

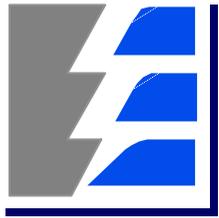
Electric Utilities in 2000: Growth Strategies

Madrid , 20 January 2000
José Luis Palomo CFO
ENDESA



Index

- **The growth momentum**
- **Endesa growing in:**
 - **Size**
 - **New Activities**
 - **Efficiency**
 - **Profitability**
- **The benefits of growth**



The growth momentum

Consolidation in the Banking Industry

5 Largest Banks as of 1/1/95
Ranked by Market Cap (US\$bn)

Bank of Tokyo-Mitsubishi	\$ 47
IBJ	46
Fuji	42
Sumitomo	40
Deutsche Bank	18

5 Largest Banks in Jan. 2000
Ranked by Market Cap (US\$bn)

HSBC	\$ 103.2
Bank of America	81.9
Wells Farg & Co.	63.8
Bank of Tokyo-Mitsubishi	63.2
Chase Manhattant	60.3



The growth momentum **Consolidation in the Banking Industry**

Does Size Lead to a Better Performance?

Average	IBES EPS 5 year Growth	2001EP/E	ROE
Top 1000 Banks	11.5%	14.3x	14.6
Top 5 Banks	12.3%	14.9x	20.6



The growth momentum **Consolidation in the Oil & Gas Industry**

5 Largest Companies as of 1/1/1995

Ranked by Market Cap (US\$bn)

Royal Dutch / Shell	\$ 94.6
Exxon	75.5
BP	37.2
Amoco	28.2
Mobil	33.2

Aggregate Sector Market Cap.	\$ 649.0
Top 10 Cos. As a % of Sector	58.5 %
Top 5 Cos. As a % of Sector	41.0 %

5 Largest Companies in 2000

Ranked by Market Cap (US\$bn)

Exxon / Mobil	\$ 292.7
Royal Dutch / Shell	207.2
BP Amoco / ARCO	177.27
Total Fina	88.6
Chevron Corp.	58.6

Aggregate Sector Market Cap.	\$ 1,197.19
Top 10 Cos. As a % of Sector	67.3 %
Top 5 Cos. As a % of Sector	56.0 %



The growth momentum Consolidation in the Oil & Gas Industry

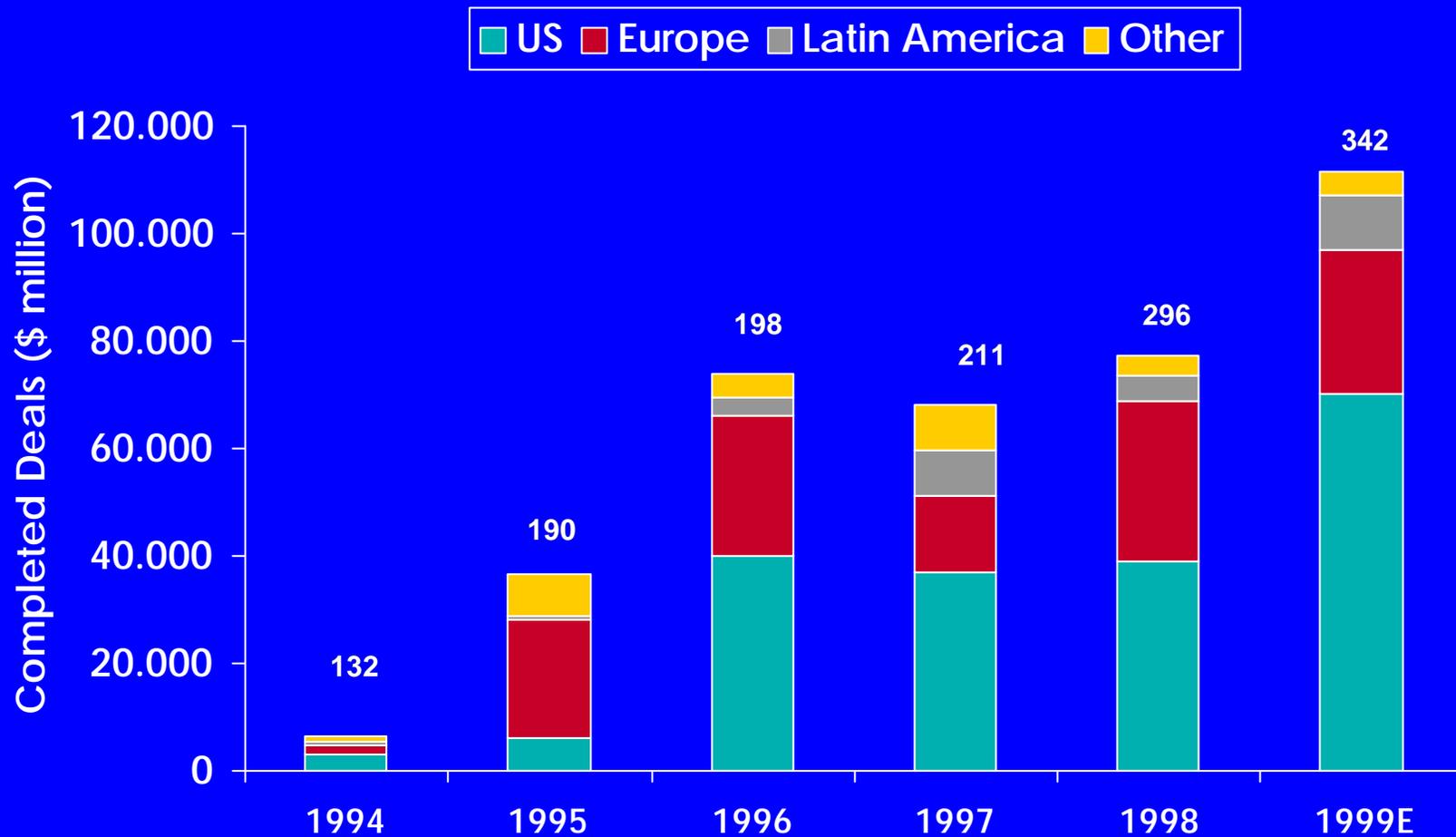
Does Size Lead to a Better Valuation/Performance?

	Range Market Cap (US\$m)	P/E Multiple 2000E	P/DCF Multiple 2000E
Tier 1 BP Amoco Exxon Corp. Royal Dutch Petroleum Shell T&T Chevron Corp. Mobil Corp.	60,000 - 150,000	21.5x	9.8x
Tier 2 Conoco Phillips Petroleum Unocal USX-Marathon	6,000 - 13,000	12.9x	4.2x



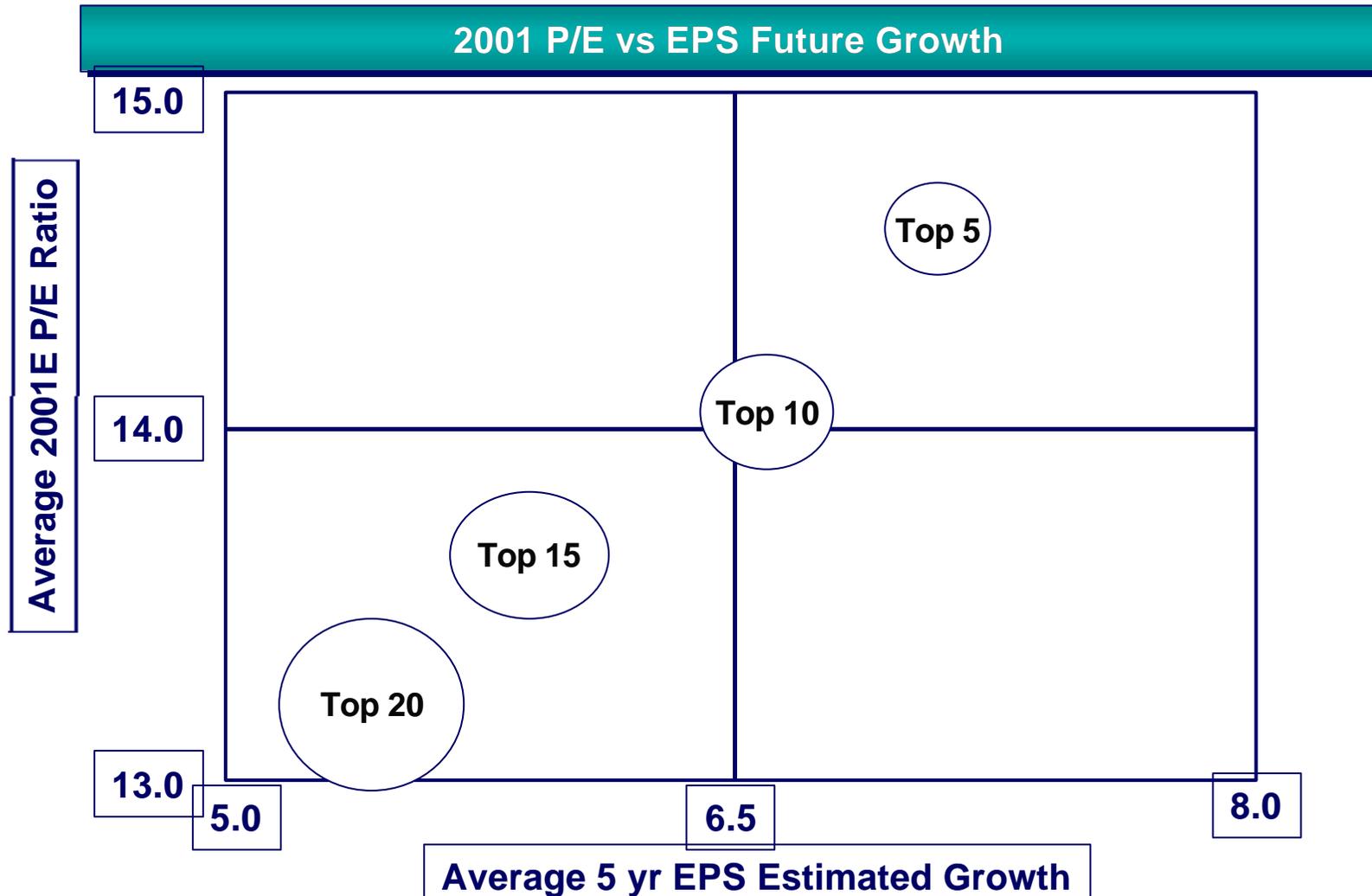
The growth momentum Consolidation in the Power Industry

M & A Activity





The growth momentum Consolidation in the Power Industry: Size vs Valuation/Growth Estimates





Index

- **The growth momentum**

- **Endesa growing in:**

– Size

▪ **Domestic Growth**

▪ **International Expansion**

– New Activities

– Efficiency

– Profitability

- **The benefits of growth**



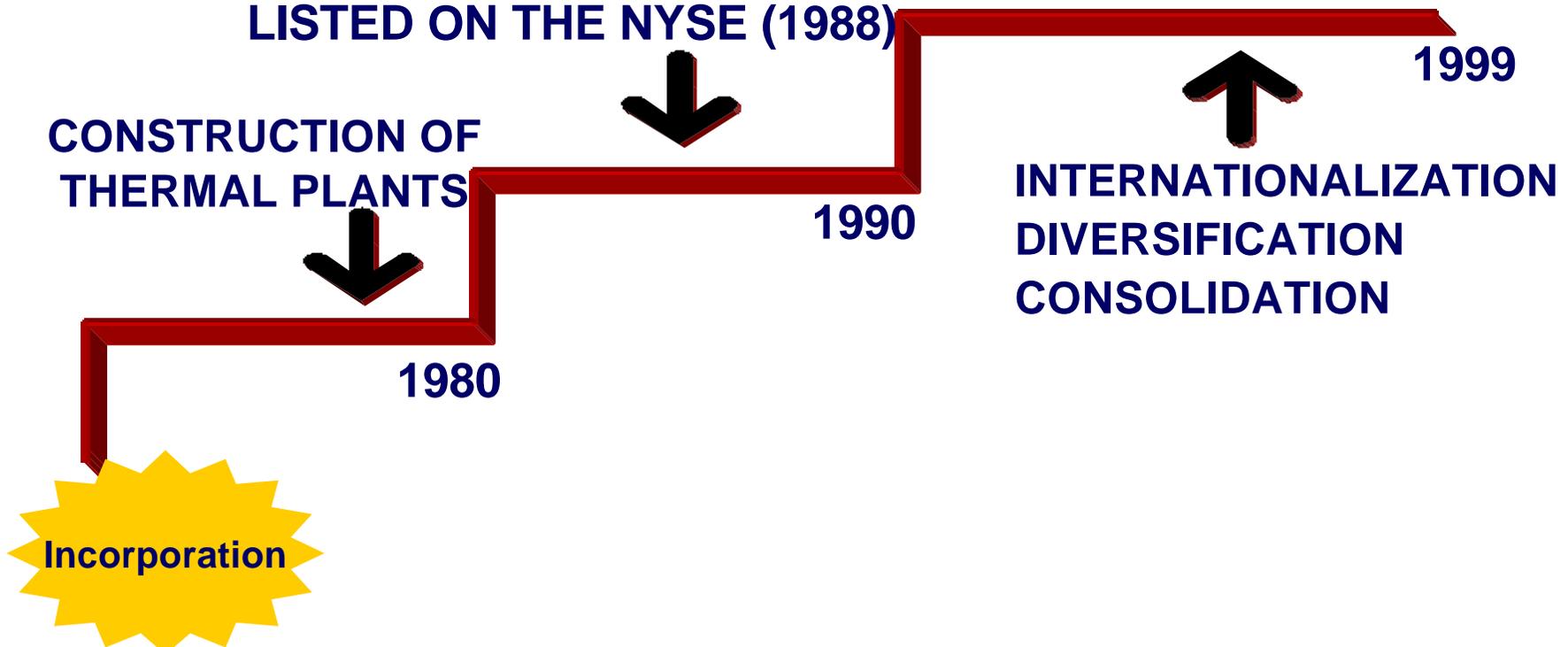
Size

A history of growth and profitability

GROWTH

- Purchase of assets
- Acquisition of markets

LISTED ON THE NYSE (1988)

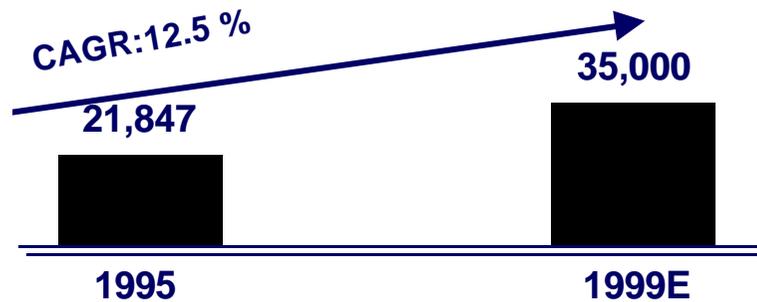


	1980	1990	1999 (E)
Installed capacity (MW)	3,469	10,242	35,000
Customers (´000s)	----	2,752	21,000

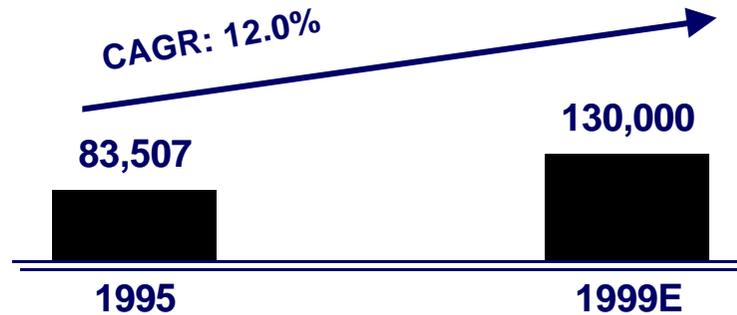


Endesa: Main Operating Parameters ^{Size} Growth (1995-1999)

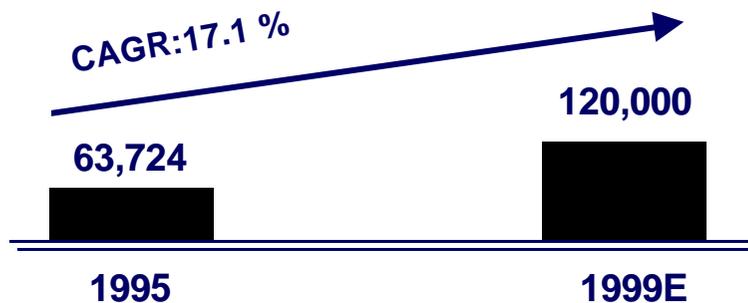
Installed Capacity (MW)



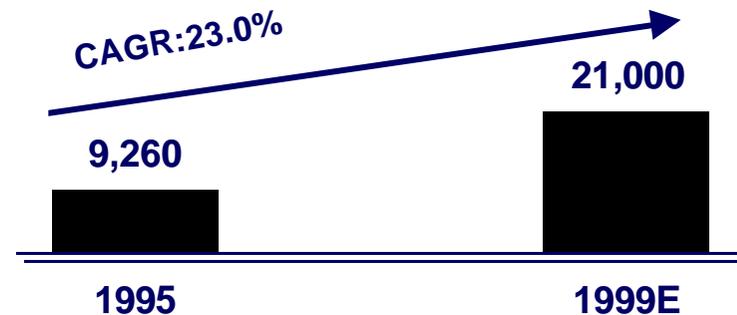
Production (GWh)

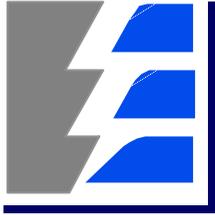


Sales (GWh)



Clients ('000s)





Size **Endesa today**

A global service company focused on the electricity business

Installed capacity	35,000 MW
Customers	21.0 Mill.
Sales	120,000 GWH
Presence	11 countries



With increasing presence in the diversification businesses

Telecoms, water, gas, renewable energies and cogeneration



Size Endesa today

Main operating parameters in 1999(E)

	<i>Total</i>	<i>Europe</i>	<i>Latin America</i>
Capacity (MW)	35,000	22,500	12,500
Production (GWH)	130,000	89,000	41,000
Sales (GWH)	120,000	78,000	42,000
Customers (Millions)	21.0	9.7	11.3

**Market share
in Spain
49%**

**Market share
in the EU
2.5%**

**Market share
in Latin America
10%**



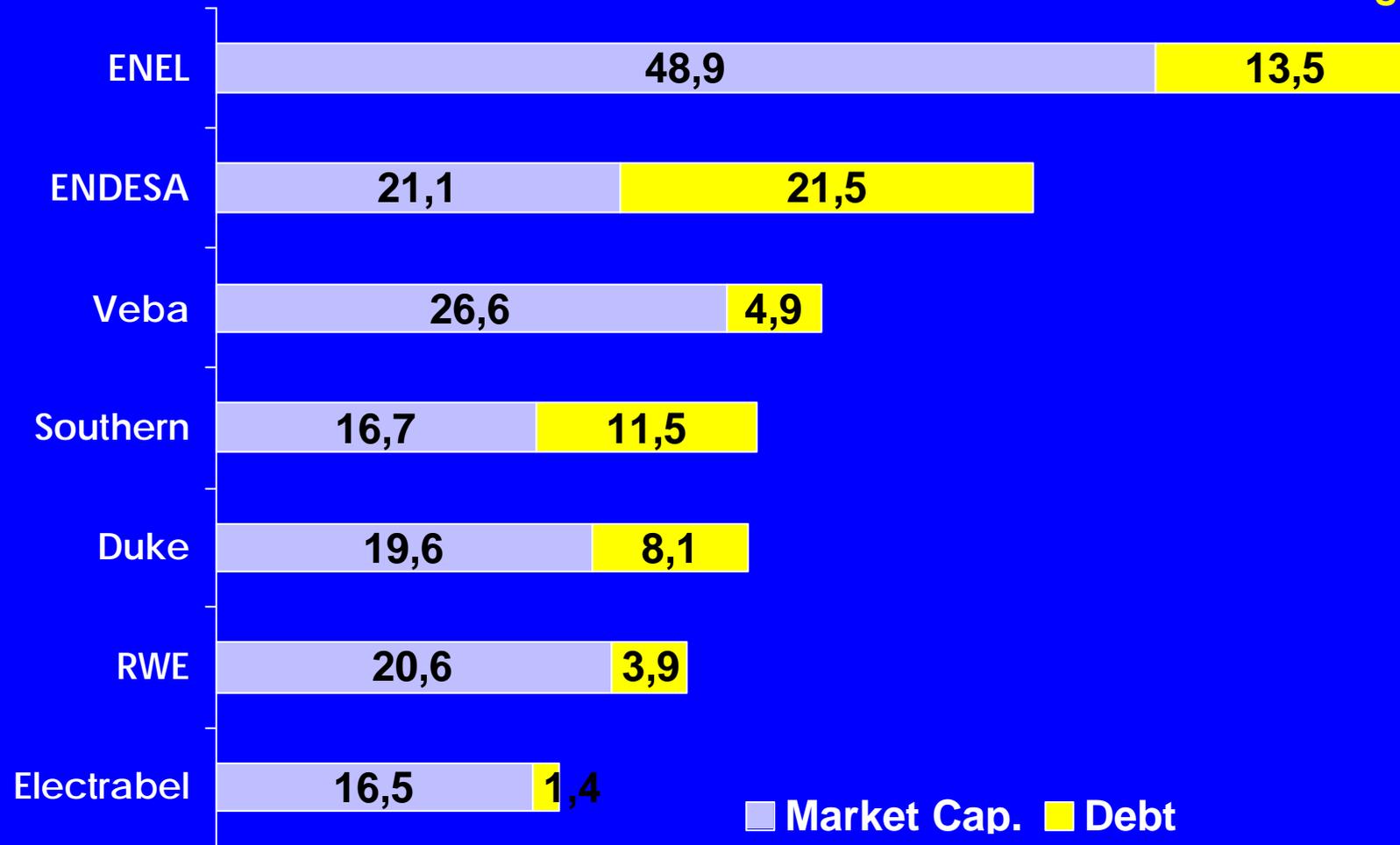
Size

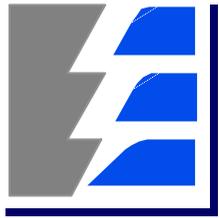
Endesa today: A leader in the global electric industry

Ranking by Enterprise Value (Market Cap.+Debt)

January 2000

US\$ Bn

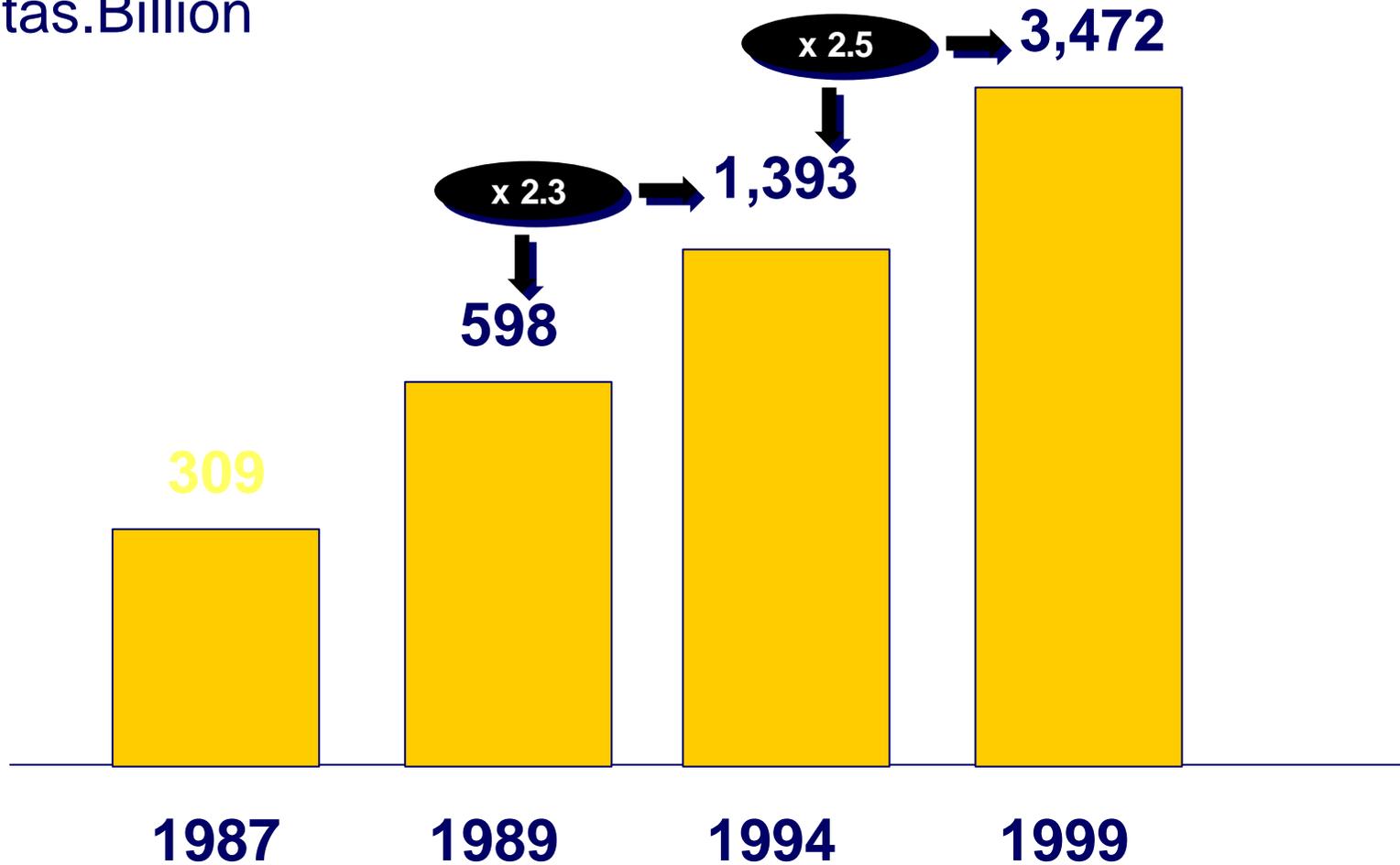




Size

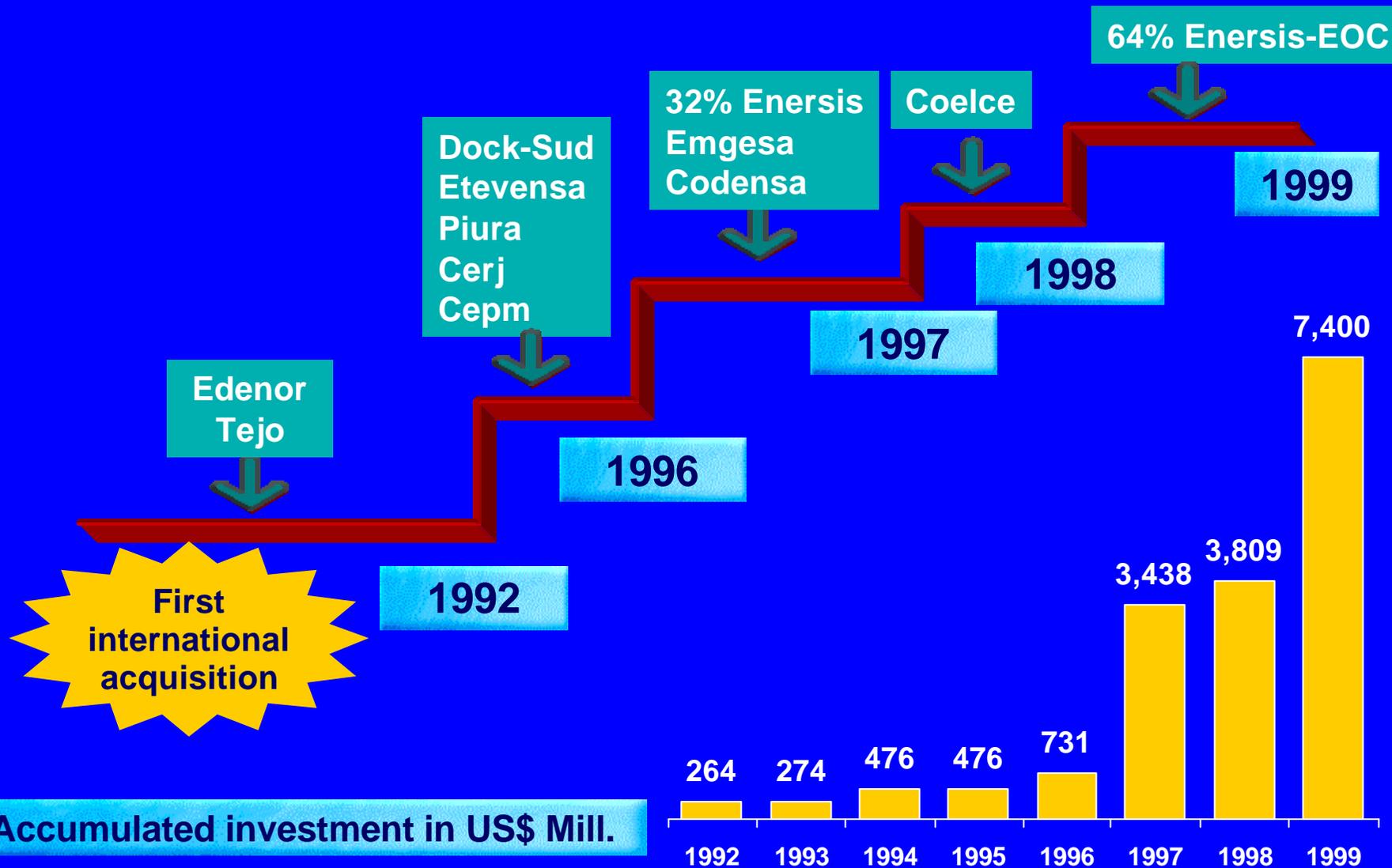
In twelve years Endesa has increased its Market Cap. by 1024%

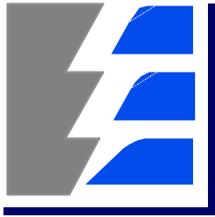
Ptas.Billion



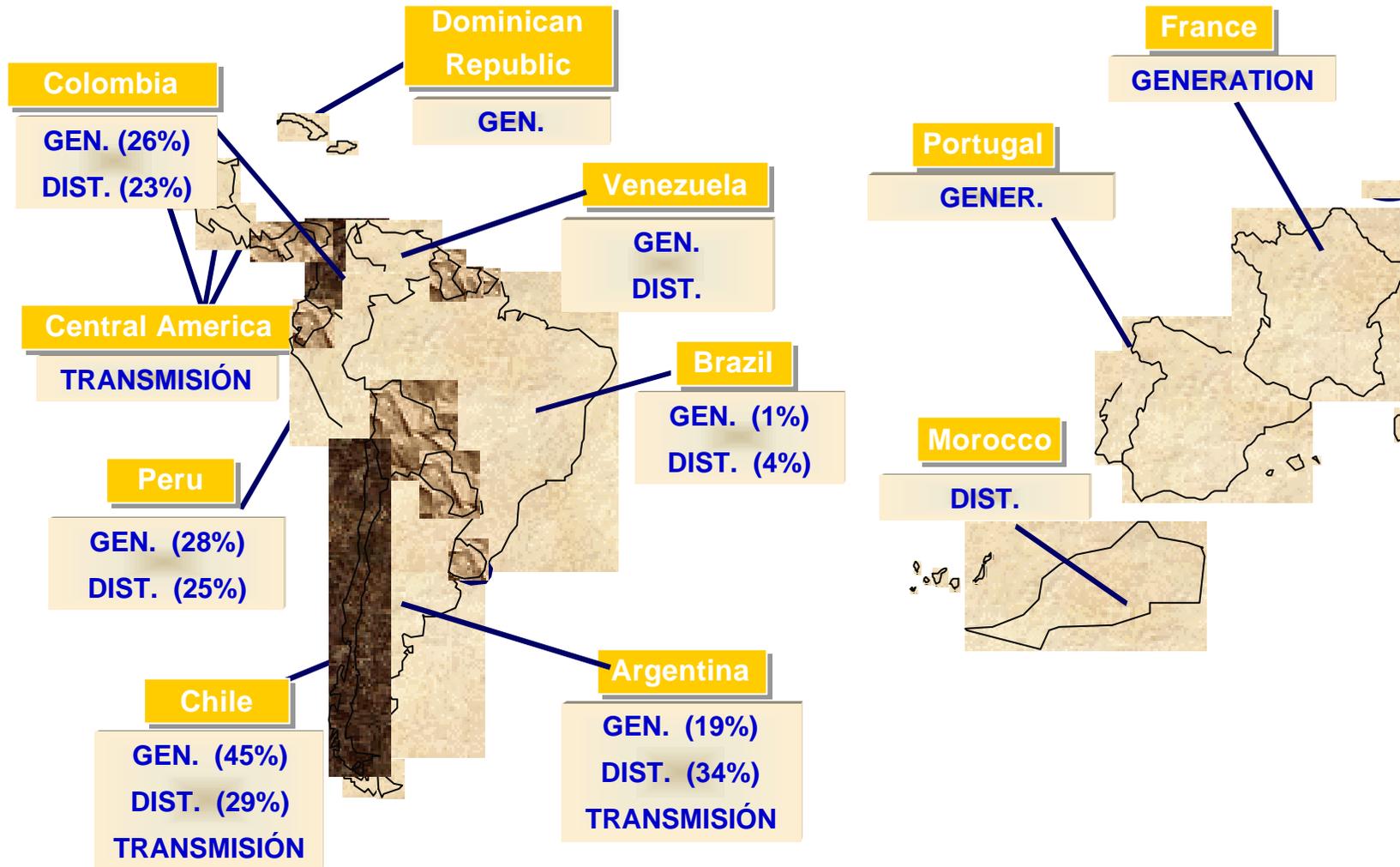


Size History of international expansion





International Expansion





Size

Expansion into mature markets

- Liberalization
- Privatization
- Globalization & concentration
- Convergence with other markets
- European Market



➤ 10% Amsterdam Power Exchange (APX)

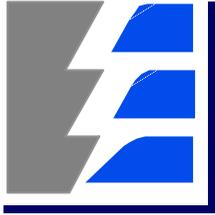
➤ New Energy Trading unit for continental Europe

➤ 10% Polish "Pool"
➤ Agreement with OPOLE



Index

- **The growth momentum**
- **Endesa growing in:**
 - **Size**
 - **New Activities**
 - **Efficiency**
 - **Profitability**
- **The benefits of growth**



New activities Value created in diversification

Mill. Ptas	Financial Investments As of Sep.99	Est. Market Value as of Jan.00	Pot. Capital Gains
Cogen. & Renew.	31,000	150,000	119,000
Gas	30,000	75,000	45,000
Water	19,000	75,000	56,000
Telecoms	136,000	700,000	564,000
Total	216,000	1,000,000	784,000

x 4.5



New activities

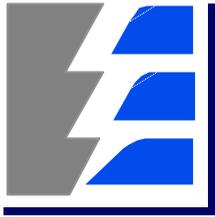
Cogeneration and Renewable Energies



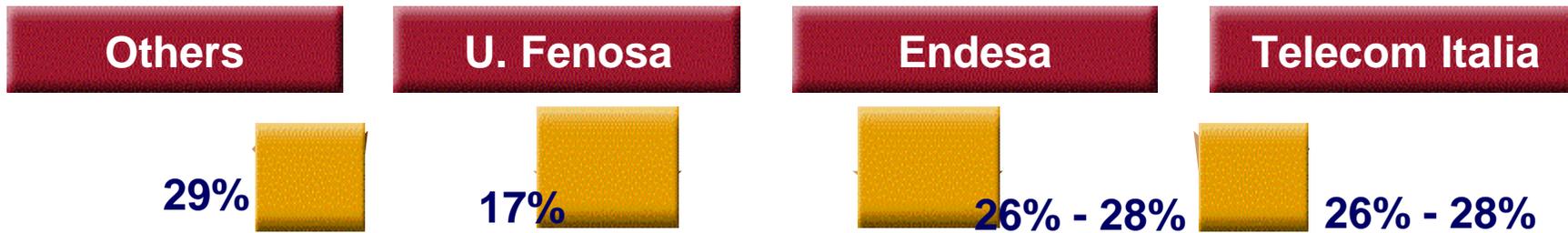


New activities **Telecommunications**

TOTAL CLIENTS	1999	MARKET SHARE (revenues)	1999	Target 2004
Direct Acc. (RTV, Euskaltel , Cable)	50,700	Fixed Telephony	4.34%	14%
Indirect Acc.(1050) (RTV , Euskalt)	1,700,000	Mobile Telephony (clients)	6.10%	18%
Mobile Telephony (Amena)	1,000,000	Internet / Data	9.39%	24%
Internet (Íddeo)	150,000	Pay TV	0.45%	27%
Alehop (Free Access)	500,000	Interactive	0.11%	4.2%
Pay TV Cable,Euskaltel includ.)	31,000			



New activities **Telecommunications**



Holding Company

- Fixed Telephony (Retevisión)
- Mobile Telephony (Amena)
- Internet
- Cable Operators
- Digital Terrestrial TV (future)

Current market value: Pta. 2,500 - 3,000 bn



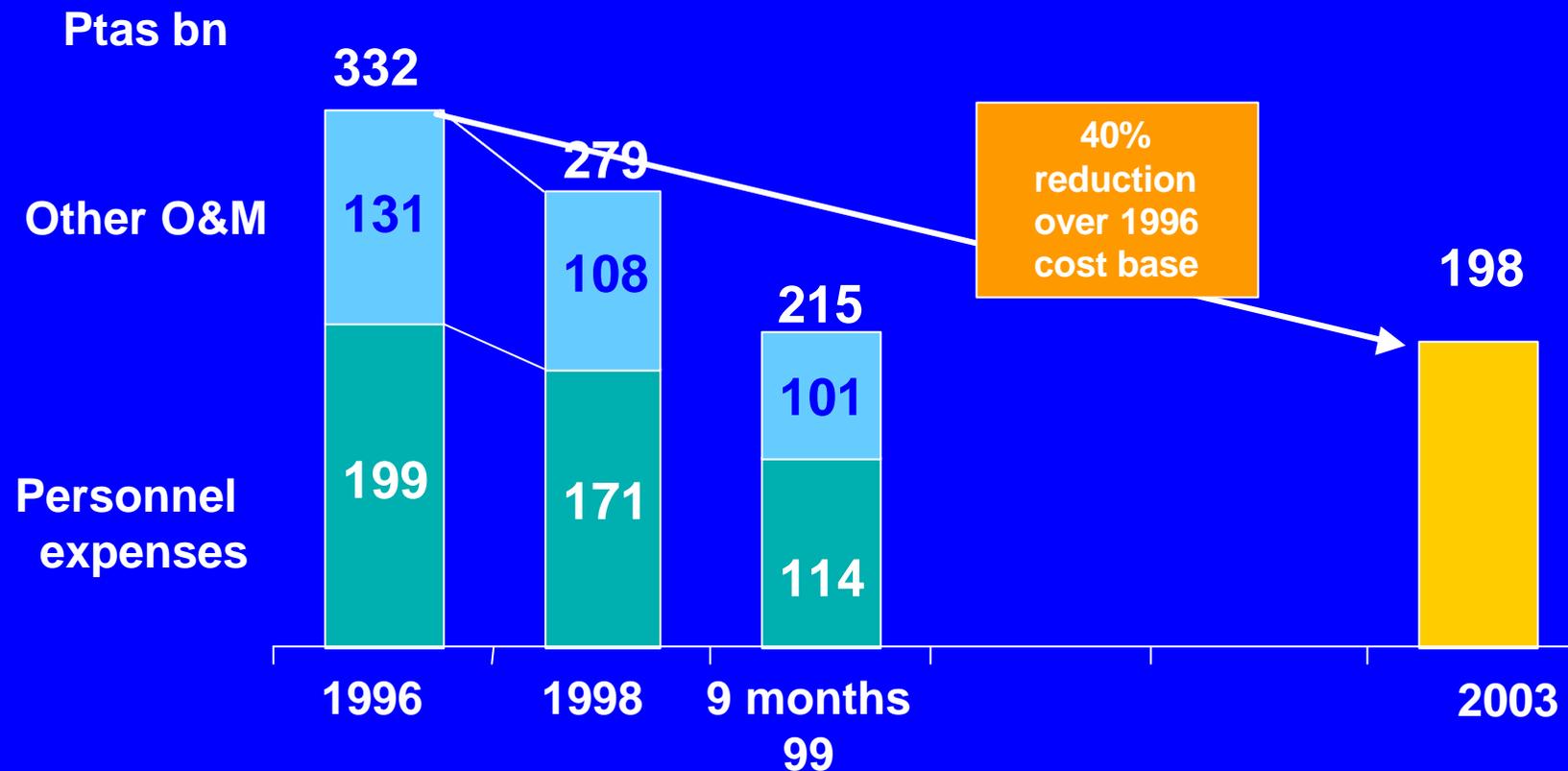
Index

- **The growth momentum**
- **Endesa growing in:**
 - **Size**
 - **New Activities**
 - **Efficiency**
 - **Profitability**
- **The benefits of growth**

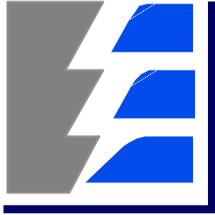


Efficiency

Cost reduction plan for the domestic business on schedule



Evolution of Workforce ('000) 24.6 19.5 18.7 13.5



Efficiency
Cost Reduction
Approaching our Long-Term Domestic
Productivity Targets

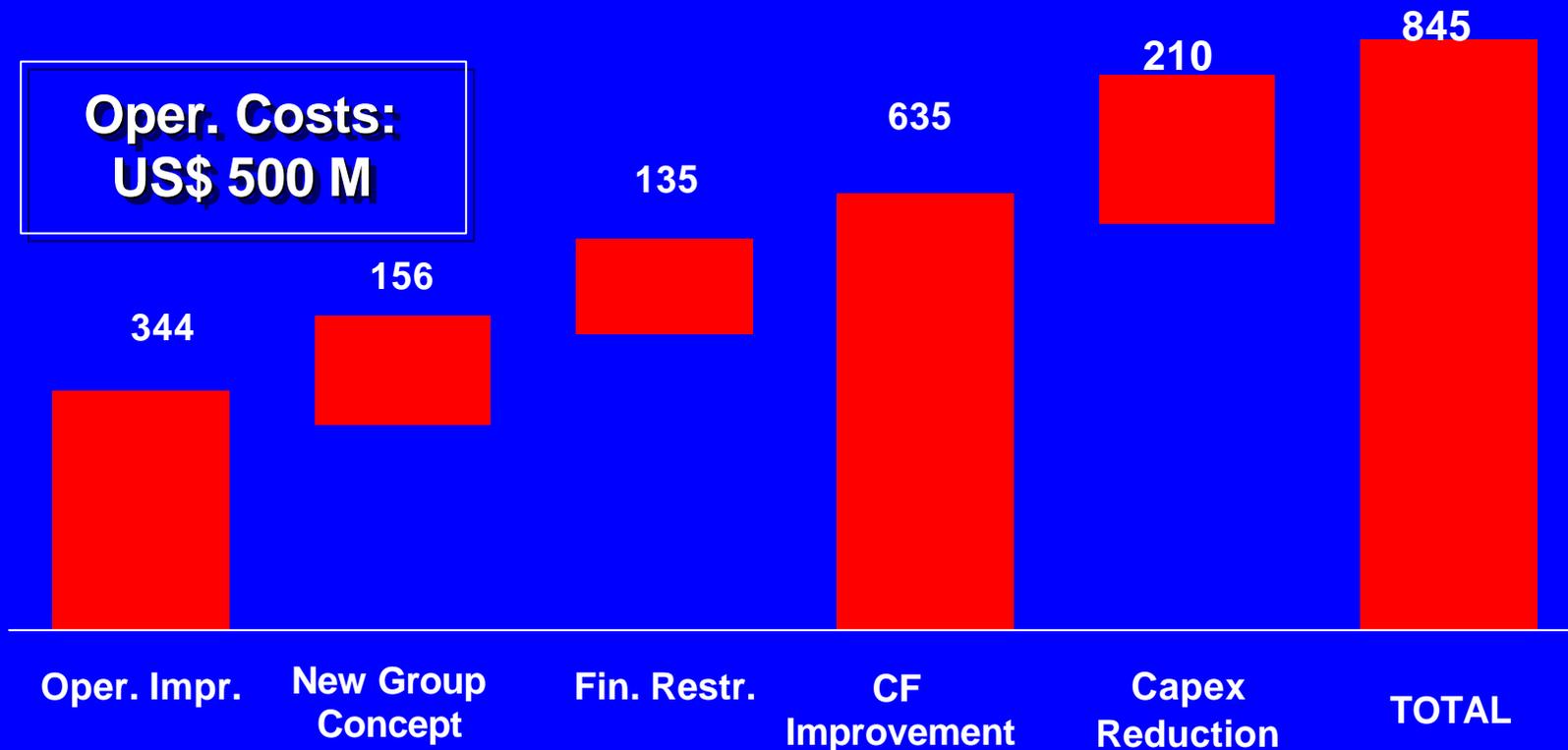
	<u>1996</u>	<u>3Q99</u>	<u>Target</u>	<u>Achieved</u>	<u>Pending</u>
Generation					
Capex/Kwh	0.74	0.3	0.4	59%	-14%
Op. Cost/Kwh	1.54	1.02	0.8	34%	14%
Distribution					
Capex/Kwh					
+ Op. Cost/Kwh	2.78	1.68	1.5	40%	6%
Client/employee	880	1,245	1,700	41%	52%
Overall					
Op. Cost/Kwh	0.257	0.171	0.126	33%	18%

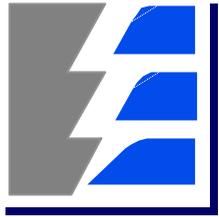


Efficiency

Cost Cutting Plan for international business: Project Genesis

Annual Pre-tax Improvements Targeted for 2003 (US\$M)





Efficiency Project Genesis achievements so far



Debt re-financing

**3,500MUS\$
Libor + 0.75**



Headcount optimization

**(- 867
employees)**



First step group structure optimization

- Purchases unit
- IT services Co.

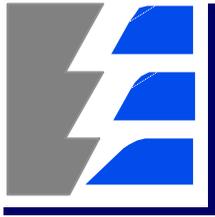


Analysis of potential disposals



Index

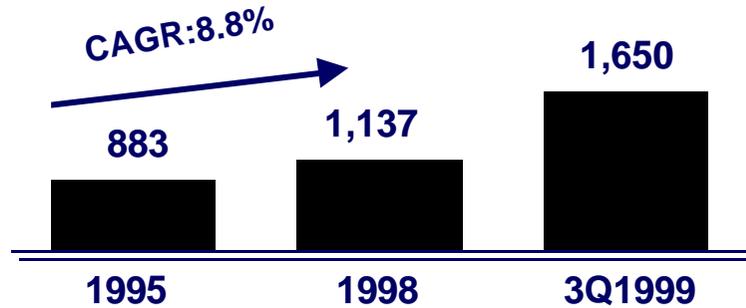
- **The growth momentum**
- **Endesa growing in:**
 - **Size**
 - **New Activities**
 - **Efficiency**
 - **Profitability**
- **The benefits of growth**



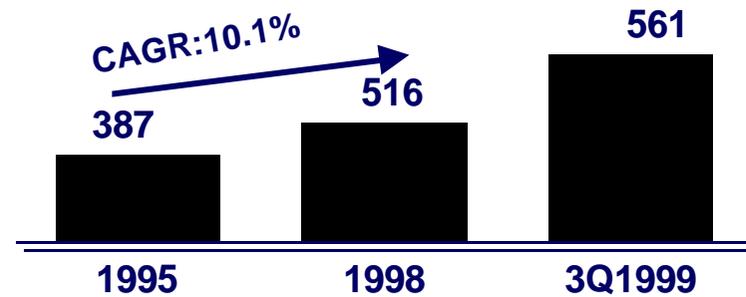
Profitability

Main Financial Parameters Growth (1995-1999)

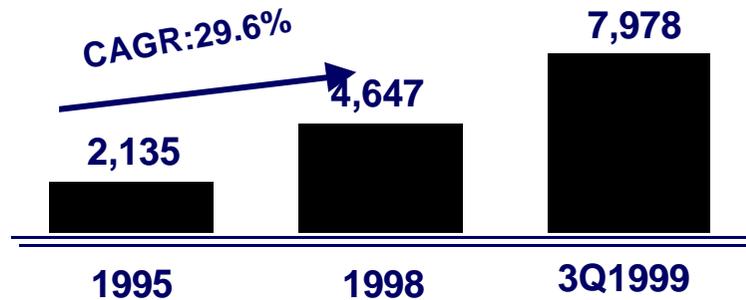
Revenues (Pta bn)



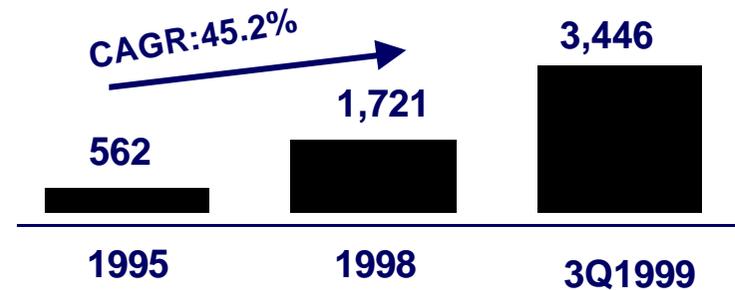
EBITDA (Pta bn)



Total Assets (Pta bn)



Net Debt (Pta bn)

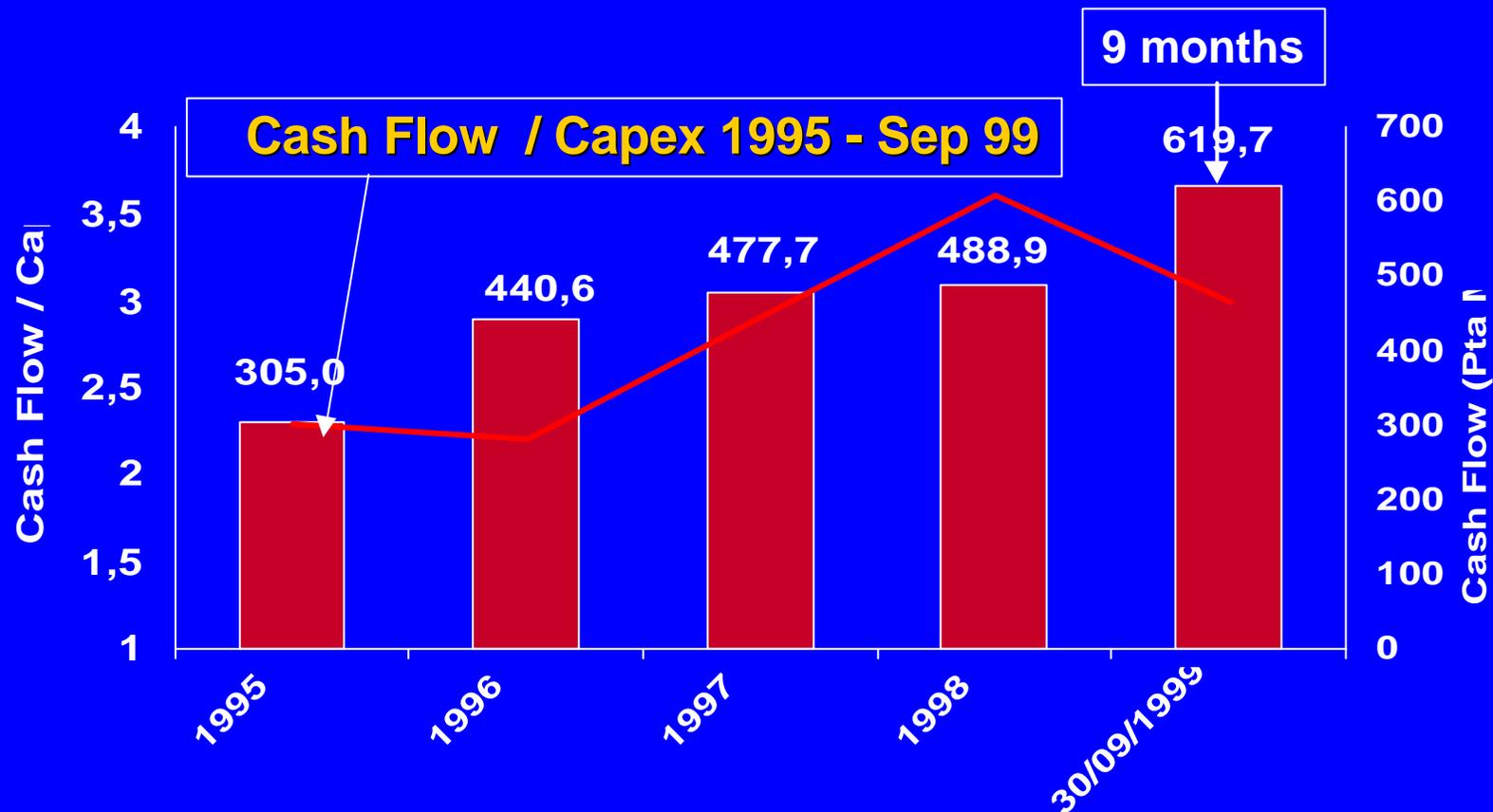




Profitability

Strong Cash Flow Generation

Has allowed self-finance of investments on growth

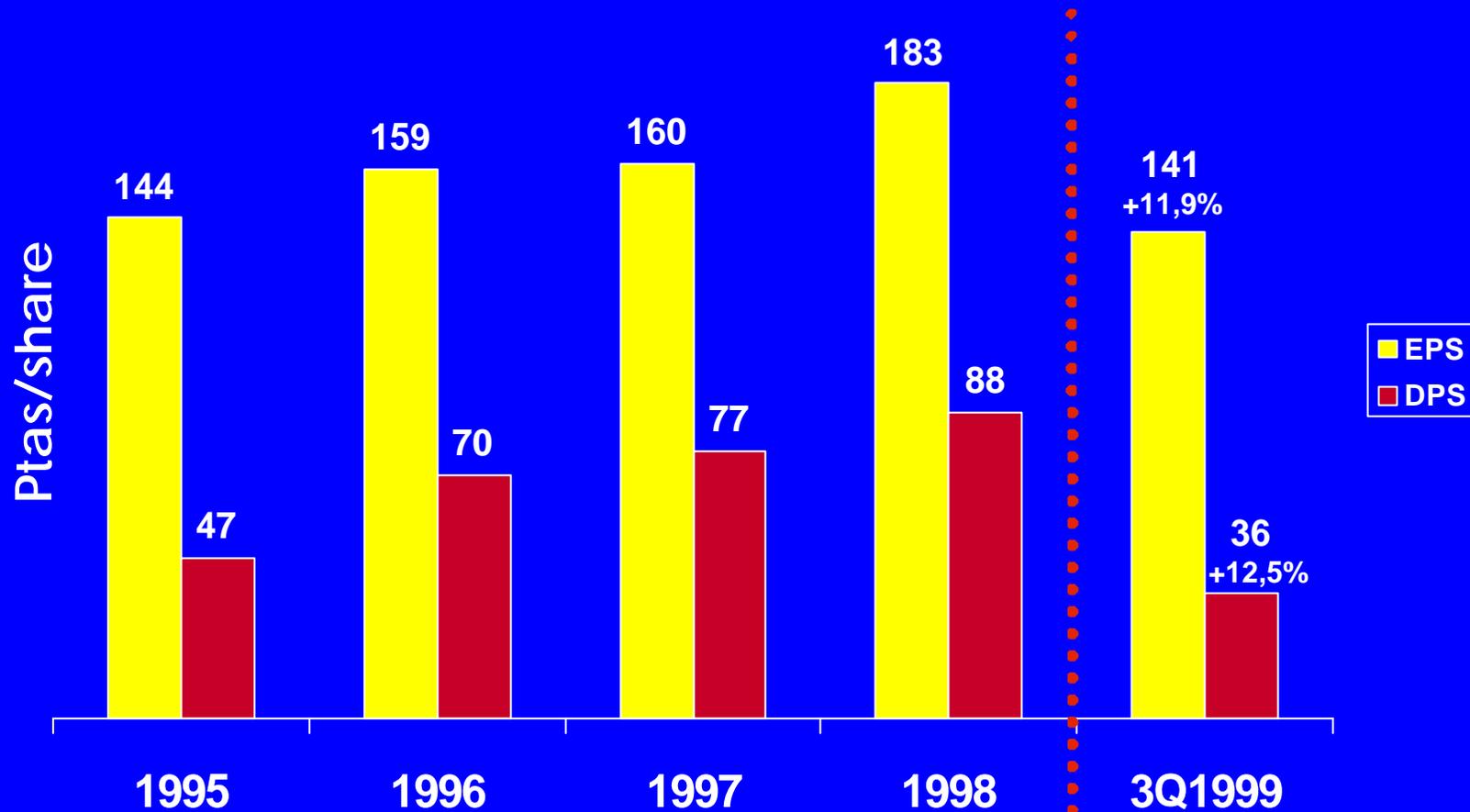


Annual investment capacity = Pta. 500 bn.



Profitability

Improving shareholder remuneration



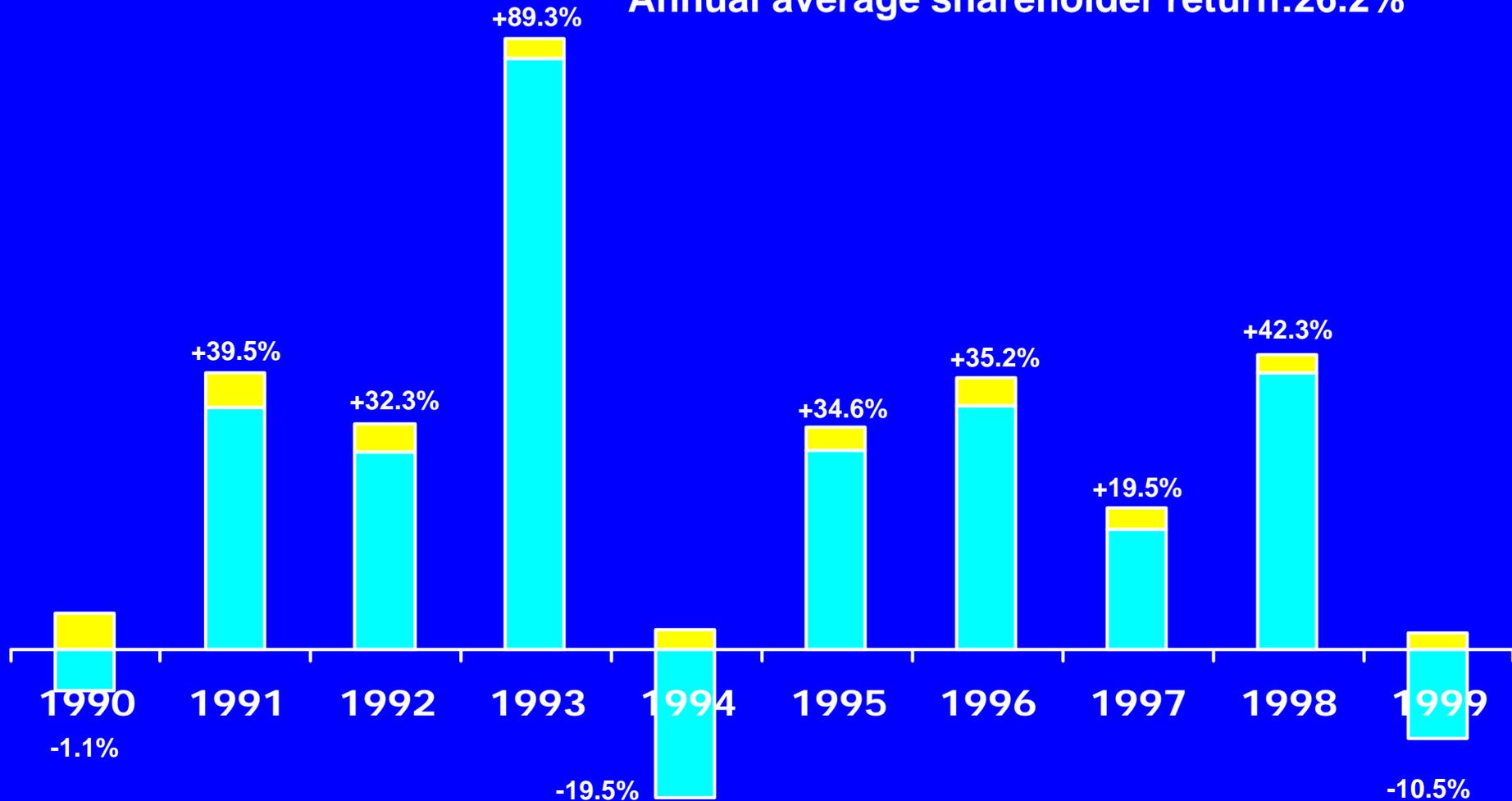
Pay-out (%)	1995	1996	1997	1998
	32.3	44.1	48	48



Profitability

Total annual shareholder return

Annual average shareholder return: 26.2%

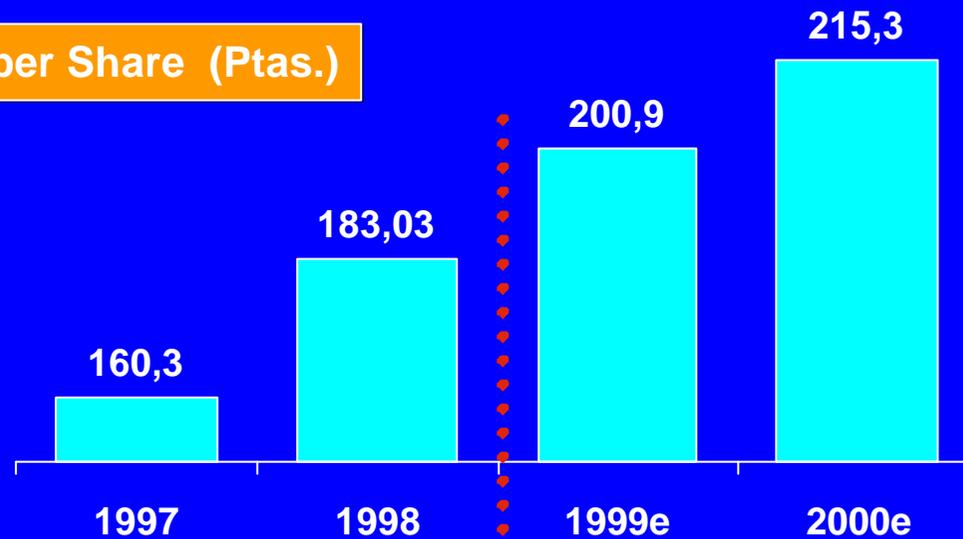


■ Performance ■ Dividend yield



Profitability Heading well towards Endesa's long term objective

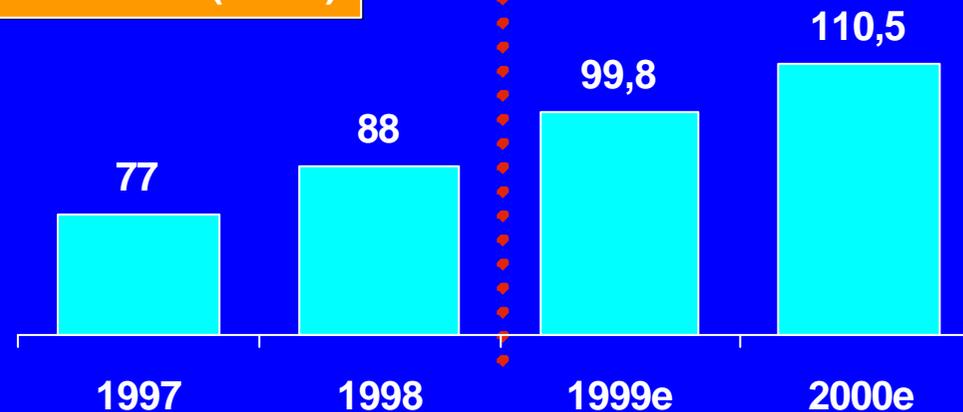
Earnings per Share (Ptas.)



Market Consensus for
1998/00 CAGR

8.5%

Dividend Per Share (Ptas.)



12.1%

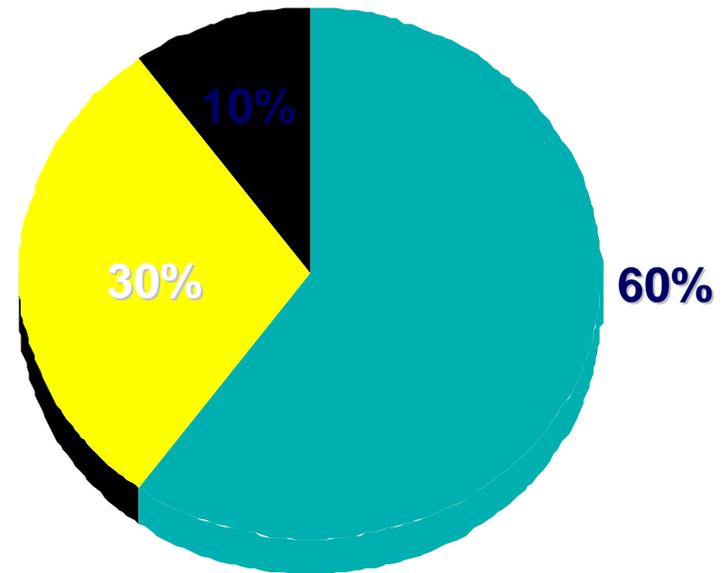
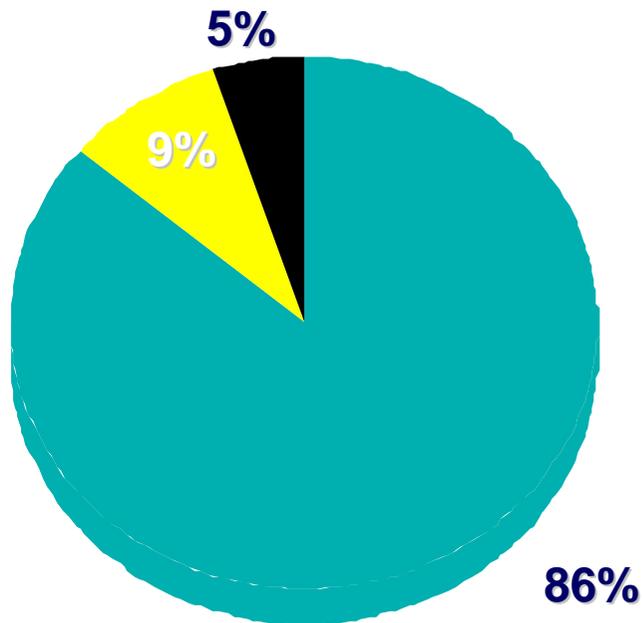
(*) Source: average current estimations of the 27 main analysts covering Endesa



Profitability Contribution Analysis: Current and Projected Mix

Net Income 1998

Net Income 2003E



 Domestic Power Business  International Activities  Diversification Activities



Index

- **The growth momentum**
 - **Endesa growing in:**
 - **Size**
 - **New Activities**
 - **Efficiency**
 - **Profitability**
- **The benefits of growth**



The benefits of growth
Strategies for the future
Our vision for the group

	Size
A global operator in the Electricity Sector:	<ul style="list-style-type: none">■ 50.000 MW installed■ 35-40 million customers■ 250.000 GWh sold

■ Active in every component of the value chain

■ Presence in 3-4 of the future electricity markets



Benefits of growth

➔ To be a leader in the transformation of the electric industry

➔ To be a leader in shareholder's return

