakdown of mainland unit fuel costs

€/MWh	2005	2006	% chg
CCGT	30.4	34.5 <sup>(2)</sup>	13.7%
Domestic coal <sup>(1)</sup>	22.9	22.6	-1.3%
Imported coal	19.0	19.7	3.3%
Fuel	53.8	86.0	60.0%
Average conventional thermal	25.2	26.1	3.5%
Total average	16.4	15.7	-4.0%

Breakdown of impact on fuel cost



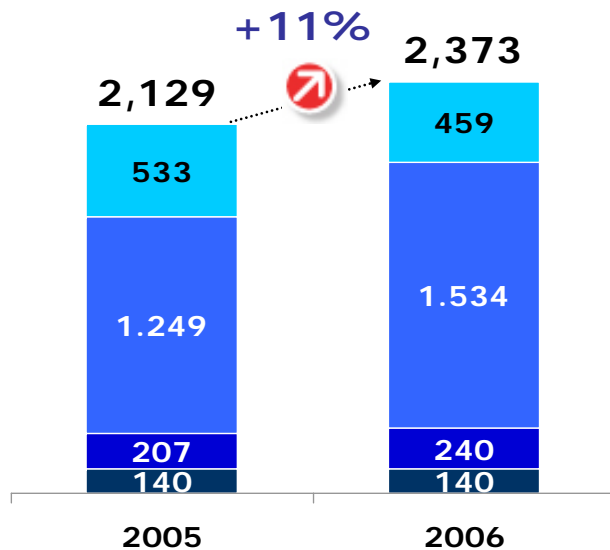
**Moderation in fuel costs despite international price trends**

(1) Net of coal premiums. Gross cost was €24.1/MWh in 2006 and €23.8/MWh in 2005. Includes imported coal consumed by domestic coal plants.

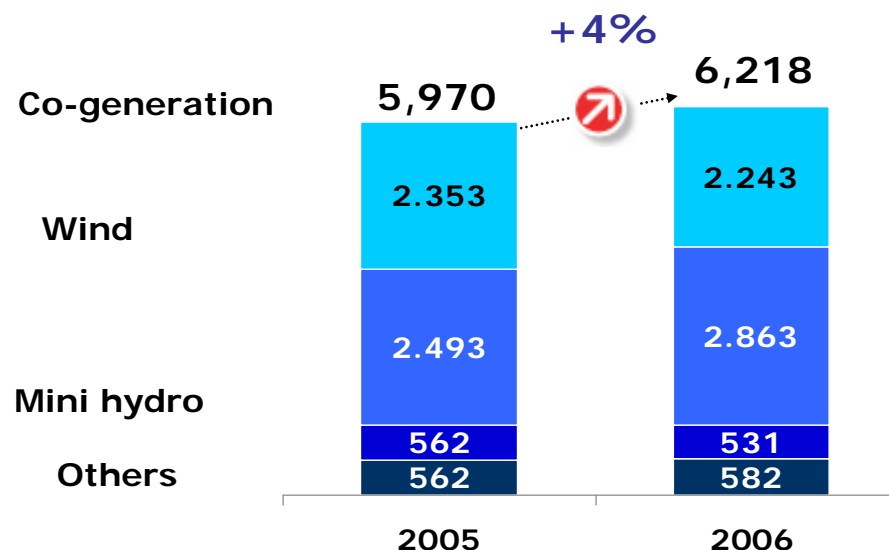
(2) €30.4/MWh excluding ATR.

## Growth in renewables/CHP

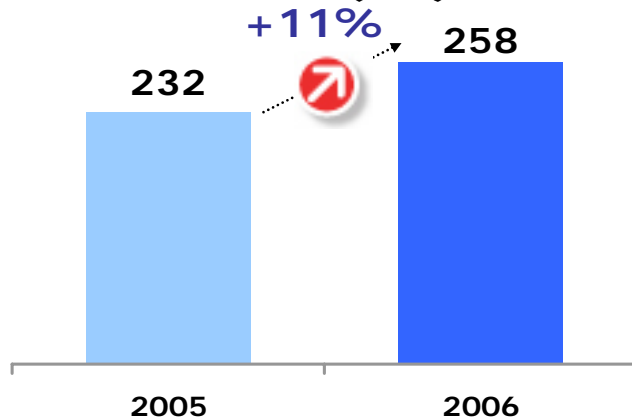
Capacity (MW) <sup>(1)</sup>



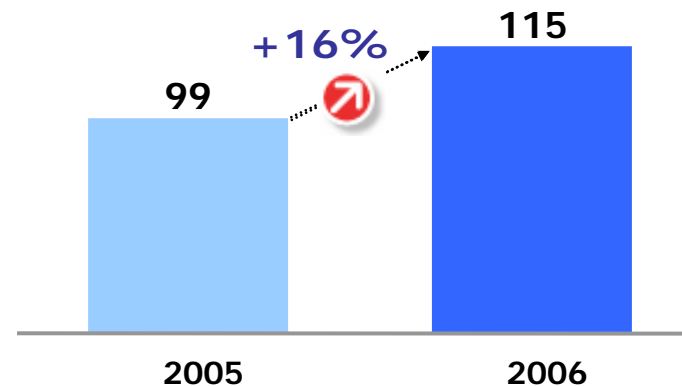
Output (GWh) <sup>(1)</sup>



Sales (€M)



EBIT (€M)



(1) 100% of projects in which Endesa participates

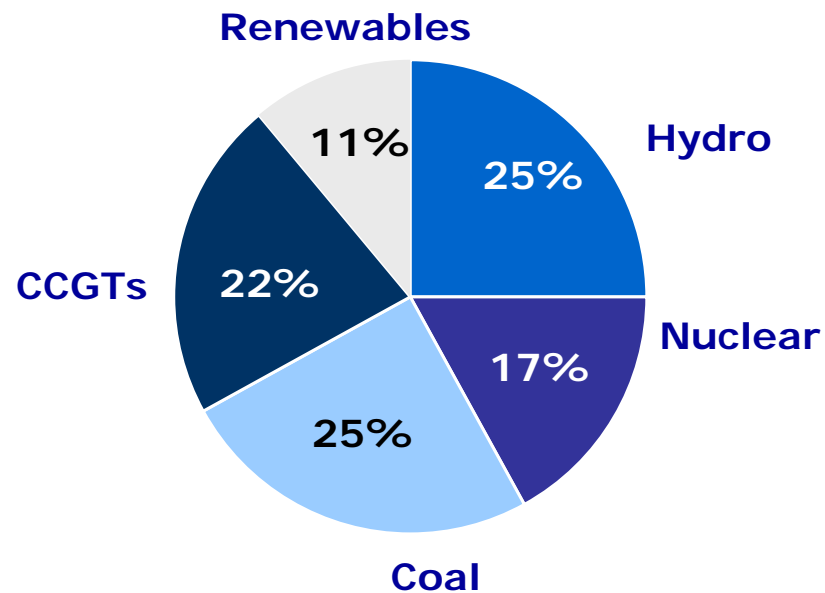
**Increase in activity based on growth in demand and installed capacity**

**New capacity 2007-09**  
MW

CCGTs	+ 3,200 MW*
Non-mainland	+ 850MW
Renewables	+ 840 MW
<b>Total new capacity</b>	<b>+ 4,890 MW</b>
<b>Total capacity by 2009</b>	<b>26,900 MW</b>

**Mainland generation mix in 2009(e)**

**Total=21,800 MW**



\* Direct investment: 2,400 MW. Additional 800MW in Portugal run under a 50-50 tolling agreement with another partner

## Italy: Exceptional position in an attractive market

➤ **Mix improvement up to 2009:**

800 MW of new CCGTs

**Total=7,700 MW**

➤ **Access to more competitive gas:**

*Livorno regasification plant: 2 bcm  
GALSI (Cerdeña pipeline)*

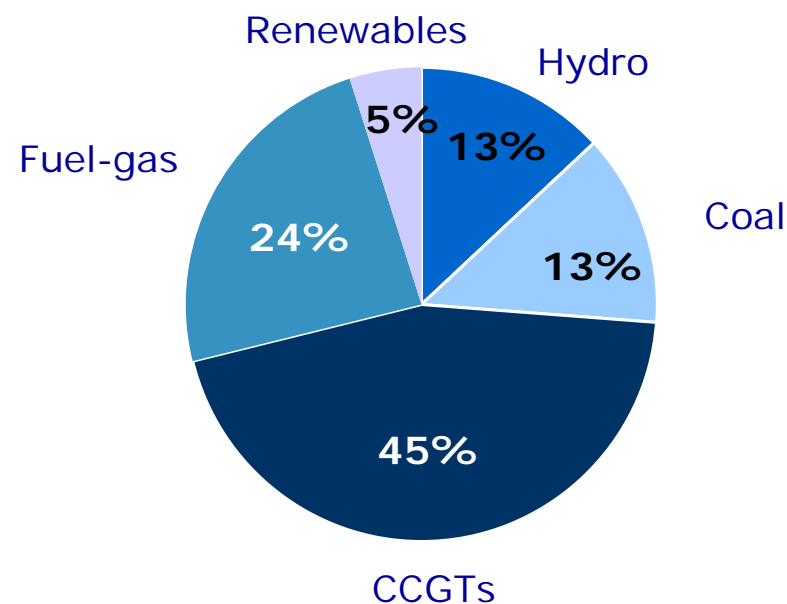
➤ **Self supply of green certificates**

*Wind: New 216 MW (2007-09)*

*Hydro repowering: 637 MW*

*Biomass: 305 GWh*

**Generation mix expected by 2009 (MW)**



**Scope for maintaining unit margins despite declining prices**

## Growth and operating improvement in Latin America

### New capacity 2007-09

MW

CCGTs	+515 MW
Coal	+220 MW
Hydro	+40 MW
Renewables	+50 MW
<b>Total new capacity</b>	<b>+825 MW</b>
- Chile	574 MW
- Other	251 MW




### Projects with start up after 2009

- Aysen <sup>(1)</sup>: 57% of 2,400 MW
- Other hydro in Chile: 640 MW
- Thermal: 345 MW

- **Distribution customers in 2006-09: + 1.3 million**
- **Improvements in operating efficiency (€50M) due to lower losses, increased availability and lower fixed costs**

(1) Endesa's share of energy takeoff. 51% shareholding

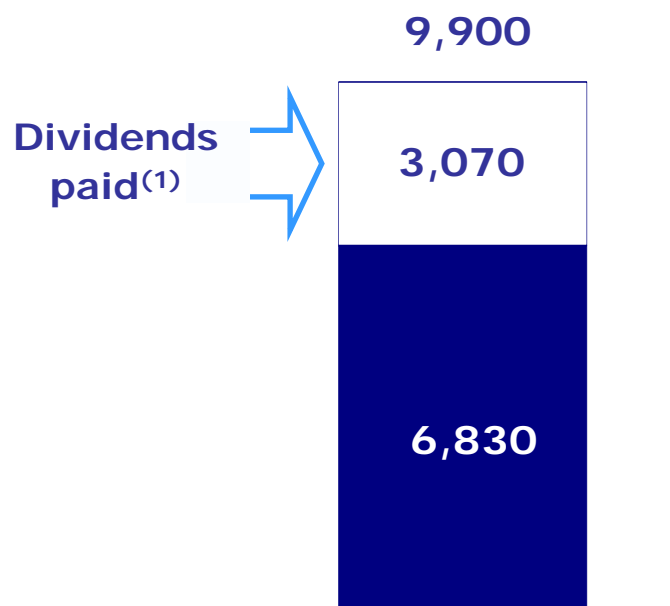
## Progress in streamlining ownership structure

<p><b>Creation of Brazilian holding</b></p>		<ul style="list-style-type: none"> <li>▪ Carried out October 2005</li> <li>▪ IFC took stake (2.7%) in Endesa Brasil</li> </ul>
<p><b>Chilectra - Elesur merger</b></p>		<ul style="list-style-type: none"> <li>▪ Carried out March 2006</li> </ul>
<p><b>Etevensa - Edegel merger</b></p>		<ul style="list-style-type: none"> <li>▪ Carried out June 2006</li> </ul>
<p><b>Emgesa - Betania merger</b></p>	<p><b>To close in 2007</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Approved by both companies' boards in 2006</b></li> </ul> <div style="border: 1px solid orange; border-radius: 15px; padding: 10px; margin-top: 10px;"> <ul style="list-style-type: none"> <li>▪ More balanced generation mix: less exposure to volatile rainfall</li> <li>▪ Better financial structure</li> </ul> </div>

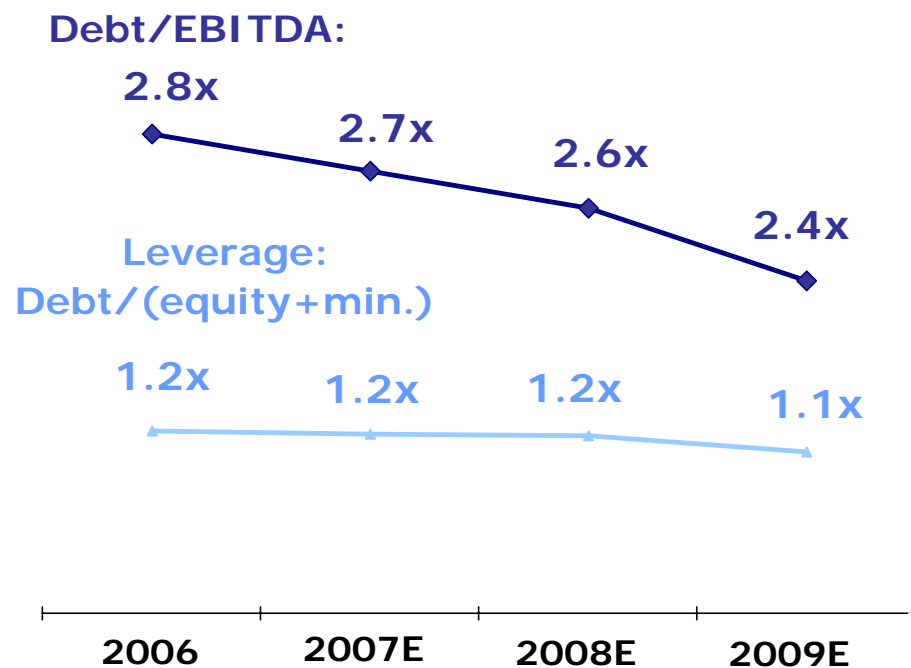
## Financial flexibility compatible with generous shareholder remuneration

### Dividend commitment: 05-09 (2)

€M



### Financial flexibility

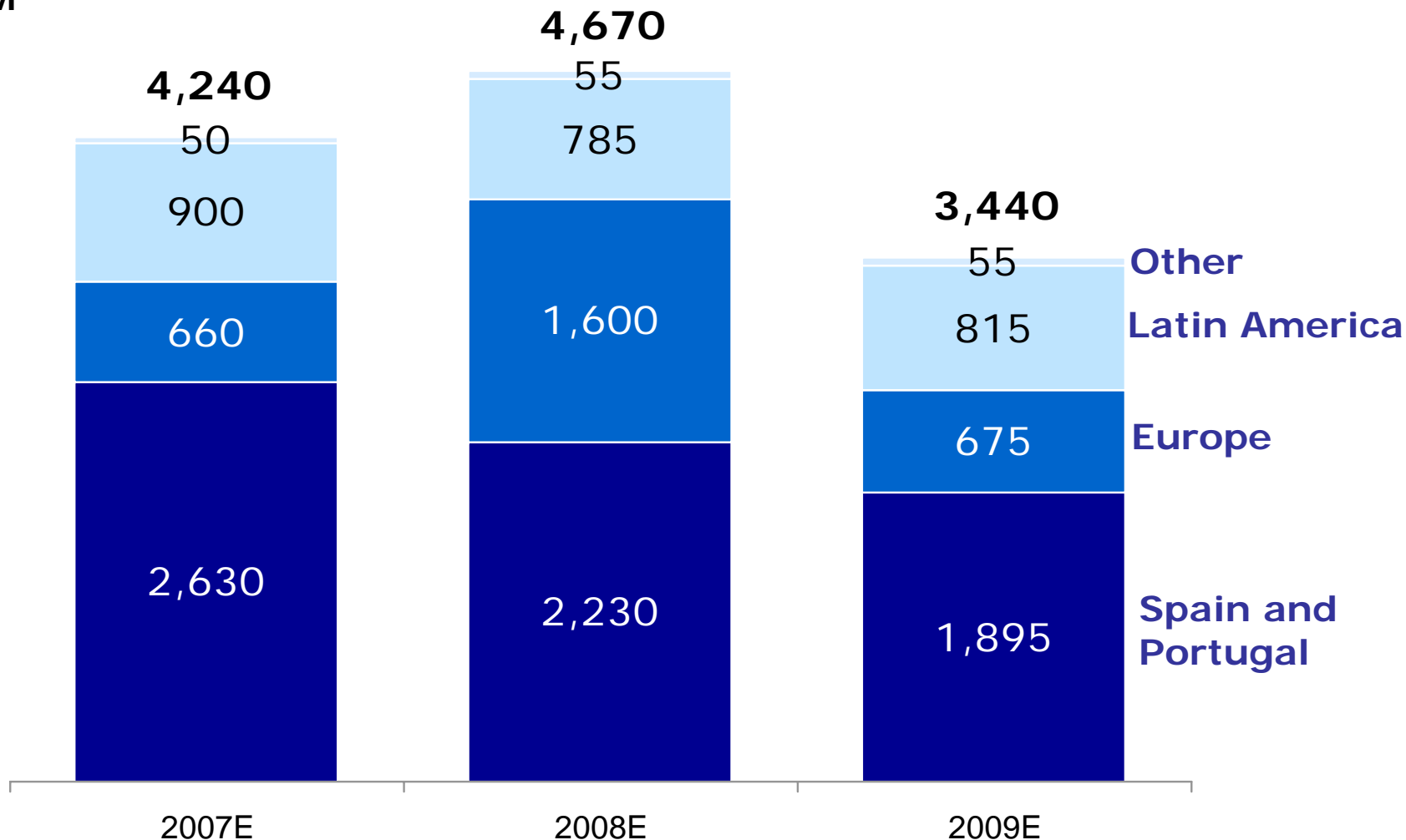


(1) Dividends paid in 2006: €2,541M: €1,200M from ordinary activities and €1,341M from divestments of non-core assets. Interim dividend paid in Jan, 2nd, 2007: €529M

(2) Dividend policy to be approved at the General Shareholders' Meeting

## Annual investment plan: 07-09 (I)

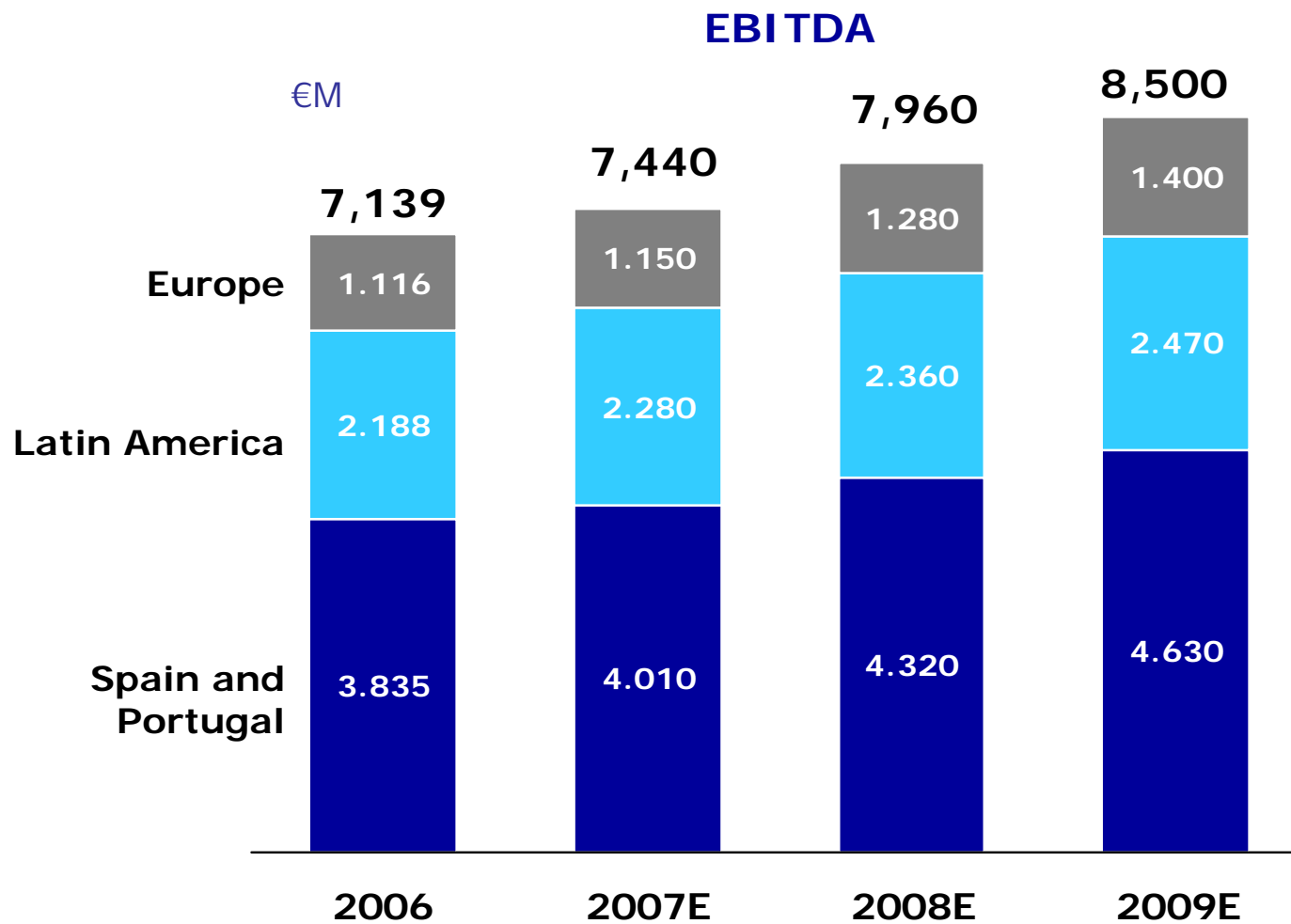
€M



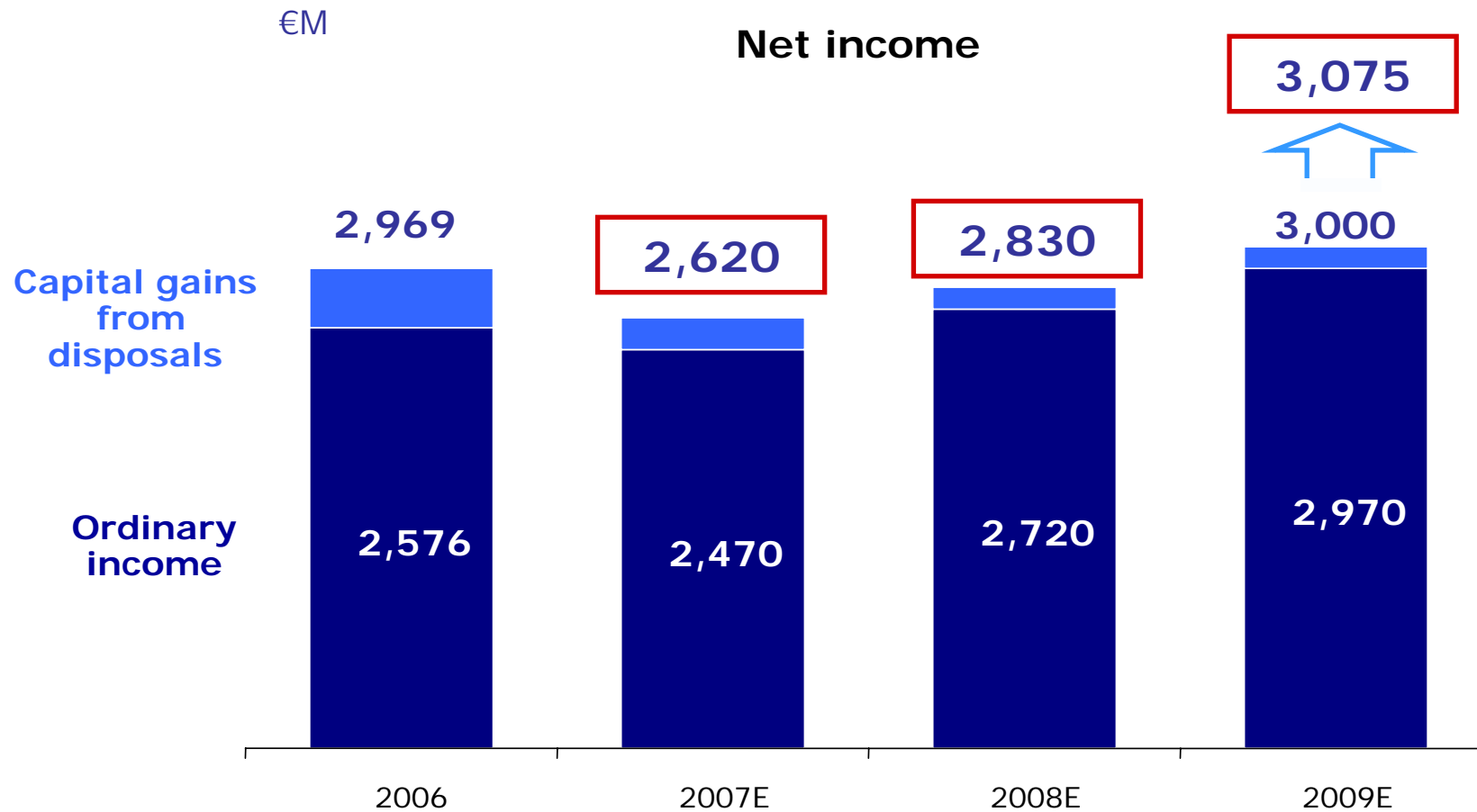
## Annual investment plan: 07-09 (II)

€ Bn	2007E	2008E	2009E	2007-09
<b>Spain and Portugal</b>	<b>2.6</b>	<b>2.2</b>	<b>1.9</b>	<b>6.7</b>
Growth	1.2	1.1	0.9	3.2
Maintenance	1.4	1.1	1.0	3.5
<b>Europe</b>	<b>0.7</b>	<b>1.6</b>	<b>0.6</b>	<b>2.9</b>
Growth	0.5	1.5	0.5	2.5
Maintenance	0.2	0.1	0.1	0.4
<b>Latin America</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>2.5</b>
Growth	0.4	0.3	0.3	1.0
Maintenance	0.5	0.5	0.5	1.5
<b>Other</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
<b>TOTAL</b>	<b>4.2</b>	<b>4.7</b>	<b>3.4</b>	<b>12.3</b>

## Breakdown of EBITDA growth by business line: 2006-09



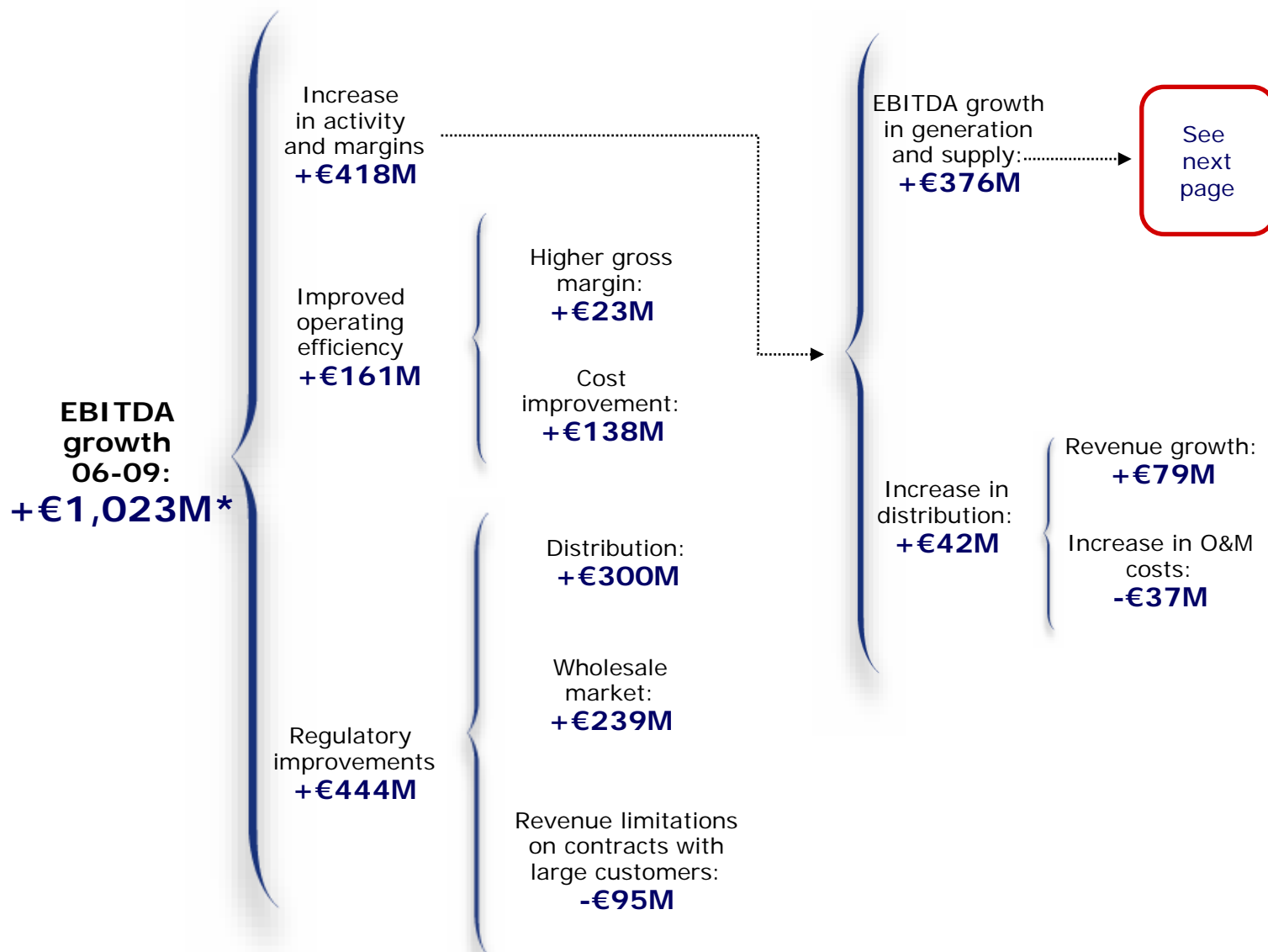
## Net income growth



## Macroeconomic assumptions

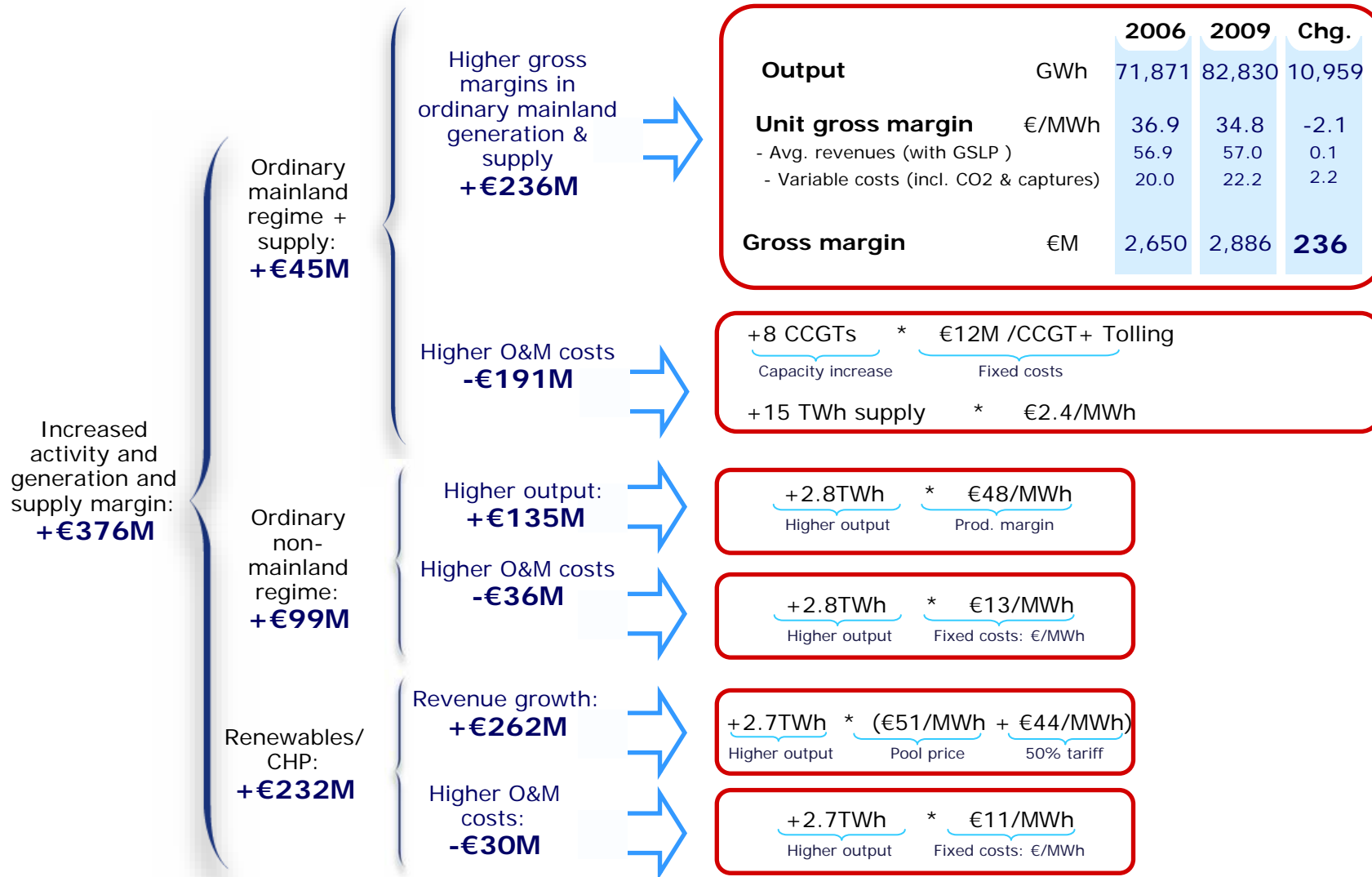
	2006		2009E
	Year-end	Average	Average
<b>Exchange rate:</b>			
€/\$	1.32	1.26	1.27
Ch: Pesos/\$	532.4	530.9	568
Arg: Pesos/\$	3.06	3.10	3.27
Bra: Real /\$	2.14	2.18	2.49
Col: Pesos/\$	2,239	2,363	2,689
Perú: Sol /\$	3.20	3.27	3.37
<b>Interest rate:</b>			
Euribor IRS 5Y	4.13%	--	3.98%
LIBOR IRS 5Y	5.04%	--	5.22%
Brent (\$/Barrel)	60.1	65.4	52.5

## Spain and Portugal: EBITDA growth 2006-2009 (i)



\*Stripping out in 2006 the recovery of historical non-mainland deficit (+227M€)

## Spain and Portugal: EBITDA growth 2006-2009 (ii)



### Activity growth assumptions

- Increase in output in ordinary mainland regime of **only 11,000 GWh** with 3,200 MW of new capacity installed:
  - ✓ 2,100 GWh increase in hydro output output (2006 was a very dry year)
  - ✓ 1,500 GWh increase in nuclear output (lack of availability in 2006)
  - ✓ 9,700 GWh\* CCGT growth
  - ✓ 2,400 GWh\* reduction in coal and fuel-gas
- Increased output on the islands based on higher demand (6% annual)
- Progress towards full deregulation. 15,000 GWh increase in sales to the retail market.
- Demand 2006-2009: CAGR 4%
- Higher O&M costs linked to increased activity: **€294M**

### Market assumptions for 2009

- Average electricity market price including capacity payments: €54/MWh
  - ✓ In line with all European forward curves
  - ✓ New entrant costs or long term marginal cost
    - ✓ Spark spread: €16/MWh
    - ✓ Clean spark spread: €10/MWh
- Average underlying sale price in retail market excluding capacity payments: €56/MWh.
- 2/3 of output placed on retail market
- Cost of thermal fuels (excl. CO2)
  - ✓ CCGT €36/MWh
  - ✓ Coal €21/MWh
- NAP allocates ENDESA 21M tonnes p.a. (approx 50% of group requirements). Cost of acquiring emissions rights: €17/tonne
- 60% coverage of deficit via CDMs at €10/tonne

(\* ) Output based on the equal utilisation of coal and CCGT plants in 2009 (~5,000 hours), despite the expected increase in competition in the coal segment (conservative scenario)

## Spain and Portugal: Change in gross margins in generation and supply

### Output, fuel costs and CO2

### Gross margin

**2006**

	Output (GWh)	Cost fuel (€/MWh)	CO2 costs (€/MWh)
Hydro	7,571	8.4	0.0
Nuclear	24,389	5.6	0.0
Thermal	39,910	24.2	3.2
<b>TOTAL</b>	<b>71,871</b>	<b>16.2</b>	<b>1.8</b>

- **Unit gross margin: €36.9/MWh**
  - Avg. revenues: €56.9/MWh
  - Variable cost: -€18.0/MWh
  - Supply cost: -€2.0/MWh
- **Output: 71,871 GWh**
- **Gross margin: €2,650M**

**2009**

	Output (GWh)	Cost of fuel (€/MWh)	CO2 costs (€/MWh)
Hydro	9,700	6.9	0.0
Nuclear	25,885	6.6	0.0
Thermal	47,245	28.5	2.1
<b>TOTAL</b>	<b>82,830</b>	<b>19.1</b>	<b>1.2</b>

- **Gross unit margin: €34.8/MWh**
  - Avg. revenues: €57.0/MWh
  - Variable cost: -€20.3/MWh
  - Supply cost: -€1.9/MWh
- **Output: 82,830 GWh**
- **Gross margin: €2,886M**

**Change in gross margin 2004 – 2009: +€236M**

## Spain and Portugal: Regulatory assumptions

		<u>EBITDA 2009 vs. 2006 (€ M)</u>
<b>Distribution</b>	Substitution of the framework in force until 2006 with a new remuneration and performance system based on compensating for investment in network expansion	<b>+300</b>
<hr/>		
<b>Wholesale market</b>	Market prices New NAP 2008-12 Deduction of free CO <sub>2</sub> rights of 2006	<b>+239</b>
<hr/>		
<b>Contracts with large customers</b>	Contracts in deregulated market vs. current tariff situation	<b>-95</b>
		<hr/> <hr/> <b>+444</b>

**This scenario contemplates tariff increases which will gradually eliminate the deficit**

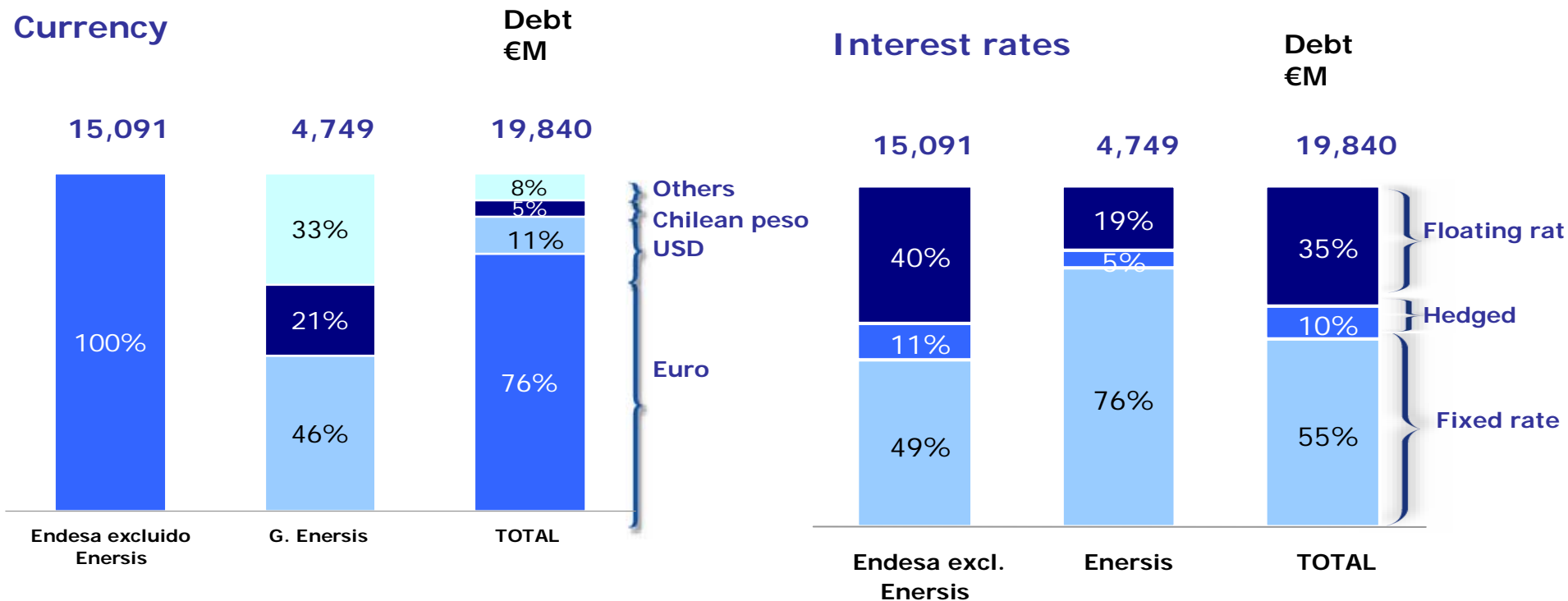
## Main forecast magnitudes in 2009

	2009E		
	Spain and Portugal	Europe	Latin America
Total capacity (GW)	26.9	13.5	15.1
Output (TWh)	109	50	70
Sales (TWh)	117	65	69
Customers (millions)	13.2	--	13.0
Gas consumption (Bcm)	7.6	4.5	4.5

## Debt structure aligned with needs and business risk

### Currency hedging

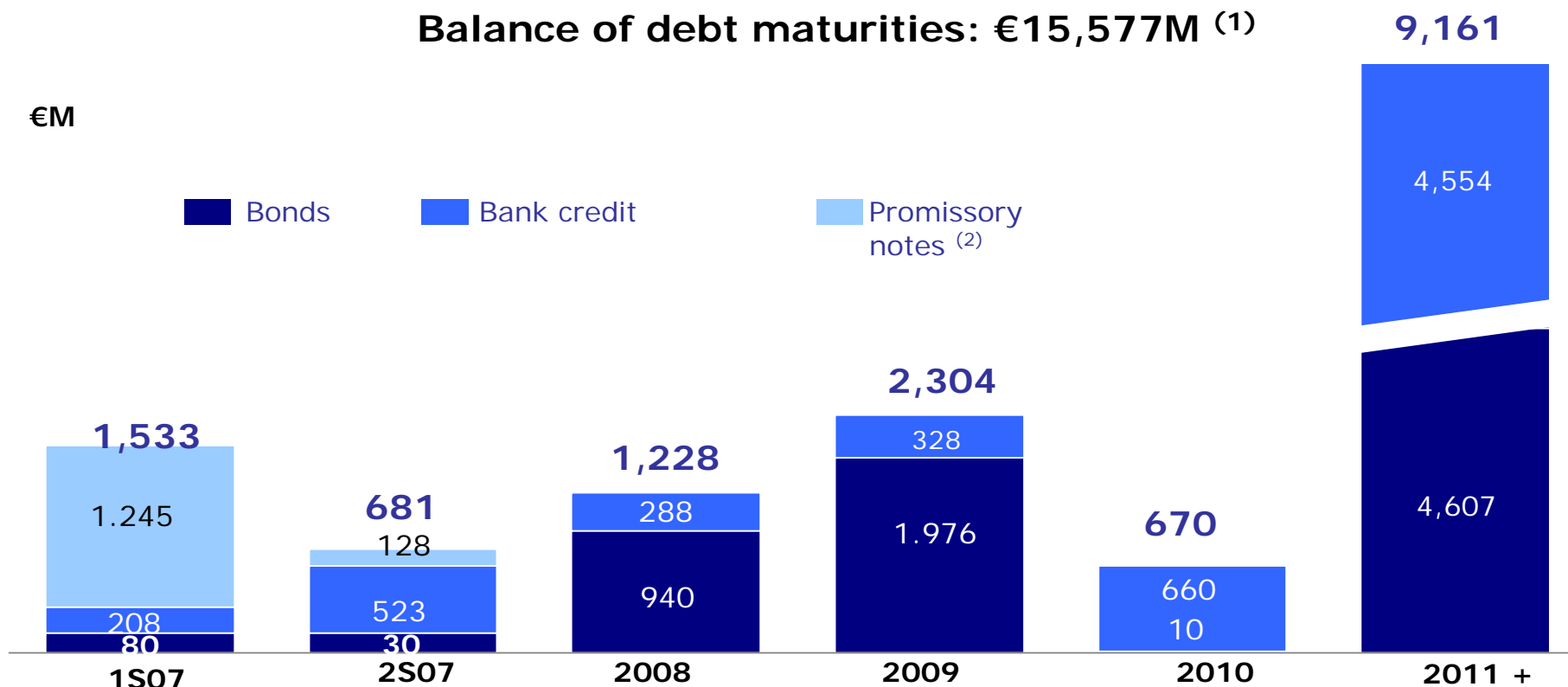
### Interest rate hedging



- Currency risk is limited by denominating debt in the same currency in which cash flow is generated
- The high percentage of interest rate hedging reduces volatility in financial expenses

## ENDESA debt maturities excluding Enerjis

Balance of debt maturities: €15,577M <sup>(1)</sup>



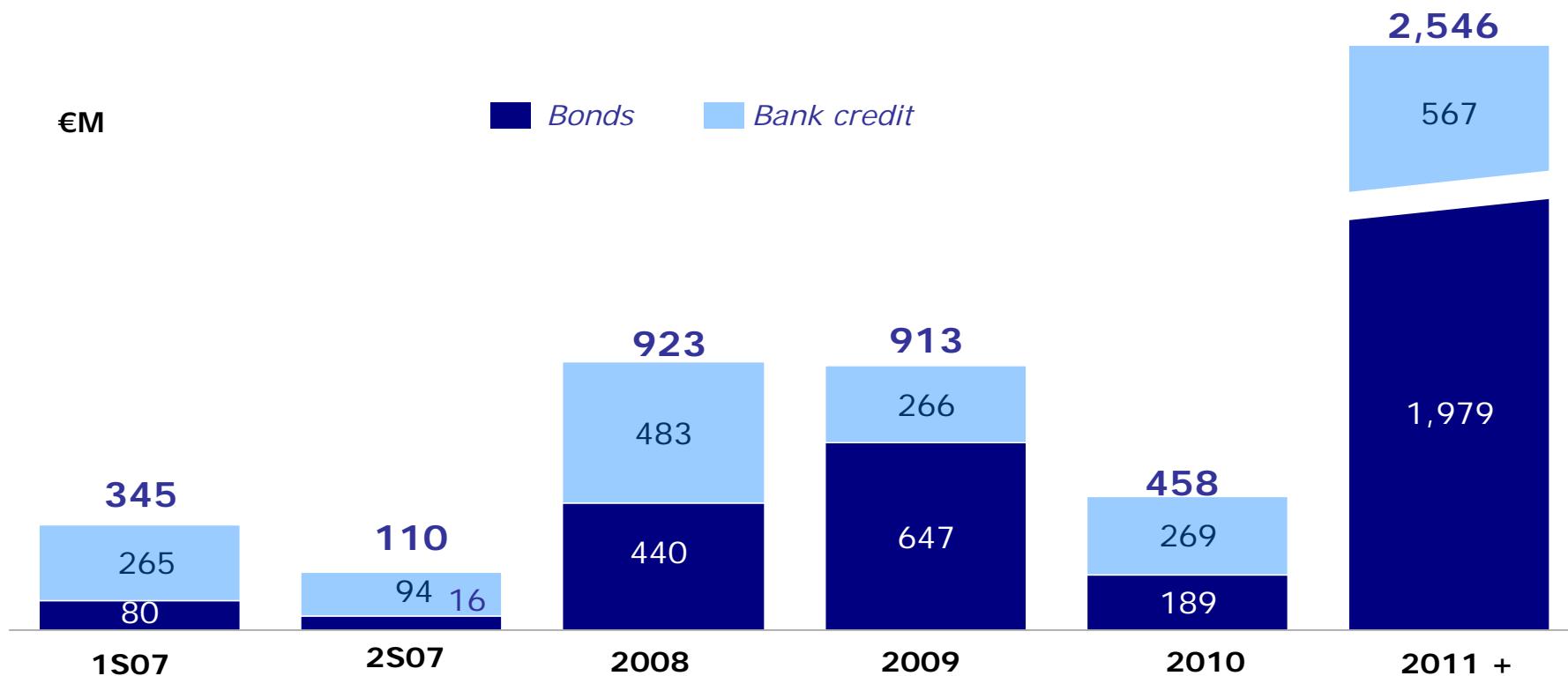
**ENDESA's liquidity excluding Enerjis is €6,197M (€343M in cash and €5,854M in available credit lines), sufficient to cover debt maturities falling due during the next 20 months**

(1) This gross balance differs from the total financial debt figure as it does not include transaction expenses pending accrual or the market value of derivatives which do not involve any outlay of cash.

(2) Notes issued are backed by long-term credit lines and are renewed on a regular basis.

## Enersis debt maturities

Balance of debt maturities: €5,295M <sup>(1)</sup>



**Enersis' liquidity is €1,218M (€622M in cash and €596M in available syndicated loans), sufficient to cover debt falling due during the next 22 months**

(1) This gross balance differs from the total financial debt figure as it does not include outstanding execution costs or the market value of derivatives which do not involve any cash payment.



## Important legal disclosure

Investors are urged to read E.ON's tender offer statement, the report of Endesa's board of directors with respect to the E.ON offer, the Notice of Endesa's EGM and other material relating thereto, all as filed with the Comisión Nacional del Mercado de Valores (the "CNMV"), as well as Endesa's Solicitation/Recommendation Statement on Schedule 14D-9 as amended from time to time and filed by Endesa with the U.S. Securities and Exchange Commission (the "SEC"). Such documents, further amendments thereto and other public filings made from time to time by Endesa with the CNMV or the SEC contain important information and are available without charge from the Endesa's website at [www.endesa.es](http://www.endesa.es), from the the CNMV's website at [www.cnmv.es](http://www.cnmv.es) and from the SEC's website at [www.sec.gov](http://www.sec.gov) and at Endesa's principal executive offices in Madrid, Spain.

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

These forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated increases in wind and CCGTs generation and market share; expected increases in demand for and supply of gas; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated investments; expected asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. For example, the EBITDA targets for 2007 to 2009 (which corresponds to gross operating profit in Endesa's IFRS financial statements) included in this presentation are forward-looking statements that are based on certain assumptions that may or may not prove correct. The principal assumptions underlying these forecasts and targets relate to the regulatory environment, exchange rates, divestments, increases in production and installed capacity in the markets in which Endesa operates, increases in demand in those markets, allocation of production among different technologies, cost increases associated with a higher activity level not exceeding certain limits, the market price of electricity not falling below certain levels, the cost of CCGT and the availability and cost of gas, coal, fuel-oil and emission rights necessary to operate our business at desired levels.

For all of the forward looking statements in this presentation, Endesa claims the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995.

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

**Economic and Industry Conditions:** significant adverse changes in the conditions of the industry, the general economy or our markets; the effect of the prevailing regulations or changes in them; tariff reductions; the impact of interest rate fluctuations; the impact of exchange rate fluctuations; natural disasters; the impact of more restrictive environmental regulations and the environmental risks inherent to our business; potential liabilities relating to our nuclear facilities.

**Commercial or Transactional Factors:** delays in or impossibility of obtaining necessary regulatory, antitrust and other approvals for our proposed acquisitions or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting resources and management's focus away from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments; delays in or impossibility of obtaining necessary authorizations or reclassifications for our real estate assets; delays in or impossibility of obtaining regulatory authorizations, including those related to the environment, for the construction of new facilities, repowering or improvement of existing facilities; shortage of or changes in the price of equipment, material or labor; opposition of political or ethnic groups; adverse changes of a political or regulatory nature in the countries where we or our companies operate; adverse weather conditions, natural disasters, accidents or other unforeseen events; and the impossibility of obtaining financing at what we consider satisfactory interest rates.

**Governmental and Political Factors:** political conditions in Latin America; changes in Spanish, European and foreign laws, regulations and taxes.

**Operating Factors:** technical problems; changes in operating conditions and costs; capacity to execute cost-reduction plans; capacity to maintain a stable supply of coal, fuel and gas and the impact of price fluctuations of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalization and diversification.

**Competitive Factors:** the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained in the presentation are given in the Risk Factors section of Form 20-F filed with the SEC and in the Registration Document of Endesa Stock filed with the Spanish National Securities Regulator.

No assurance can be given that the forward-looking statements in this document will be prove correct. Except as may be required by applicable law, neither Endesa nor any of its affiliates intends to update these forward-looking statements. this document will be prove correct. Except as may be required by applicable law, neither Endesa nor any of its affiliates intends to update these forward-looking statements.



# *2006 Results*



**22 February, 2007**