ENDESA's strategy in deregulated markets

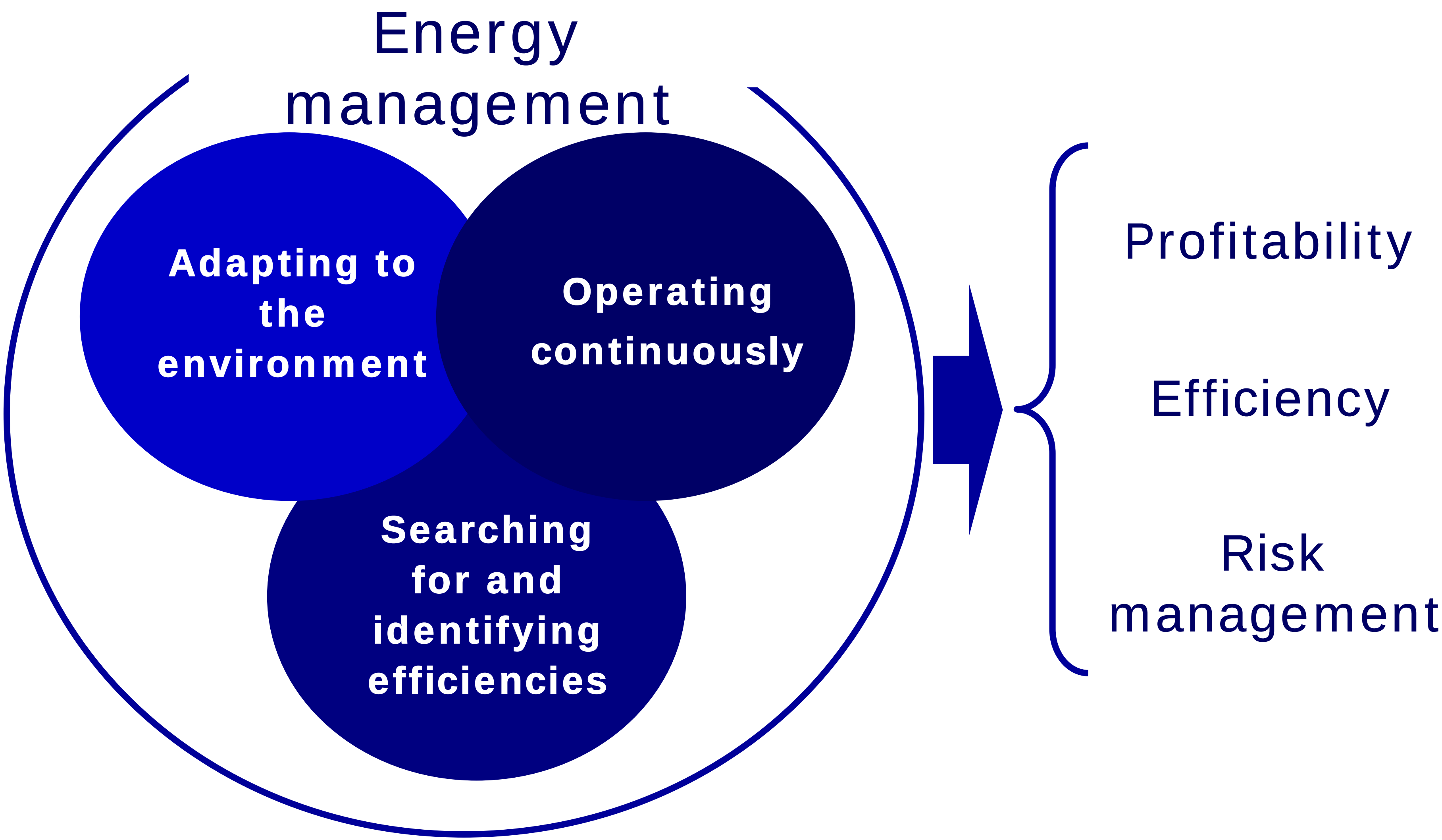
New outlook

Dow Jones Sustainability Indexes
Member 2006/07

Valencia, 25 June 2007

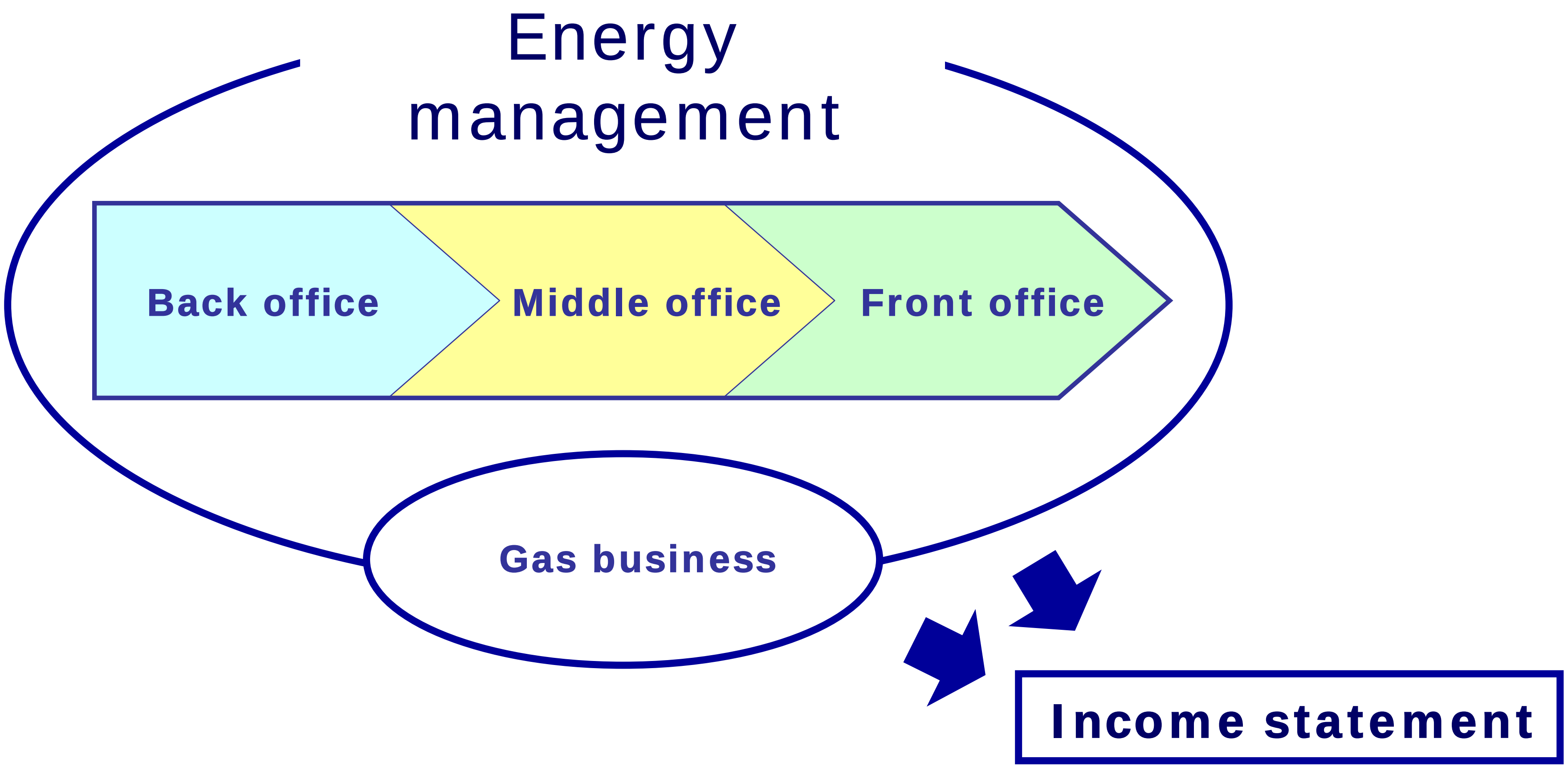
Contents

Energy management



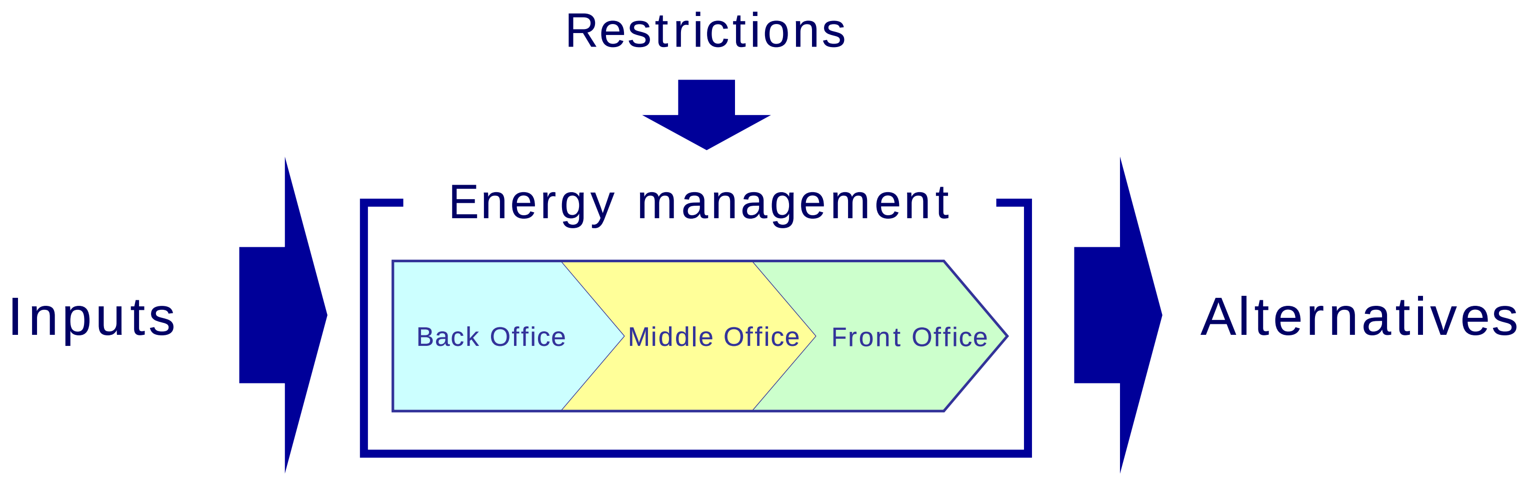
Alignment of all functions with value creation

New integrated organisation



Integration allows for management of the entire portfolio

ENDESA enjoys arbitraging opportunities...



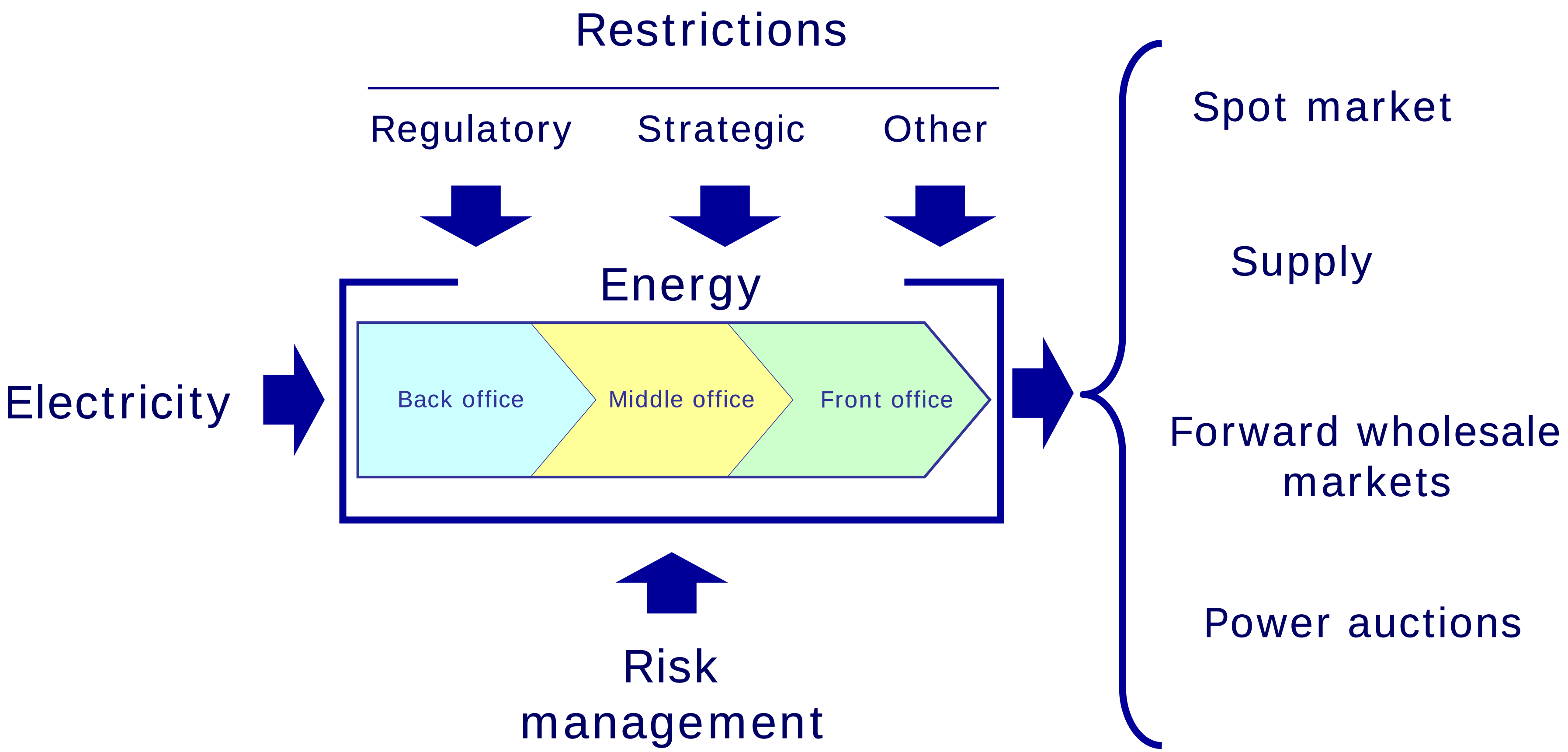
...maximising margins and managing risk

Contents

Steps in managing the portfolio

1. Analysis of the portfolio and markets
2. Definition of the management strategy
3. Actions

There are different alternatives for selling electricity

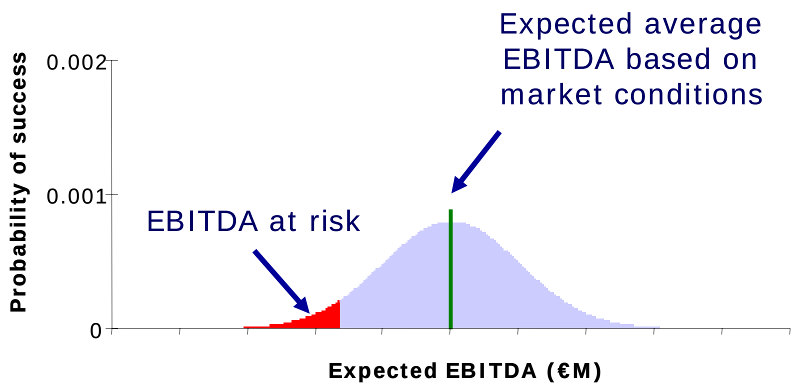


Finding the optimal EBITDA. Equilibrium EBITDA - Risk balance

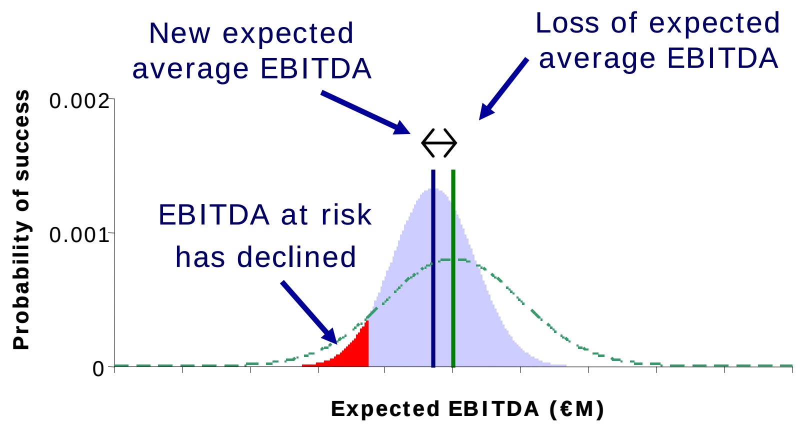
Portfolio strategy

Target: Achieve the maximum EBITDA with a specific EaR

- Expected market price (ENDESA's view)
- The price gives the maximum expected EBITDA for the portfolio
- It also gives the EBITDA at risk (i.e. difference between expected EBITDA and the 5th percentile of expected EBITDA)
- The optimal EBITDA is calculated based on the desired risk level



Maximum EBITDA based on price



Optimal EBITDA based on price and risk

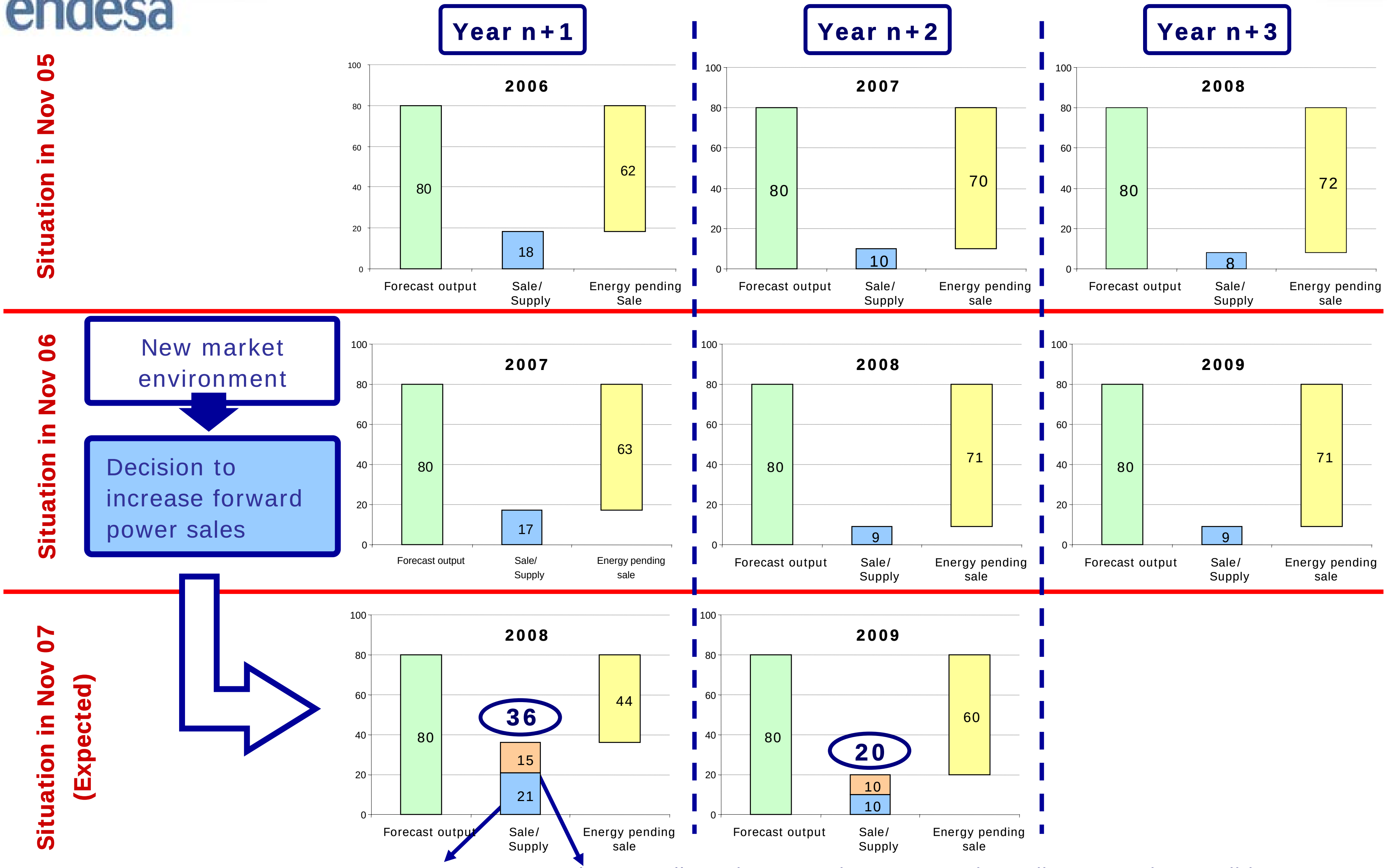
The EaR is reduced by paying a reasonable premium

Actions based on EBITDA - Risk

EXPECTED EBITDA

EBITDA at RISK	Low . . . . . High	
High	Increase EBITDA and reduce risk	Ensure EBITDA by reducing risk
Low	Increase EBITDA	Maintain expectations of EBITDA and risk

Implementing the strategy



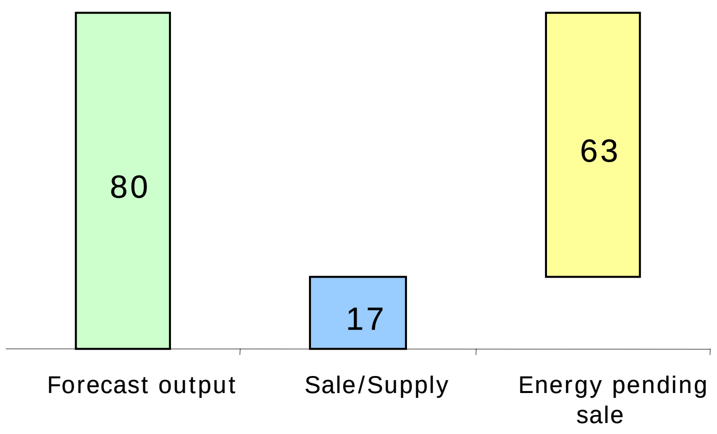
21 TWh of forward sales in June 07

Plans to sell another 15 TWh to Nov 07, depending on market conditions

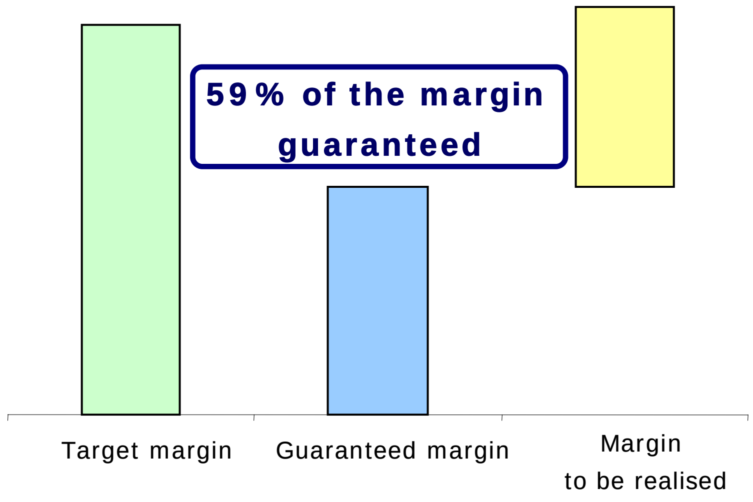
Managing Margin - Risk (I)

Contracted sales and guaranteed margins for Electricity Management for 2007 in Spain and Portugal as of November 2006

Sales (TWh)



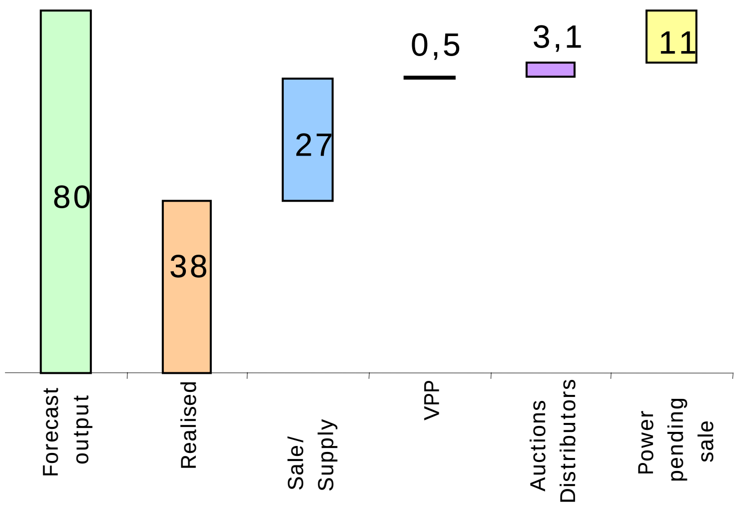
Margin (€M)



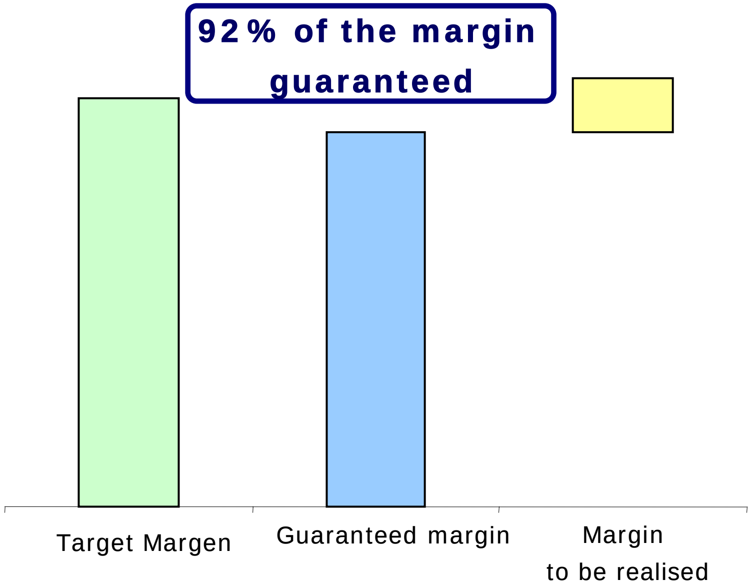
Managing Margin - Risk (II)

Contracted sales and guaranteed margins for Electricity Management for 2007 in Spain and Portugal forecasts by the end of June 2007

Sales (TWh)



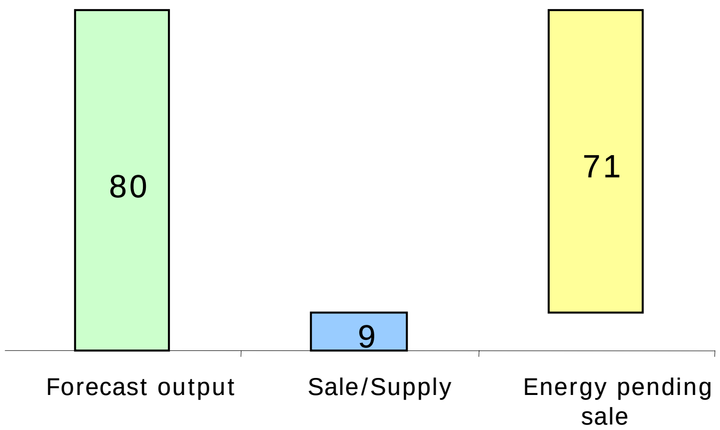
Margin (€M)



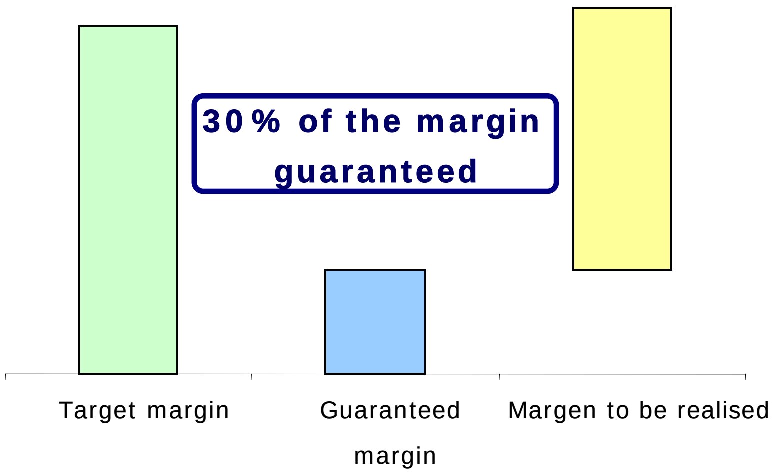
Managing Margin - Risk (III)

Contracted sales and guaranteed margins for Electricity Management for 2008 in Spain and Portugal as of November 2006

Sales (TWh)



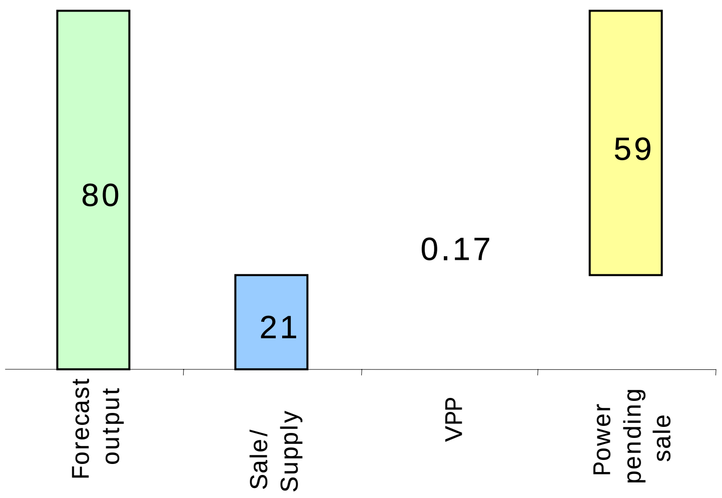
Margin (€M)



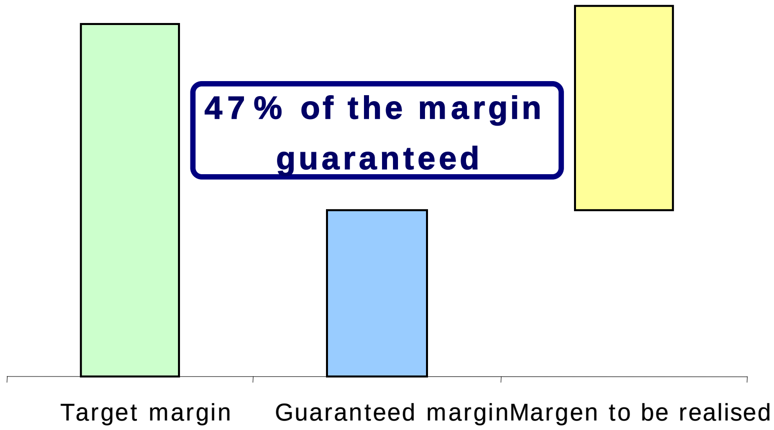
Managing Margin - Risk (IV)

Contracted sales and guaranteed margins for Electricity Management for 2008 in Spain and Portugal forecast by the end June 2007

Sales (TWh)



Margin (€M)



Impact on EBITDA - Risk in 2007

From January to June 2007, the Electricity Business in Spain and Portugal made forward power sales of 21 TWh

The average forward sale price in 1H07 was €51.3/MWh

This strategy has:

- Increased EBITDA by €267M through forward power sales
- Reduced EBITDA at risk

Increase in EBITDA

Decrease in risk

VPPs (Virtual Power Plan Auctions)

The resolution of 19 April 2007 of the Ministry of Industry, Tourism and Commerce regulates auctions of primary energy emissions

VPPs

- VPPs are allocated through call options on power up to a certain capacity, which can be exercised throughout a delivery period or at a set strike period.

Suppliers

ENDESA and Iberdrola each will offer 50% of the power auctioned

Auction

Organiser IBM

Administrator Deloitte

Supervisor CNE

Settlement

MEFF

Buyers

At first auction:

- Atel Energía S.A.
- Centrica
- EDF Trading
- Electrabel
- EGL España
- Enel Viesgo Generación
- ONE
- Sempra Trading Europe
- Statkraft Markets GmbH
- Total Gas
- J. Aron (Goldman Sachs)
- Nexus
- Factor Energía
- Gas Natural SDG
- Sampol

VPP capacity and products auctioned

Auction	Delivery period	Capacity auctioned	Start of delivery period
Auction no. 1	Quarter	150 MW	1 July 2007 30% Peak – 70% Base
	Half-year	150 MW	
	Year	100 MW	
Auction no. 2	Quarter	200 MW	1 October 2007
	Half-year	175 MW	
	Year	175 MW	
Auction no. 3	Quarter	400 MW	1 January 2008
	Half-year	350 MW	
	Year	400 MW	
Auction no. 4	Quarter	300 MW	1 April 2008
	Half-year	275 MW	
	Year	400 MW	
Auction no. 5	Quarter	150 MW	1 July 2008
	Half-year	200 MW	
	Year	400 MW	

Result of first VPP auction

94% of capacity auctioned was awarded at prices near market levels

BASE
Close in
7th round

BASE output		Quarterly	Half-yearly	Annual
Hours of operation	hours	2,208	4,417	8,784
Strike price	€/MWh	17	17	17
Premium	€/MW - month	20,000	20,115	21,883
Capacity awarded	MW	274	6	66
Power auctioned	GWh	605.0	26.5	579.7
Equivalent price	€/MWh	44.2	44.3	46,.9

PEAK
Close in
2nd round

PEAK output		Quarterly	Half-yearly	Annual
Hours of operation	hours	1,024	2,016	4,048
Strike price	€/MWh	52	52	52
2nd round - End of auction	€/MW - month	2,310	2,087	2,867
Capacity awarded	MW	2.0	42.0	40.0
Power auctioned	GWh	2.0	84.7	161.9
Equivalent price	€/MWh	58.8	58.2	60.5

If options on 100% of the hours are exercised, ENDESA would have placed 730 GWh in the first VPP auction at an weighted price of 47.9€/MWh

Distribution auctions

The Ministry of Industry, Tourism and Commerce Order of 26 February 2006 regulates auctions for the supply of power by distributors

Objectives of the Government

- To regulate bilateral contracts by distributors for supply at the tariff in the mainland market
- To provide an automatic tariff setting mechanism for providers of last resort through auctions
- To foster competition in the market
- To enhance price formation
- To make it easier to design regulated tariffs

Tentative auctions

- First: 19 June 2007. Delivery period: 3Q 2007
- Second: before 19 September 2007. Delivery period: 4Q 2007
- Third: before 19 December 2007. A half-yearly delivery period could be introduced

Suppliers

- Electricity producers (ord. & special regime)
- Suppliers
- External agents
- Consumers operating directly in the market and their representatives

Agents are not know beforehand, though there are 25 qualified agents for the 1st auction

Auction

Organiser	NERA
Supervisor	CNE

Buyers

Distributors for the 1st auction:

- 35% ENDESA
- 35% Iberdrola
- 12% EDP
- 11% Unión Fenosa
- 4% Hidrocantábrico
- 3% Viesgo

According to Ministry of Industry, Tourism and Commerce resolution of 19 April 2007

Capacity and products sold at distribution auctions

BASE and MODULATED loads will be auctioned, with delivery up to one year established through physical bilateral contracts between the seller and each distributor

Product: BASE Load

- The seller agrees to supply constant capacity throughout the hours of the delivery period

Product: MODULATED Load

- The seller agrees to supply variable capacity throughout the hours of the delivery period
- The Secretariat of Energy designs the variable scheme for this capacity for each auction

The capacity and delivery period of each product for each auction is set by the Secretariat of Energy

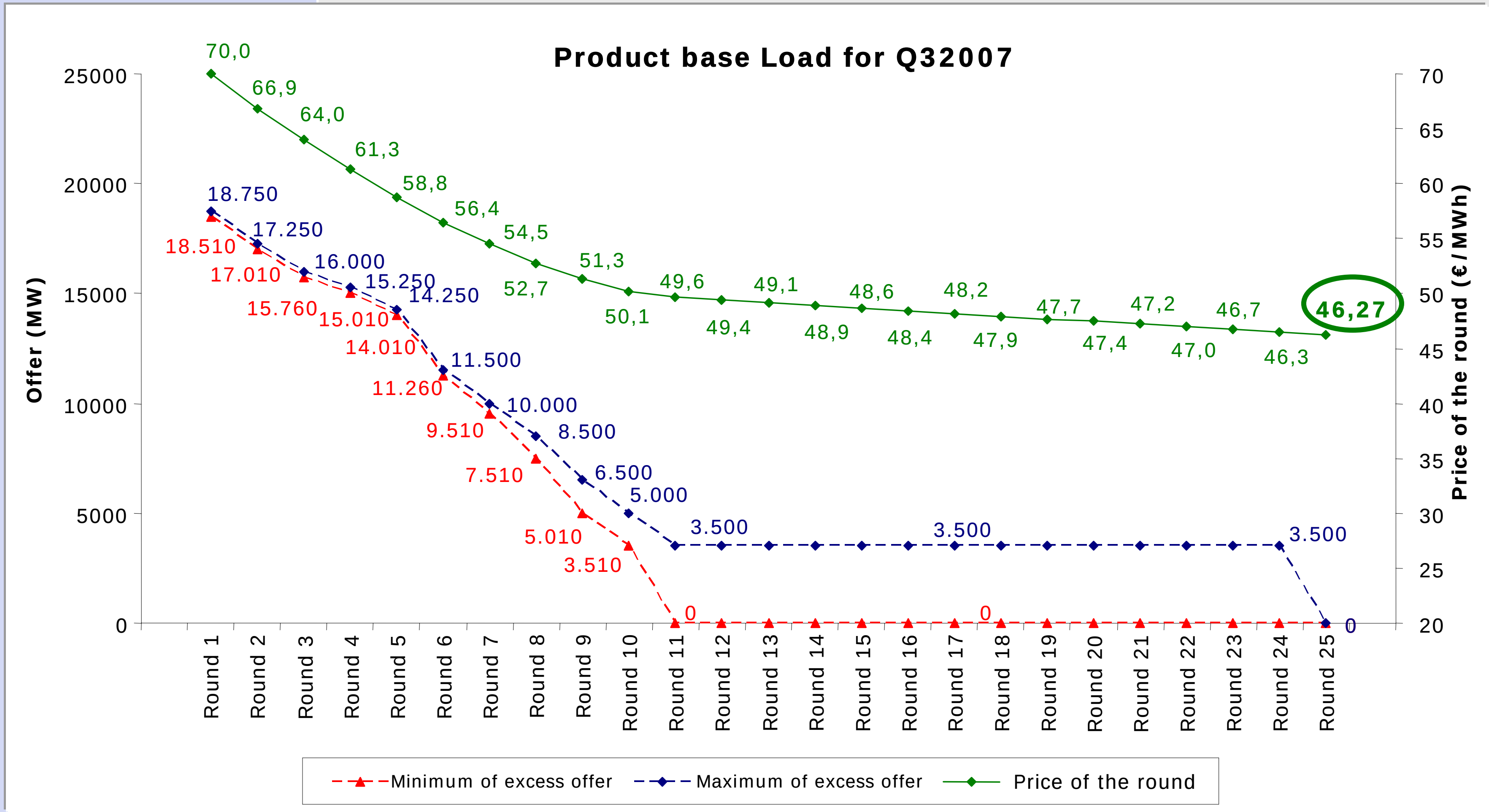
First Auction

- The resolution of the Ministry of Industry, Tourism and Commerce of 19 April 2007 sets the following capacities for 3Q07 for the 1st auction:
  - Base load. Capacity between 9,000 MW and 3,500 MW
  - Modulated load. Not sold at the first auction

Result of first Distribution Auction

The first Distribution Auction, held on June 19 2007, was closed in the 25th round, at a price of 46.27 € / MWh

Evolution of the first Distribution Auction



Result of first Distribution Auction for the Q32007

Results

- 6,500 MW of total auctioned and matched capacity, equivalent to 14.35 TWh.
- Price 46.27 €/MWh
- Endesa's sold capacity:1,420 MW (22% of market share), with an equivalent energy of 3.14 TWh.
- Associated revenues to the auction: 145 M€

Comparable references

- The prices comparable with the result of the auction are those as of June 18 2007, the day before the aution
- OTC 3Q2007: 44.12 €/MWh
- OMIP 3Q2007: 43.79 €/MWh
- France 3Q2007: 35.00 €/MWh
- Germany 3Q2007: 42.20 €/MWh

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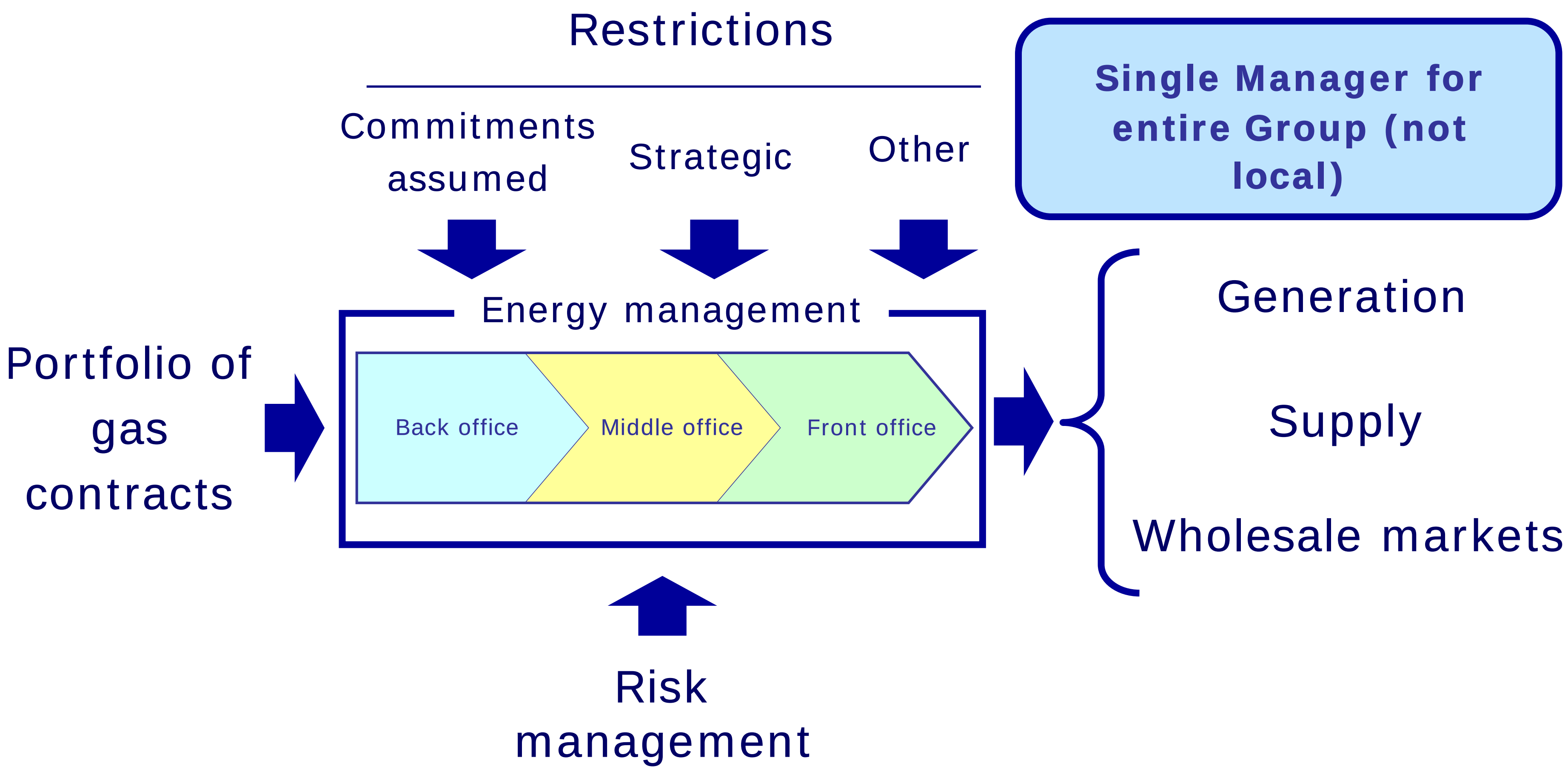
The gas market and functions of Energy Management

Negotiate, unlock value and manage the LP contracts



MAXIMUM (EBITDA, RISK) = Optimal

Adapting the organisation to the environment

Energy management

Procurement of raw materials

Gas

Energy management

Gas business

Trading and business development

Logistics and wholesale markets

ENDESA's strategy and positioning in gas

Strategy

The development of gas **supply** and timely action in the **wholesale markets** enable us to manage our **gas** portfolio **profitably and securely**

Valuation of the portfolio

Cornerstones of the Strategy

	Supply	**Generation**	**Wholesale markets**
Flexibility	Medium / High	Very high	Medium / High
Price	Highly competitive	Highly competitive	Competitive
Volume	High	Appropriate	Moderate

Impact on Results

- Sharp growth in EBITDA for the gas business
- Margins from the management of international markets

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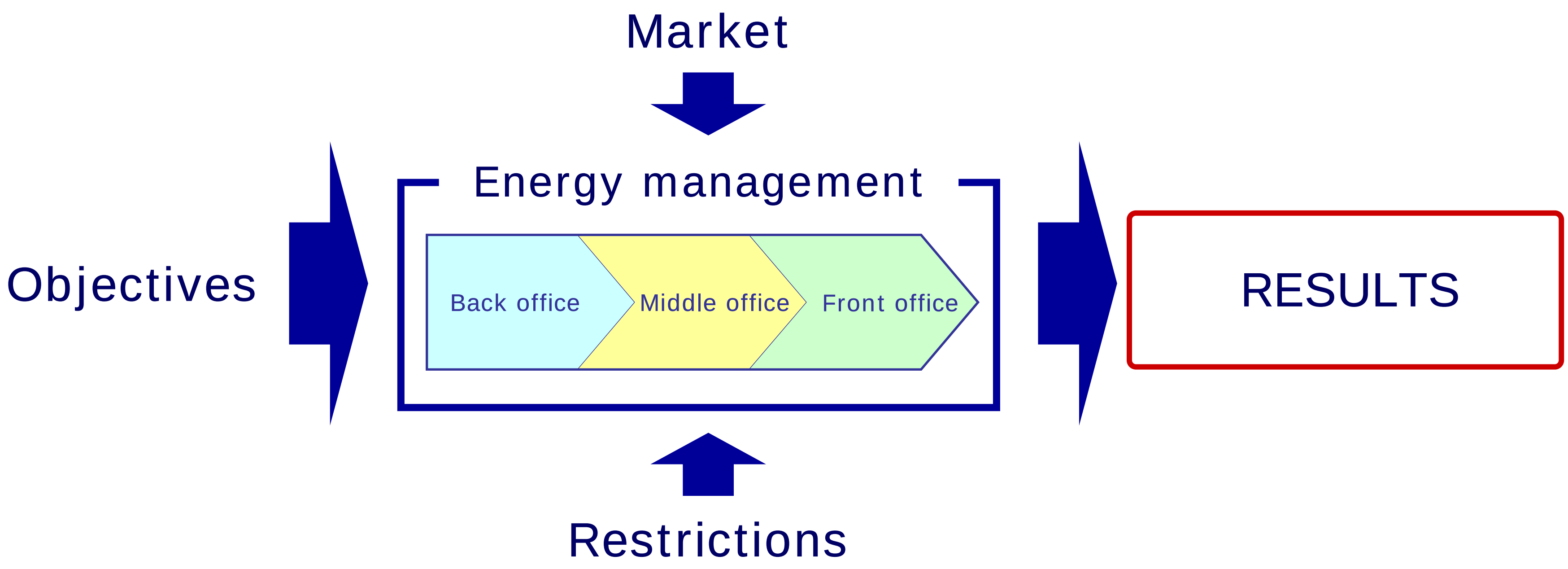
Conclusion



Significant progress in deregulation, which ENDESA faces with highly competitive assets and a strategy that should enable the company to achieve its guidance for 2009

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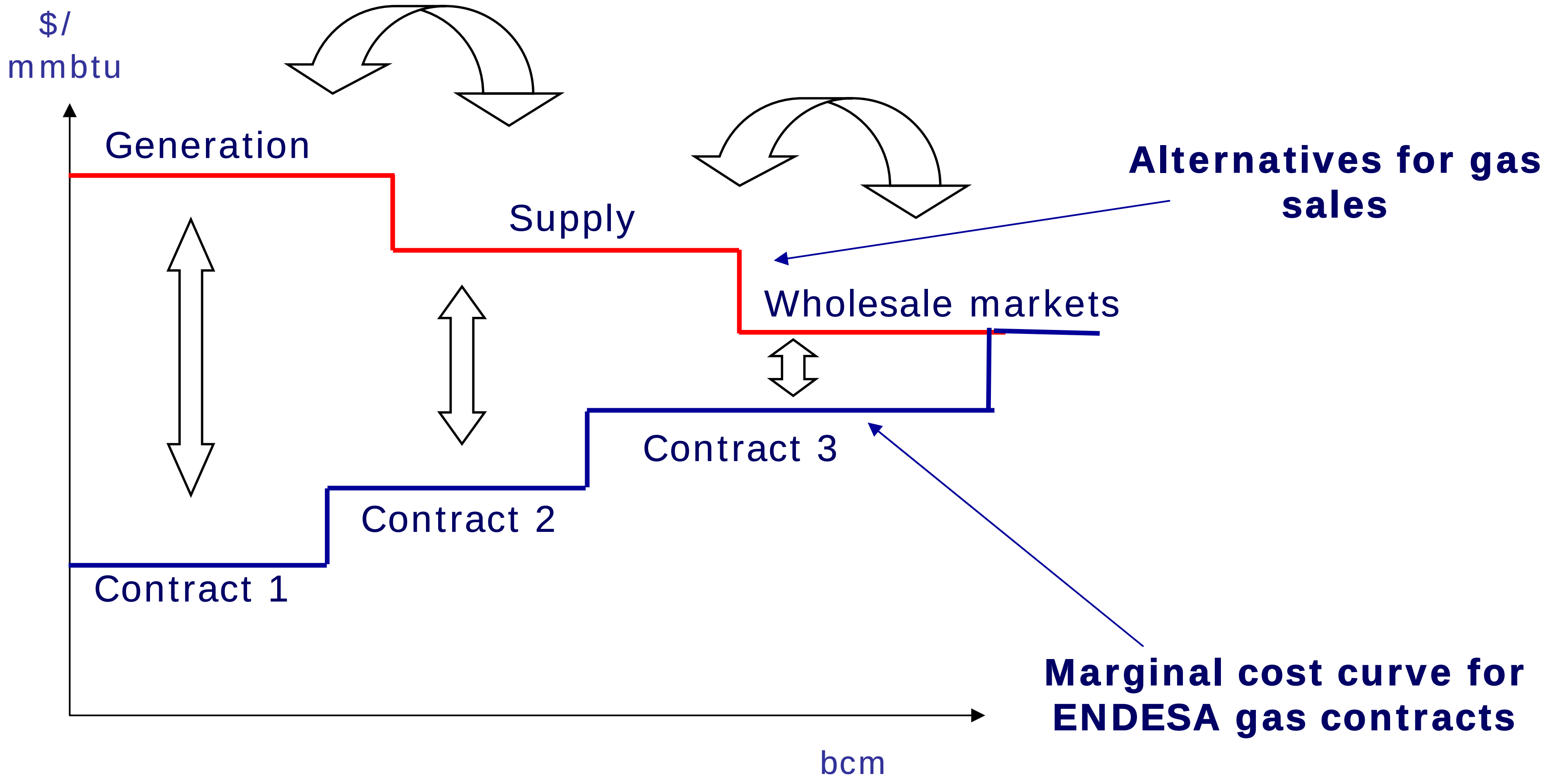
Backup

Value of gas contracts



Legal Information

This document was made available to shareholders of Endesa, S.A.. In relation with the announced joint offer by ENEL SpA and Acciona, S.A., Endesa shareholders are urged to read the report of Endesa's board of directors when it is filed by the Company with the Comisión Nacional del Mercado de Valores (the "CNMV"), as well as Endesa's Solicitation/Recommendation Statement on Schedule 14D-9 when it is filed by the Company with the U.S. Securities and Exchange Commission (the "SEC"), as it will contain important information. Such documents and other public filings made from time to time by Endesa with the CNMV or the SEC are available without charge from the Endesa's website at www.endesa.es, from the the CNMV's website at www.cnmv.es and from the SEC's website at www.sec.gov and at Endesa's principal executive offices in Madrid, Spain.

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 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 increases in wind and CCGTs generation and market share; expected increases in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures and other investments; estimated asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. For example, the investment plan for 2007-2009 included in this presentation are forward-looking statements and are based on certain assumptions which may or may not prove correct. The main assumptions on which these expectations and targets are based are related to the regulatory setting, exchange rates, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, assigning 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 we avail ourselves 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 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 activity; potential liabilities relating to our nuclear facilities.

Transaction or commercial factors: any delays in or failure to obtain 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 management's focus and resources 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 the pertinent permits and rezoning orders in relation to real estate assets. Delays in or impossibility of obtaining regulatory authorisation, including that 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 labour; 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.

Political/governmental 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 the price fluctuations of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalisation 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 ENDESA Share Registration Statement 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.

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