

Endesa's Renewables Strategy

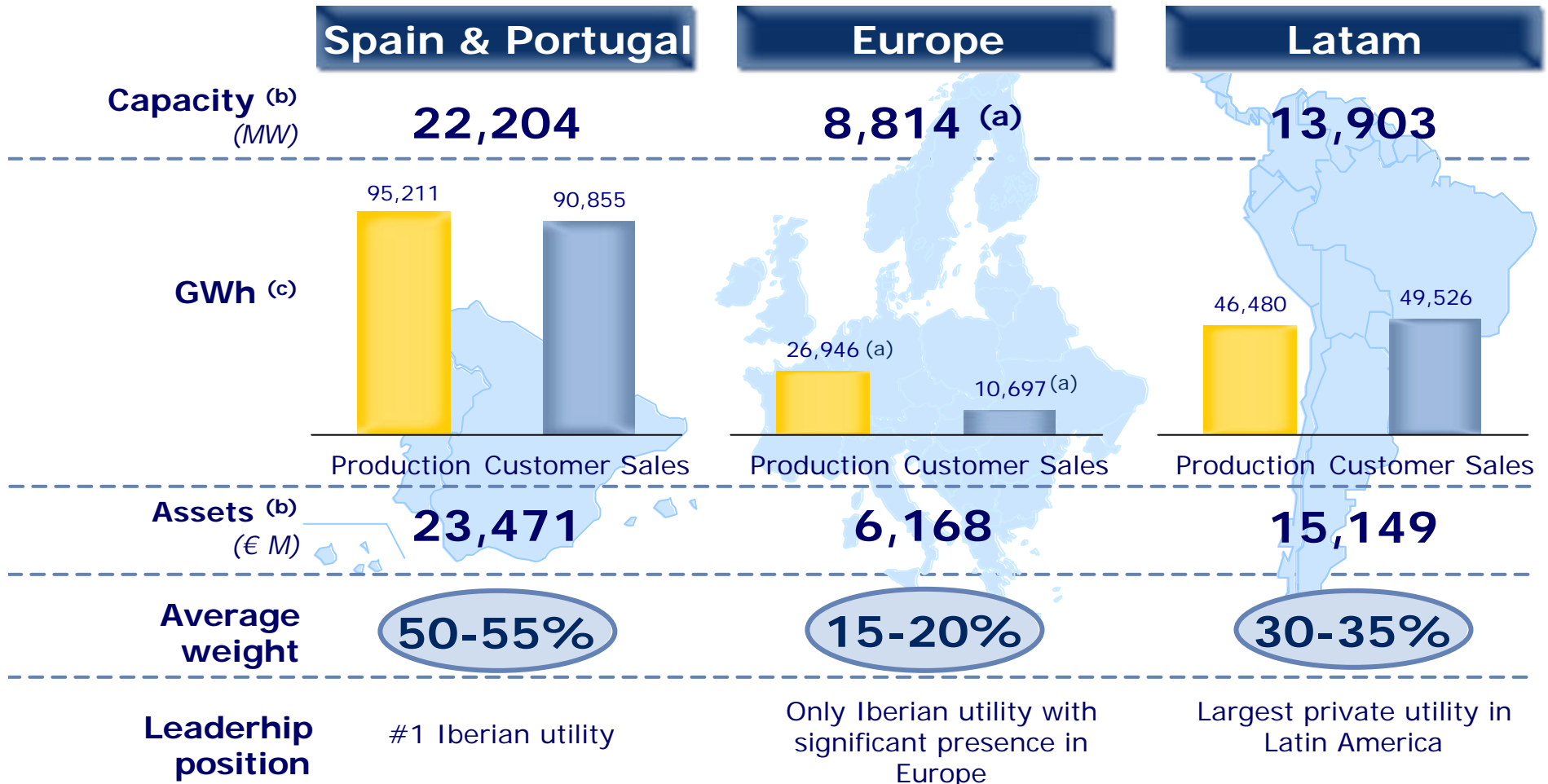


Manuel Morán
Senior VP Electricity Generation
SCH Conference
London, January 26th, 2005

Endesa's Renewables Strategy

1. Endesa's current position in renewables
2. Opportunities and risks
3. Strategy and plans for the future
4. Conclusions

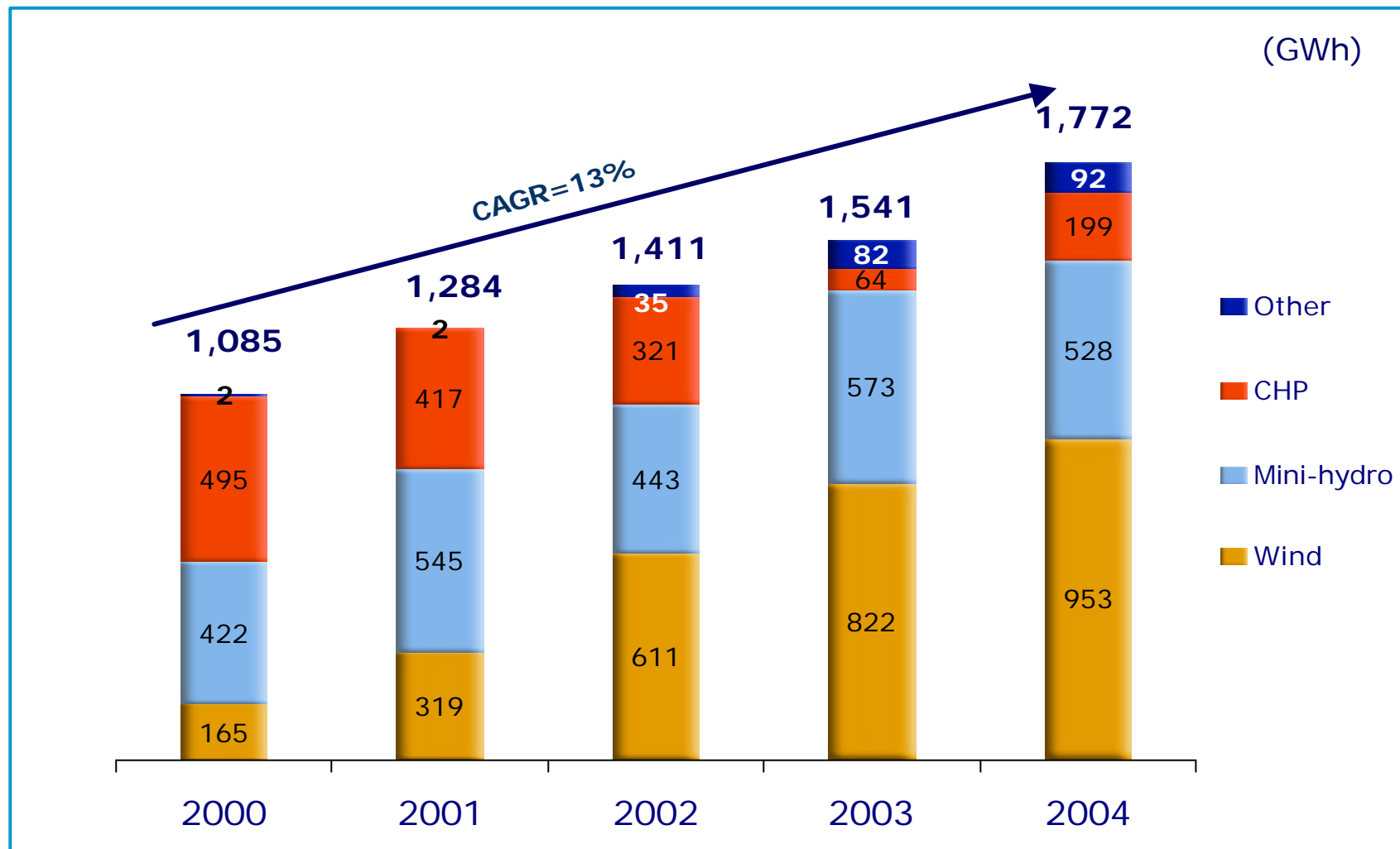
Endesa: a global energy operator



**Diversified geographies, sizeable business in each;
Balanced portfolio in every region (and country);
Leadership position in all regions**

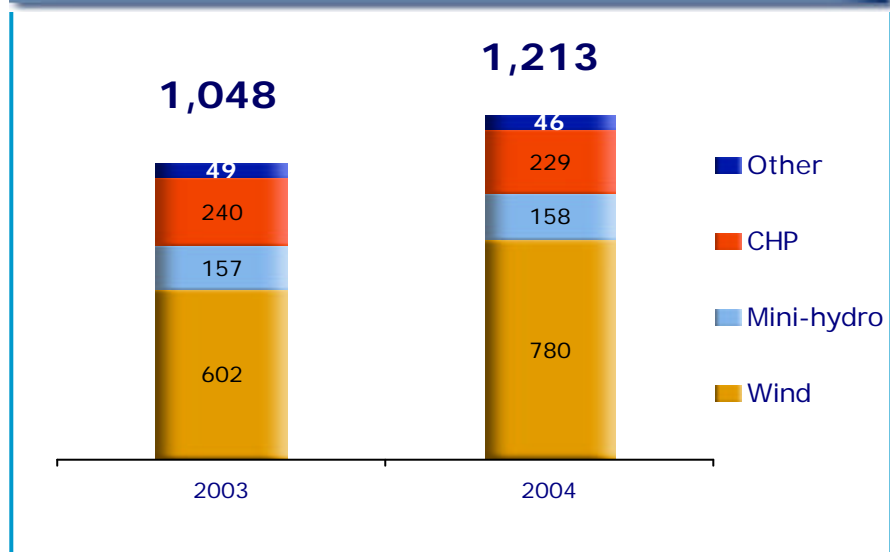


Historical renewable output by technology¹



Achievements in 2004: Spain and Portugal

Installed capacity (net MW)



ECYR Main Financial Data

€ M	9M 03	9M 04	%Chg
EBITDA	39	43	+11%
EBIT	19	21	+11%
Net income	14	16	+14%

Achievements in 2004: Italy

Acquisition 90% of 20MW Florinas wind farm in Sardinia, for €21.5M

- Close to the Fiume Santo power plant, owned by Endesa Italia
- Started commercial operations in 2004
- Installed capacity of 20 MW, potential increase to 40 MW
- Estimated net output of 42 GWh

Agreement to acquire from GAMESA ENERGÍA 200MW wind farms in Italy for approx. €250 M

- Acquisition period: 2005-2007
- Will provide the group 60% of the “green certificates” it needs to hold in Italy in the medium term

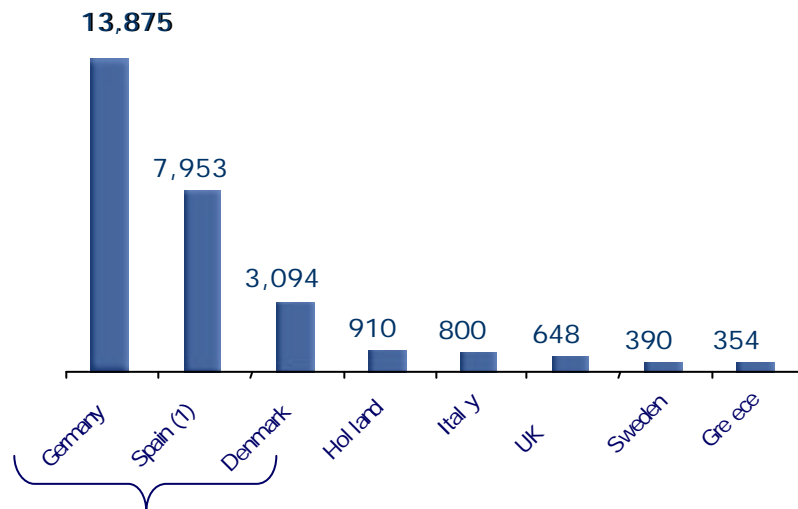
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Europe is actively promoting renewable energies

Opportunities

Installed wind capacity as of 2003 (MW)



Countries with remuneration system based on fixed price and premium

Source: <http://windpower-monthly.com>, Plataforma Eólica Empresarial

(1) Data as of 2004

EU Legal Framework in renewables:

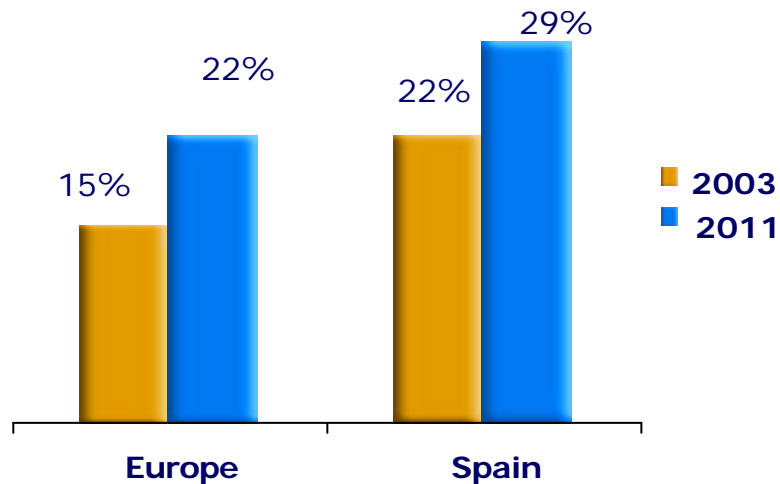
1. Renewable Development Directive Sept, 01:
 - Guaranteed TPA and reduced regulatory barriers
 - EU support framework
 - EU recommendation and monitoring to achieve objectives
2. Kyoto Protocol. EU ratifies May, 02
 - CO2 emission limits and fine mechanism
 - Promote emission trading
3. ETS Directive July, 03
 - Power industry among regulated sectors
 - NAP for 2005-2007 in place
4. CHP Directive:
 - Approved Febr,04

Spain sets more ambitious objectives in renewable energies than the average EU

Opportunities

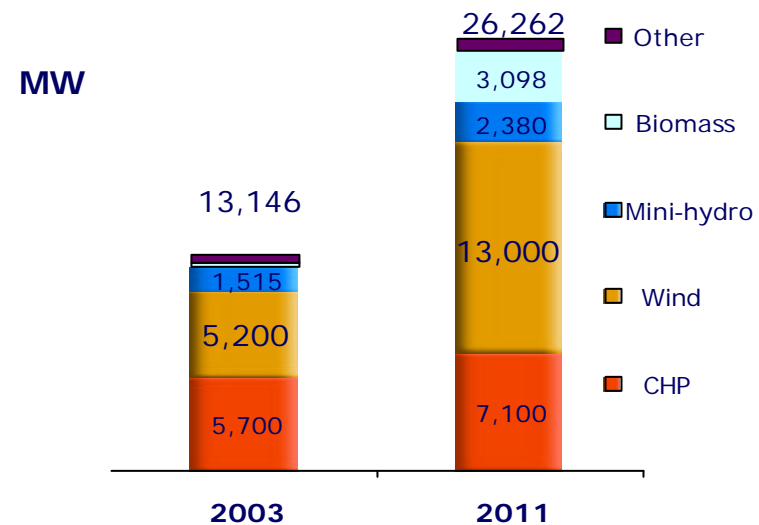
Directive on the development of electricity generated with renewables (2001)

Share of renewable energies in electricity output, including large-scale hydroelectric energy (%)



Spain: Electricity infrastructure plan (2002)

Installed capacity under Special Regime



Renewable energy regulations in Spain

Opportunities

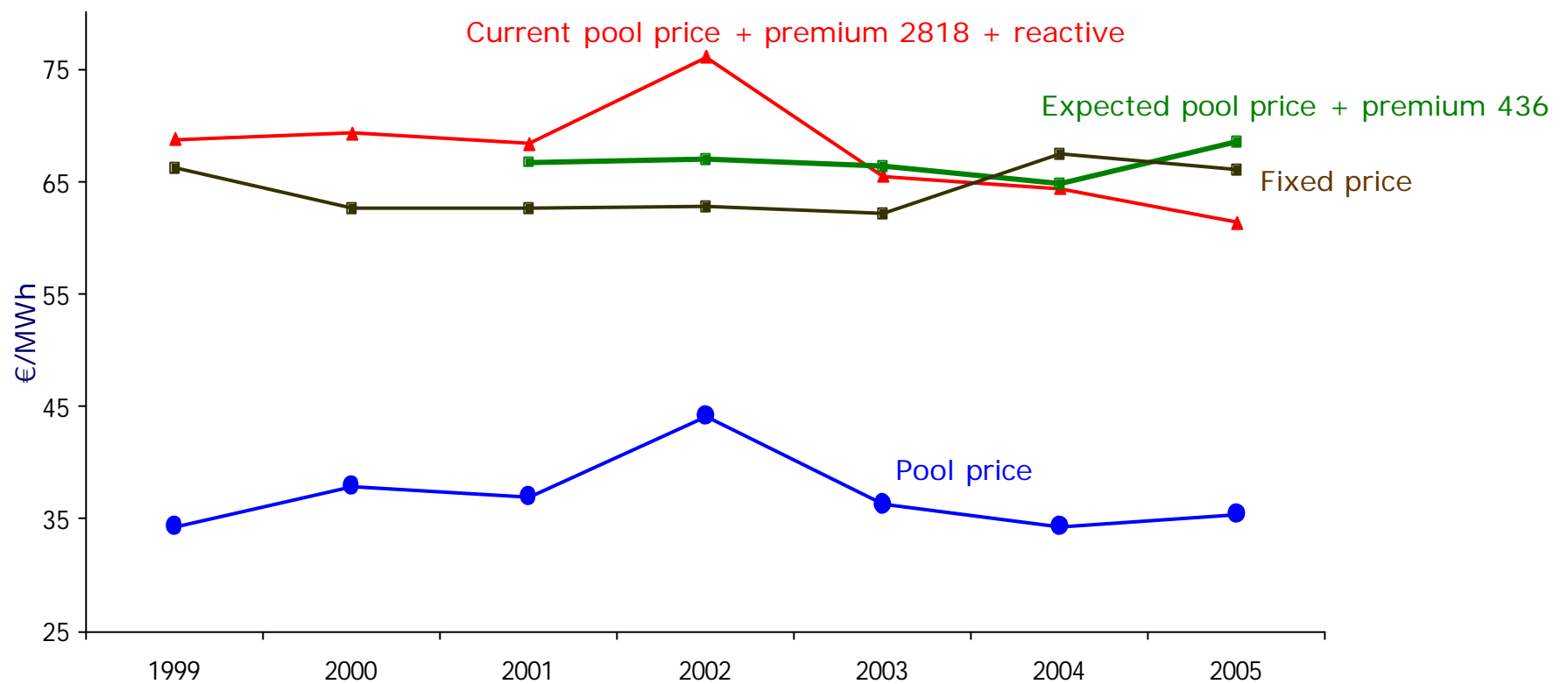
- Current legislation in Spain provides annually a fixed range of revenues but in the long run the system may be harmonised throughout the European Union
- Remuneration in Spain is attractive for wind and mini-hydro power but less so for co-generation and other renewable technologies
- The objectives of reducing emissions in the EU and Spain are an endorsement of renewable energies although without increasing their current profitability

Technology	Range of current fixed price (€/MWh)
Wind	67
Mini-hydro	38-70
Biomass	65-74
Waste	43-57
CHP	38-59

Favourable regulation provides high return for wind and mini-hydro

Opportunities

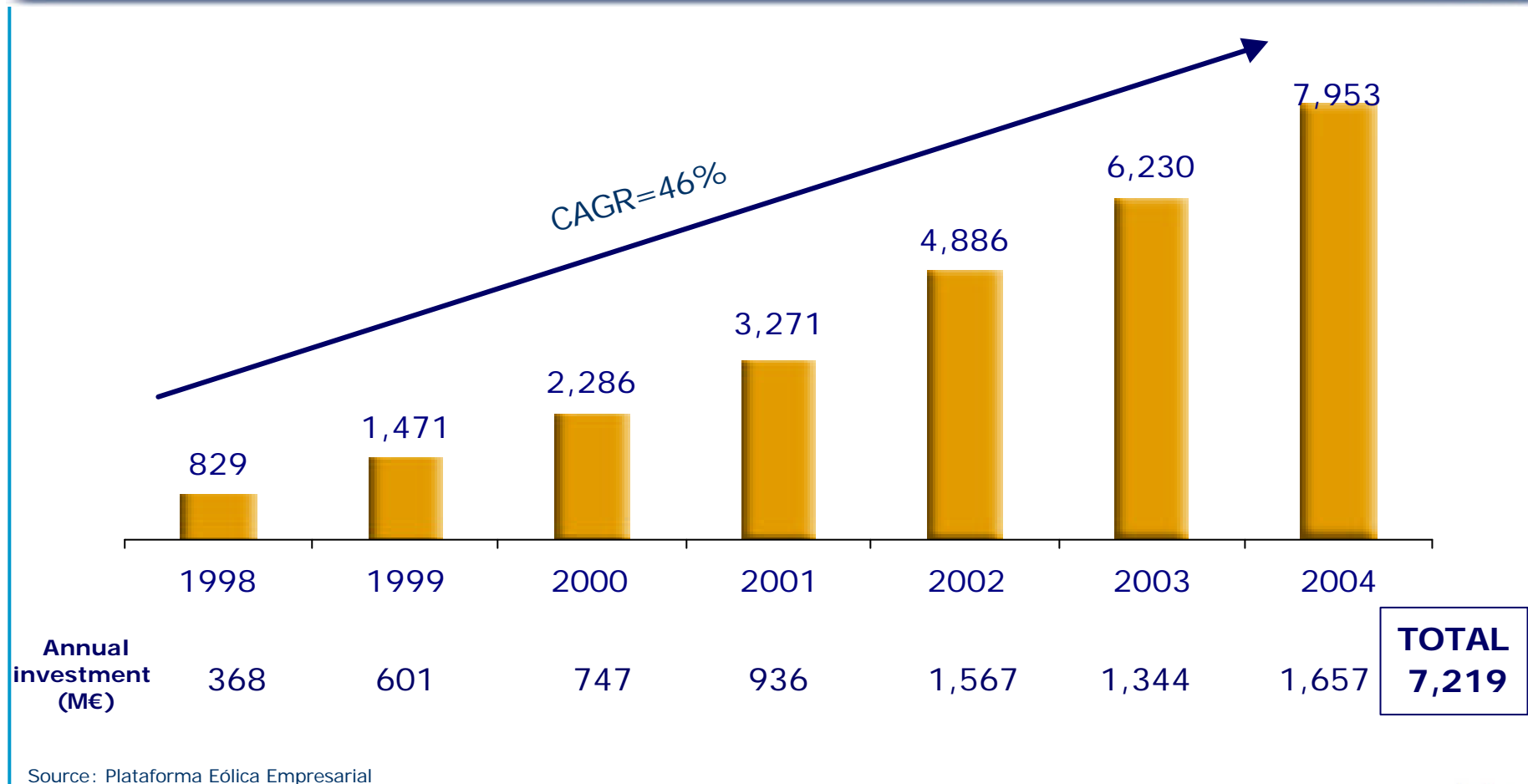
Historical trends in prices paid for wind power



Potential saturation owing to strong growth in wind power

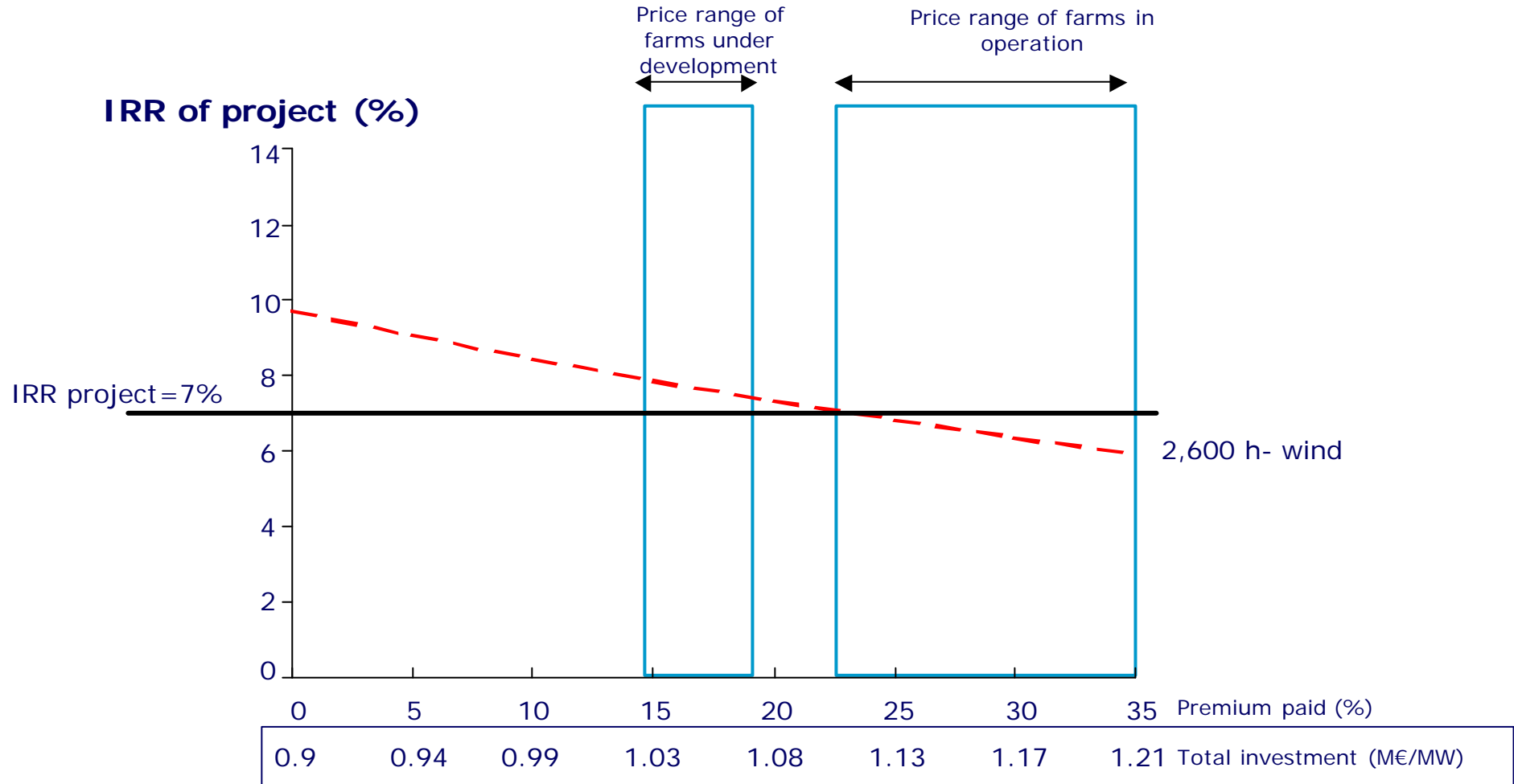
Potential risks

Installed wind capacity in Spain (MW)



Recent wind farms acquisitions have led to lower returns

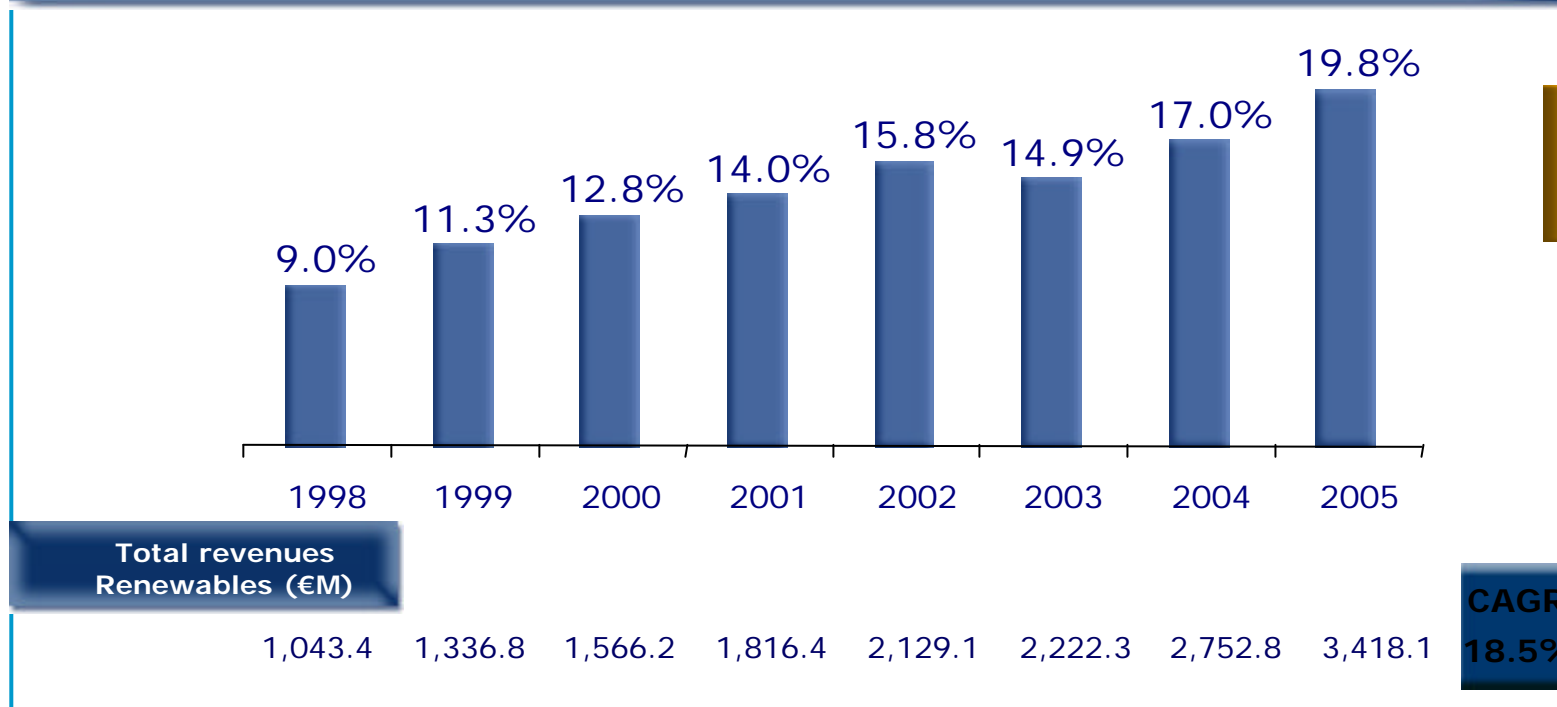
Potential risks



The weight of renewable energy in the electricity tariff has doubled in eight years

Potential risks

% of total electricity tariff Spain



Where is the limit?

The current trend is not sustainable because the present 2% tariff cap must be compatible with improving the remuneration for the islands and distribution and the recovery of CTCs

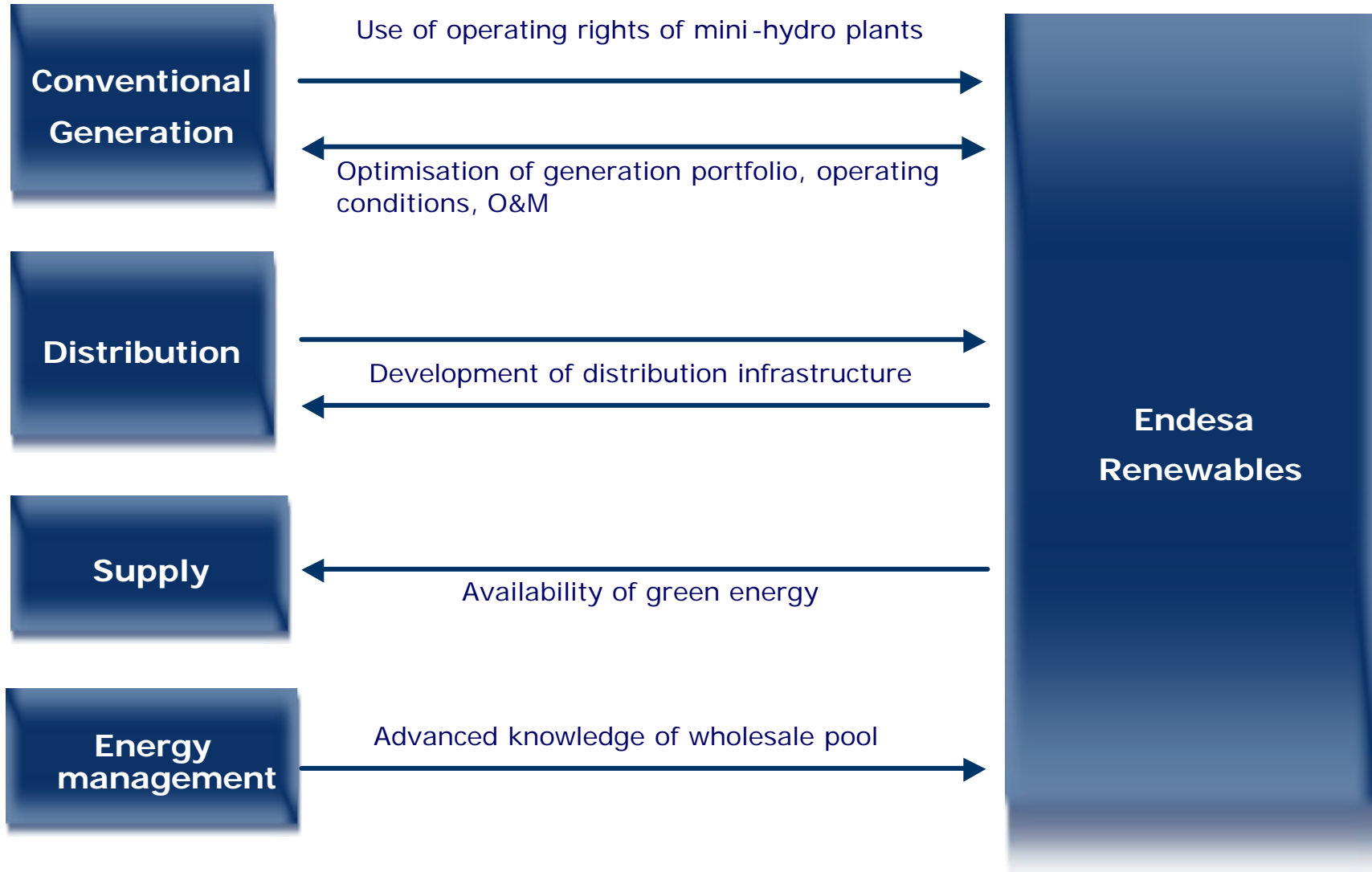
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Renewable energy is a key element of Endesa's strategy in the electricity business

Renewables are part of Endesa's core business +	An attractive business in itself +	Acts as hedge against decline in Ordinary Generation revenues												
<ul style="list-style-type: none"> • It is part of the industry's regulated revenues • It can provide future coverage in differentiated products (green energy) • It is a key element in national energy planning • Integrated in the organisational structure at the same level as other generation sources 	<ul style="list-style-type: none"> • High return • High growth <p>Total Generation costs (M€) (*)</p> <table border="1"> <caption>Total Generation costs (M€) (*)</caption> <thead> <tr> <th>Year</th> <th>Ord. Gen. (M€)</th> <th>Renew. (M€)</th> <th>Total (M€)</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>7,341</td> <td>2,222</td> <td>9,561</td> </tr> <tr> <td>2005</td> <td>8,065</td> <td>3,420</td> <td>11,485</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Investment can be leveraged via project finance (80-90%) 	Year	Ord. Gen. (M€)	Renew. (M€)	Total (M€)	2003	7,341	2,222	9,561	2005	8,065	3,420	11,485	<ul style="list-style-type: none"> • An increase in renewable production by a third party reduces revenues for the rest of the system
Year	Ord. Gen. (M€)	Renew. (M€)	Total (M€)											
2003	7,341	2,222	9,561											
2005	8,065	3,420	11,485											

Maximising synergies within Endesa



To increase installed capacity in Spain and Europe as much as possible

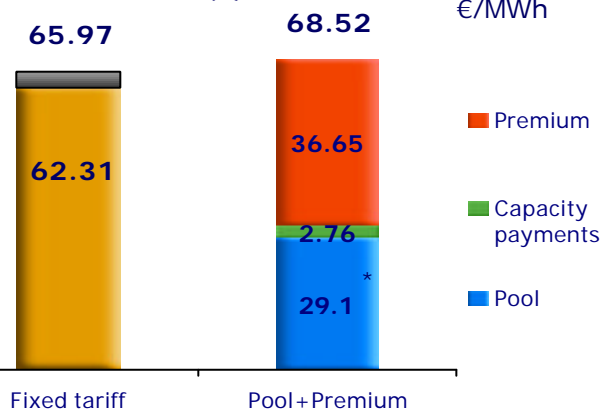
- Development of new sites, via 100% or majority Endesa stake
- Increasing share in operating companies
- Exploring opportunities for acquisition of already operational facilities
- Minimum leverage 80%



Adaptation of existing plants in Spain to the new regulations

- "Endesa Renewables" licensed sales agent in the pool
- Endesa already sells in the Pool the majority of its mini-hydro power energy and will market in the Pool its wind power in 2005
- CHP's output are already being sold to the Pool

2005 Tariff (e)

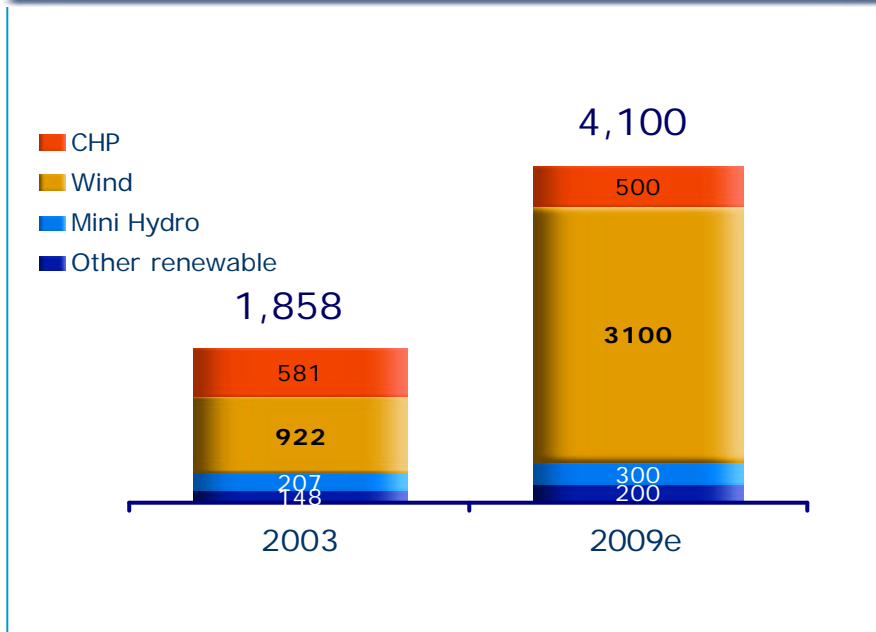


LatAm

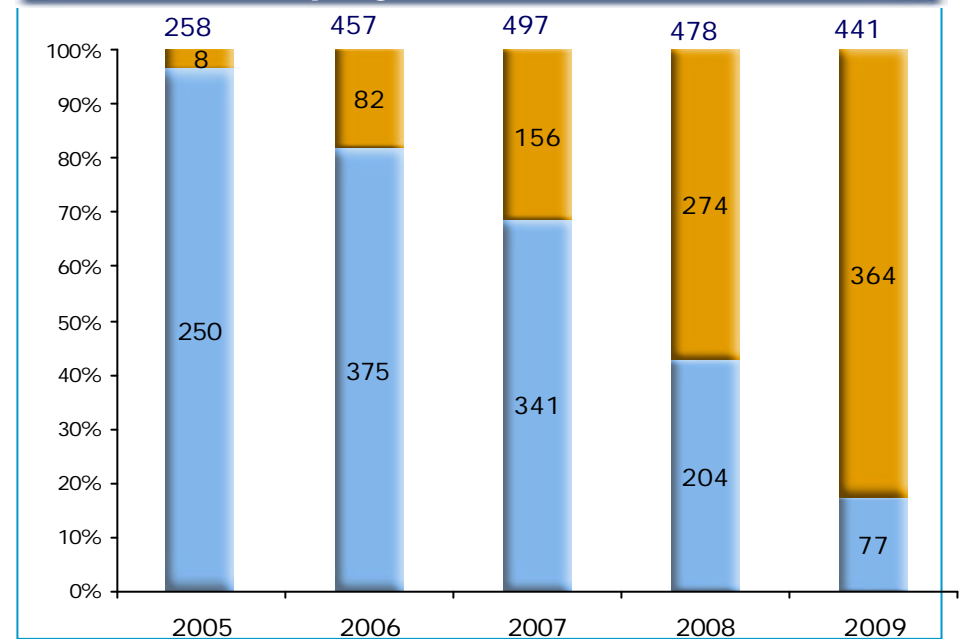
- Leveraging our experience and know-how to:
 - Develop our own initiatives
 - Purchase rights or plants depending on development of local regulation
 - CDM & JI projects depending on development of the ETS Directive
 - Operate only in countries where Endesa is already present

Expansion plan in renewables for Spain

Gross* Renewable/CHP Capacity (MW)



Maturity of the portfolio of new wind projects (net MW)



With advanced administrative maturity
 With low administrative maturity

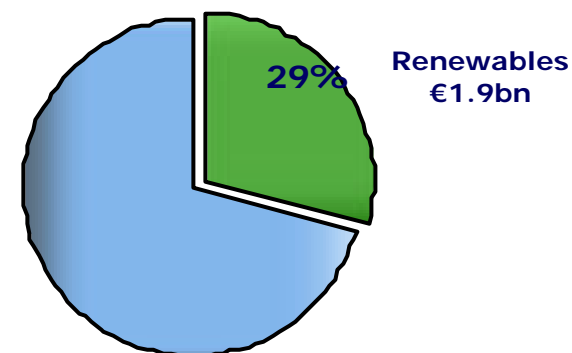
29% of Endesa's 5-year growth investment will be in renewables

€ bn	2004	2005	2005-09
Spain and Portugal	1.6	2.4	10.3
New capacity	0.5	1.0	4.6
Maintenance capex ⁽¹⁾	1.2	1.4	5.7
European Business	0.5	0.4	1.8
New capacity	0.4	0.3	1.4
Maintenance capex	0.1	0.1	0.4
Latam Business	0.4	0.5	2.5
New capacity	0.1	0.1	0.5
Maintenance capex	0.3	0.4	2.0
Telecoms	0.3	0.0	0
TOTAL	2.9	3.3	14.6

Includes 1.4 bn for additional 2,100 MW mainly wind

Includes € 0.5 bn for 400 MW additional mainly wind (350 MW in Italy and 55 MW France)

€6.5 bn Total Growth Investment

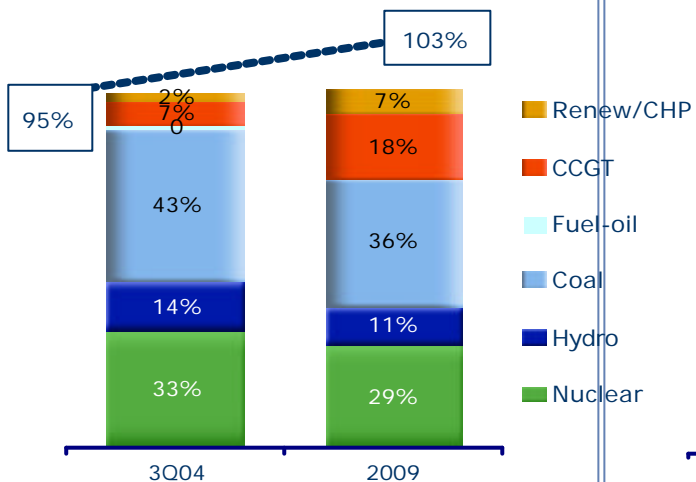


(1) Investments net of subsidies, surrender and contributions in distribution business

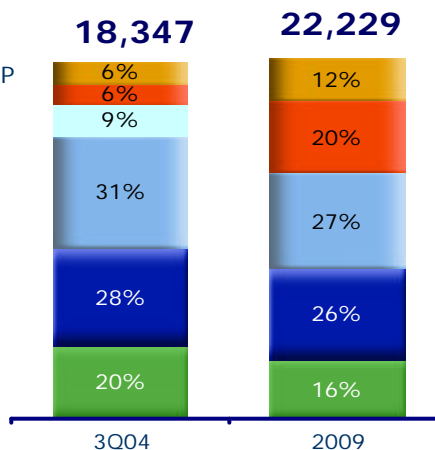
Renewable energy contributes to Endesa generation strategy

Evolution of mainland production mix

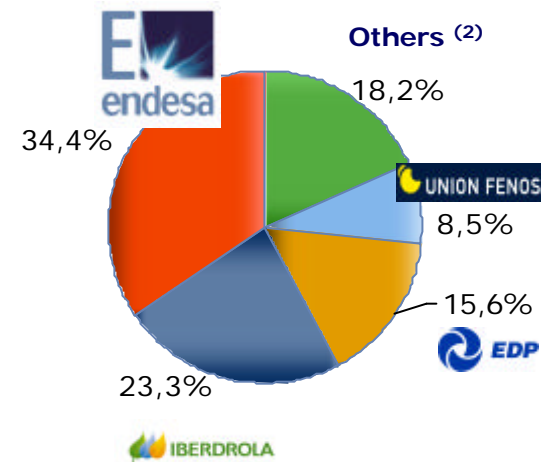
Energy sales as % of generation



Spain Mainland capacity mix (MW) ¹



Market Share in Mibel GWh 2003



Source: CNE, Annual reports

Maintain a vertical integration

Well-balanced generation portfolio

Leadership position in the Iberian market

(1) For renewables and CHP, only the proportional stake of Endesa is computed: 1,069 MW in 3Q2004 (100% is 3,770 MW), 2,357 MW in 2008 (100% is 3,770 MW)

(2) Gas Natural, Viesgo, and other agents



Portugal: a key market for the renewables expansion plan

Renewable market in Portugal fulfils Endesa's strategic requirements

- Moving towards the single Iberian energy market MIBEL
- Positive synergies with core business:
 - Energy supply segmentation (green energy)
 - Included in national energy planning



So far, better returns in wind compared to Spain, but convergence in the long term is expected

- Wind remuneration is adjusted to wind hours



Current position and outlook

- Endesa has already 100 MW in Portugal through TP (50% JV with Sonae)
- Endesa is already developing through a JV with Finerge and Siif (EDF) 60 MW wind capacity
- Current national energy plan considers 800 MW of new wind capacity

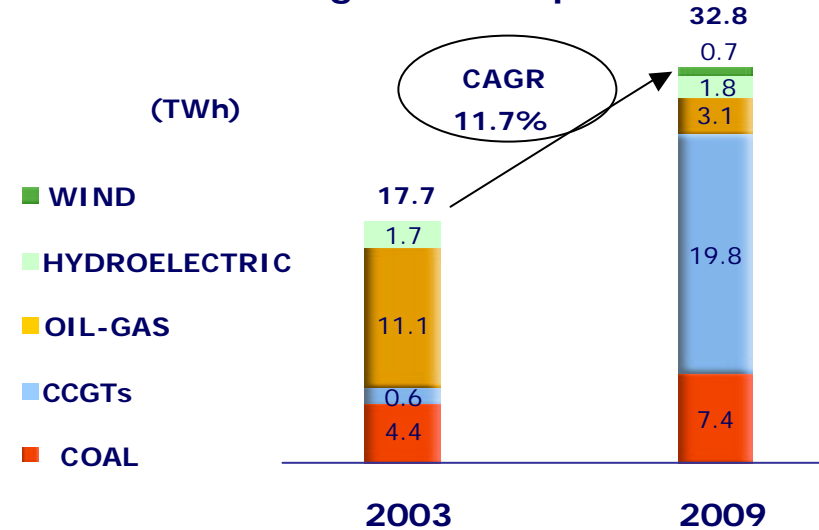


Italy: renewable as an investment opportunity with synergies in the current generation portfolio

Endesa Italia

- Acquired in Sept 2001
- 85% ownership. Partnership with ASM Brescia
- 5,860 MW (7.2% share of the Italian power market)

Endesa Italia generation plan 2003-09



- Endesa Italia plans to cover 85-90% of green certificates (GC) needs by 2009 with own renewable generation
- Total investment €0.4 Bn for 350 MW of wind capacity
- Gamesa agreement to provide 200 MW
- Current remuneration = pool + GC (€ 84 /MWh)

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Conclusions

- Maintenance of a balanced mix, vertical integration and leadership, while complying with environmental requirements

- Strong commitment to renewable energies in Spain and Portugal. Selective focus in France and Italy

- Opportunity to benefit from synergies within other Endesa's electricity businesses in a favourable regulatory scenario

- Strict compliance with profitability requirements

Balanced growth of generation portfolio with limited risk

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