First Half 2004 Financial Results

endesa

Member of Dow Jones Sustainability Indexes 04

July 28th 2004

Positive Evolution in all Businesses in 1H 04

Improving operating performance

- Consolidated EBIT +9.0%
- Operating growth in all lines of business

Improving quality of results

- Ordinary income +6.3% to €1,211 M
- Net income w/o extraordinaries+46%
- All lines of business in net income

Stronger financial position

- Debt reduced by €739M in 2Q 04
- Leverage reduced to 1.22x
- EBITDA Interest coverage 5.0x

1H 04: Solid Organic Growth in Generation

Capacity

+ 1,449 MW

+ 3.6%

Spain: + 400 MW CCGT
+ 114 MW Renewables (1)
+ 87 MW Islands

Italy: + 140 MW New Capacity
+ 2x330 MW Repowered

Latam: + 310 MW Fortaleza
+ 570 MW Ralco (in operation by Aug 2004)
- 172 MW Canutillar

Generation (b.c.)

86.9 TWh

+ 13.9 %

Spain: +7.1% to 48.9 TWh (2)

Italy: + 26.6% to 10.9 TWh

Latam: +23.0% to 27.1 TWh

(1) 9 MW corresponds to projects in which Endesa >50%
(2) Including Renewables

1H 04: Solid Organic Growth in Sales

Electricity Sales 86.4 TWh + 9.7 %	**Spain:** + 5.5% to 47.6 TWh **Italy:** + 39.0% to 12.9 TWh **Latam:** + 6.4% to 25.8 TWh
Electricity Customers	+ 4.2% to 21.15 M
Gas Supply	+ 60% to 14.2 GWh
Telecoms	**Mobile Customers:** + 20% to 10 M **Fixed Telephony Customers:** + 13% to 0.7 M

1H04 Consolidated Results

€M	1H04	1H03	% Change
EBITDA	**2,580**	**2,458**	**+5.0%**
EBIT	**1,790**	**1,642**	**+9.0%**
Ordinary Income	**1,211**	**1,139**	**+6.3%**
Net Income	**789**	**876**	**-9.9%** (1)
Cash Flow	**1,845**	**1,842**	**+0.2%** (2)
Financial Debt	**17,157**	**18,019**	**-4.8%**

(1) Income net of extraordinaries: + 46%
(2) +9% excluding special tax effect in 2003

1H04 Consolidated Results
Breakdown by Business

Highlights

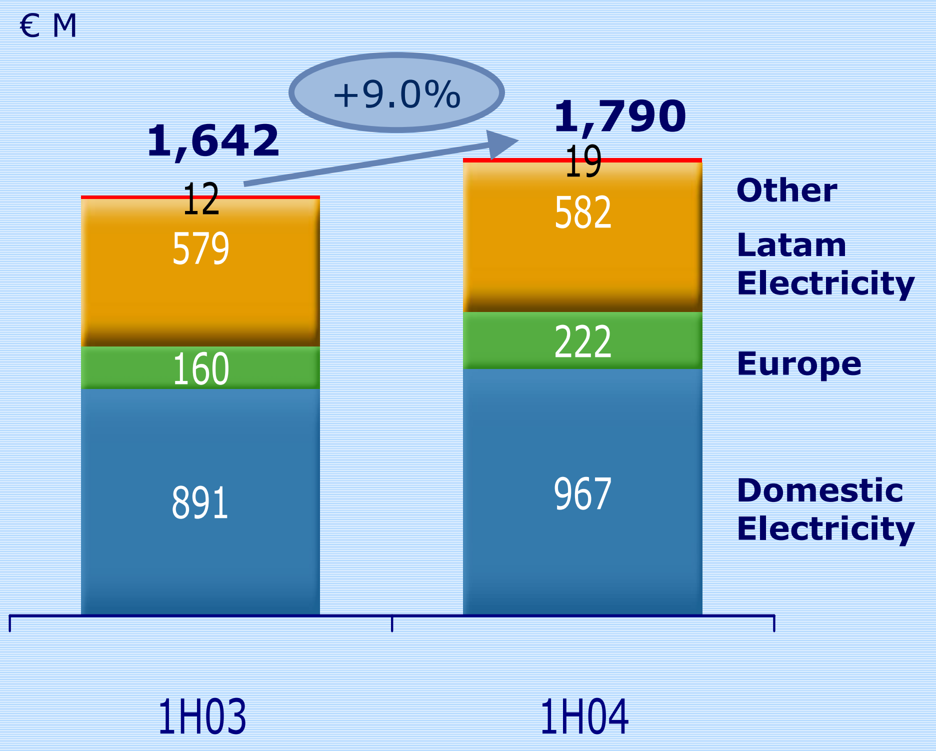
€M	Domestic Business	% 1H 03	European Business	% 1H 03	LatAm Business	% 1H 03	Other Businesses	% 1H 03
EBITDA	**1,471**	+ 3.1%	**281**	+30.7%	**791**	+0.3%	**37**	+37.0%
EBIT	**967**	+8.5%	**222**	+38.8%	**582**	+0.5%	**19**	+58.3%
Ordinary Income	**676**	+2.6%	**156**	+57.6%	**328**	-29.3%	**51**	+161.5%
Net Income	**506**	-44.7%	**100**	+270.4%	**47**	+1,075%	**136**	+294.3%
Cash Flow	**1,077**	+6.3%	**258**	+32.3%	**464**	-24.1%	**46**	+100.0%

1H04 Consolidated EBIT

Highlights

Robust performance in domestic business and Europe boosts consolidated EBIT

EBIT by Business



Growth in all lines of business

- **Domestic Business: +8.5%**
  - Reinforced leadership with stable results in a lower hydro scenario
- **Europe: + 38.8%**
  - Sales rise and improved generation mix offset lower prices
- **Latin America: +0.5%**

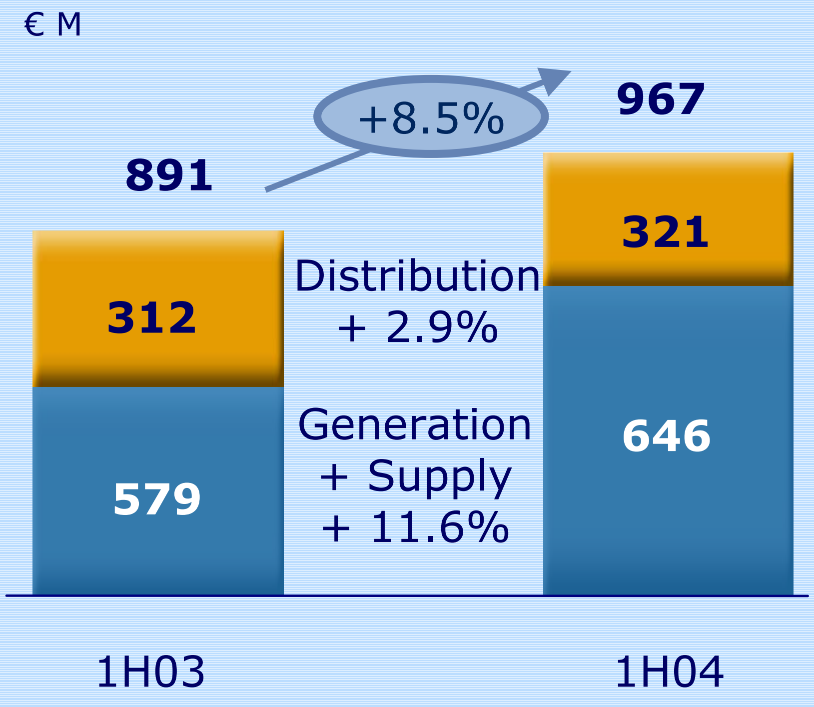
  Resilient business despite US$ weakness
  - +12.1% excluding transmission
  - +11.6% growth in US$

1H04 Domestic EBIT

Spain

Strong performance despite lower hydro levels

EBIT by Business



Domestic EBIT +8.5%

- Improved operating conditions…
  - Generation output + 7.0% (mainland)
  - Tariff increase +1.7%
  - Average price in liberalised market + 7.0 %

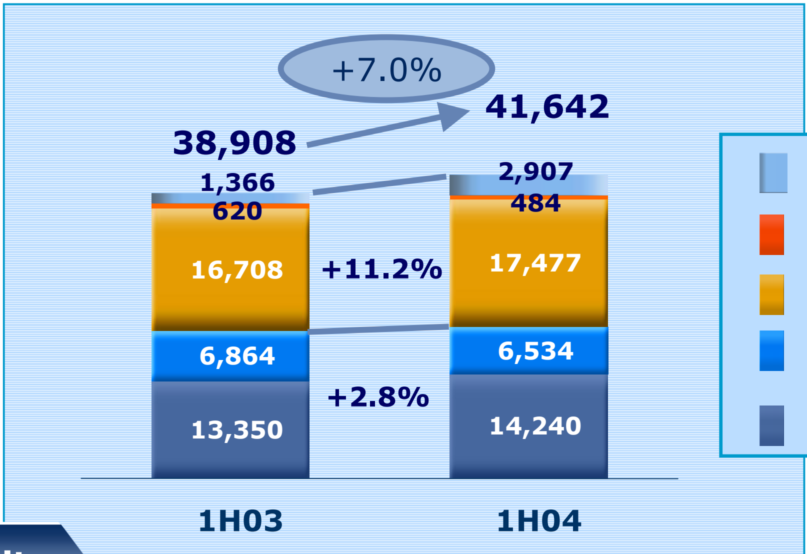
… offset €64 M higher fuel cost and €68 M increase in operating expenses

New nuclear asset depreciation €49 M positive impact

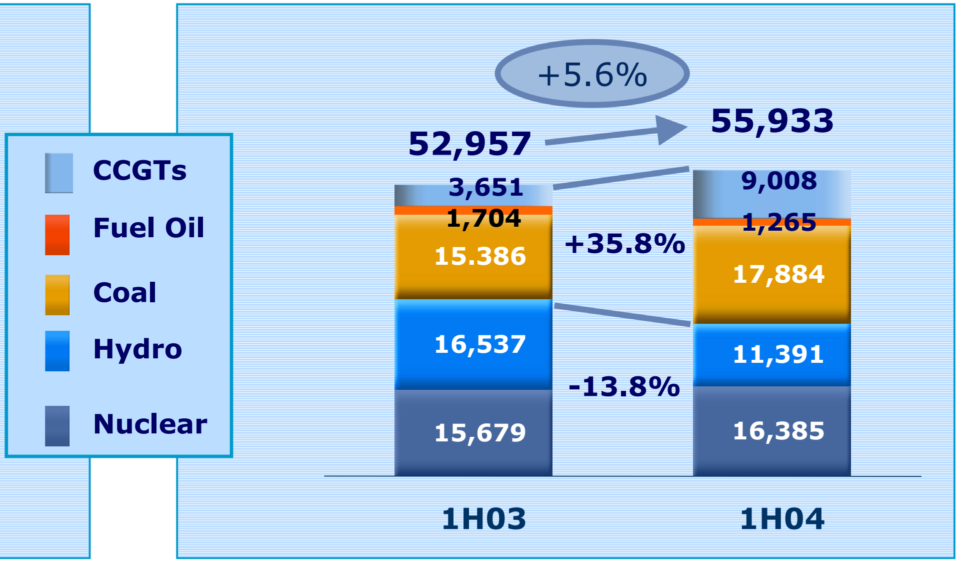
Superior Generation Portfolio in any Scenario

Spain

Endesa Mainland (GWh)



Rest of industry (GWh) (1)



Unit fuel cost €/MWh	1H03	1H04	1H03	1H04
	11.0	11.8	9.4	12.4

Balanced and stable generation mix

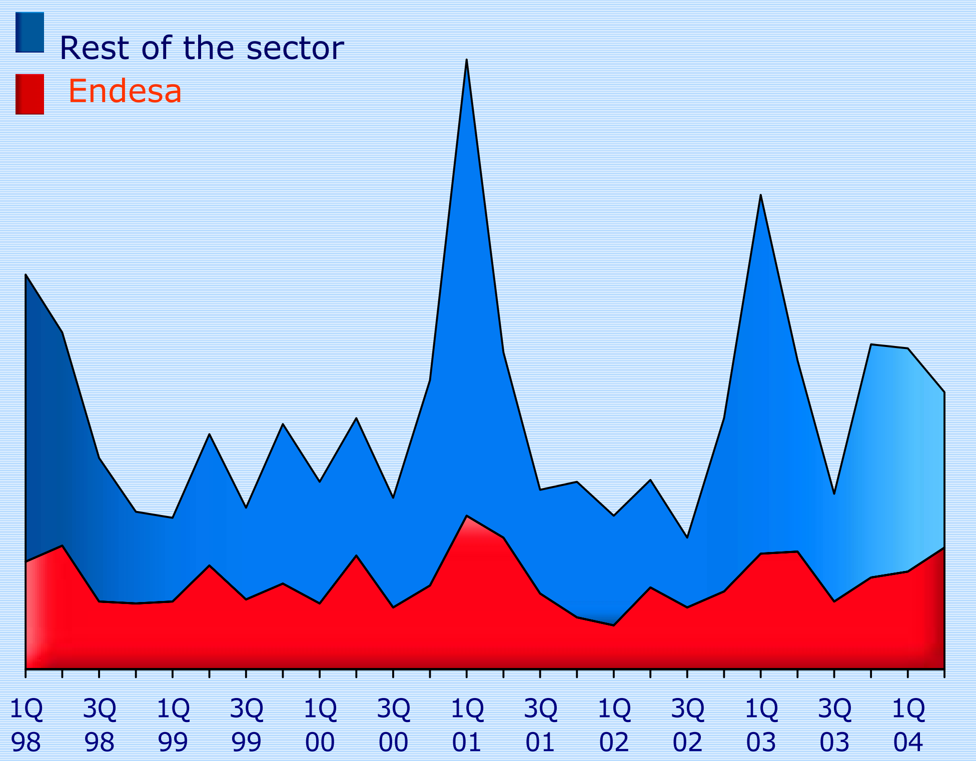
Higher output and stable fuel cost despite 24% lower hydro in the system

(1) Endesa's estimates based on public information

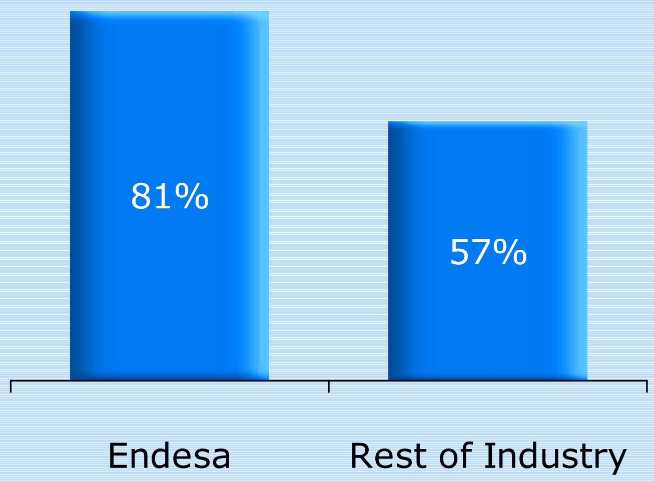
With a More Stable and Predictable Hydro Generation

Spain

Endesa's stable hydro output (GWh)



Hydro reservoirs as of June 30th

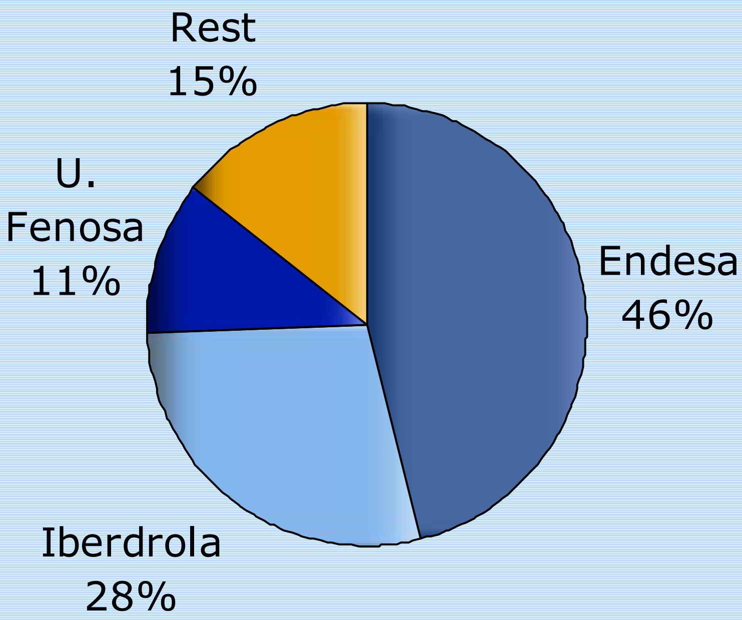


Endesa's hydro stations located in areas with more stable rainfall levels

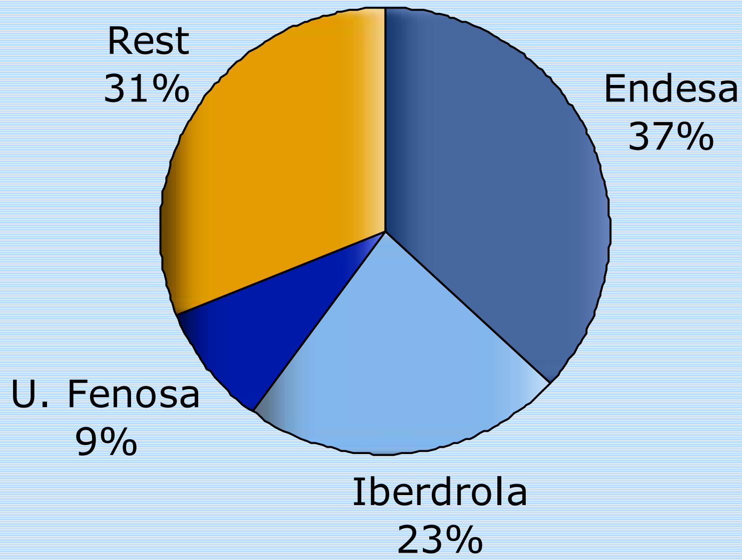
Reinforces Endesa´s leadership in the Generation Market

Spain

Market share in Ordinary Regime Total Spain 1H 04



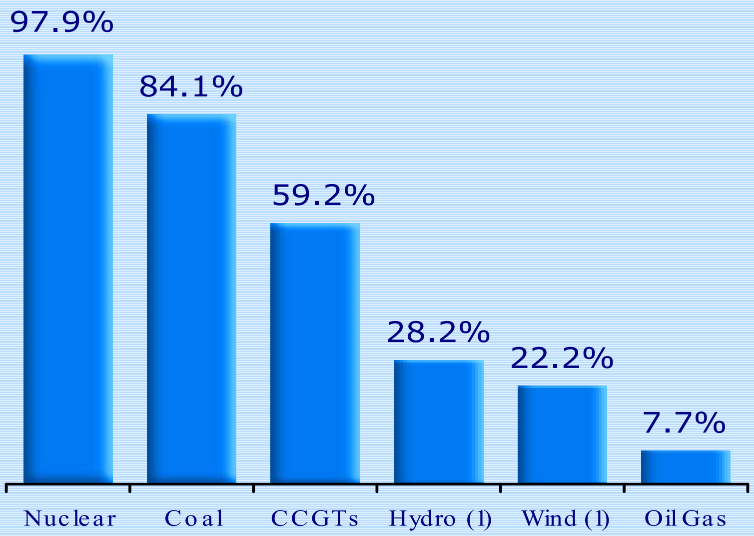
Market share in Total markets (including imports and Renewables) Total Spain 1H 04



Endesa's Reliability Key Contributor to Security of Supply

Spain

Endesa's mainland load factor in 1H04



(1) Based on real generation / Installed Capacity

Demand cover at peak summer demand (June 30th)

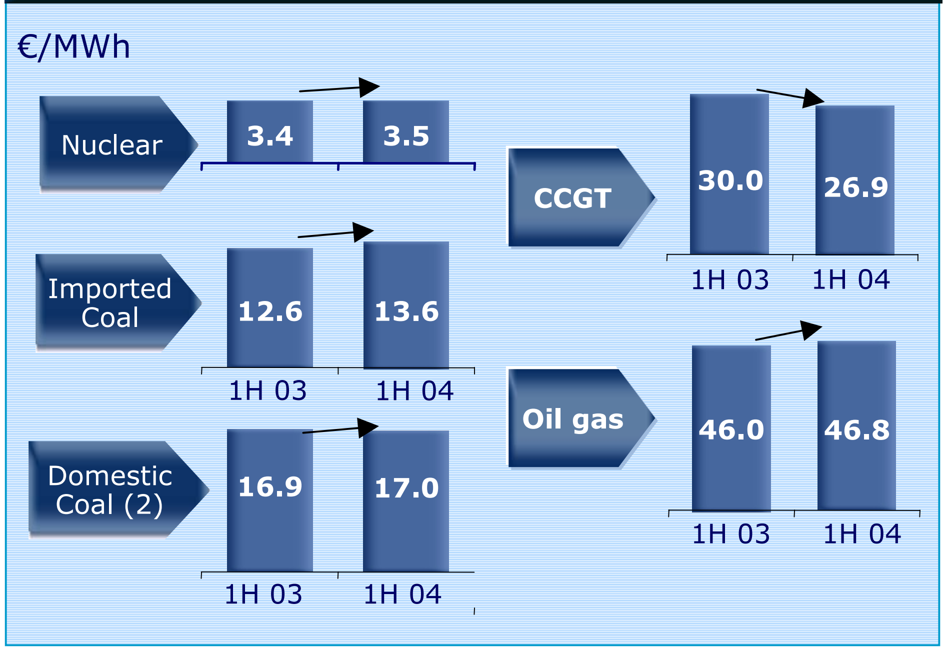
	Installed Capacity (MW)	Availability at peak demand (GWh)	Availability at peak demand (%)
Coal	11,037	**9,666**	88%
Nuclear	7,549	7,449	99%
CCGT	5,274	5,088	96%
Oil-gas	5,464	3,653	67%
Hydro	16,657	7,068	**42%**
Wind	5,361	150	**3%**
Other special regime	8,440	5,116	61%
	59,782	**38,190**	64%

- Total coal generation covers 30% of 1H 04 demand
- Hydro and renewables low availability compensated by high utilisation of nuclear and coal (and a lower extend CCGTs)

Higher Fuel Prices and Volume in Procurement Costs

Spain

Evolution of unit fuel cost by technology in 1H04



5.3% Increase in unit fuel cost

+

7.0% Increase in generation output

10.1% Increase in fuel cost in 1H04(1)

(1) Increase in raw materials in domestic business excluding gas purchases for supply

(2) Deducted domestic coal premium

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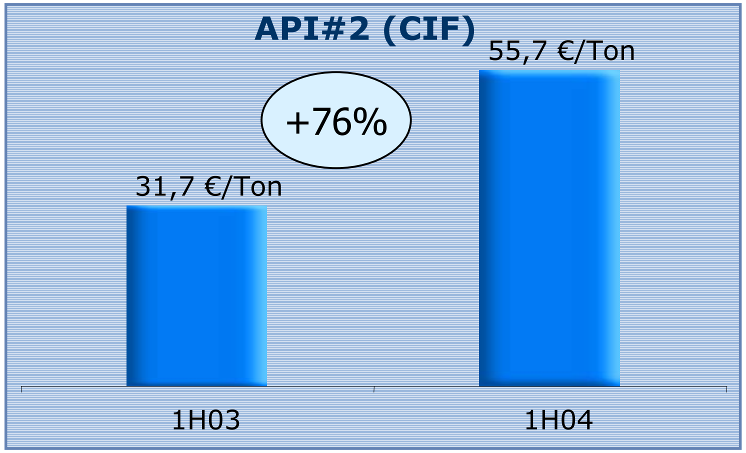
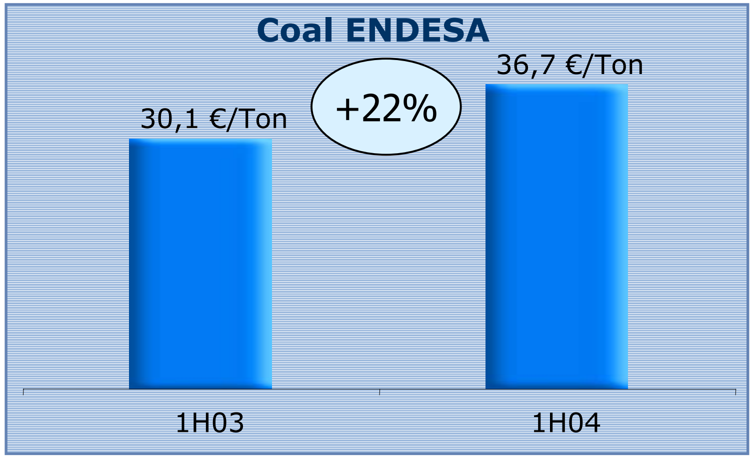
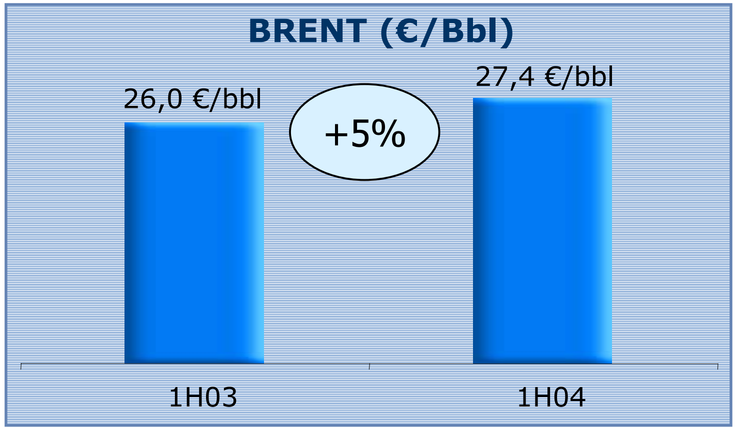
Impact of Coal Prices Increases Reduced by Exchange Rate and Fuel Purchase Management

Spain





Risk management policies has protected Endesa from most of the 2004 price increases of coal

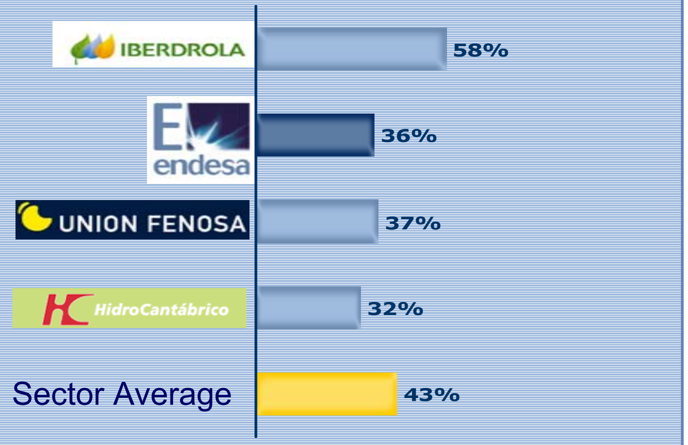


Brent has kept a similar price level in €/bbl from 1H03 to 1H04

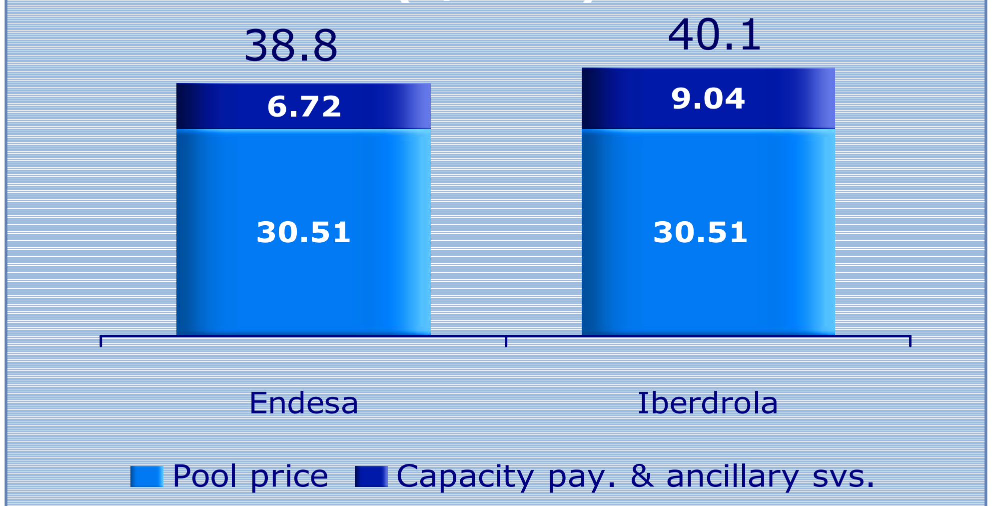
CTC Regulation and Recovery Are Fully Supported by Spanish and EU Regulation

Spain

CTC Recovery 1998-2003 (% of initial amount)



Avg Unitary Revenue 2001-1H04 (€/MWh)



- The differences in CTCs recovery among companies is mainly related to higher prices in Iberdrola through higher capacity payment and ancillary services.
- There is not direct correlation between capacity payments to hydro assets and its contribution to security of supply.
- Nuclear moratoria has provided 100% recovery of stranded cost from nuclear assets that never entered into operation

If a revision of CTC recovery is required, first movement should be to balance the different rates of recovery

(a) The percentage of pending CTC has been calculated as the relation between pending amounts as of 31.12.2003 and the initial CTC amounts. The percentage of recovered CTC is the complement to 100%.

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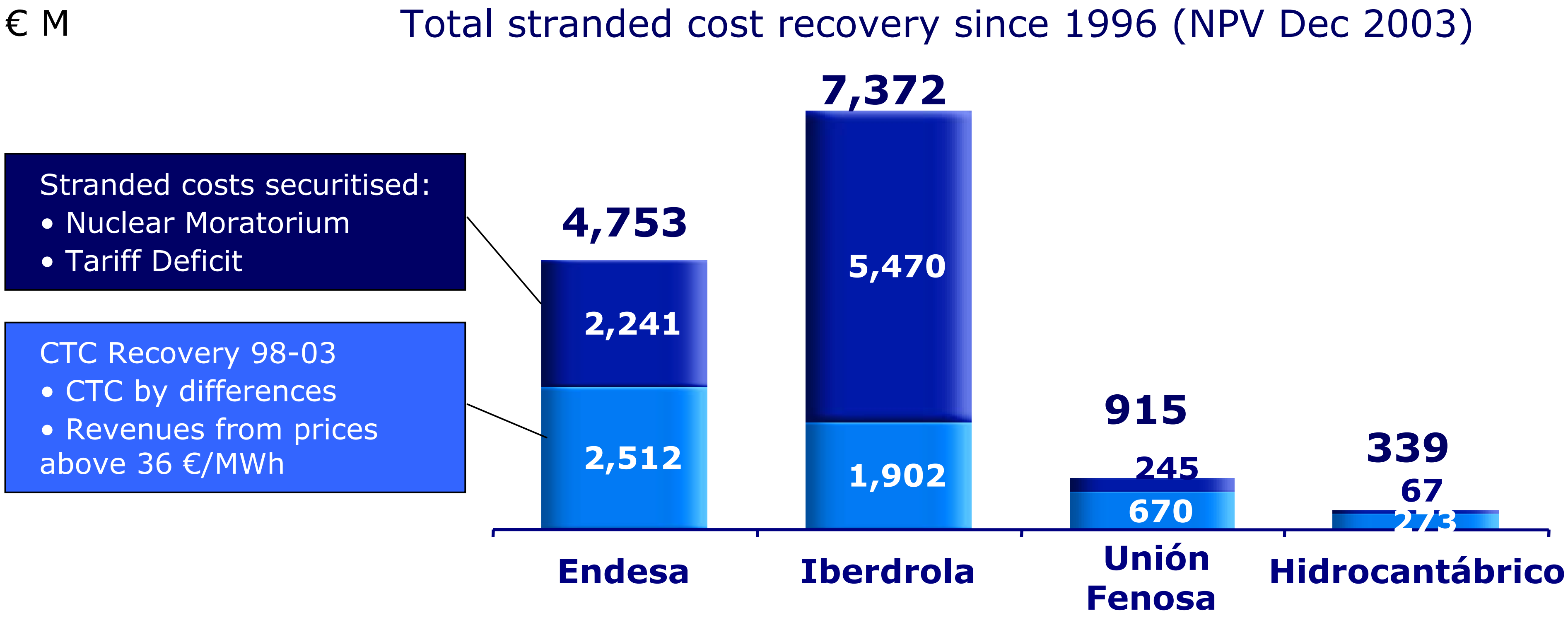
Significant Difference in Total Stranded Cost Recovery among the Spanish Electric Utilities

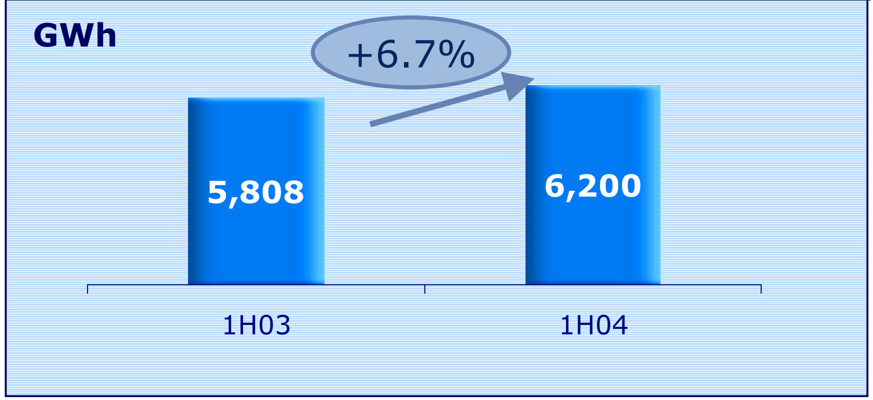


- To calculate the amount of stranded cost recovered is important to consider the nuclear moratorium and the tariff revenues shortfall or "tariff deficit" (both securitised)
- Under this calculation, **total stranded cost recovery for Endesa has been 36% lower than for Iberdrola.**
- **Revenues from stranded cost securitised** (guaranteed and paid) **60% lower.**

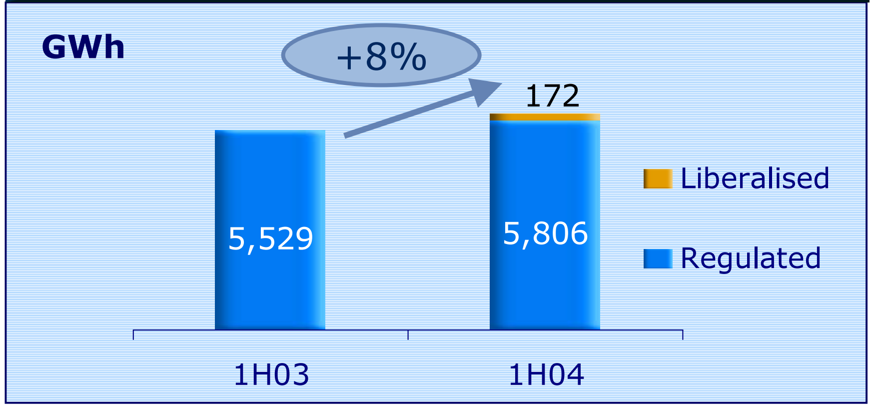
Islands: High Growth in a Regulated Business

Spain

Generation



Sales

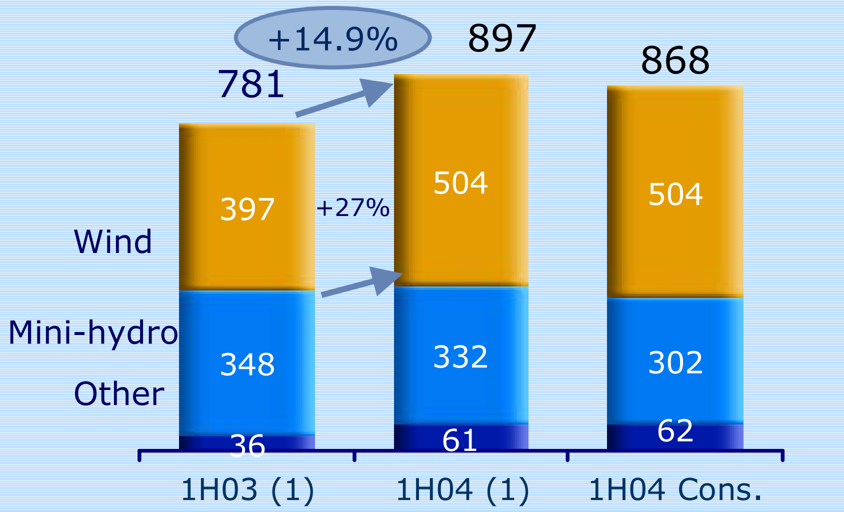


- Sales +10.5% to €515 M
- Island compensation +8% to €108M.
- 231 M EBITDA in 1H04
- New regulation framework offers broader **cost recognition not included in revenues**
- Pending regulatory development of fuel cost pass-through
- 100% CO_2 emission rights granted

Renewables: Growth and Positive Outlook

Spain

1H04 Renewable Generation (GWh)



(1) Projects in which Endesa > 50%

ECYR Main Financial Data

€ M	1H03	1H04	%Chg
Revenues	49	64	+33%
EBIT	14	20	+46%
Net Income	8	14	+78%

- Capacity increased by 114 MW[1] since 1H03
- Renewable capacity under construction in 1H 04:
  - Wind: 193.5 MW
  - Mini-hydro: 38.5 MW

(1) 9 MW in projects in which Endesa owns more than 50%

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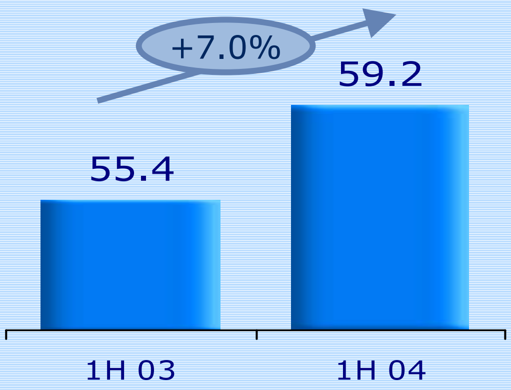
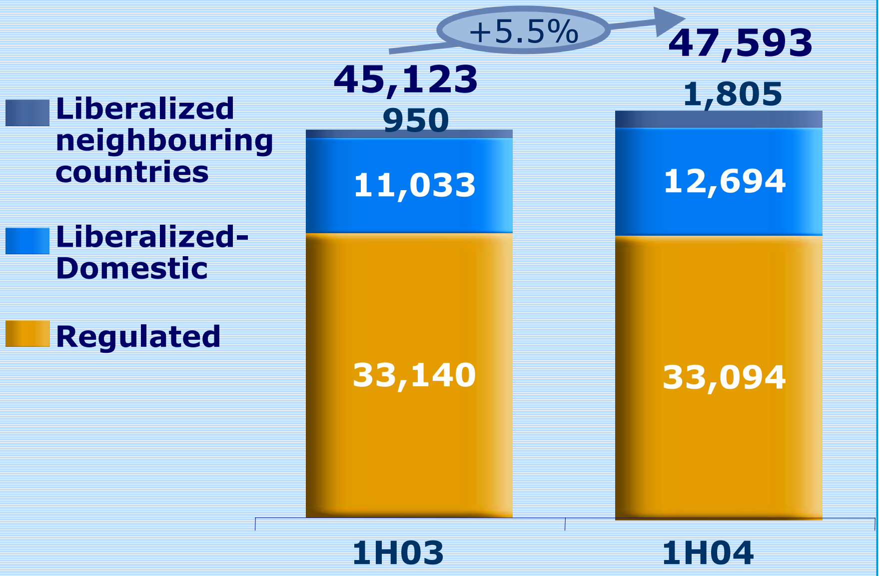
Supply: Focused on Profitability

Spain

Price to eligible customers (€/MWh)



Total sales to final customers (GWh)

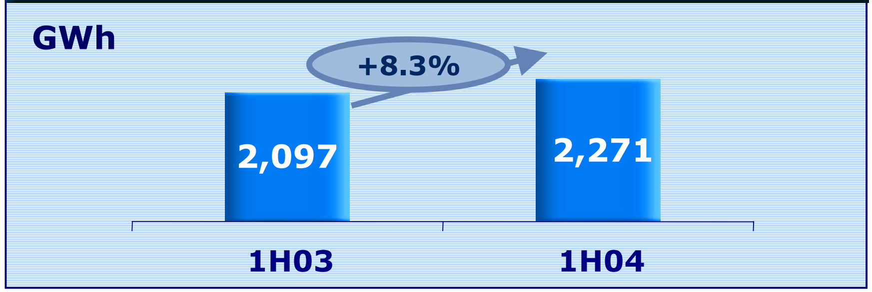


- ENDESA´s total sales (regulated+eligible) have increased steadily, allowing it to maintain its leadership position
- 97.4% retention rate in domestic market
- Demand growth total Spain +4.7%

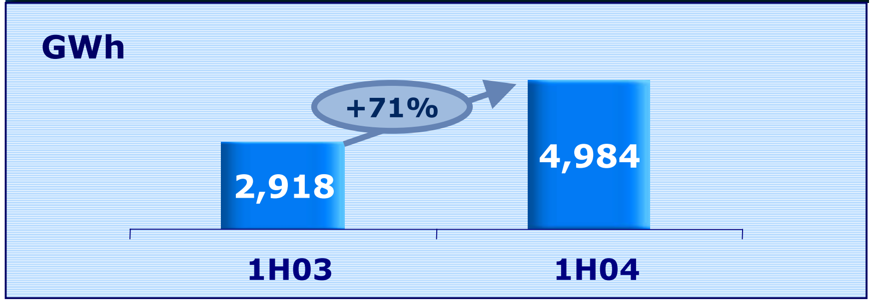
Gas: Gaining Share in the Gas Market

Spain

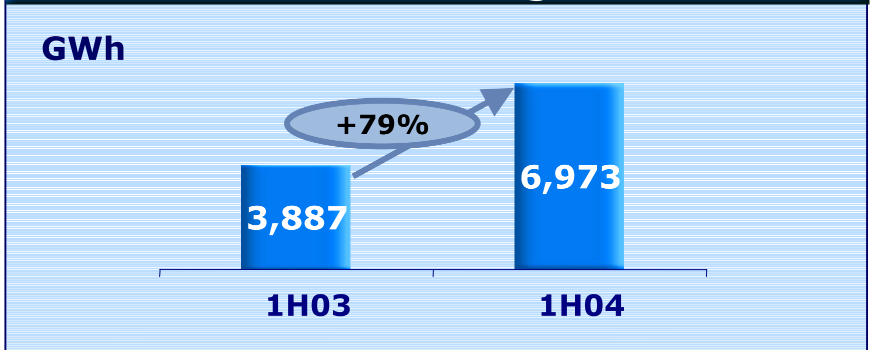
Sales to Regulated Market:



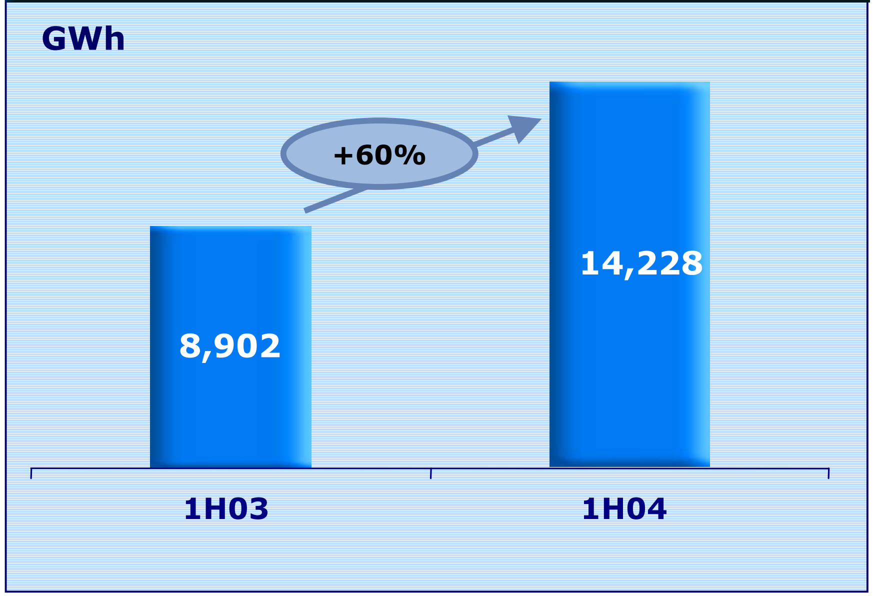
Sales to Liberalized Market:



Gas consumed in generation



Total Gas Supply:

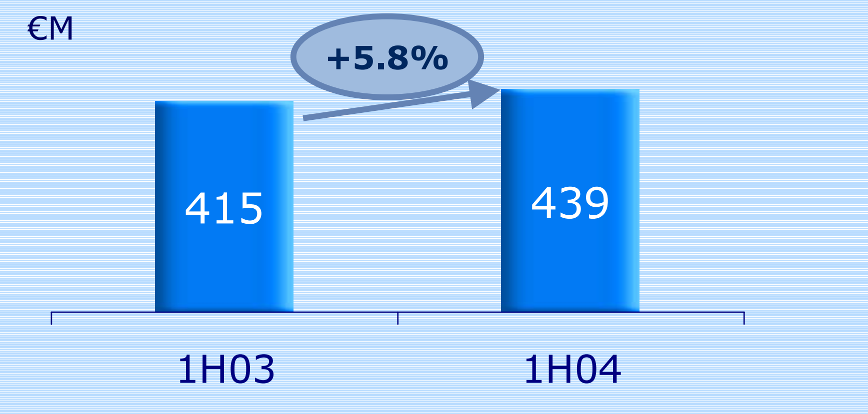


Yielding positive margins from the start
8.9% market share in Spain

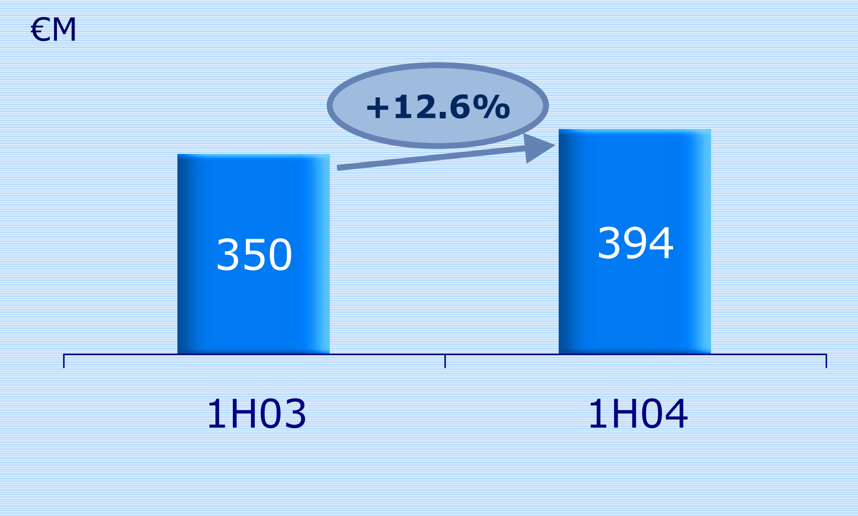
Fixed Operating Expenses

Spain

Personnel Expenses



Fixed Operating Expenses



The increase in personnel costs is the result of the salary rise for year 2004 and the deviation between the projected and the real CPI for the first half of year 2003

•Higher maintenance expenses due to Quality of Supply improvement plan.	+€16 M
•Increase in taxes	+€15 M
•Commercial costs due to the liberalization process	+€6 M
•Other fixed costs	+€7 M

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NAP Draft Presented July 7th

Spain

Volume of emission rights

- 88 Mt CO2/year (on a comparable basis)
- Includes 1.6 Mt for Aboño´s production with steel gases
- Elcogas excluded

Default criteria for allocation

- Historical emissions in period 2000-2002 are used as the basis
- "As a starting point, real average emissions for period 2000-2002 are used"

Adjustments in allocation

- Enough allocation for the islands
- Reduction in default allocation for technological reasons
  - Fuel-oil
  - Units close to the end of their technological useful life
  - Units that have not undertaken or do not plan to undertake environmental updates
  - Less efficient units
- Increased allocation for CCGT

New entrants

- New CCGT with all permits take part in general allocation
- Additional reserve of 1.84 Mt CO2/year for new entrants

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The NAP Draft Is Consistent with Endesa´s Principles

Spain

- Volume of 88 Mt CO_2/year compares with 92.5 Mt claimed by Endesa (considering the exclusion of 1.5 Mt for Elcogas and 3 Mt for hydrological volatility)
- Historical emissions are used as the basis for allocation
- Enough emissions are granted and guaranteed for the islands (~25% of Endesa´s emissions)
- All of Endesa´s coal facilities are modernised, with significant investments in the past few years for technological and environmental update, and with availability above 93% for all of them
- Stated objective of 3.66% annual reduction in coal consumption fits Endesa´s projection for coal generation

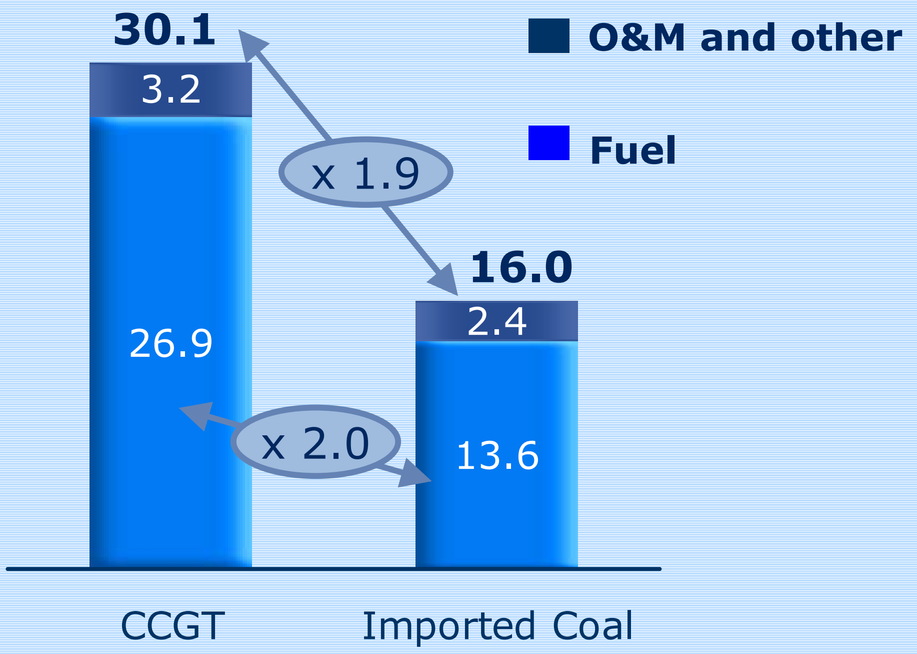
The published draft even though not specific enough, seems to be consistent with Endesa´s objective

Final allocation need to be negotiated with the regulator

Proposed NAP Will Not Change Coal Competitive Position

Spain

Generation variable costs in 1H04 (€/MWh)

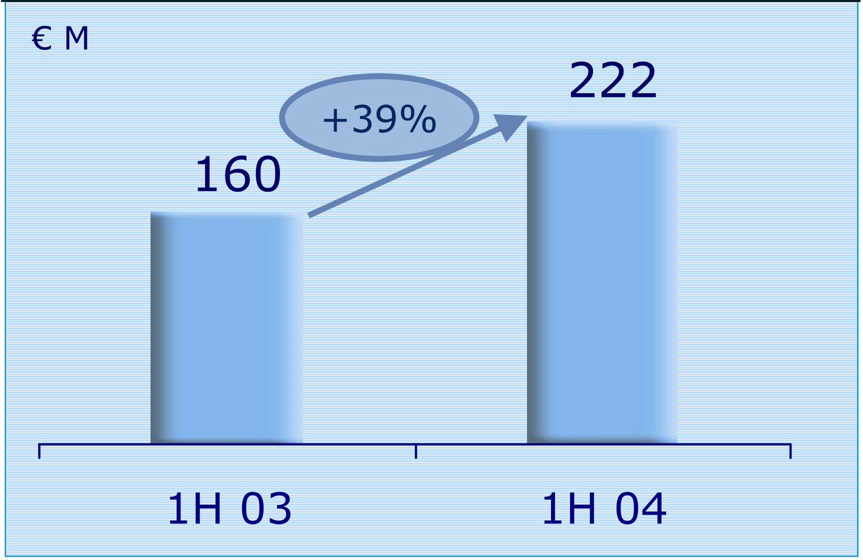


- Potential changes in merit order will depend on:
  - Fuel prices
  - CO_2 rights prices
- With 1H04 variable costs, emission rights should be 25€ - 30€ /Tn CO_2 to allow gas/coal substitution
- According to NAP Draft, coal will cover 15-20% of demand in 2011-2012

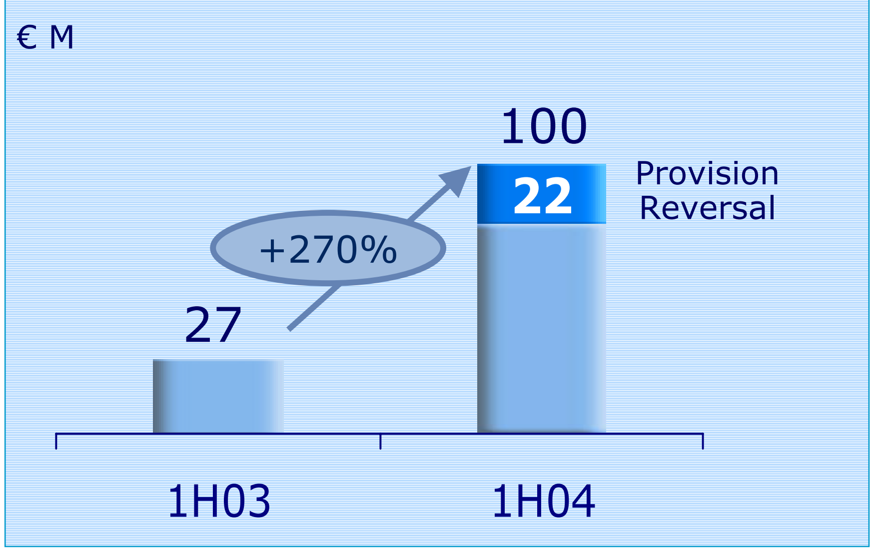
European EBIT: Strong Operating Performance

Europe

EBIT



Net Income



Reversal of provision for workforce reduction: €38 M (Net after minorities €22 M)

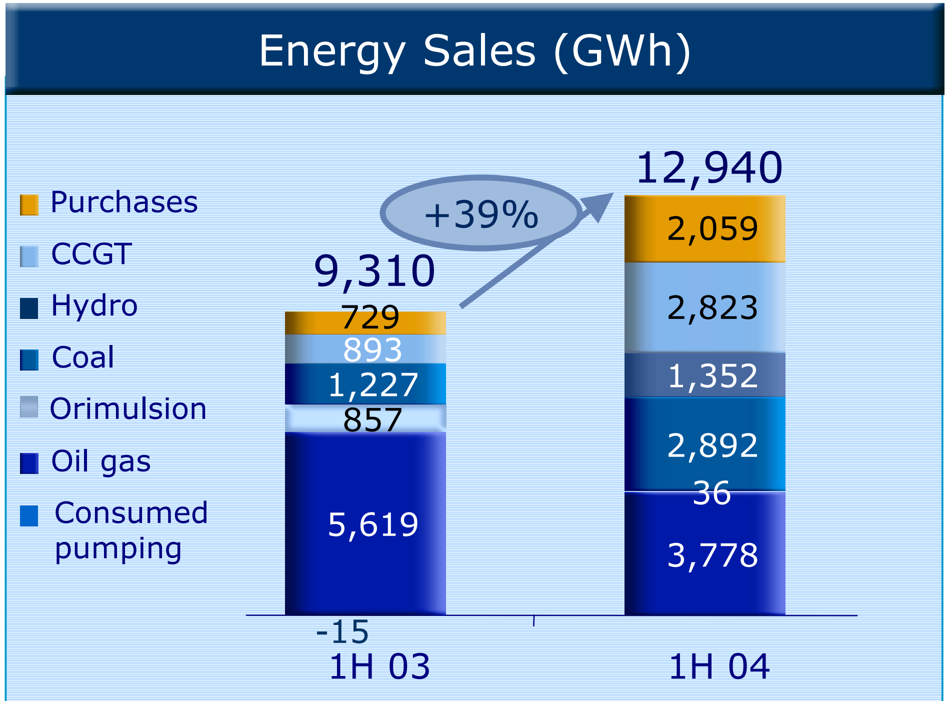
- Higher number of employees than initially estimated
- Lower cost per employee than provisioned for

2004 interim dividend paid by Endesa Italia in April amounts to €30 M

On July 26, the French Privatization Committee approved the acquisition of 35% interest of Snet by ENDESA, that will increase Endesa's total interest up to 65%.

Endesa Italia: Improved Mix and Boost in Sales

Europe



Unit fuel cost (€/MWh)	41.2	→	34.0

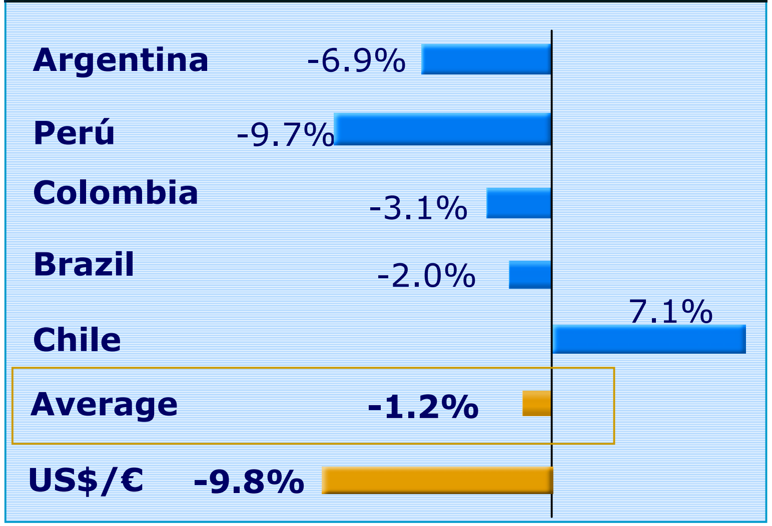
- Increase of 28% in revenues boosted by 39% in energy sold despite 11% reduction in average price due to:
  - Change in generation mix (> based load generation)
  - Delibera 20 in 1Q04

Repowering improved fuel mix reducing 17.5% unit fuel cost

Latin America: Change in Trend Materialised

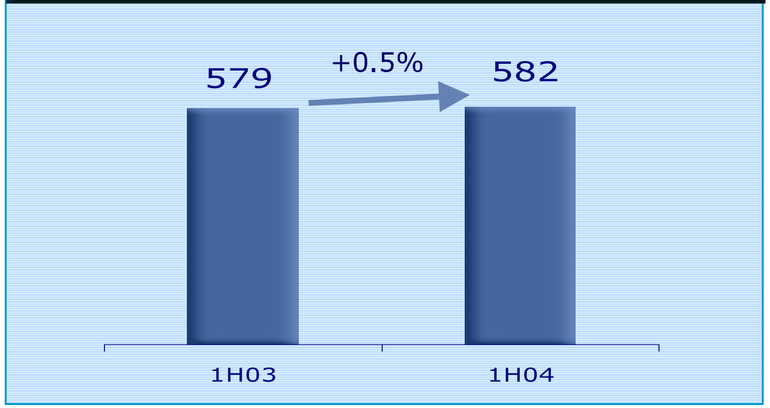
LatAm

Average Exchange rate vs. Euro 1H2004 / 1H2003

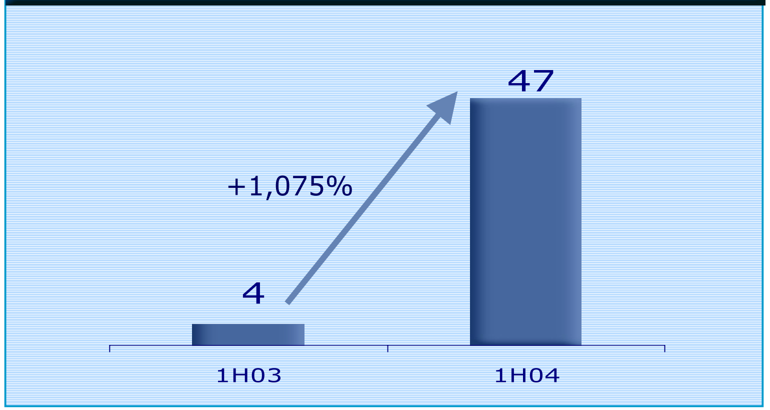


- EBIT growth in euros +0.5% despite 9.8% US$ depreciation
- In US dollars, EBIT increased by 11.6%
- Substantial net income increase despite Argentinean assets still fully provisioned

1H04 Latin American EBIT



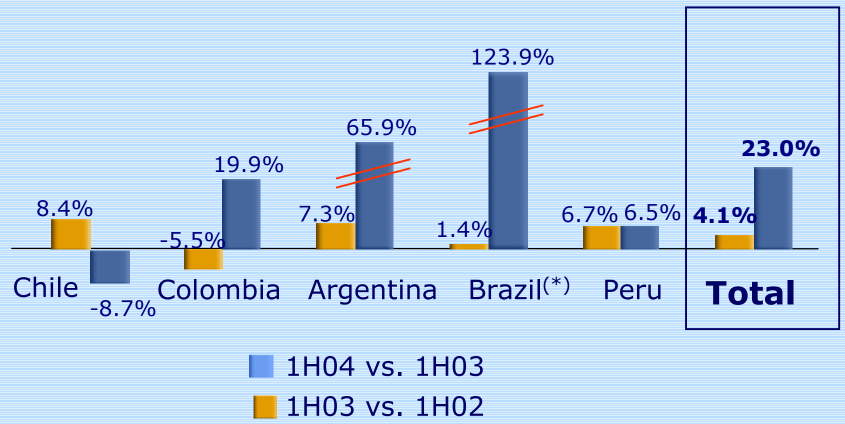
1H04 Latin American Net Income



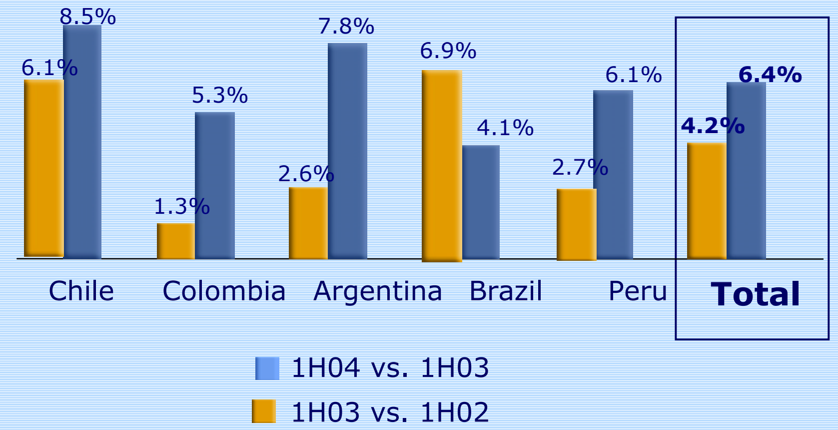
Latin America: Sustained Recovery in Electricity Demand

LatAm

Energy Generation (%)



Energy sales: Distribution business (%)



- **Brazil: Fortaleza CCGT began operations in December 2003**
- **Chile: Canutillar sale: -234 GWh. Ralco ready to operate in Aug.04**
- **Perú: Etevensa gas conversion ready to operate in Aug 04.**

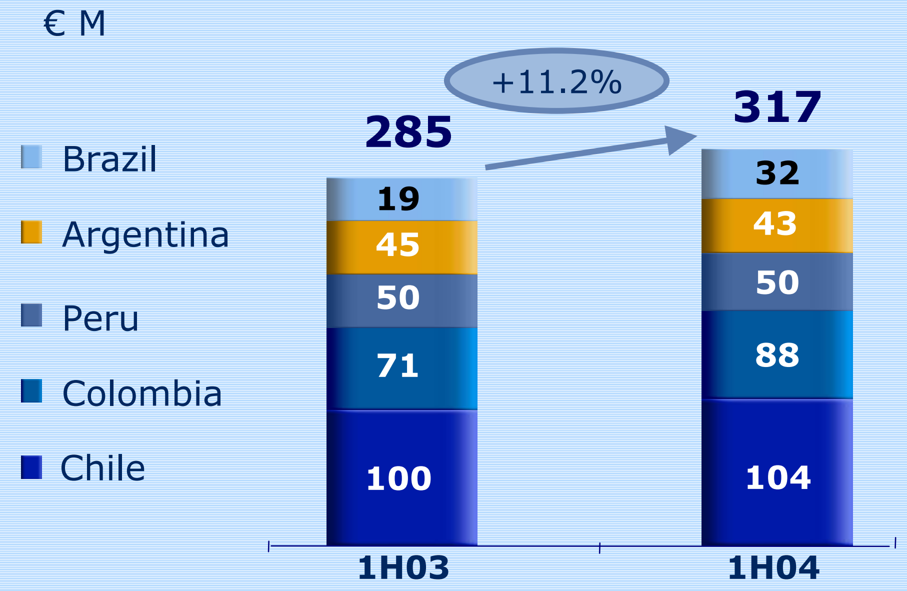
- **Return to historical long-term growth trend (+4.5% p.a. 1990-2000)**

(*) 2003 shows recovery from 2002 rationing in Brazil. 2004 reflects unfavourable weather conditions for CERJ.

Generation EBIT +11%: Growth in Most Countries
Transmission EBIT -54%: Impacted by new Cien-Copel Contract

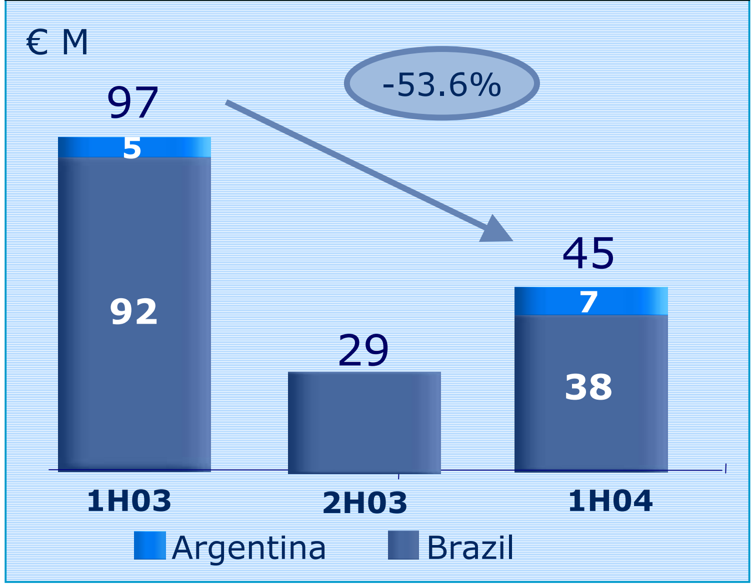
LatAm

EBIT - Generation



- EBIT +23.4% in US$
- +23% growth in output.
- Chilean generation affected by sale of Canutillar (€3M) and lower output due to hydro conditions and US$ devaluation. Argentinean generation affected by higher fuel cost
- Ralco in operation in 3Q 04

EBIT - Transmission

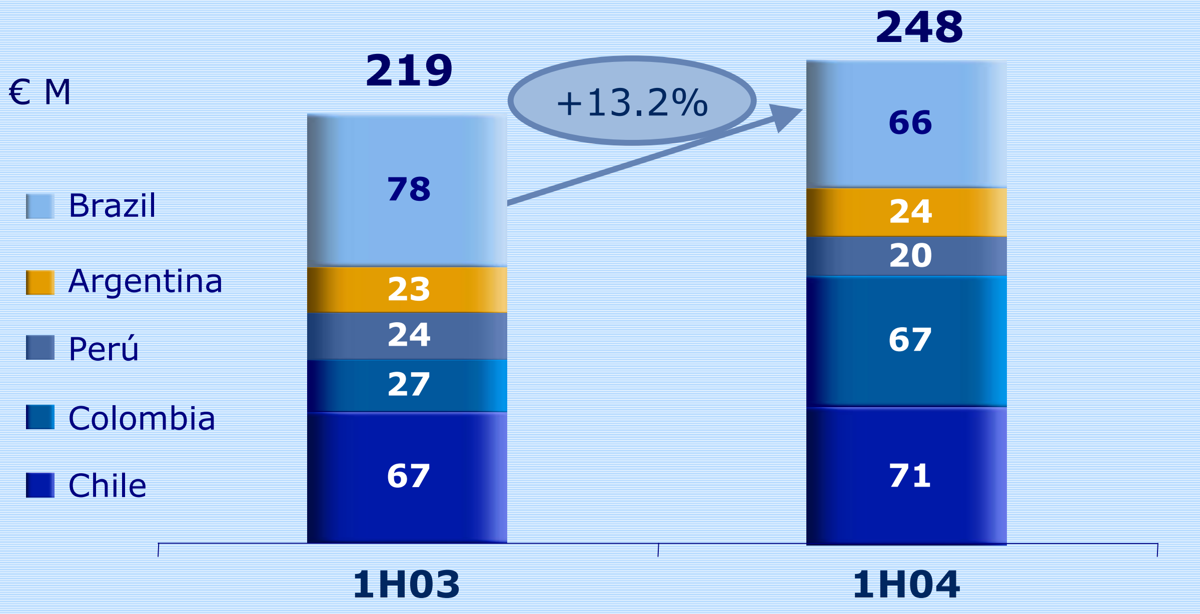


- EBIT – 48.5% in US$
- Lower CIEN contribution due to 10% US$ devaluation and new conditions of contract with Copel

Distribution EBIT +13%

LatAm

EBIT - Distribution



- EBIT + 25.6 % in US$
- Distribution business improved due to higher sales (+6.4%) and tariff increases.
- Brazil: Coelce down (-€17 M) due to a temporary pass-through lag effect in energy purchases from Fortaleza offsetting tariff increases (+31% in Apr-03, +11% in Apr-04). Cerj up (+€5 M) (Tariff increase of +15% in Dec-03) despite same temporary pass-through lag effect.
- Colombia: Strong increase due to Codensa´s tariff review (+19.5% Jan 04) and higher sales (+5.3%)

Telecoms: Positive Contribution from both Auna and Smartcom

Telecoms

€ M	1H03	1H04	% Var.
Grupo auna			
Revenues	1,795	2,011	12%
EBITDA	410	531	30%
Equity Income Contribution to Endesa	**-28**	**2**	**n.a.**
amena			
Revenues	1,227	1,456	19%
EBITDA	357	460	29%
Customers ('000)	7,230	8,688	20%
auna TLC			
Revenues	495	583	18%
EBITDA	26	79	201%
Customers ('000)	604	682	13%
SMARTCOM			
Revenues	84	87	3%
EBITDA	10	20	102%
Equity Income Contribution to Endesa	**-17**	**4**	**n.a.**
Customers ('000)	1,048	1,324	26%

AUNA:

- Debt renegotiation completed (€4.5 bn), self financing in place
- Guarantees lifted (€459 M)
- Endesa´s stake increased to 32.9%
- **Capital gain from Netco disposal €8 M**

SMARTCOM:

- **First positive net income**

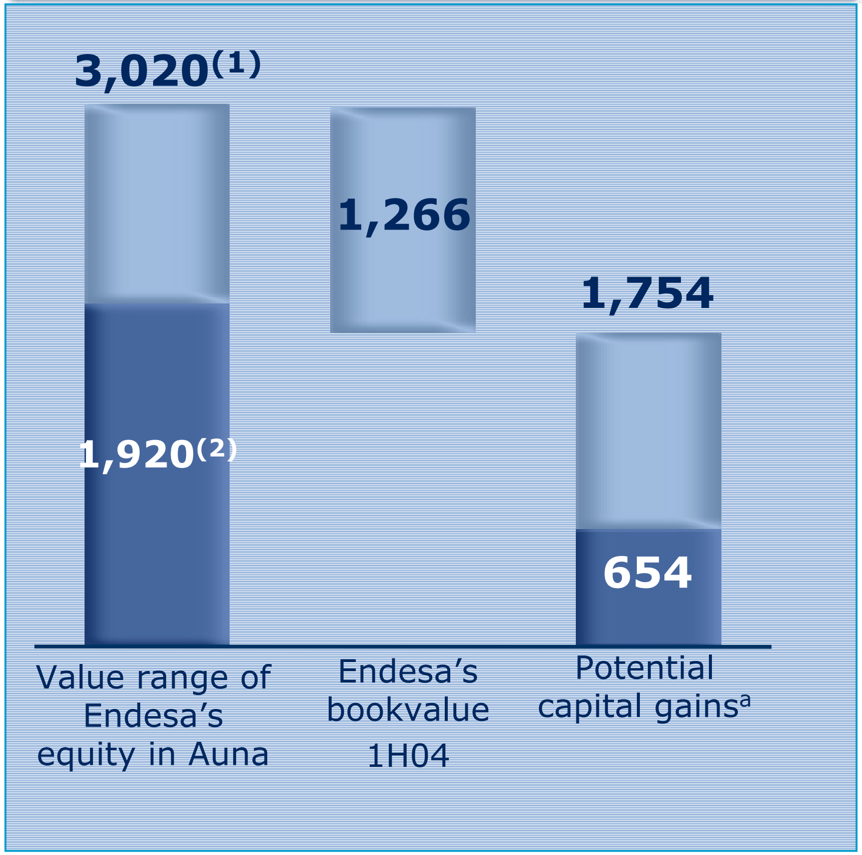
Telecoms contribution to equity income improved by €51 M

endesa

Telecoms:
Improved Valuations, Ready to Extract Value

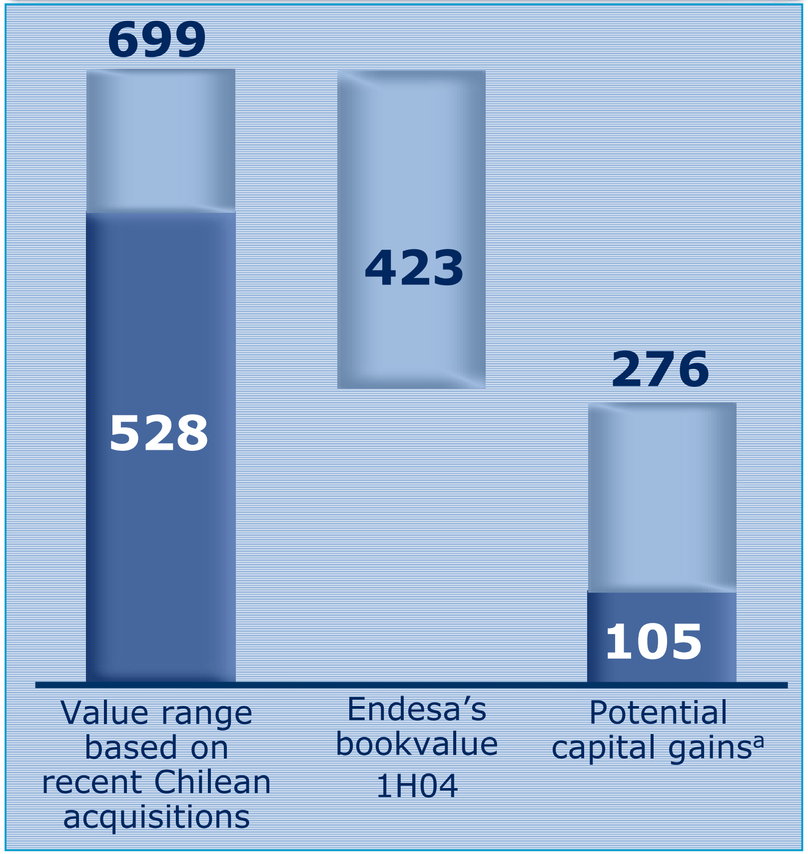
Grupo auna

Estimated Current Capital Gains (€ million)



SMARTCOM

Estimated current capital gains ($million)



(1) Mean of Other Third Party valuations of Auna (2) Mean of Equity Research Analyst valuations in 2004

a Pre-tax

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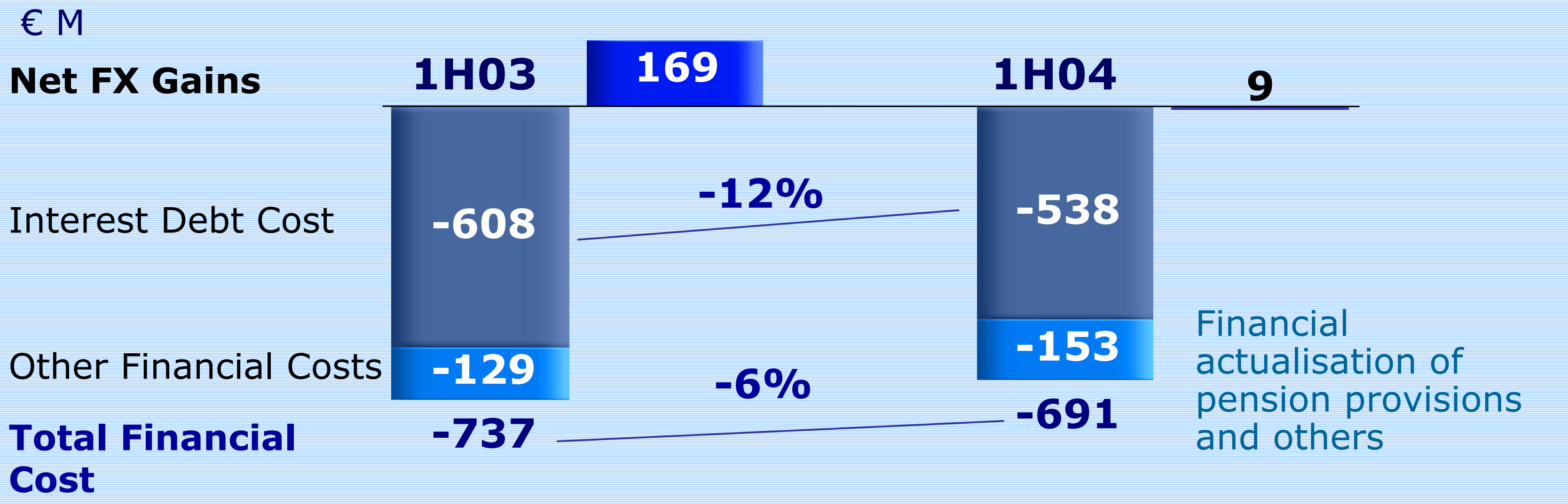
Stable Net Financial Result and Lower FX Gains

Financials

Financial Cost and FX gains

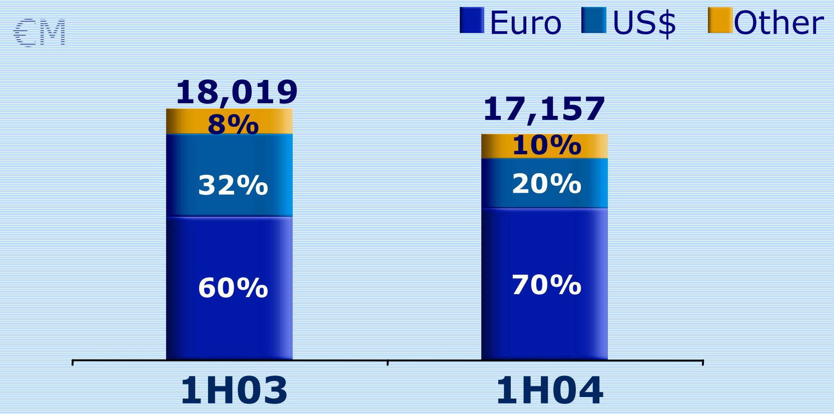


Interest cost	**5.1%**	**5.4%**
Report. Int. cost + fees	**5.2%**	**5.5%**

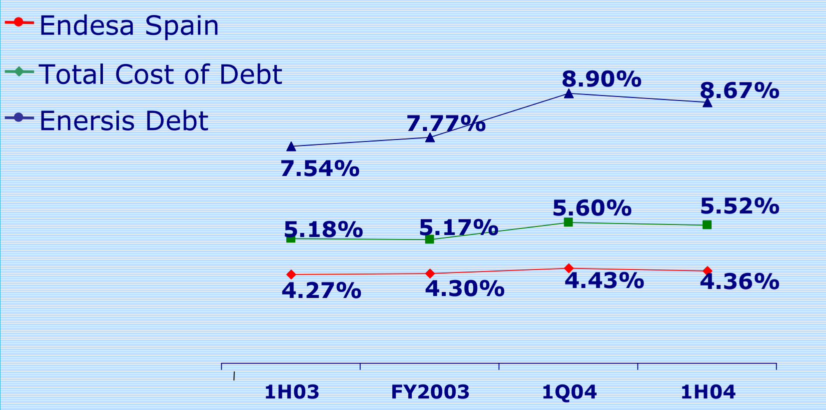
Conservative Financial Strategy Implemented

Financials

Breakdown by Currency



Cost of Debt



Linking currencies of debt to revenues:

- US$ 296 M debt in Endesa and US$650M in Enersis switched into local currency

Cash Flow FX hedge and extended maturities resulted in a higher cost of debt for Enersis

Strengthened financial position

- 89% of the consolidated debt is hedged against interest rates increases
- Limited refinancing risk with longer average life of debt
- Limited FX risk as debt is denominated in currencies linked to revenues

Debt Reduction and Higher Equity Reduced Leverage

Net Consolidated Financial Debt

Leverage(1)	**1.27**	**1.25**	**1.25**	**1.22**

- **Debt drivers in 1H04:**
  - Cash flow: + €1,845 M
  - Disposals (Agbar, NETCO): + €289 M
  - FX impact: - €178 M
  - Dividend payments: - €378M
  - Total investments: - €1,437M
- **Self-financing policy in all businesses**
- **Liquidity in Spain at €3.9 bn and cash in Enersis at €474 M**
- **Moodys rating changed to positive outlook**

Sound financial position achieved

(1) Including Preferred Shares as minorities

endesa

1H04 Free Cash Flow Generation

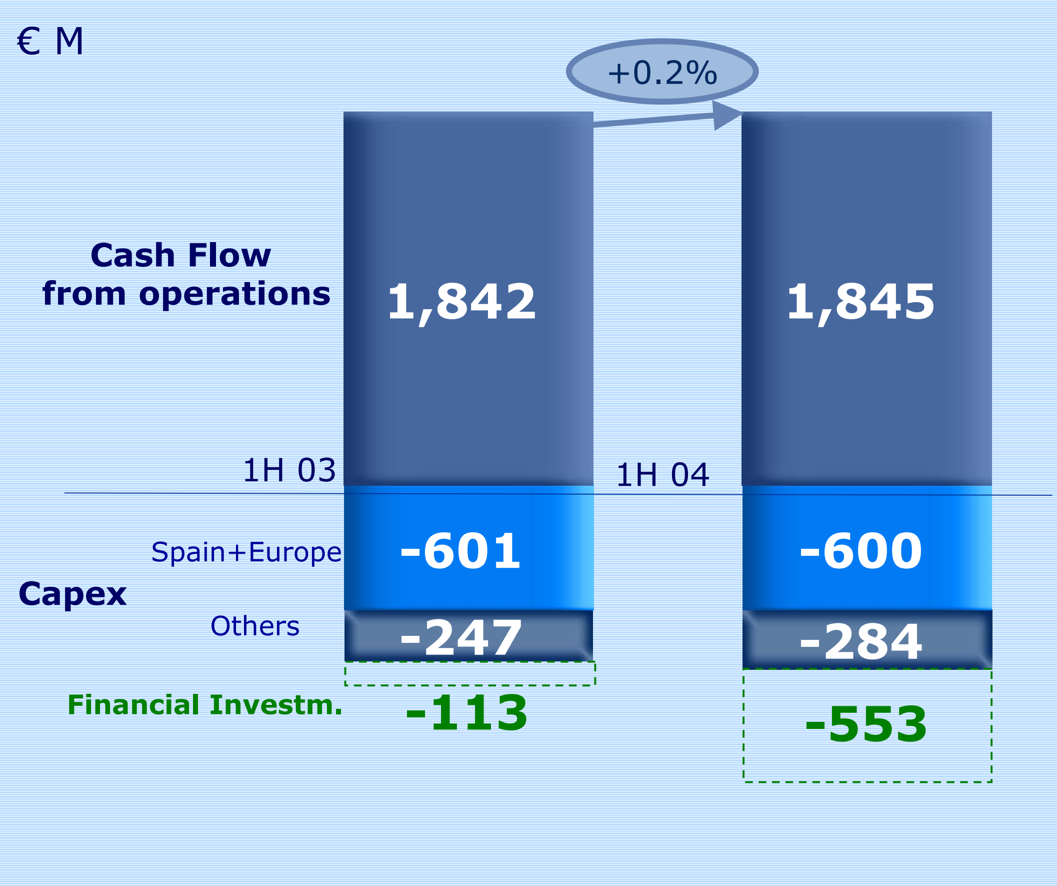
Financials

€ M	1H 03	1 H 04	Var.
Net income	876	789	-87
Minorities	353	198	-155
Plus			
Depreciation and amortization	958	945	-13
Increase/Decrease in provisions	423	66	-357
Foreign exchange variation	-169	68	237
Accrued and prepaid taxes	221	76	-145
Minus			
Sale of fixed assets	-747	-127	620
Equity Income	25	-26	-51
Other non cash items	-98	-144	-46
Cash flow from operations	**1.842**	**1.845**	**3**
Capex	-848	-884	**-36**
Free cash flow	**994**	**961**	**-33**
Dividends paid	-348	-378	30
Free cash flow after dividends	**646**	**583**	**-63**

Sustained Cash Flow / Capex Coverage

Financials

Cash Flow and Capex



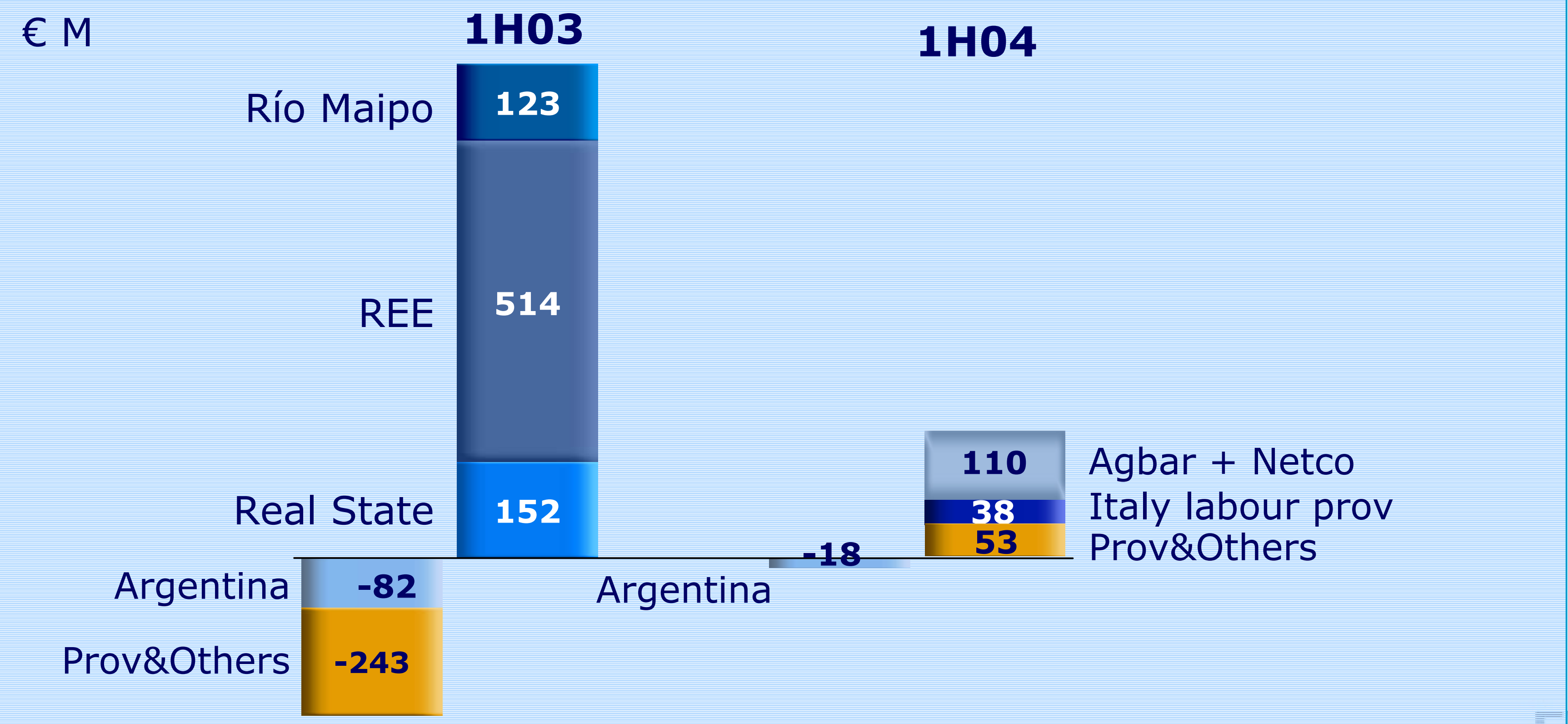
Cash Flow / Capex Coverage ratio	2.2X	2.1X

- **€1,845 M cash flow covering €884 M capex, €378 M dividend payments and €299 M provisions payments**
- **Financial investments:**
  - Acquisition of 3% in Auna (€261 M)
  - Loan Capitalization in Smartcom (€187 M) with no cash payment

Extraordinaries: Improvement in Quality of Earnings Continues

	1H03	1H04
Total Net Extraordinaries before Taxes	**€464 M**	**€183 M**
Extraordinary / PBT	**29%**	**13%**

Extraordinaries 1H04 vs 1H 03



Outlook for 2004

- **Domestic & European business:**
  - Positive performance continues in 1H04. For 2H04 most of coal purchases already hedged
  - NAP details to be announced in 3Q04. No significant impact expected for 2005-07
  - Full consolidation of SNET in the year
  - Commissioning of 800 MW CCGT Tavazzano in Italy
- **Latin American Business:**
  - Improved macroeconomic conditions and sustained demand growth
  - Ralco (570 MW hydro) in operation in 3Q04
  - Impact from new CIEN-Copel contract to be smooth along the year
- **Financials**
  - Debt hedged against interest rate hikes
  - Reduced leverage
  - Improving quality of earnings

Positive outlook for 2004

New Organization: Objectives and Key Thrusts

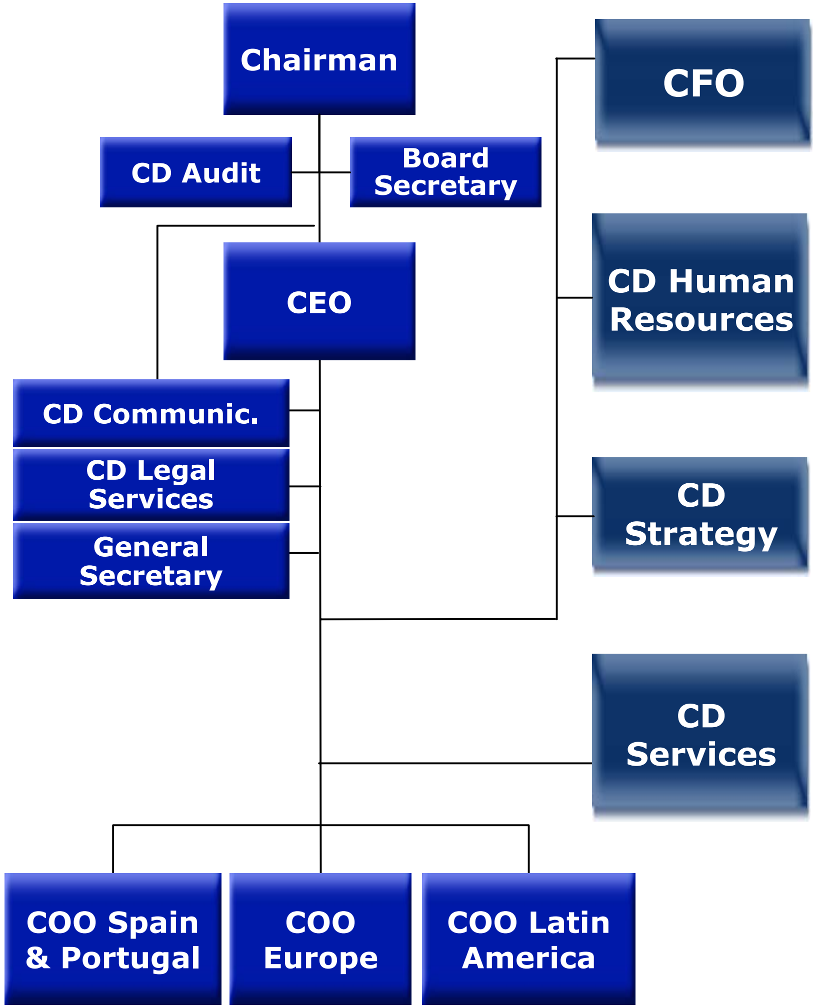
Objectives	Key Thrusts
• **Efficient, responsive, customer-oriented organization** – Streamlined processes – Smaller overhead, stronger operations – Decision-making close to the line • **Results-oriented** – Business unit autonomy – Demanding targets – Accountability for delivering results	1 Lighter and simplified Corporate Center, balancing control and economies of scale with appropriate autonomy of business units 2 Structure around three business units: Spain&Portugal, Europe, Latam; dissolution of Diversification as an independent business unit 3 Fostering top performance: ample degrees of freedom and adequate incentives for high-quality decision making, clear accountability for delivering results

New Organization

Chairman
Manuel Pizarro Moreno

- **CD Audit** — *Jose Luis Puche Castillejo*
- **Board Secretary** — *Salvador Montejo Velilla*
- ***CEO*** — *Rafael Miranda Robredo*
  - **CD Communication** — *Gabriel Castro Villalba*
  - **CD Legal Services** — *Francisco Borja Acha Besga*
  - **General Secretary** — *Salvador Montejo Velilla*
  - ***CFO*** — *Jose Luis Palomo Alvarez*
  - **CD Strategy** — *Carlos Torres Vila*
  - **CD Human Resources** — *Germán Medina Carrillo*
  - **CD Services** — *Antonio Pareja Molina*
  - **COO Spain and Portugal** — *José Damián Bogas Gálvez*
  - **COO Europe** — *Jesús Olmos Clavijo*
  - **COO Latin America** — *Luis Manuel Rivera Novo*

Lighter and Simplified Corporate Center



Integrates Corporate Control and budgeting
Transfer of BU controllers to the business divisions

Focuses on management of global HR policies, talent and executive development
Transfer of operational HR functions to Spain&Portugal Division

Includes corporate planning and development, and the management of Endesa's Telecom holdings

Concentrates on global suppliers and purchasing policies, transferring execution of purchasing to Spain& Portugal Division
Maintenance of the current IT activities

Benefits of the New Organization

1. A lighter and more efficient **Corporate Center**, with less operational content (transferred to the business units)
2. Organization along **Business Units** in line with strategic priorities: Spain&Portugal, Europe, Latin America
3. **Business Units** with control of critical management levers, bringing decision-making closer to the operations and clarifying accountability for delivering results
4. **Regional Divisions** in Spain to ensure maximum proximity to the customer
5. Simplified reporting through merger of existing **Finance and Control** units
6. Push to talent management through dedicated Corporate HR unit, now relieved of operational matters
7. Fostering of a client-service and cooperative culture within **Services** unit

Conclusions

Positive Business evolution in **1H04** in line with Strategic Plan:

- ✓ Sustain operating **Growth** in all businesses
- ✓ **Quality** improvement in results
- ✓ **Strengthen** financials: Lower debt and Leverage

Solid growth prospects:

- ✓ Sustain **leadership** position in **Iberia**, renewed growth potential
- ✓ High **growth platforms** in **Italy** and **France**
- ✓ Consolidated **upward trend in LatAm** providing growth while **reducing risk** profile
- ✓ Improved **tangible** valuations in **Telecom**

Appendix on Recent Evolution of Pool Price

July 2004

Wholesale Prices Have Responded to Market Fundamentals. However, Some Distortions Need to Be Resolved

Spain

Market fundamentals

- Capacity additions have increased reserve margins to levels close to "over-capacity"
- Fuel prices in euro terms have remained relatively stable
- Merit order has changed, with CCGT replacing fuel-oil plants in the margin

Mid-merit and peak marginal costs 25-30 €/MWh

Base-load marginal costs 15-20 €/MWh

Current distortions

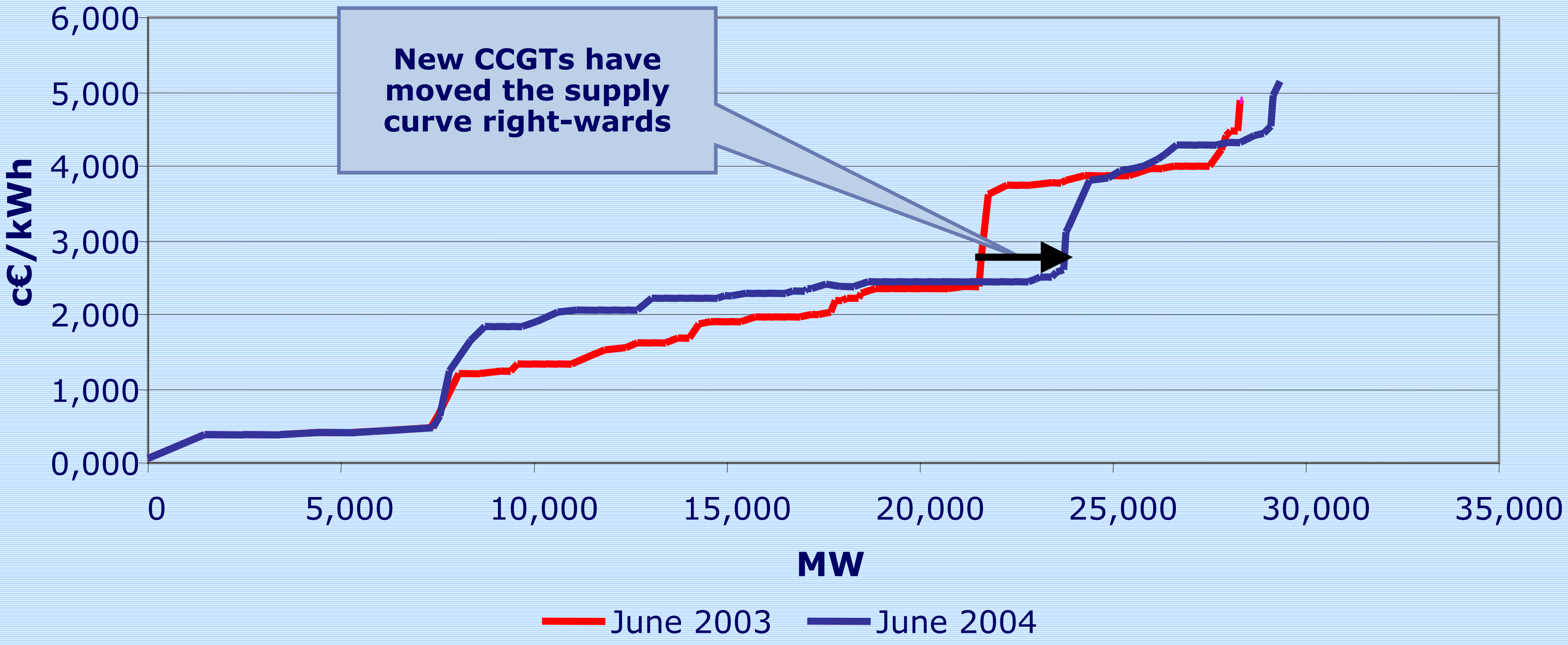
- Management of network constrains are generating excess costs
- Take or pay contracts and technical constrains are forcing bids at 0 €/MWh
- Bidding of hydro capacity should be reviewed

- Network constraints resolution distorts the market in a non-competitive way.
- Hydro production is bid at higher prices than strict fuel replacement cost.
- ToP contracts do depress the bidding prices

Installed Capacity in the System Has Increased Substantially in the Last Year

Spain

Installed thermal capacity



5,600 MW of CCGT are operating in the system; up to 2,400 MW in the past 12 months, moving the supply curve to the right, with no increase (as analyzed in previous charts) in the marginal cost.

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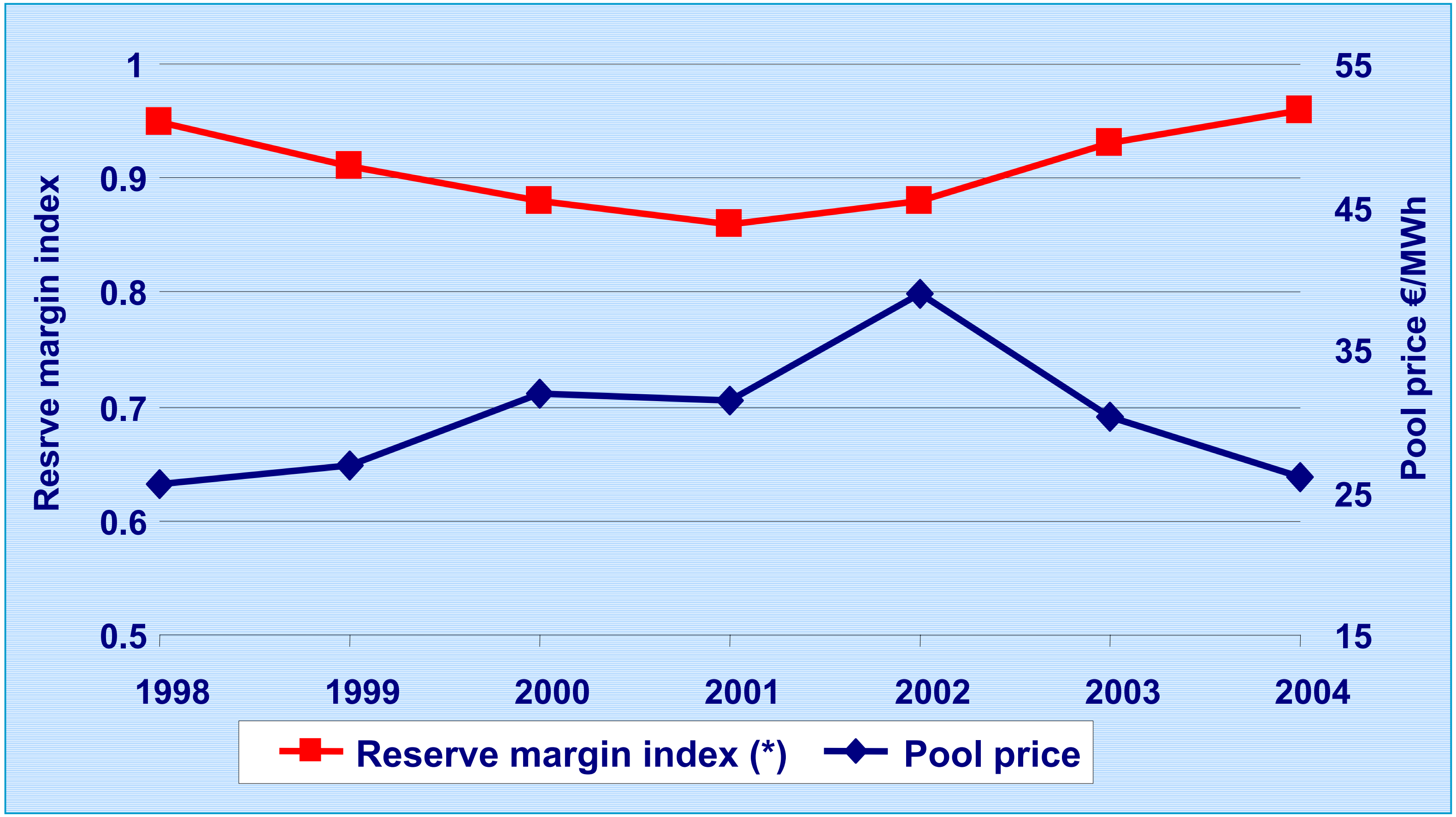
Reserve Margin in the Spanish System is Recovering, to Levels Close to 1998, Which Reflects in Prices



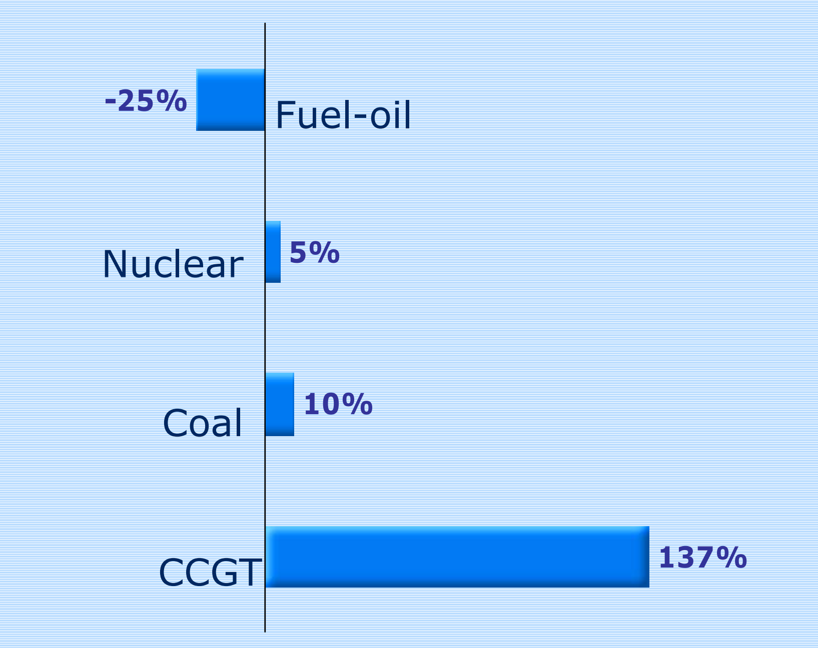
There is a negative correlation between prices and reserve margin: increase of reserve margin depresses pool price

(*) Excluding fuel-oil plant from the reserve

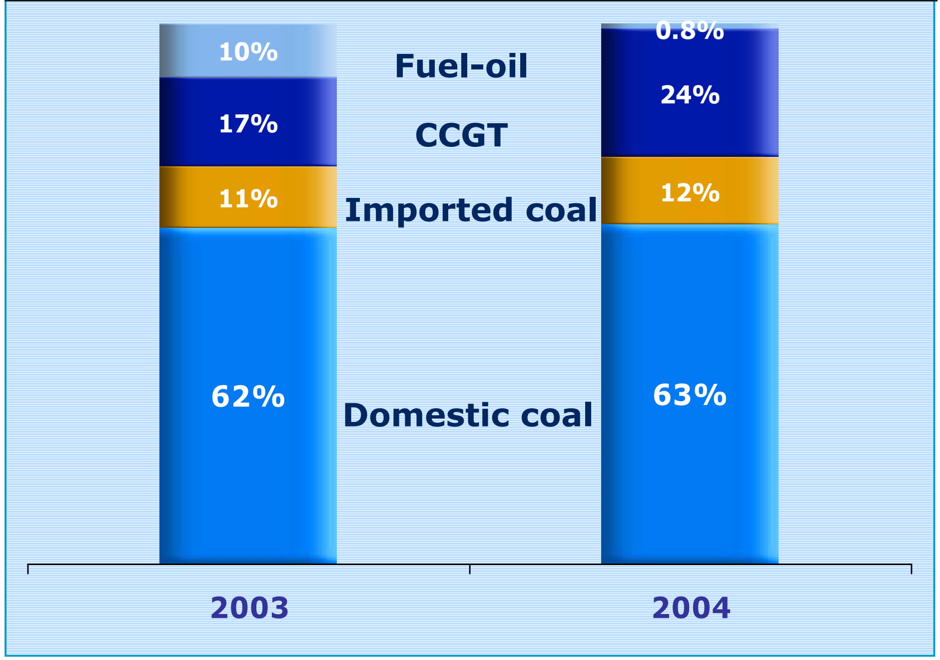
CCGT Has Replaced Fuel-Oil Fired Power Plants as the Technology at the Margin

Spain

Generation output increase 1H04 vs 1H03



Thermal generation mix dispatched in the day-ahead market (month of June)



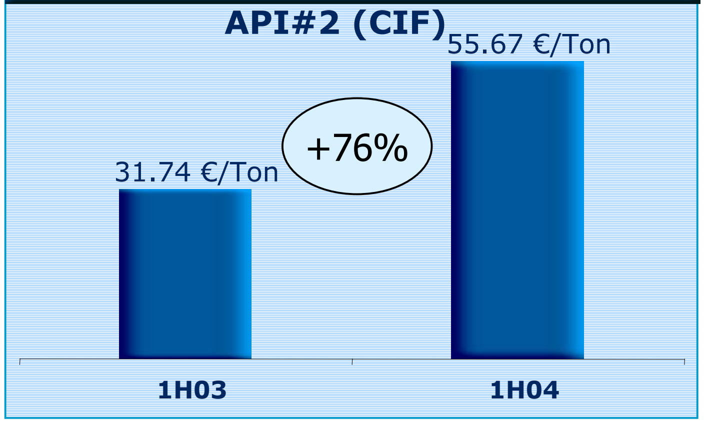
CCGT has been the technology with the greatest output increase
Fuel-oil plants have virtually disappeared from the merit-order

endesa

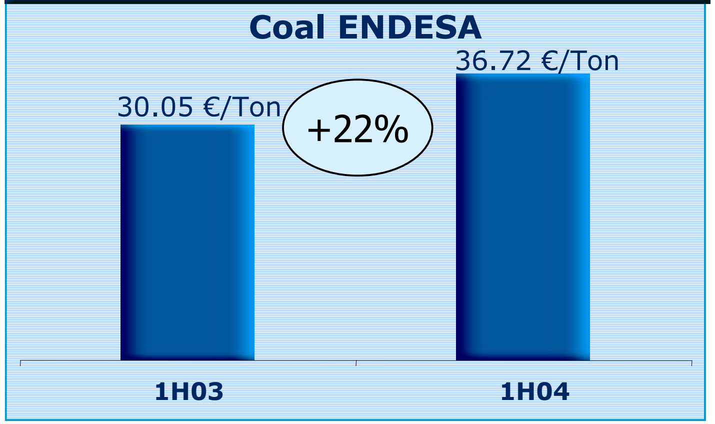
Oil Price (marginal in the Spanish system) Has Remained Stable vs 2003

Spot price for coal has increased, but Endesa´s risk management policy has enabled a relatively stable coal cost in € terms

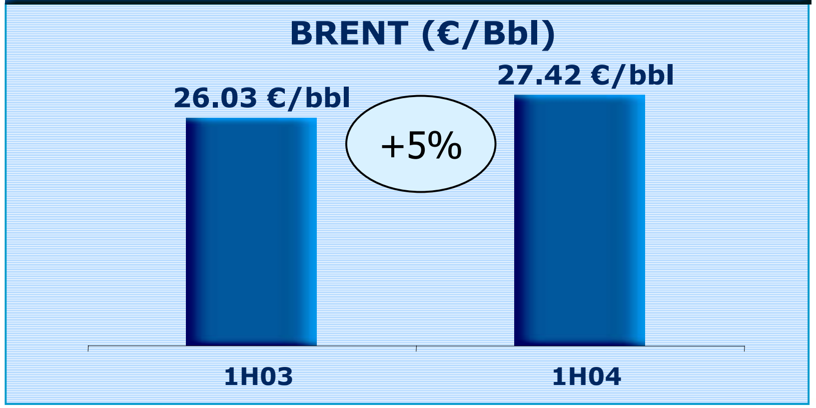
Spot price API#2 (CIF) in €/ton



Endesa´s coal price (€/ton)



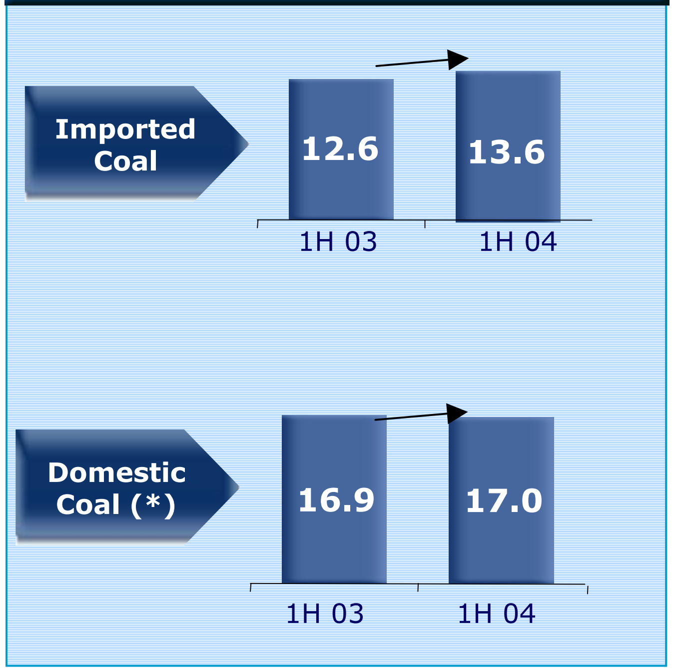
Brent has remained stable in euro terms



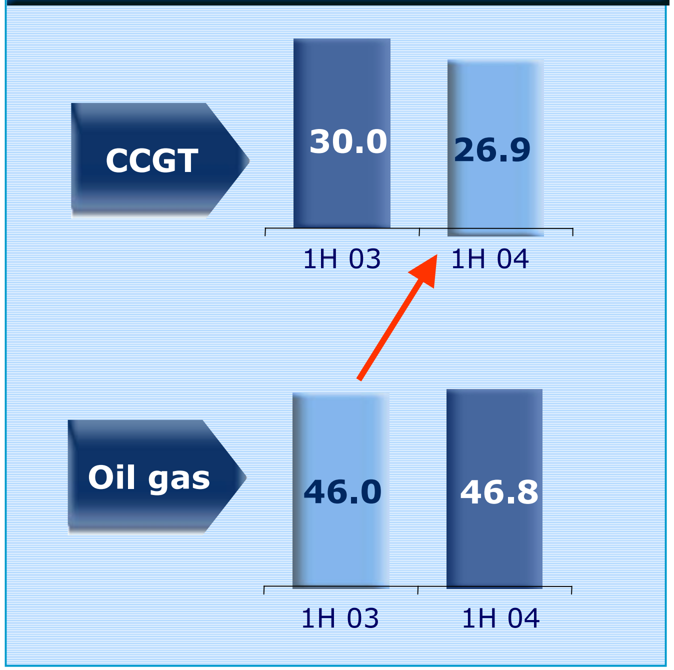
The Change in Merit Order and the Evolution of Fuel Price Has Enabled a Reduction of Marginal Cost

Evolution of unit fuel cost by technology (€/MWh)

Base-load technologies



Mid-merit and peak



Mid-merit and peak marginal costs have actually declined in the Spanish system from around 40-50 €/MWh to 25-30 €/MWh
Base-load marginal costs have remained relatively stable at 15-20 €/MWh

(*) Excluding domestic coal premium

Wholesale Prices Have Responded to Market Fundamentals. However, Some Distortions Need to Be Resolved

Spain

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Network constraints resolution distorts the market in a non-competitive way.
Hydro production is bid at higher prices than strict fuel replacement cost.
ToP contracts do depress the bidding prices

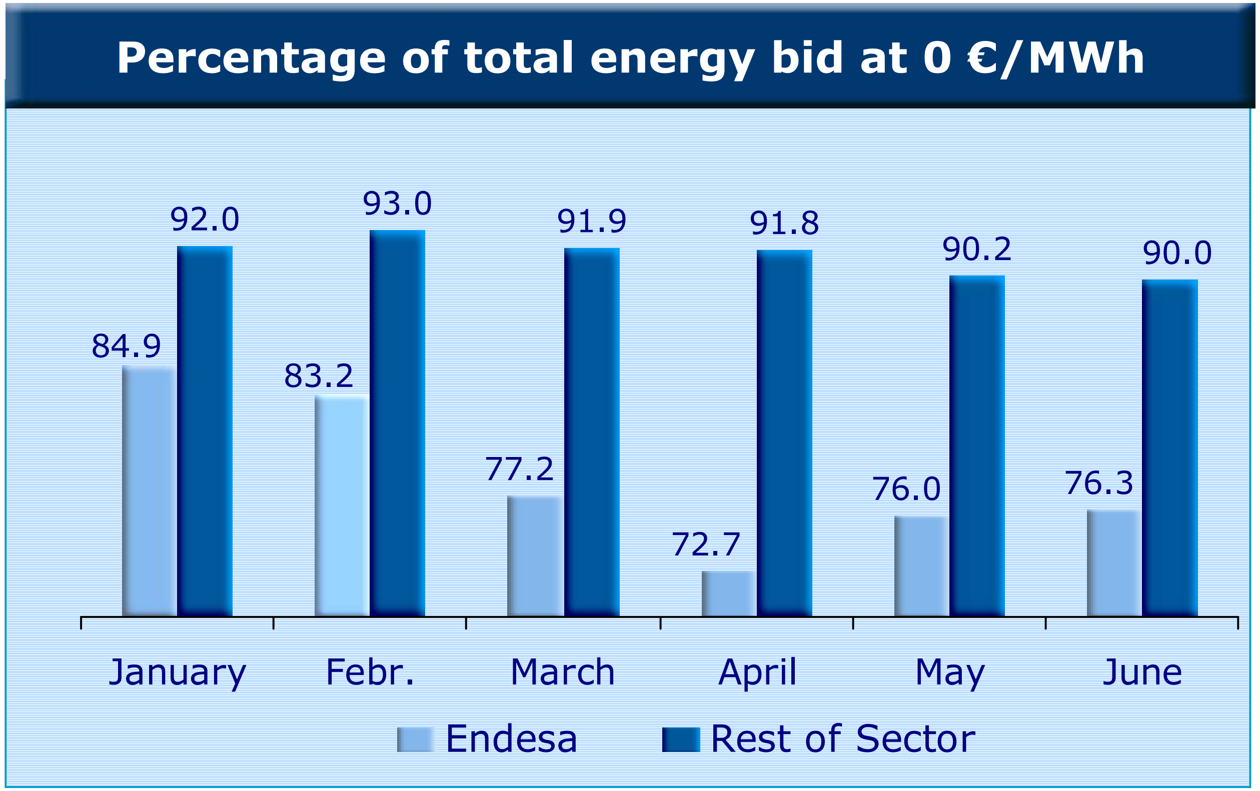
Take or Pay Contracts and Technical Constraints Are Generating an Unsustainable Bidding Behavior

Spain

Two reasons for bids being placed at 0€/MWh:

ToP contracts

Technical constraints

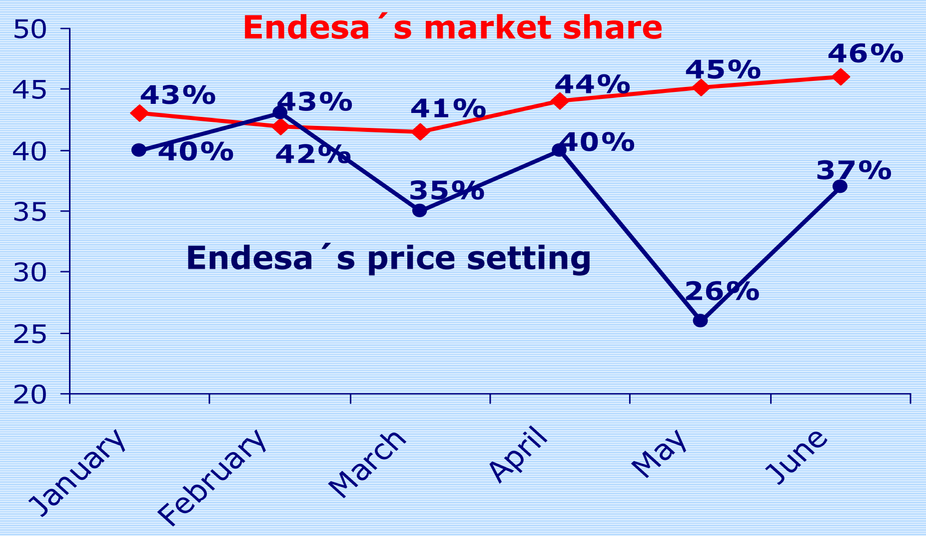


A serious distortion is taking place in the market, with a disproportionate share of bids at 0 €/MWh
Endesa is by far the agent with the least responsibility in such distortion

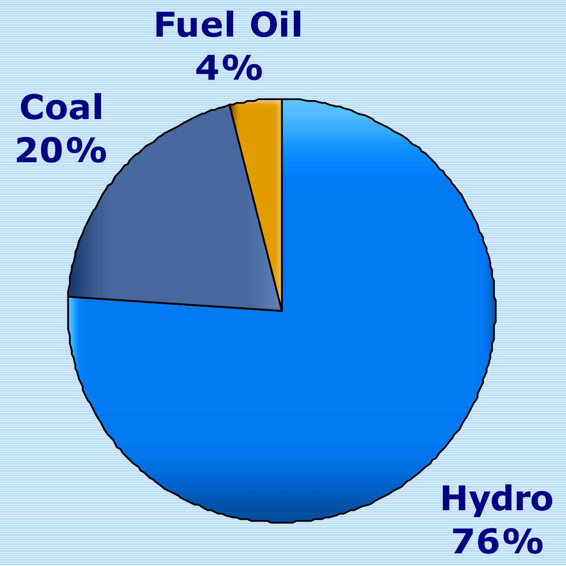
As a Consequence of Market Distortions, Hydro Production Has an Undue Dominance of Price Setting

Spain

Endesa´s share in marginal price



Contribution to marginal price in the Pool by technology



- **Hydro generation sets marginal prices 76% of time**
- **Endesa sets prices 37% of the times, below its 44% market share in the Pool**

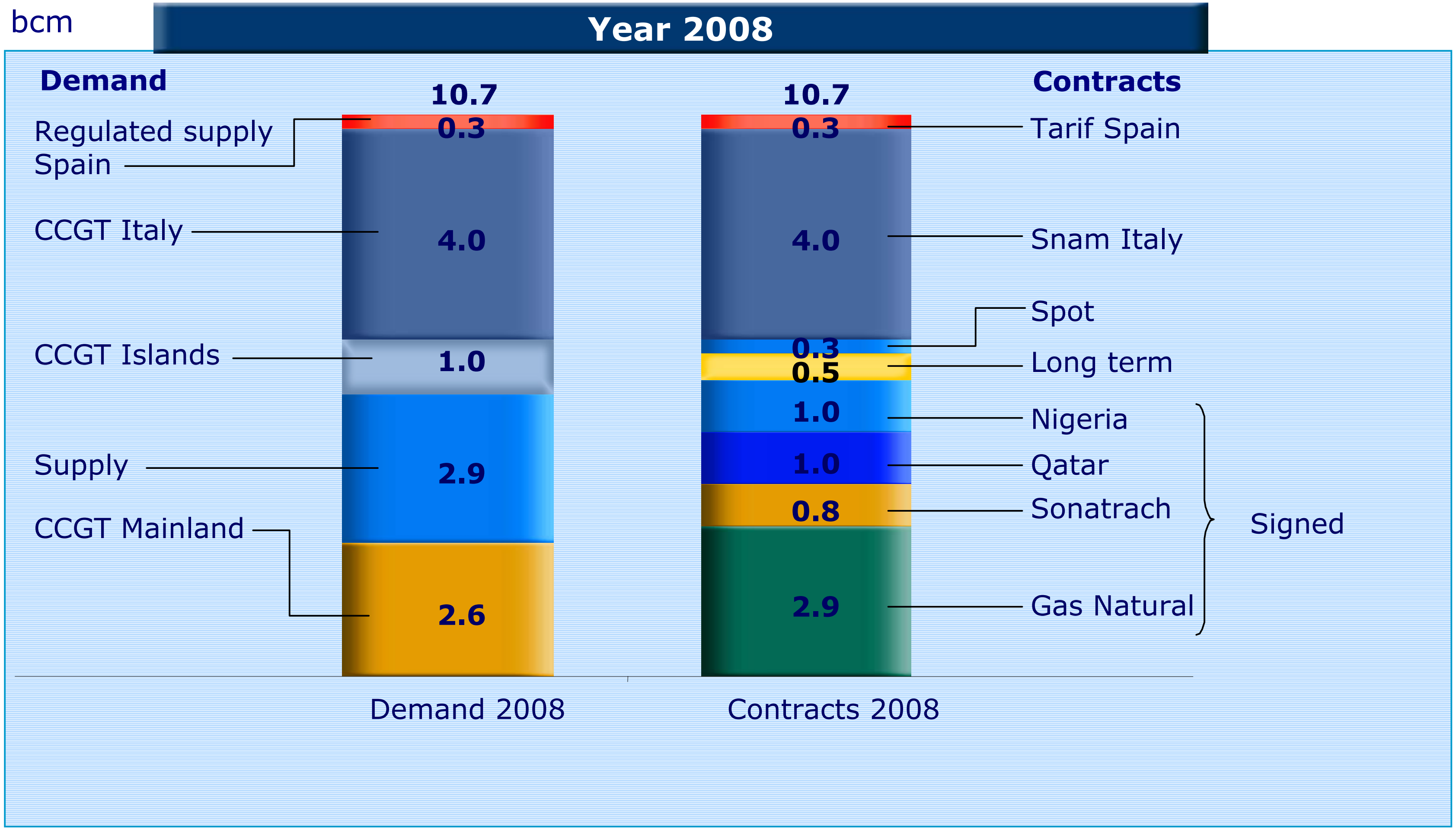
Back up slides

July 2004

Gas: Building a Flexible and Sufficient Sourcing Portfolio

Spain

Gm³ - bcm



Strategy in gas contracts based on origin diversification and flexible conditions

NAP Proposals in European Countries where Endesa Operates

Europe

	Italy	Portugal	France
Kyoto - BSA Targets 1990 +	-6.5%	+27%	+15%
Allocation criteria	Historical 2000-02 and emissions projections	Historical 2000-02 or 2001-03	Historical 1996-2002
Emissions growth in NAP (2005-2007) vs historical reference	8.8%	6.2%	14.8%

NAP proposals allows enough rights to cover current and future needs

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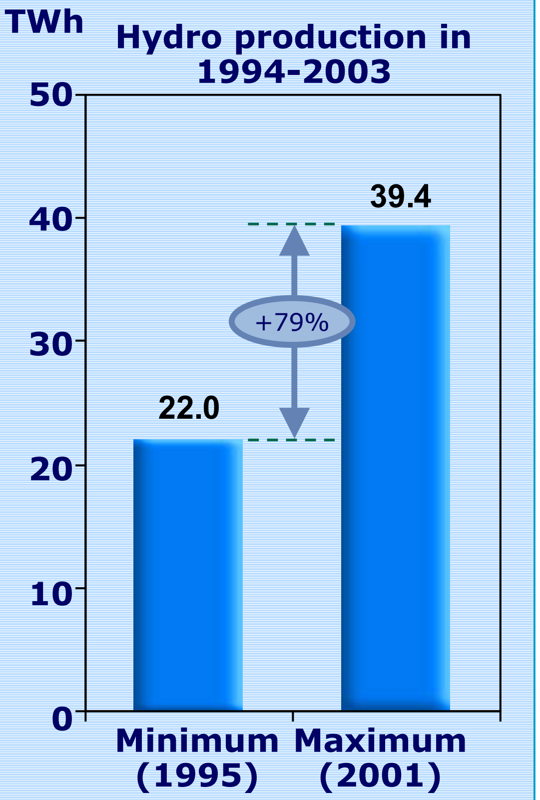
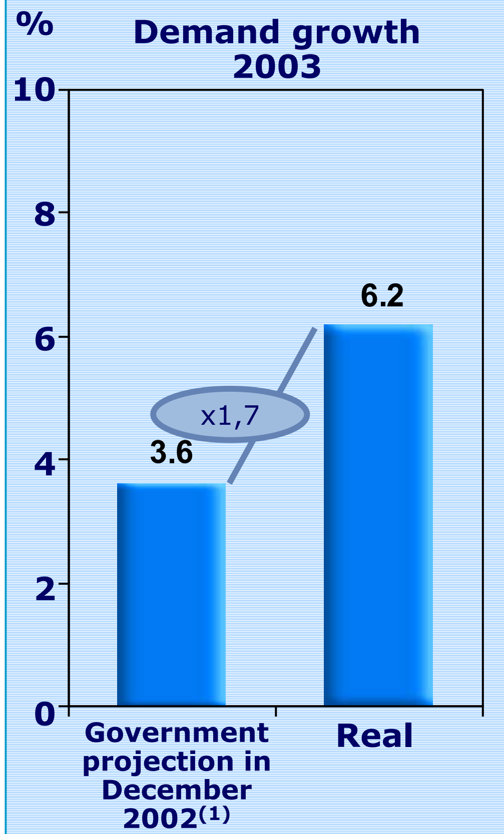
NAP: The Electricity Sector Presents Structural Uncertainties That Prevent Solid Projections

Spain

Hydro conditions

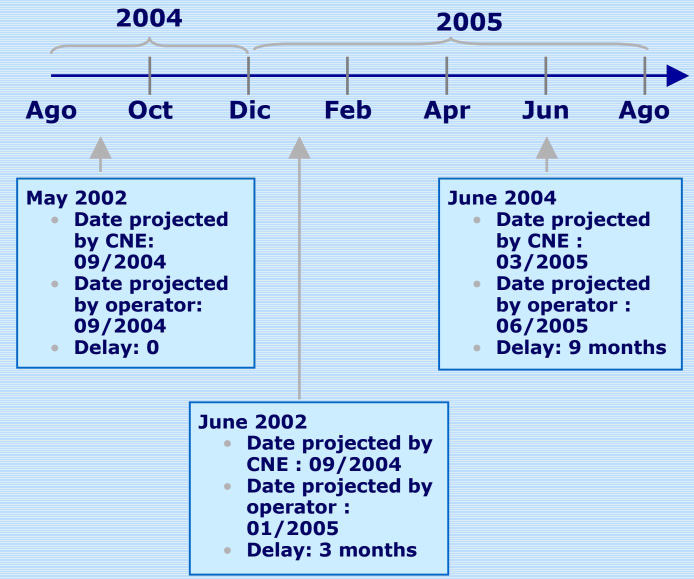


Demand growth



Commissioning of new plant

Example: projected date for commissioning of plant X (real)



Cummulative delay 9 months

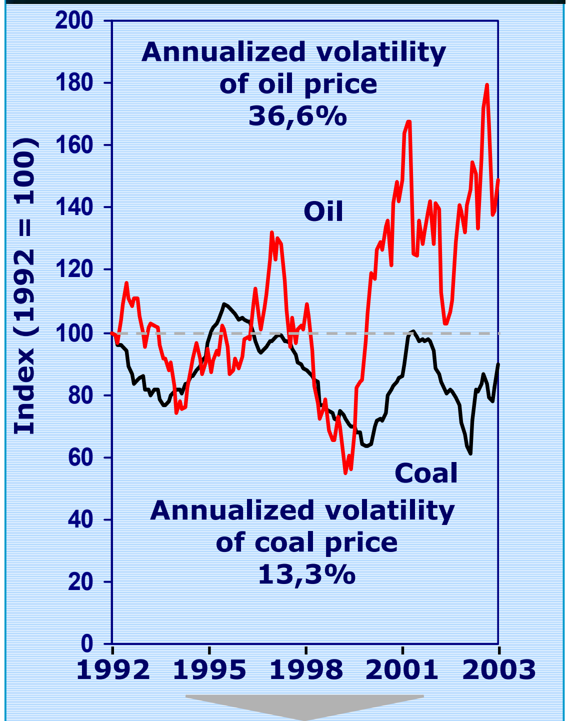
(1) National Energy Plan; Memoria Económica RD 1432

Source: REE; CNE; National Energy Plan

An Over-Dependency of Gas Presents Risks for Prices and Security of Supply

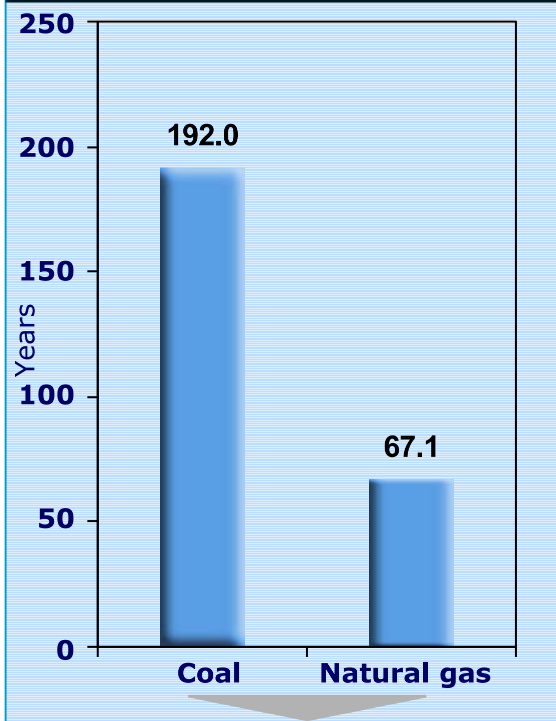
Spain

Price of coal and oil (historic evolution)



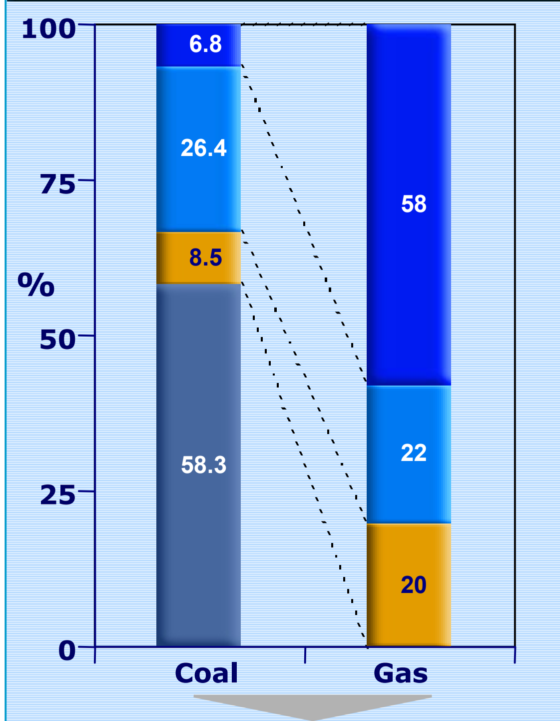
Fuel represents 60% of total CCGT costs and only 30% of total coal generation costs, so fuel price volatility has a greater impact

Ratios reserves/production for gas and coal, 2003



There are proven reserves of coal for nearly 200 years of current production, vs only 70 years for gas

Country risk for coal and gas imports to Spain (2010)



Main gas suppliers to Spain have very high political risk

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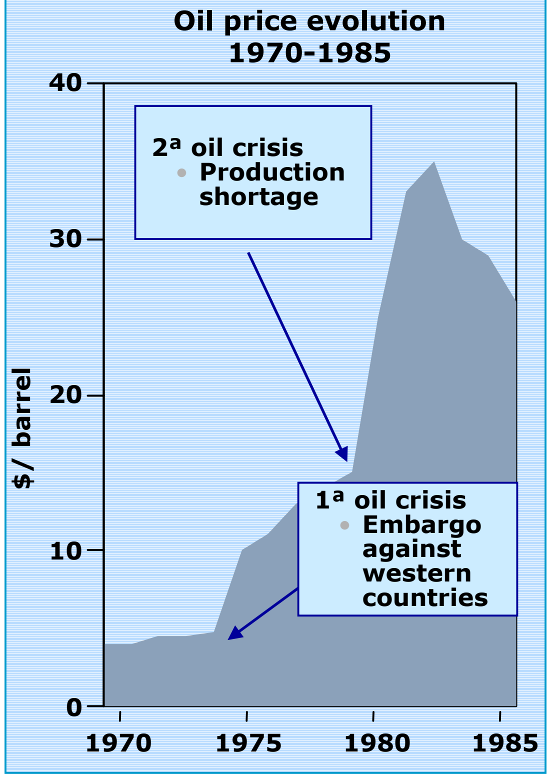
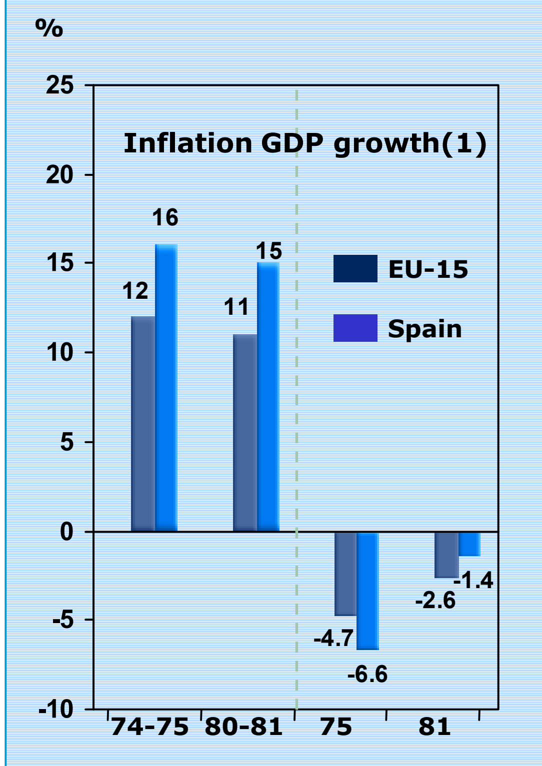
High Dependency of a Single Fuel Source Re-iterates Past Energy Policy Mistakes

Spain

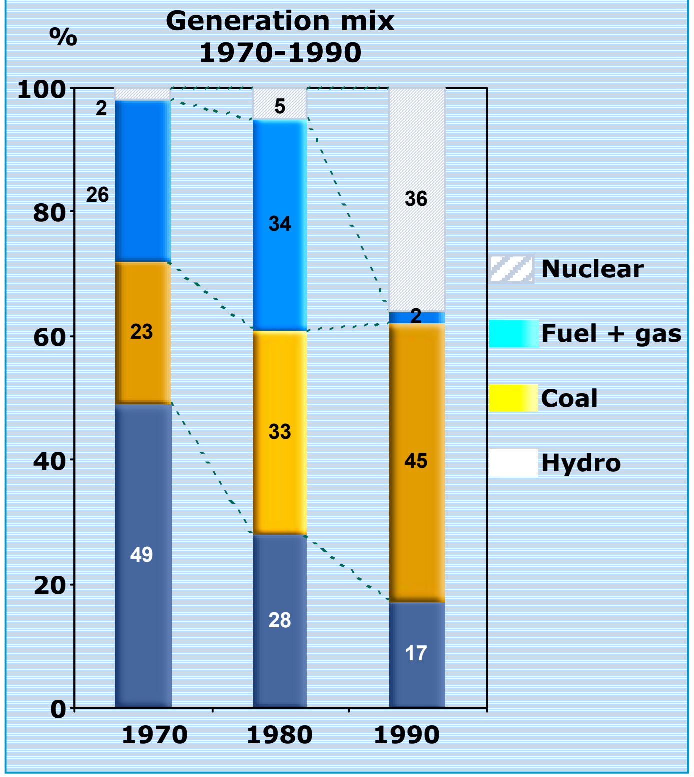
Oil crises created price escalations…



…that generated great instability in Spanish economy…



…and forced to diversify the energy mix



In the 80´s a great investment effort in nuclear and coal technology was made, to reduce energy risk

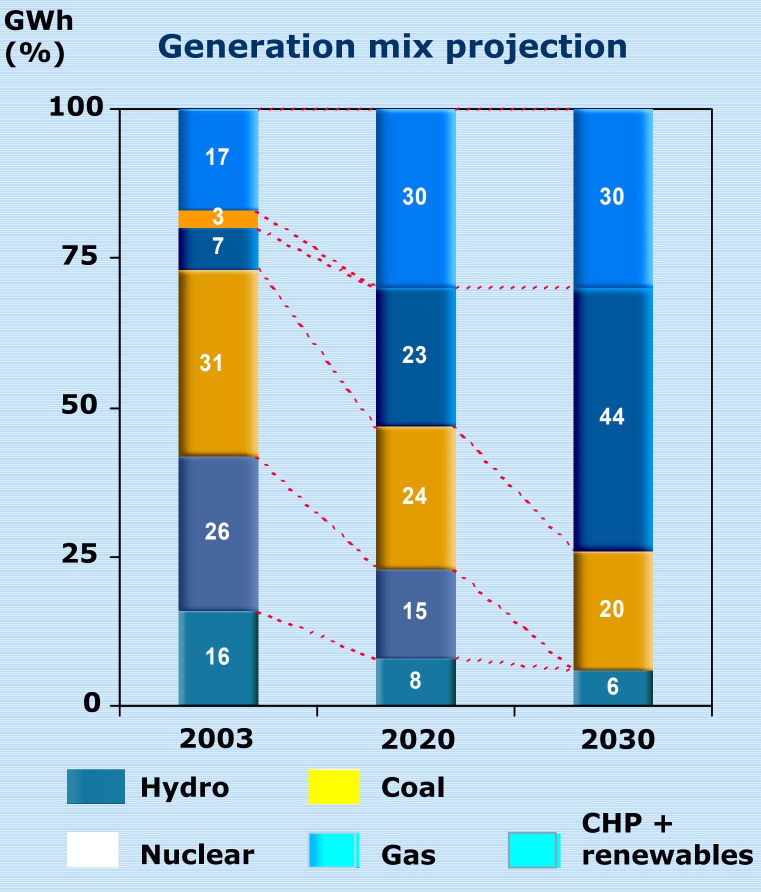
(1) Vs. Average growth in previous 3 years

Source: Unesa; press; OCDE; IMF

The Only Viable Alternative in the Long Term Is a Diversified Generation Mix

Spain

Coal allows for a balanced thermal production



Guiding principles of a viable generation mix in the long term

Increase of gas generation

- Fuel source that allows meeting demand growth with reasonable cost an environmental impact

Sustainable coal generation as base-load

- Minimum cost and price stability
- Provides security of supply and diversification

Viable development of renewables

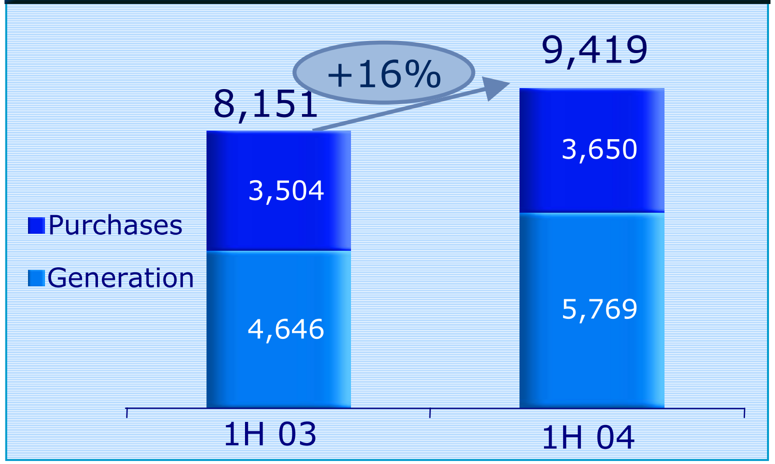
- To allow minimum CO2 emissions and to increase indigenous sources

Source: REE

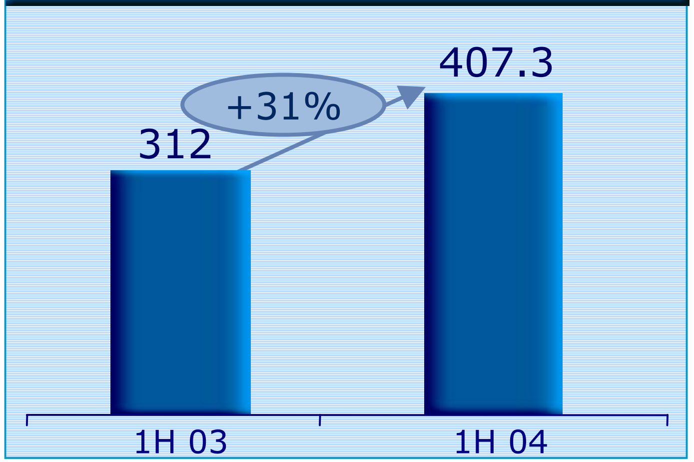
Snet

Europe

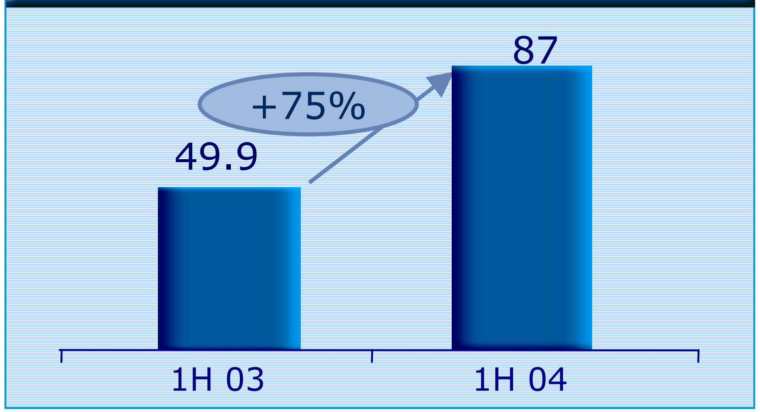
Generation and Purchases (GWh)



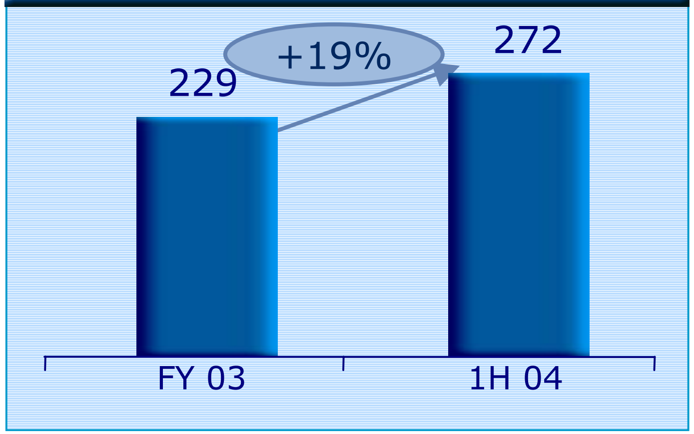
Revenues (€M)



EBITDA (€M)



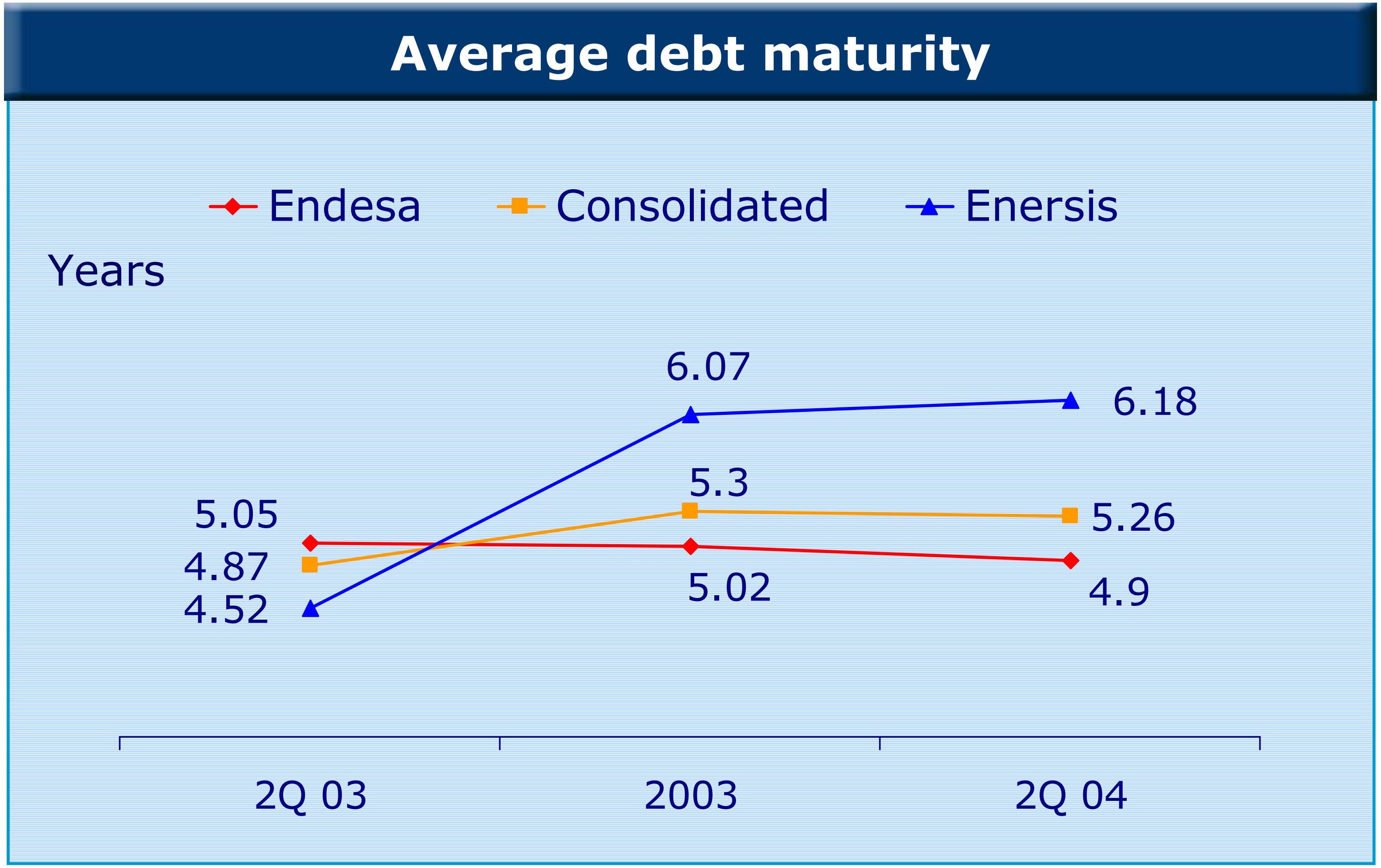
Net Cash Position (€M)



Endesa has received the approvals for the acquisition of an additional 35% in Snet

Enersis Has Extended Average Debt Maturity

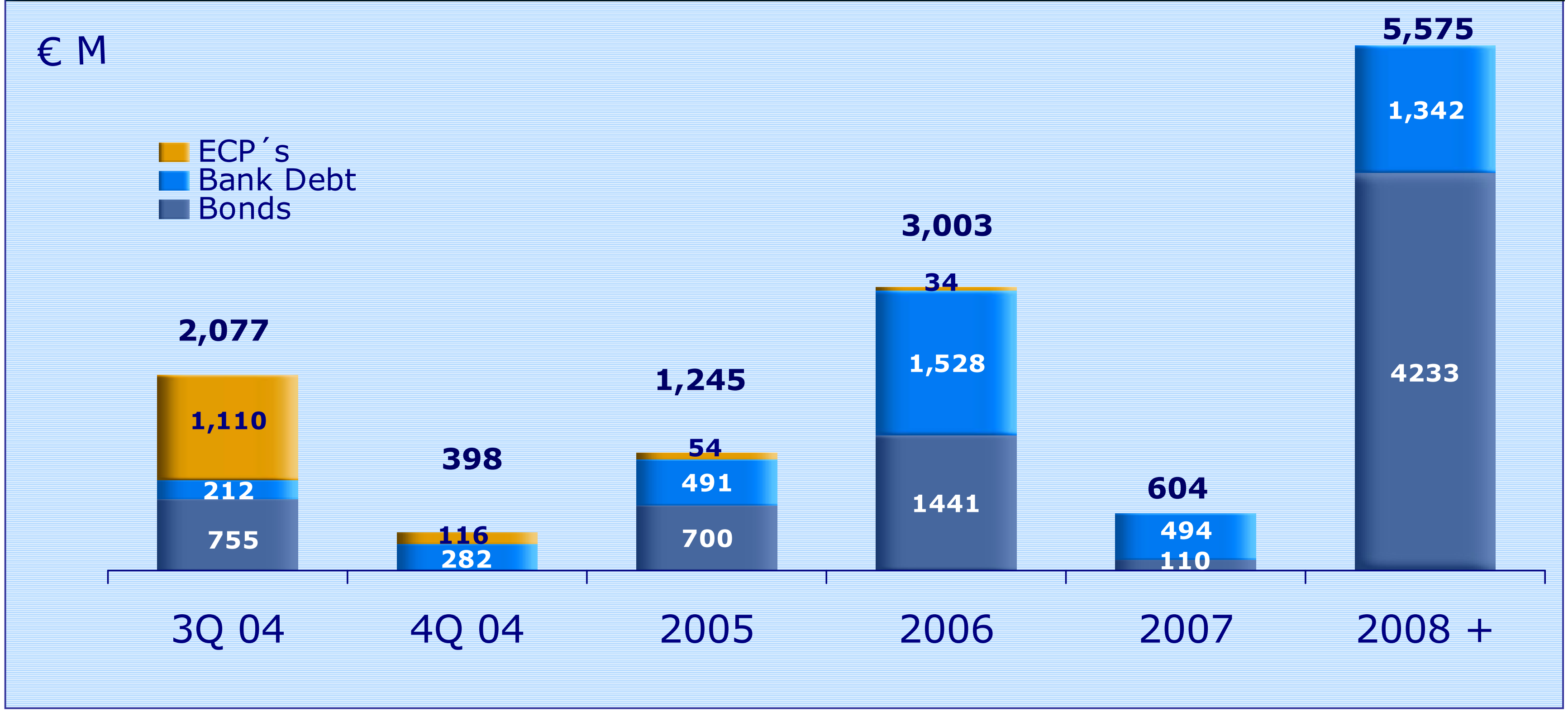
Financials



Endesa Spain Debt Maturity

Financials

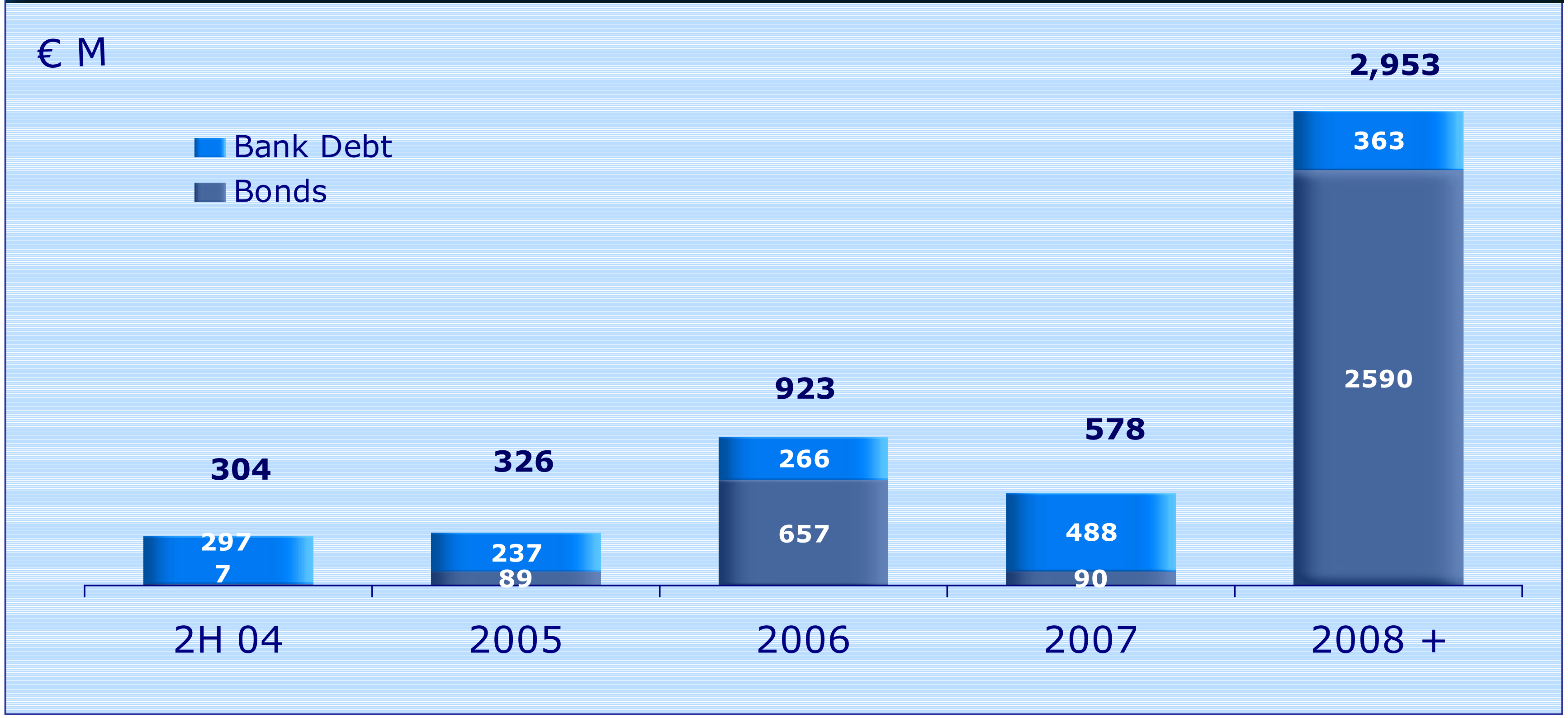
Total outstanding gross debt € 12,902 M as of June 04



Enersis Debt Maturity

Financials

Total outstanding gross debt € 5,084 M as of June 04



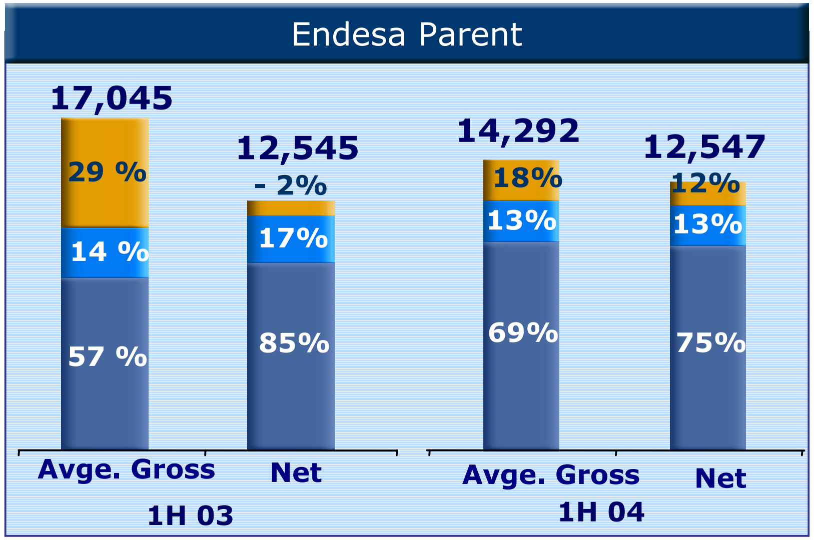
Higher Fixed and Hedged Debt

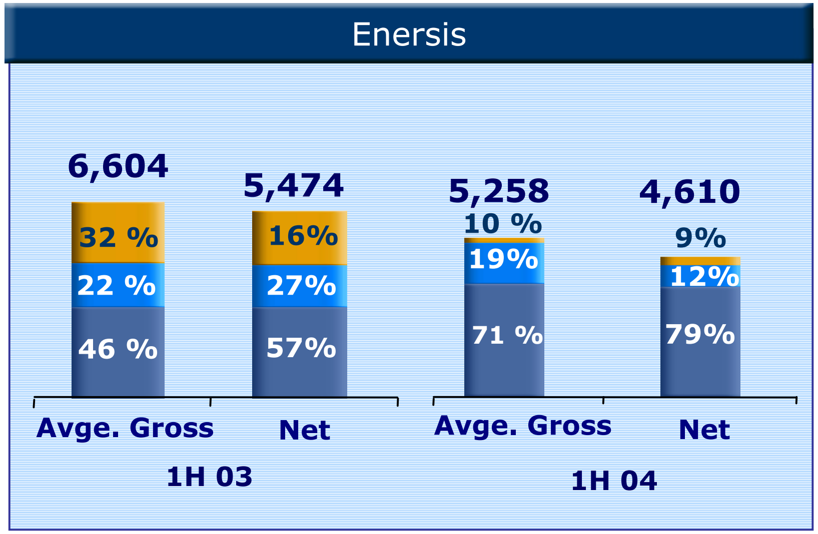
Financials

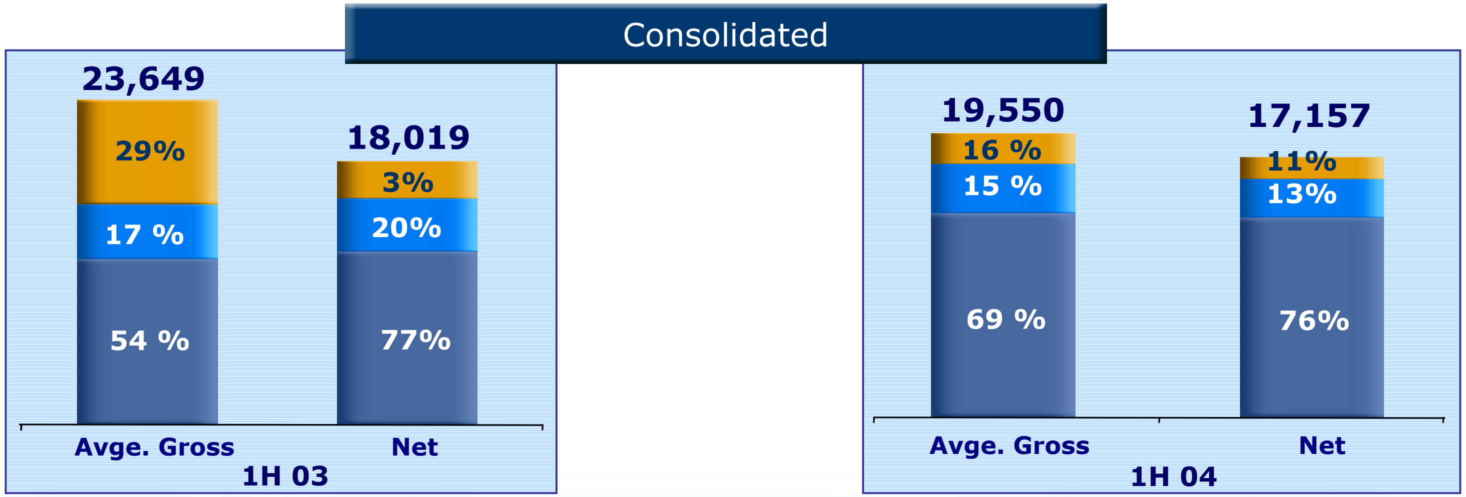
€M

Debt: Breakdown by interest rate

Fixed Hedged Floating







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Swapping debt into local currencies

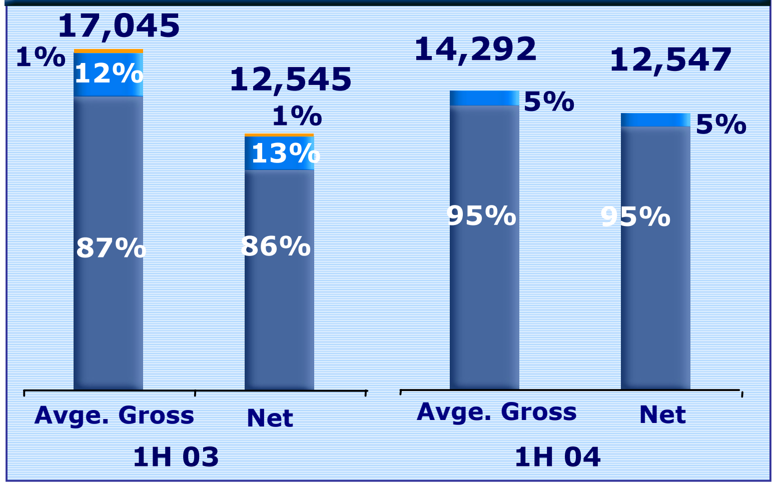
Financials

€M

Debt: Breakdown by currency

Euro US$ Other

Endesa Parent



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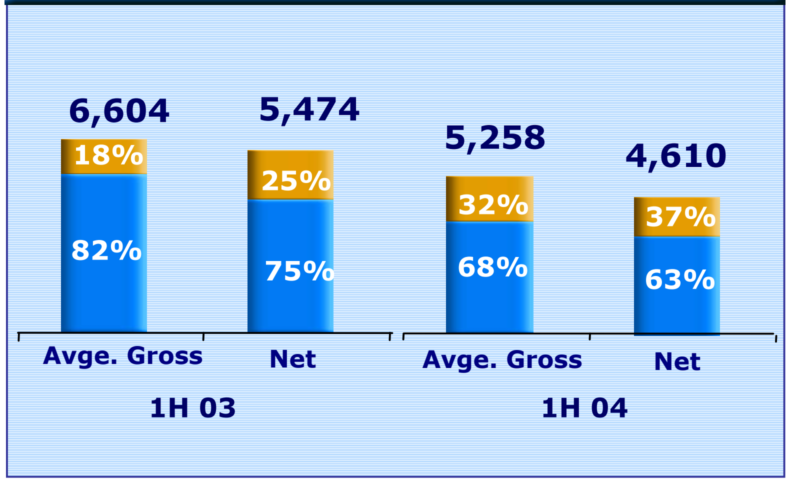
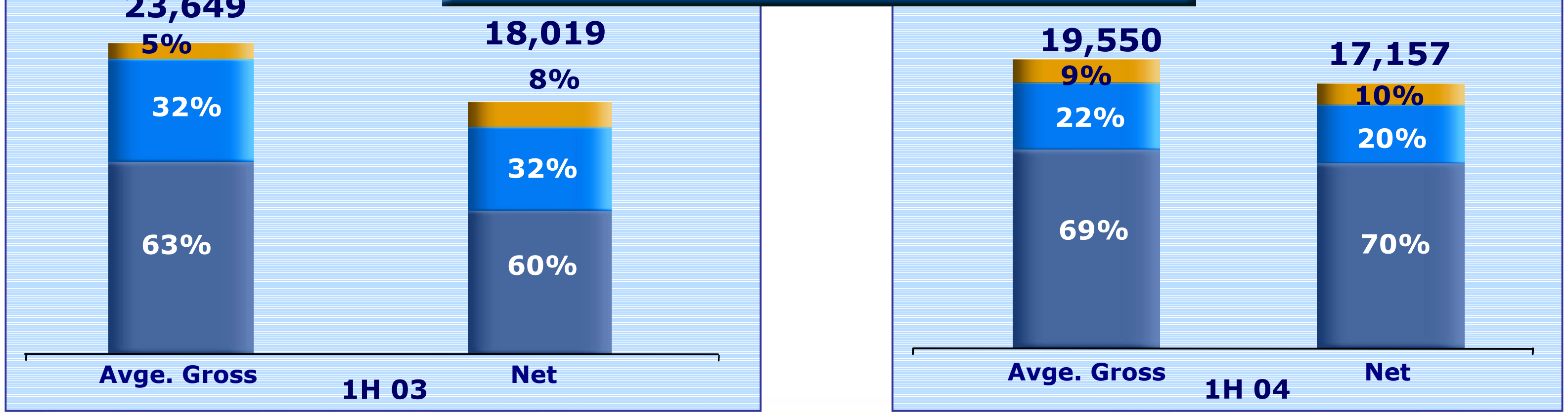


Consolidated



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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 and statistics that are subject to risks and uncertainties. Forward-looking statements could include, but are not limited to, information regarding: estimated future earnings; anticipated increases in wind generation and market share; expected increases in demand for gas and gas sourcing; management strategy and goals; tariffs and pricing structure; estimated capital expenditures and other investments; expected asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions.

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 actual financial and operating results and statistics 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 conditions 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.

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First Half 2004 Financial Results

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Member of Dow Jones Sustainability Indexes 04

July 28th 2004