



# **Consolidated Results Nine Months 2001**

**November 7th, 2001**

- **Consolidated pro-forma EBIT up 2% (5% ex- Transelec in 2000) to Euro 2.5 bn. 6.1% increase in net income.**
- **Interim dividend against 2001 earnings up by 10% to Euro 26.4 cent per share.**
- **Spanish electricity business:**
  - **Pro-forma EBIT +2%**
  - **Positively affected by generation + supply. Distribution flat because of tariff evolution.**
  - **Successfully changing trend in domestic controllable costs.**
- **Latin American electricity business:**
  - **EBIT: +6% (+13,5% ex-Transelec in 2000). 3Q EBIT: +23.1%**
  - **Good performance in generation compensates lower distribution income in Brazil.**
  - **Cost control: workforce reduction of 6.8% against Sept. 2000**
- **Telecom:**
  - **Two-digit growth in customer portfolio.**
  - **Euro 26 M positive EBITDA in AUNA in 9 months 2001.**



## Financial Highlights for 9 Months 2001

	<i>Euro million</i>		
<b>CONSOLIDATED RESULTS</b>	<b>Sept 2001</b>	<b>Pro-forma Sept 2000</b>	<b>Change (%)</b>
Revenues	11,671	11,238	+3.85%
EBITDA	3,790	3,740	+1.3%
EBIT	2,449	2,396	+2.2%
EBITDA ex Transelec	3,790	3,652	3.8%
EBIT ex Transelec	2,449	2,332	5.0%

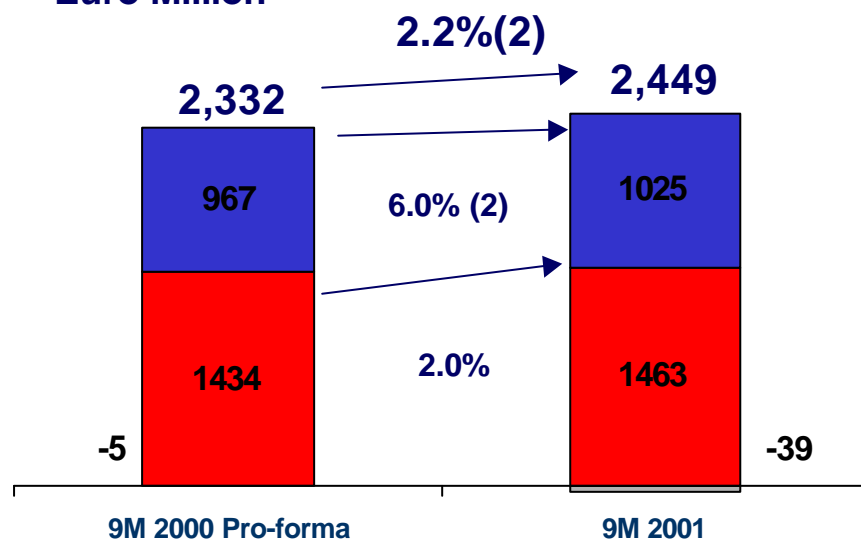
  

<b>BREAKDOWN BY LINE OF BUSINESS</b>	<b>DOMESTIC ELECTR.</b>	<b>INTERNAT. ELECTR.</b>	<b>TELECOM &amp; OTHERS</b>	<b>% INTERNAT. ELECTR.</b>
Revenues	7,473	3,902	296	33.4%
EBIT	1,463	1,025	-39	41.9%
Ordinary Income	1,015	318	-262	29.7%

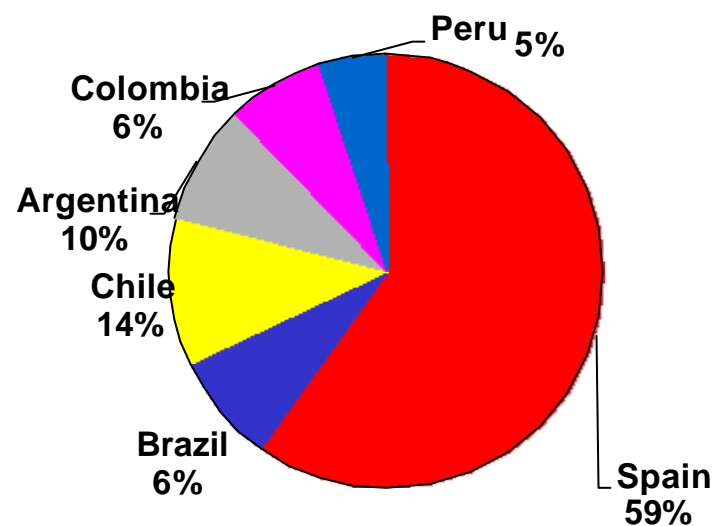
- Growth at operating level despite negative environment in Spain and Latin America.
- Well-balanced country risk.
- Domestic EBIT represents 79% of total EBIT on proportional consolidation

**BREAKDOWN OF EBIT BY DIVISION (1)**

Euro Million



**BREAKDOWN OF EBIT BY COUNTRY (%)**



■ International Electricity Business  
■ Domestic Electricity Business  
■ Telecoms and others

(1) 9M 2000 taking into account the CTCs accounting changes

(2) Excluding Transelec in 2000 Internacional EBIT + 13.5% and consolidated EBIT +5.0%

## Spain's Electricity Industry 9 Months 2001

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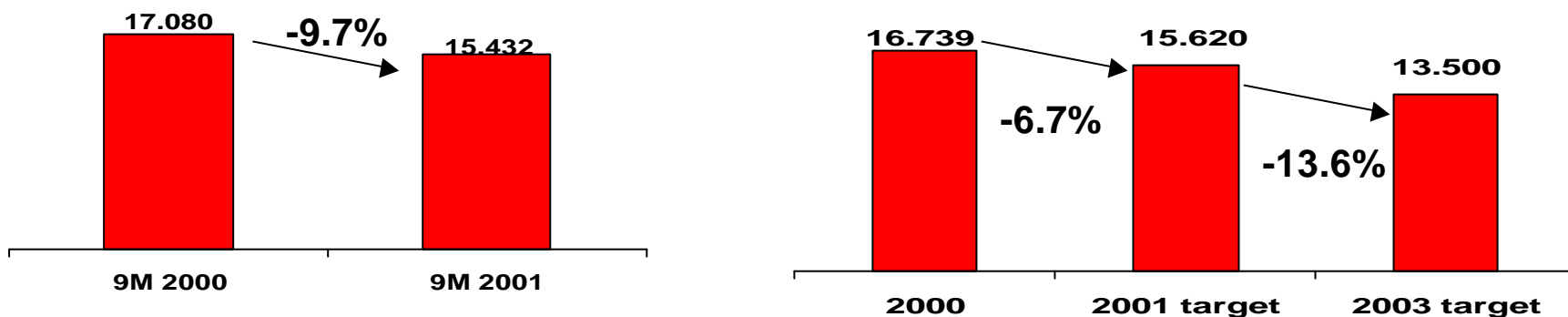
- **Total increase in demand: 5.5% against the same period 2000**
- **4% reduction in residential tariff leading to overall 1.5% average electricity prices reduction.**
- **Energy sold by self generators increased by 20.1% and represents 15.2% of the total demand for the mainland**
- **Production of electricity from the large utilities increased by 4%**
- **Cumulative hydro production for the 9 months was 26% of the net production in the mainland against 15% in 2000**



# Domestic Electricity Controllable Costs Reduction: A Turn-around

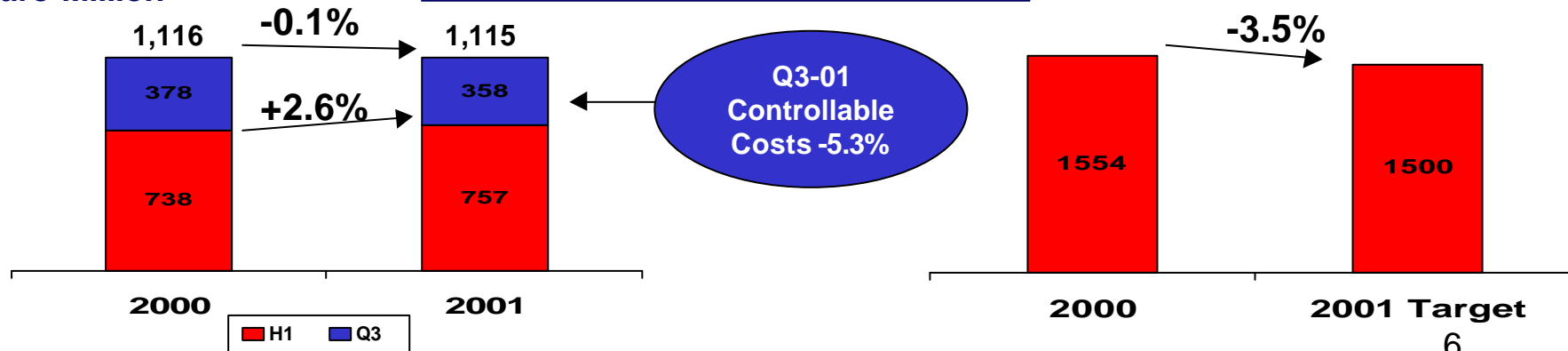
- Headcount reduced by 9.7% to 15,432 in September, surpassing target for full year.
- Reduction in Q3: 5.3%
- Controllable cost decreased by 0.1%. Target for end 2001: Euro 1,500 M

## WORKFORCE EVOLUTION



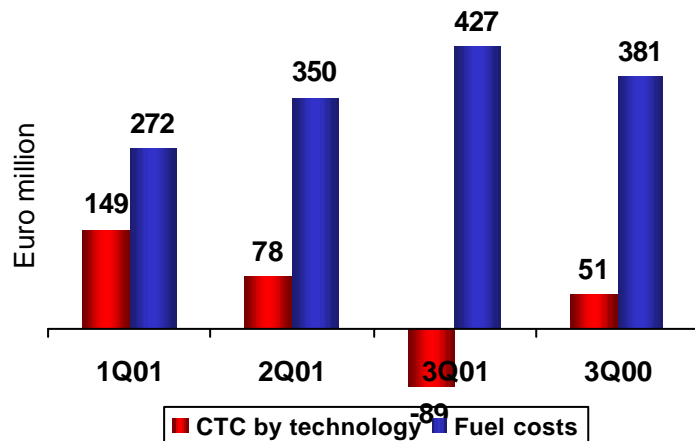
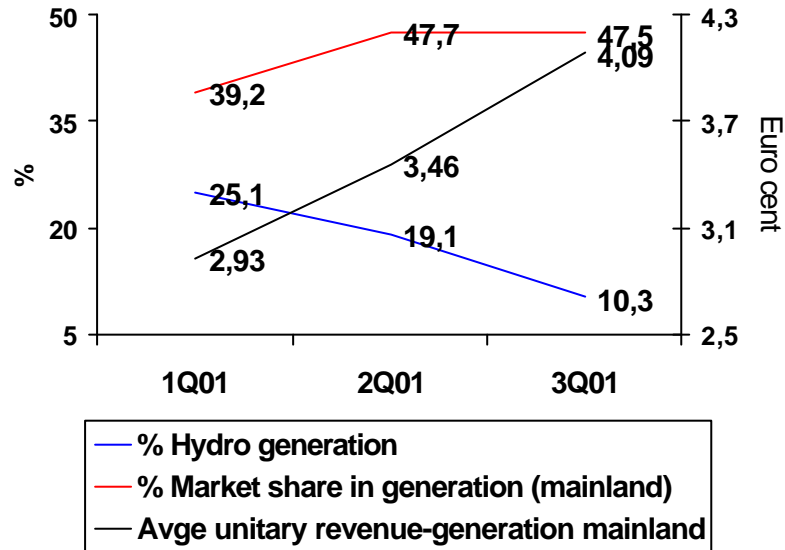
## CONTROLLABLE COST EVOLUTION

Euro Million



# Mainland Generation Business Gross Margin

## MAINLAND GENERATION BUSINESS EVOLUTION



- Hydro output gradually moving back to historical average. Endesa's market share in the pool also coming back to normal levels

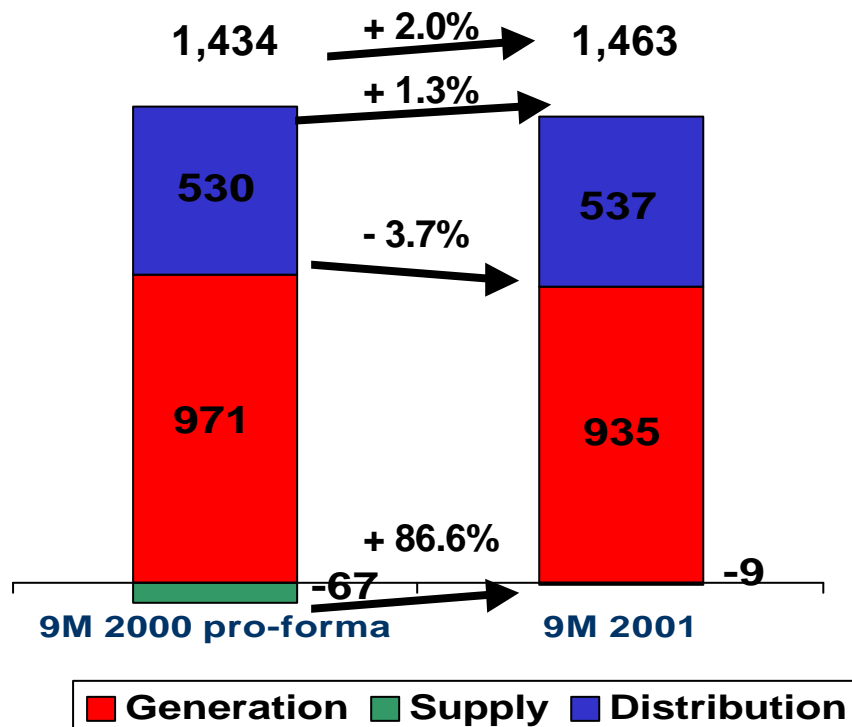
- Average generation revenues in mainland are therefore recovering but remain below previous year's

- Higher pool prices have gradually reduced CTC revenues throughout the year and remain at similar levels to 2000

- Fuel costs are increasing as a result of lower hydro output and remain at similar levels to 2000

## DOMESTIC EBIT BREAKDOWN

Euro Million

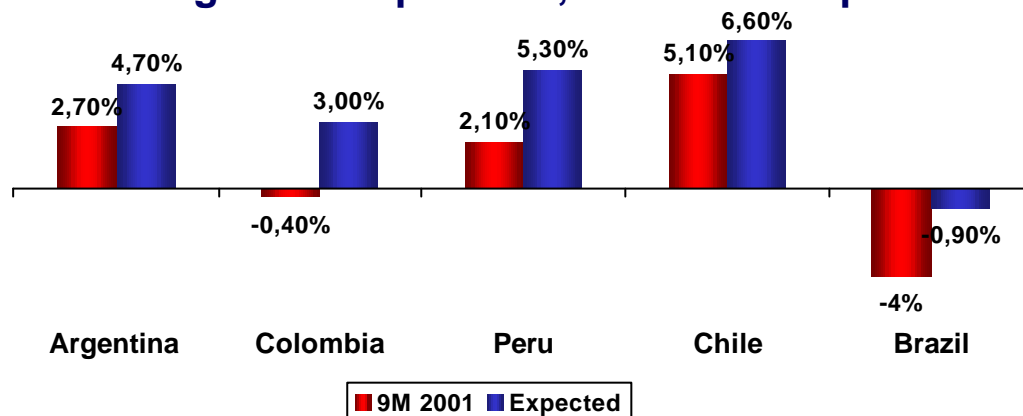


- **Generation:** negatively affected by lower average generation price and lower output
- **Supply** improves significantly as prices to eligible customers are 5.8% higher and purchases have been done at lower pool prices
- **Despite lower revenues,** distribution EBIT increased by 1.3% supported by cost cutting



## Latin America: Despite a Tough Environment...

- Electricity demand growth is positive, but below expectations



- High devaluation of Latam currencies in 9M01

	% depreciation	
	US dollar	Euro
Chilean peso	21.2	18.9
Brazilian real	36.5	34.0

- Electricity Generation +4.7% to 33.1 Twh
- Electricity Distribution -0.1% to 35.4 Twh
- Labour force reduction of 6.8% to 10,766 employees



## **...We had a Strong Performance in Latin America**

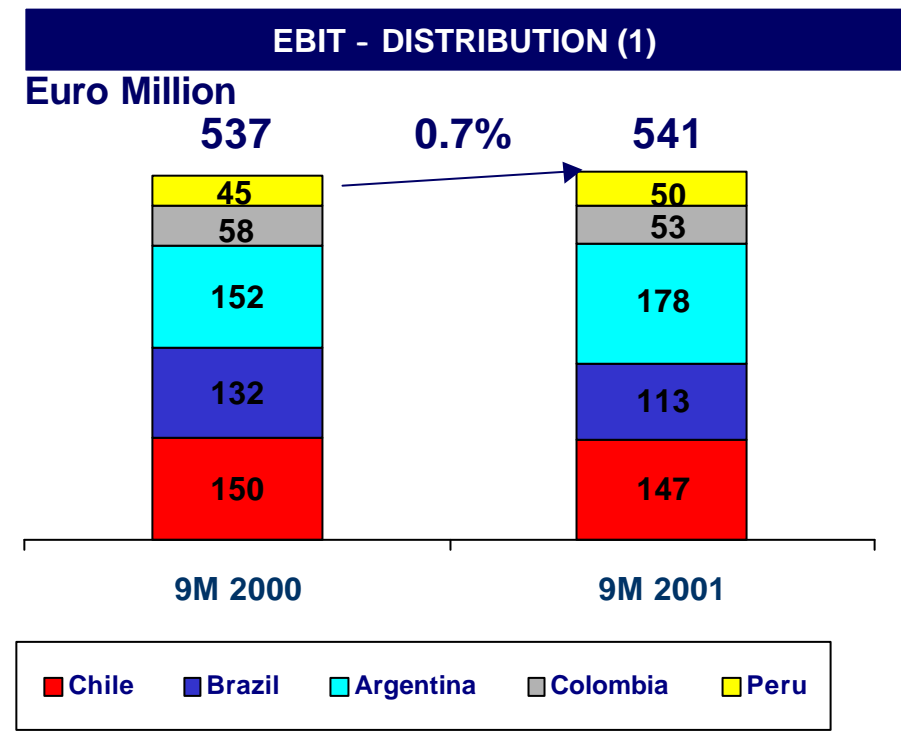
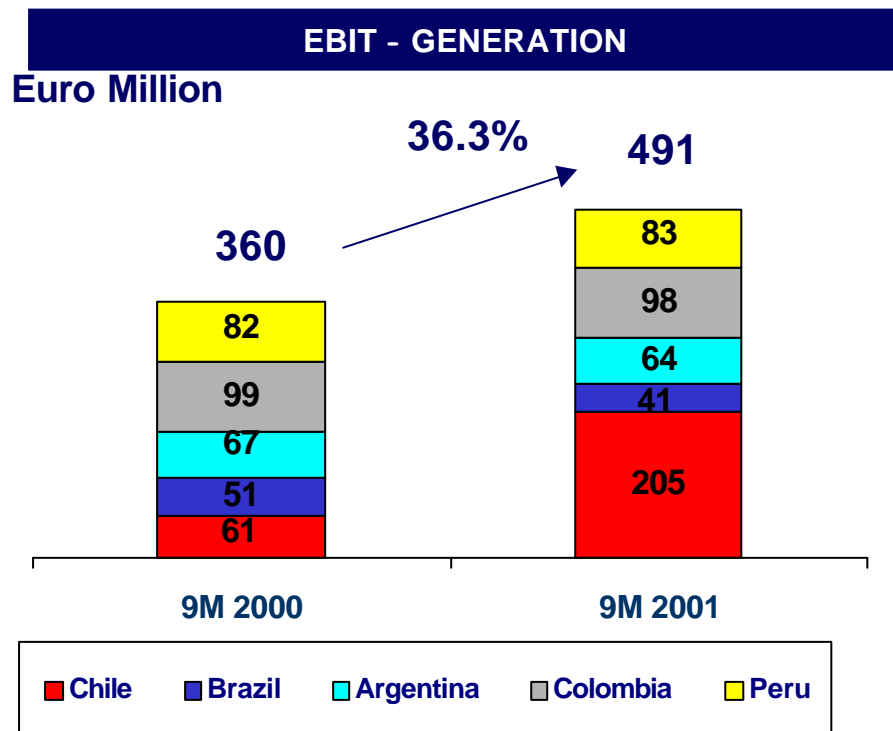
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- **ENERSIS 9 months results:**
  - **Operating Income: +15.7%**
  - **Financial costs reduced by 7.8%**
  - **Net Income +91.2% to US\$ 64.2 million**
  - **Energy losses at the H1 levels despite a worse performance in Brazil due to the drought conditions**
  
- **ENDESA CHILE 9 months results:**
  - **Operating Income: +10.6%**
  - **Financial costs reduced by 13.8%, compensating exchange rate differences**
  - **Profit before taxes +72.9%. Previous year US\$30.9 million losses transformed into US\$ 60.5 million profit.**



# Latin America - EBIT Breakdown

- **Generation:** EBIT increased by 36% as a result of higher generation prices and higher hydro production, especially in Chile, and overall cost cutting.
- **Distribution:** performance affected by the rationing in Brazil and lower than expected demand growth throughout the region
- **Savings from Genesis Project** as of Sept.2001 amounts to US\$463 million



(1) 9M 2000 excludes EBIT from Transelec

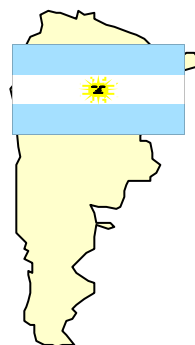
# Latest Developments in Latin America: Argentina

## Financial Situation

- Impact of current financial measures: none
- Commercial risks of devaluation:
  - Limited on revenues - tariffs are set in US\$ but payable in pesos
  - Foreseeable increase in bad debt due to tariff rise and economic downturn

## Endesa's exposure in Argentina Sept.'01

	Eur million	% total Endesa
Assets	3,855	7.8%
Assets proportionally consolidated	1,407	2.8%
EBIT	242	9.9%
EBIT proportionally consolidated	102	5.5%
Net Income	54	5.2%
US\$ debt in Argentinean companies	1,169	4.9%



## Latest Developments in Latin America: Brazil

### Regulation

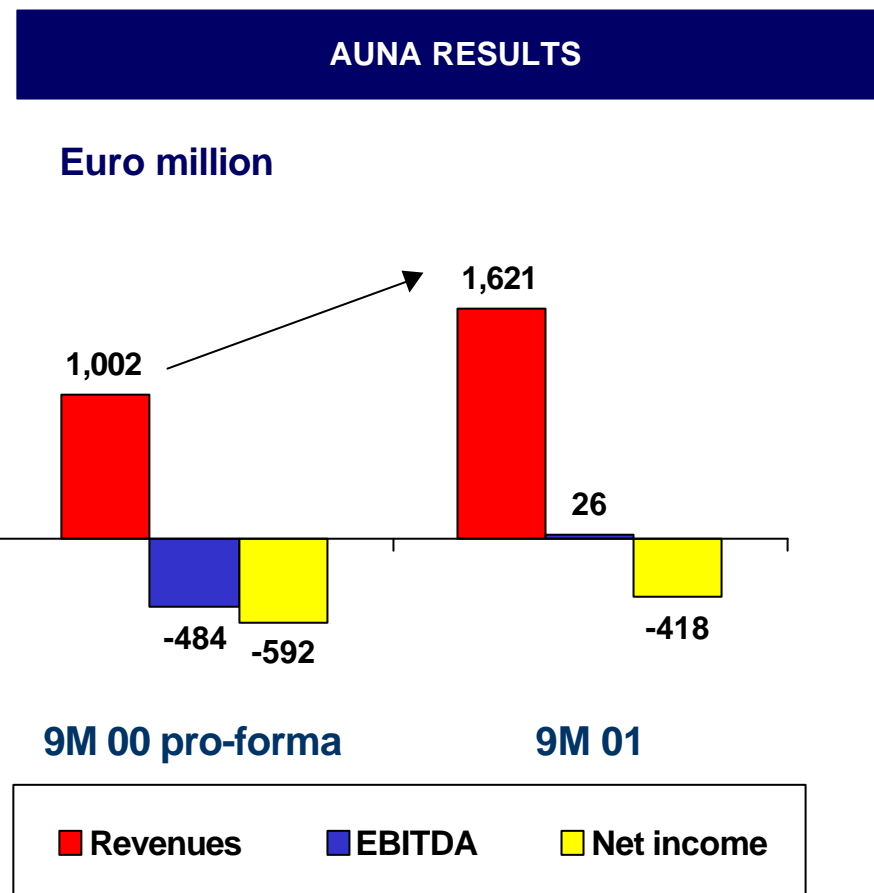
- Discussions on the Annex V still remain open between generators and distributors. Outcome expected to partially mitigate rationing losses for distributors.
- Brazilian Govt.: Increase in tariffs + BNDES loan should recover part (60%) of 2001 rationalization costs (R\$237m) and strengthen treasury situation of utilities
- Due to rise in reservoir levels in southeast/ midwest region, regulators aim to ease rationing as of December, looking to reduce target savings from 20% to 5-10%

### Endesa exposure in Brazil Sept.'01

	Eur million	% total Endesa
Assets	2,898	5.9%
Assets proportionally consolidated	1,565	3.2%
EBIT	154	6.3%
EBIT proportionally consolidated	77	4.1%
Net Income	-52	- 4.9%
US\$ debt of Brazilian affiliates	594	2.5%

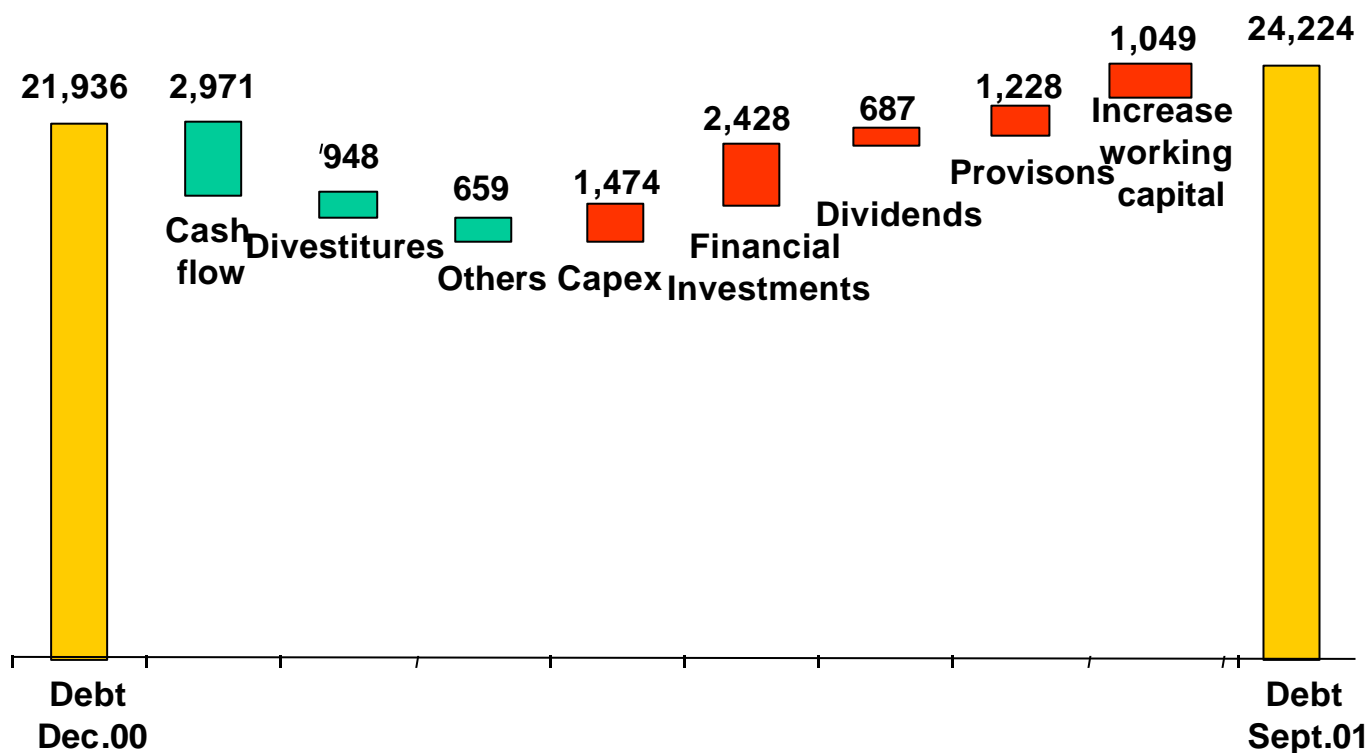


- AUNA is EBITDA positive in 9M 2001, in accordance with its Strategic Plan:
  - AUNA breakeven (net income) expected by early 2004.
  - AMENA increased market share by 5.3 percentage points to 17%
  - AMENA improved EBITDA by Euro 515 million.
- SmartCom:
  - Customer base increased by 135% to 469,000, a 10.9% market share in Chile.
  - EBIT losses amounted to Euro 47 million



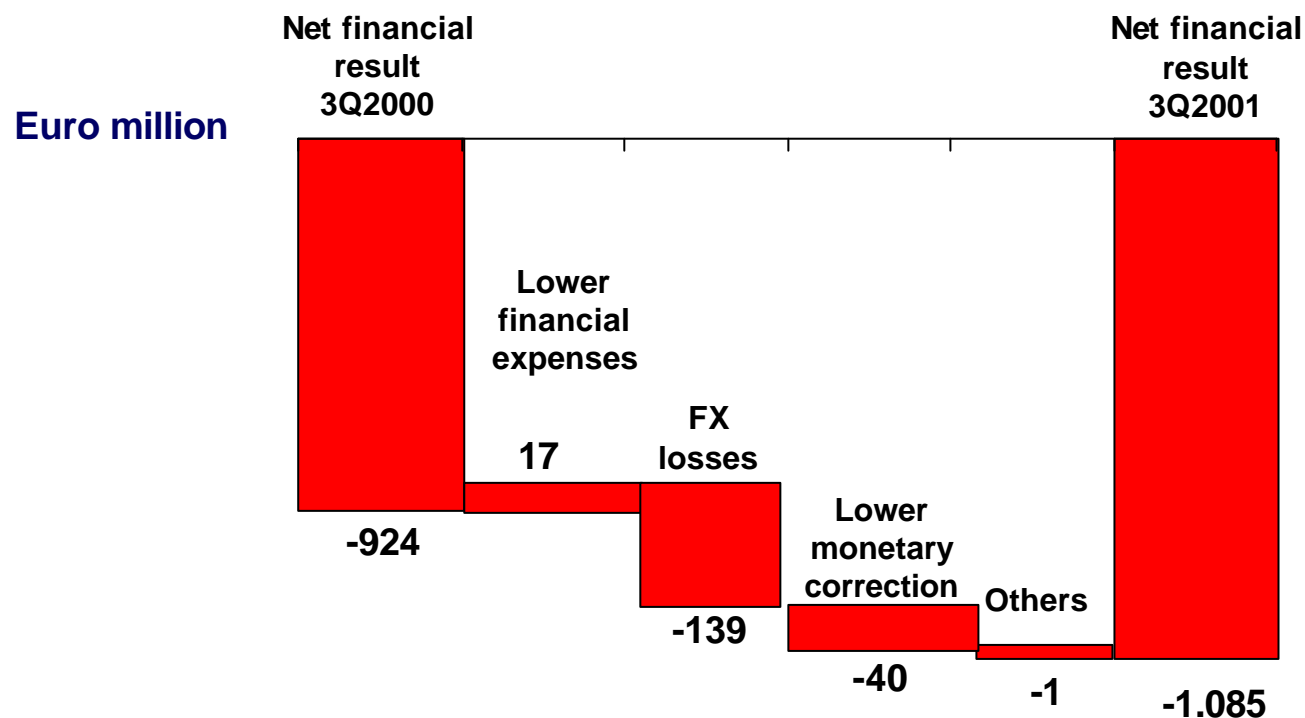
## Evolution of Financial Debt

- Sources of funds: Euro 2.97 billion cash flow (+8.0%); Euro 0.95 billion divestments.
- Use of funds: Euro 1.47 billion capex; Euro 687 million dividend payment; Euro 2.43 billion expansion investment (Elettrogen, SNET,..) and one-off Euro 1.15 billion externalisation of pension liabilities.
- Net effect: Euro 2,29 billion debt increase to Euro 24,2 billion.
- Debt will be reduced by Euro 2.14 bn once proceeds from Viesgo sale are received



## Evolution of Financial Costs

- Net financial loss increased in spite of lower financial expenses, mainly due to higher foreign exchange losses.
  - Lower average cost of debt in the period (5.9% against 6.4% in 9M 2000) offset the increase in average financial debt
  - Foreign exchange losses increased by Euro 139 M mainly in Latin American Subsidiaries
  - Recent drops in Euro and US\$ interest rates plus Endesa's hedging policy would imply lower average cost of debt for 2001 and 2002





## Extraordinary results

- Total net extraordinary results amounted to Euro 426 M
  - International Euro 505 M profit: Edenor disposal Euro 494 M profit
  - Domestic Euro 115 m loss: Euro 87 M extraordinary provision for island fuel compensation

## Taxes

- Effective tax rate of 17.4% : Domestic 28.4%; International 12.4% (Edenor disposal capital gain is tax free)

## Minorities

- Minorities down to Euro190 M from Euro353 M due to acquisition of minorities in Latin America: CERJ, Coelce, Chilectra and Rio Maipo and sale of Transelec

## **Domestic business:**

- Focus on accomplishing announced efficiency targets.
- Positive signals: 6% demand growth, improvement in regulatory outlook
- Continuing to optimize generation portfolio through Viesgo Sale and construction of new capacity
- Developing our gas strategy

## **European business:**

- Focus on extracting value from existing investments in Italy, France and Portugal

## **Latin America business:**

- Focusing on efficiency targets: good performance in generation and workforce reduction. Concentrating efforts in distribution performance
- Adopting a more cautious approach for new investment in the region

## **Telecoms:**

- On track with business plan, strong growth continues in AUNA and SMARTCOM
- AUNA positive EBITDA for the 9 months 2001

## **Dividend:**

- 10% increase in 2001 interim dividend

## **Forward-looking Statements:**

**Cautionary Statement for Purposes of the “Safe Harbor” Provisions of the United States Private Securities Litigation Reform Act of 1995.** The U.S. Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. This presentation contains certain forward-looking statements regarding anticipated financial and operating results that are subject to risks and uncertainties. Forward- looking statements include but are not limited to information regarding: estimated future revenues, earnings, EBITDA, return on invested capital, return on equity and other financial targets; anticipated increases in domestic market share; implementation of cost control measures and the anticipated benefits thereof; anticipated work force reductions; management strategy; synergies; operational efficiencies; cost and tax savings; tariffs and pricing structure; capital expenditures and other investments; asset disposals; increases in capacity; the proposed acquisition of Elettrogen, including the timing thereof and the financial and other results expected to be achieved following the acquisition.

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. The following important factors, in addition to those discussed elsewhere in this presentation, could cause our actual results to differ materially from those expressed in our forward- looking statements:

**Economic and Industry Conditions:** 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; natural disasters; the impact of more stringent environmental regulations and the inherent environmental risks relating to our business operations; the 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.

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

**Operating Factors:** technical difficulties; changes in operating conditions and costs; the ability to implement cost reduction plans; the ability to maintain a stable supply of fuel and the impact of fluctuations on fuel prices; acquisitions or restructurings; the ability to implement an international and diversification strategy successfully.

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

# **BACK UP INFORMATION**

## Positioned to Win in Spain

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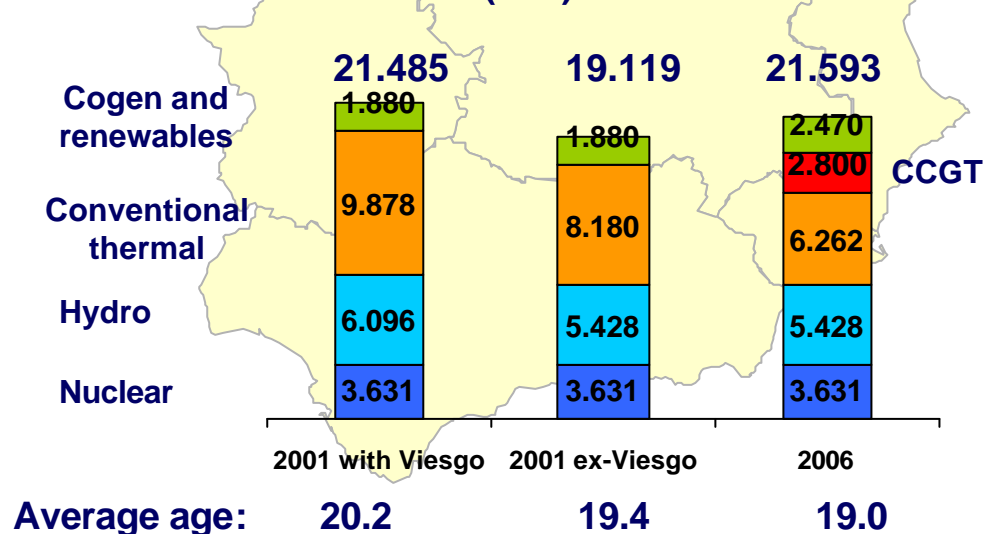
- **Spain remains a highly attractive market**
  - Sustained strong demand growth - up 6% for the 9 months
  - Tighter reserve margin, only 12%
  - Improving regulatory outlook. Limited downside on electricity prices, already amongst the lowest in Europe
- **Endesa will use its premier position in the market to maximise margins**
  - 44.8% market share in wholesale generation and 39.1% in total demand
    - Maintaining a balanced and well-hedged asset portfolio
  - 49% of customers - 10.2 million
    - Leveraging on strong market position to become leaders in supply of electricity and gas
  - Market leading cost reduction skills

# Plans to Build New Capacity - Mainland

Maintaining a well-balanced asset portfolio that provides a good hedge against hydro conditions

- Viesgo capacity sale will be more than compensated in 5 years.
- Average age of plants improves after Viesgo sale
- Generation assets allow hedging all the supply needs to final customers even under severe dry conditions.
- Focus on hedging wholesale market positions, avoiding the risk of being “short” in high price environments (dry years)

Generation mix Mainland (MW)



## Operational Highlights 9 Months 2001

<b>OPERATIONAL DATA FOR THE GROUP</b>	<b>3Q 2001</b>	<b>3Q 2000</b>	<b>Change %</b>
Electricity Produced (GWh)	101,131	100,393	+0.7%
Electricity Distributed (GWh)	100,366	98,863	+ 1.5%
Employees (end of period) (*)	26,198	29,273	- 10.5%

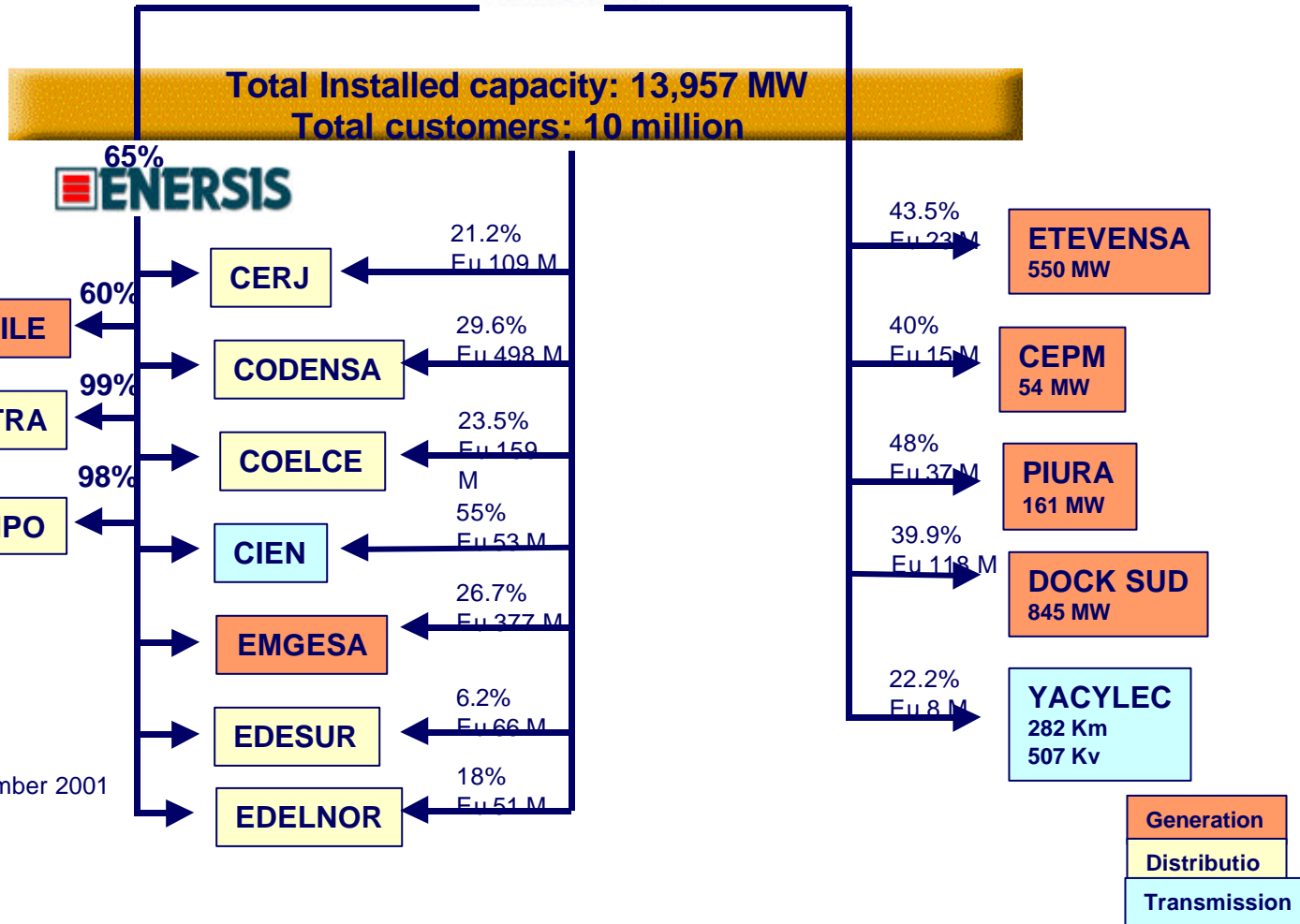
<b>OPERATIONAL DATA ELECTRICITY</b>	<b>DOMESTIC</b>	<b>INTERNATIONAL</b>	<b>% INTERNATIONAL</b>
Electricity Produced (GWh)	68,000	33,131	33%
Electricity Distributed (GWh)	64,942	35,424	35%
Employees (end of period)	15,433	10,766	41%

(\*) Includes overheads



# A Leading Position In The Latin American Electricity Industry

In addition to Enersis, Endesa has direct investments of Euro 1.5 billion.

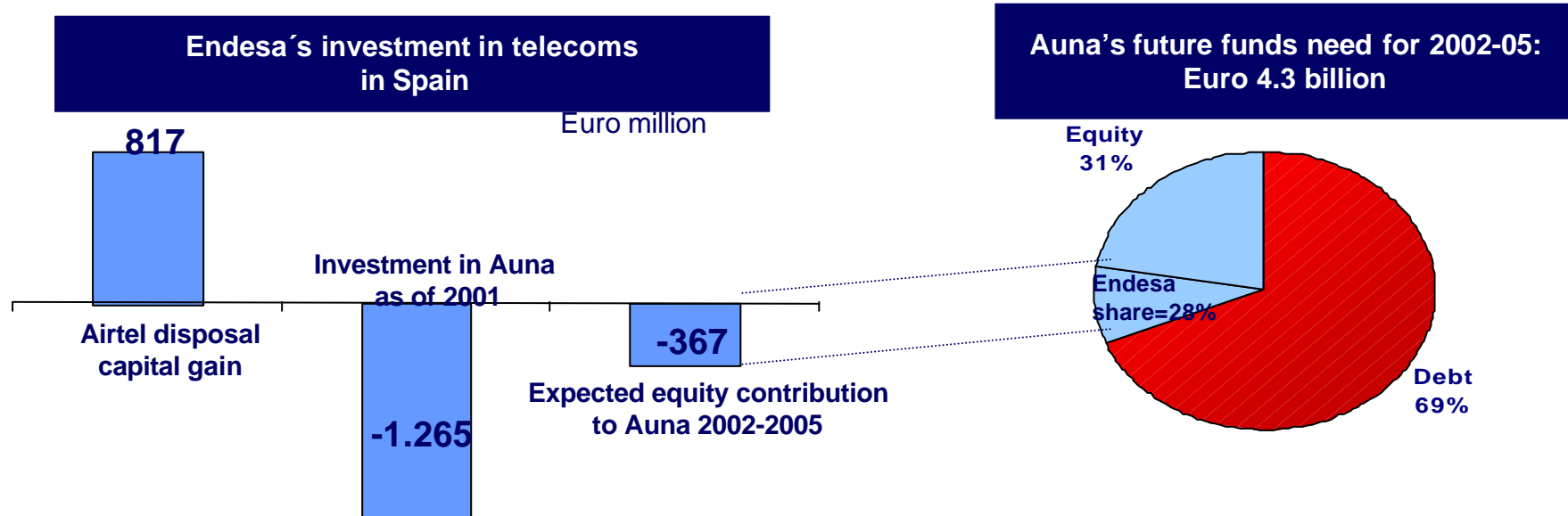


Figures as of September 2001



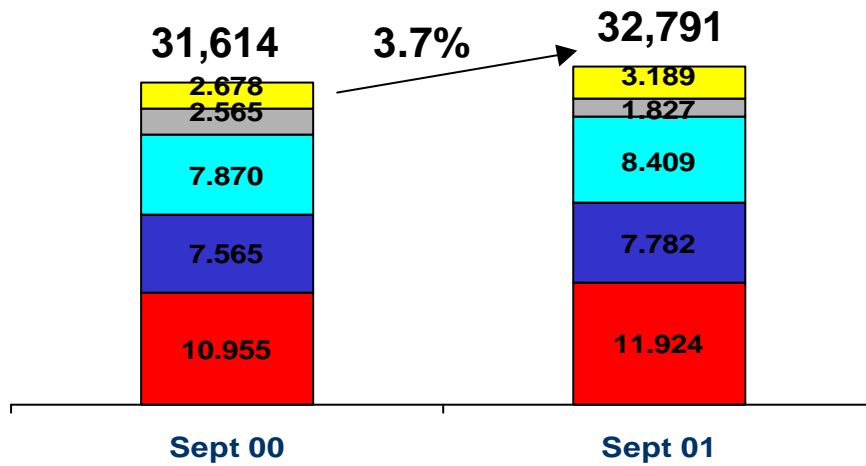
# Auna: Investment to Date and Committed Contributions

- Endesa's investment in AUNA as of Sept.30 amounts to Euro 1.26 billion. Capital gain from Airtel sale amounts to 65% of AUNA investment.
- Expected equity contribution from 2002 to 2005 amounts to Euro 367 M.
- AUNA has already invested Euro 6.8 billion as of Sept.2001. Investment plan for 2002-2005 totalled Euro 4.9 billion
- AUNA is expected to be net earnings positive in 1H 2004

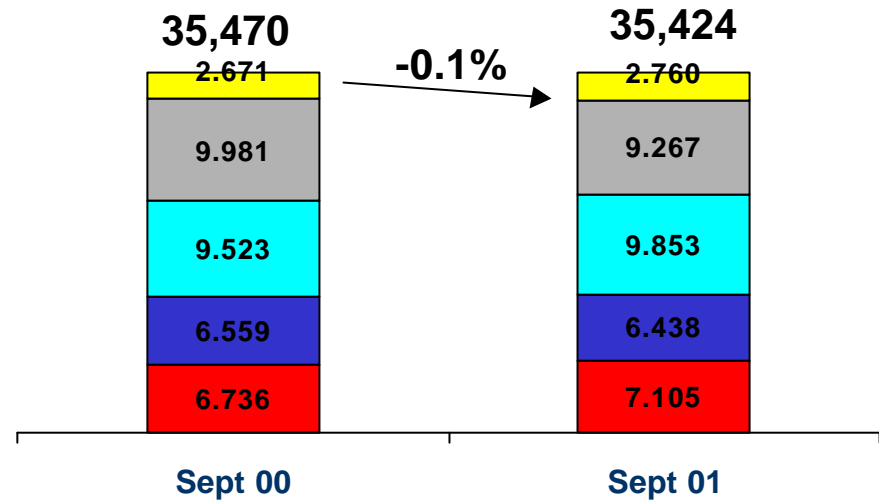


# INTERNATIONAL OPERATIONAL REVIEW

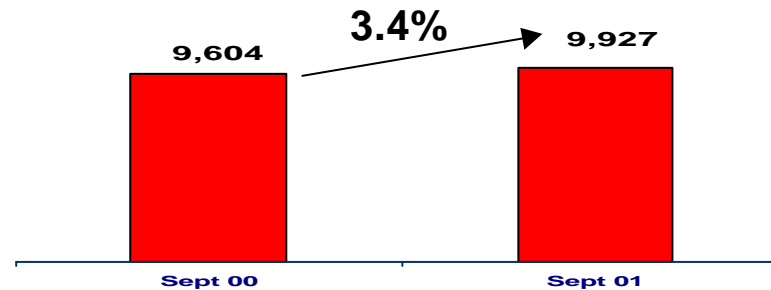
## ELECTRICITY GENERATED (GWh)



## ELECTRICITY DISTRIBUTED (GWh)

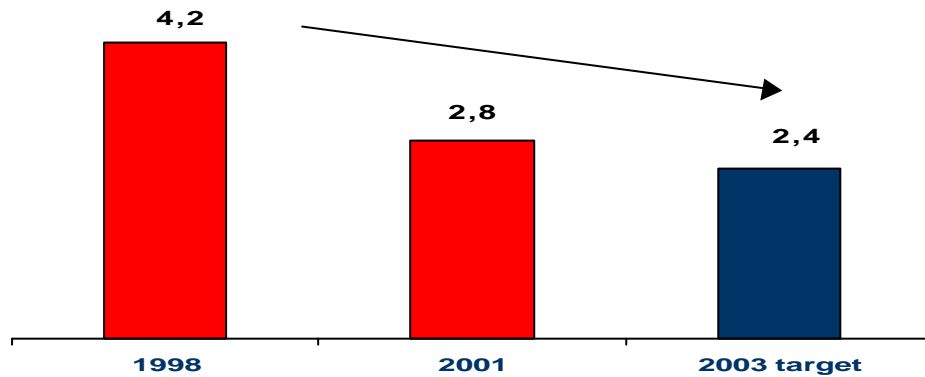


## NUMBER OF ELECTRICITY CUSTOMERS ('000)

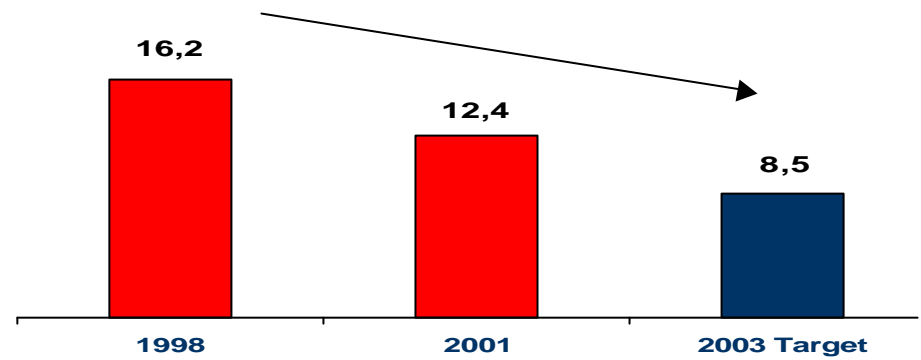


# INTERNATIONAL EFFICIENCY RATIOS

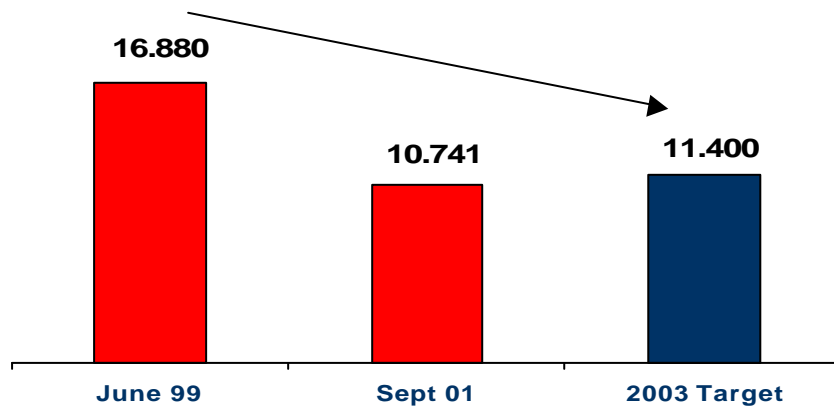
**GENERATION O&M / KW**



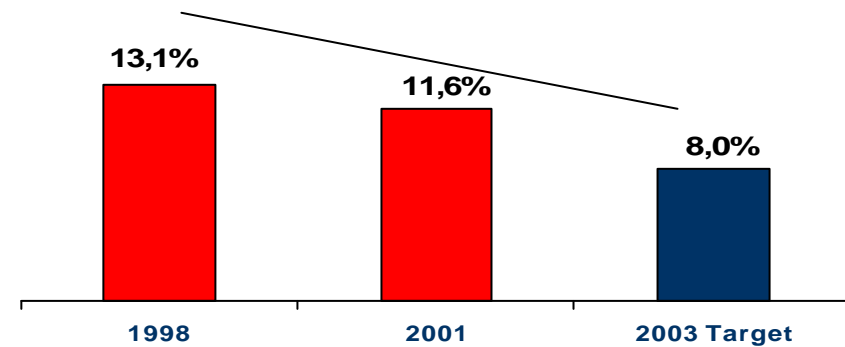
**DISTRIBUTION O&M / KW**



**EMPLOYEES**



**ENERGY LOSSES**

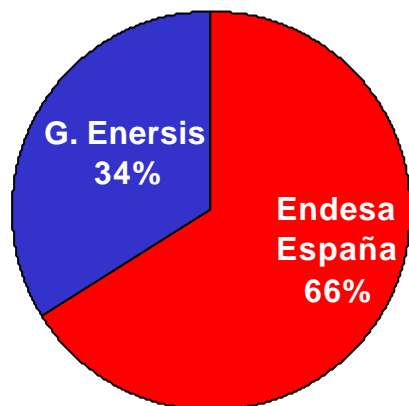




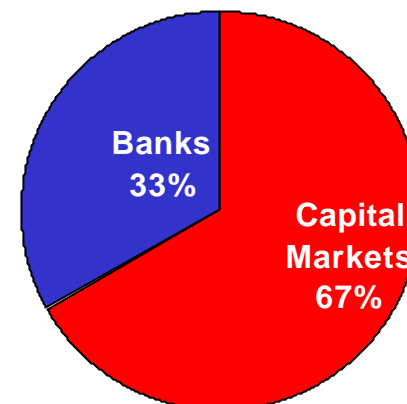
# Debt Structure as of September 2001

## ALLOCATION

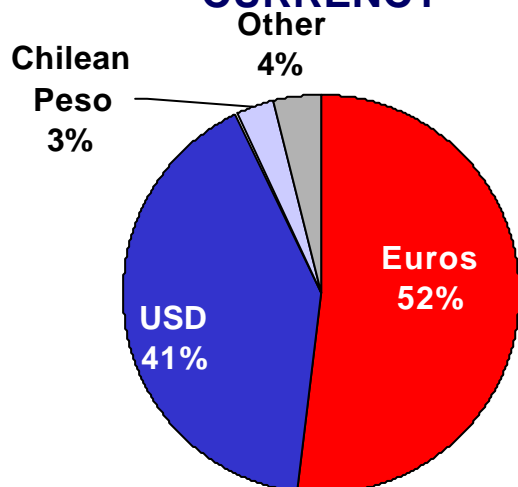
DOMESTIC 37% INTERNATIONAL 63%



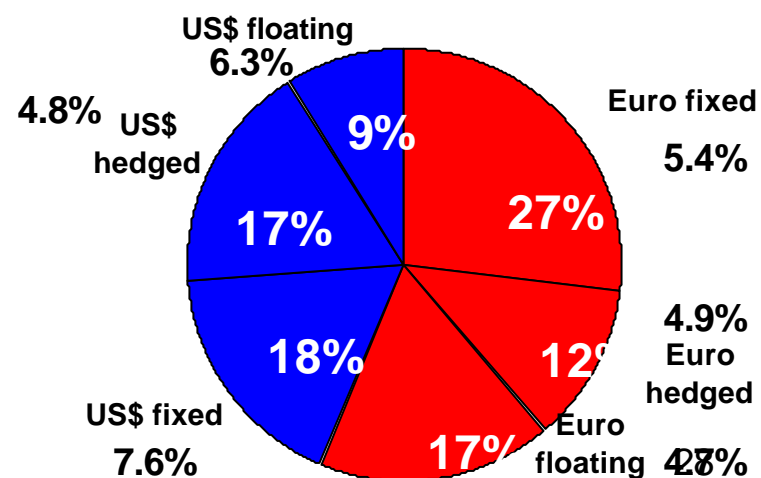
## SOURCE



## CURRENCY



## COST BY CURRENCY FLOATING VS. FIXED

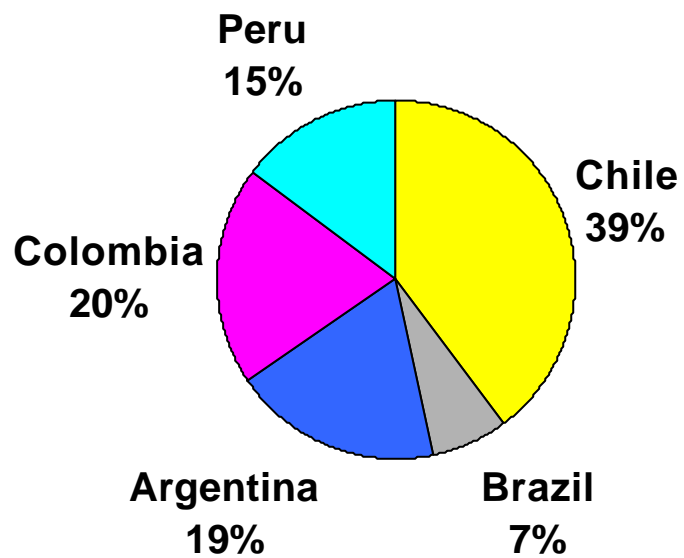


AS OF SEPT. 30th , 2001

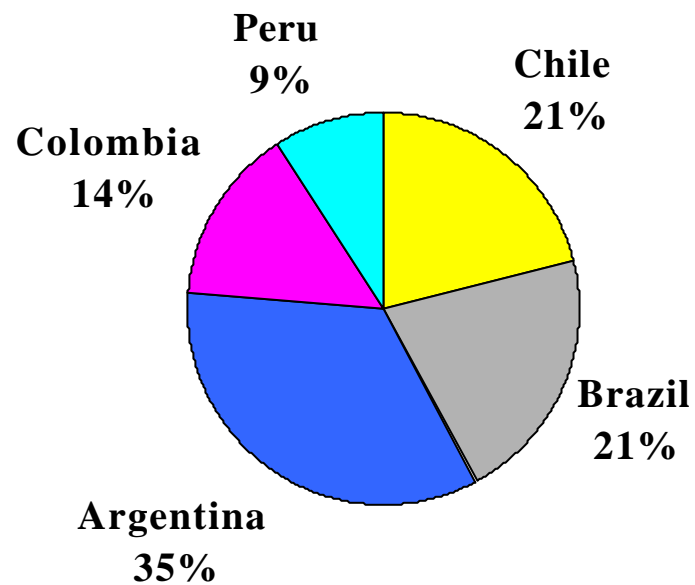
## INTERNATIONAL - EBITDA BREAKDOWN

Jan-Sept 2001

EBITDA - GENERATION

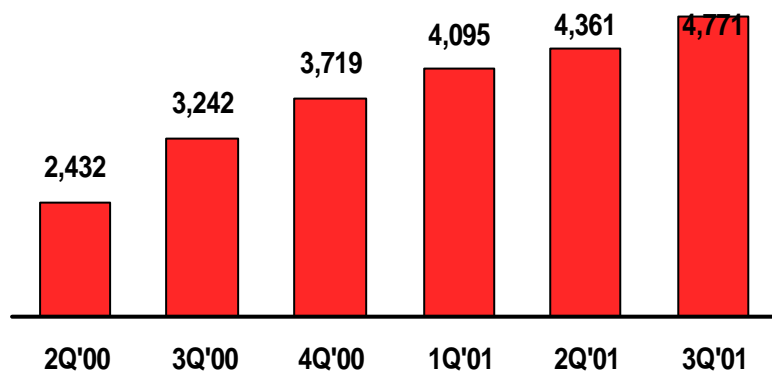


EBITDA - DISTRIBUTION

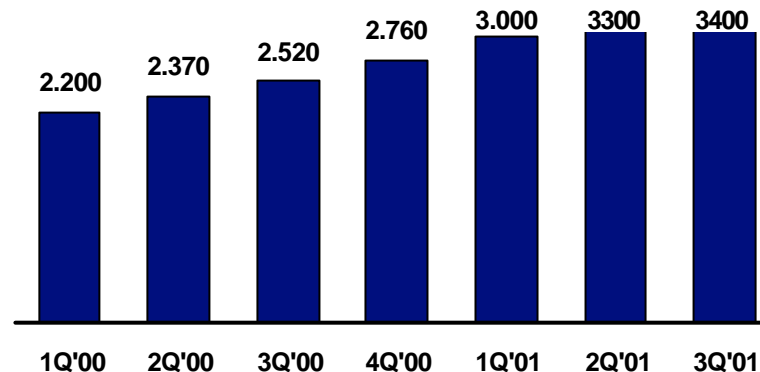


# TELECOM: CLIENT BASE GROWTH

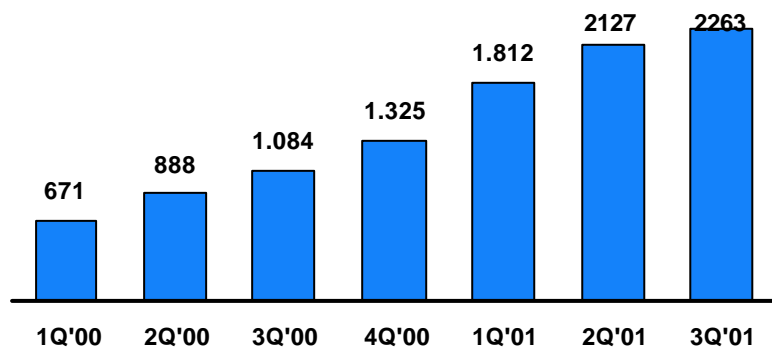
**AMENA – Mobile Subscribers (000s)**



**RETEVISION – Fixed lines (000s)**



**ERESMAS – ISP & Portal subscribers (000s)**



**CABLE OPERATORS – Clients (000s)**

