



# **2003 First Half Results**

**July 30<sup>th</sup>, 2003**

# 1H 2003 Results: Delivering 2002-2006 Strategic Plan Objectives

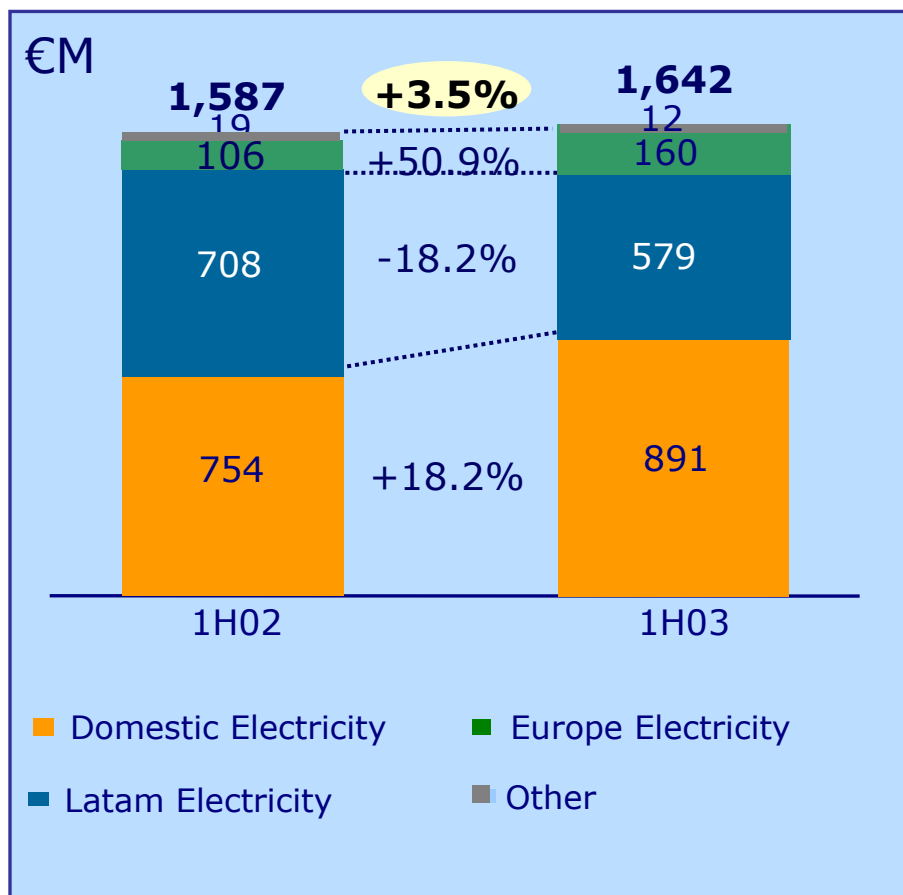
Improving operating performance

Better quality of earnings

Much stronger balance sheet

# 1H 2003 EBIT: Positive Consolidated Operating Performance

## EBIT by Business



### • Domestic Business: EBIT +18.2%

- Reinforced leadership in the Domestic Business with stable results under any market condition

### • Europe: EBIT + 50.9%

- Over performing Business Plan.

### • Latin America: EBIT -18.2%

- Growth in local currencies and stable in US\$ but affected by strong Euro

Strong performance in 2Q03: Consolidated EBIT in the quarter +5%, supported by domestic EBIT + 31%, Europe EBIT +141%

## Better quality of earnings

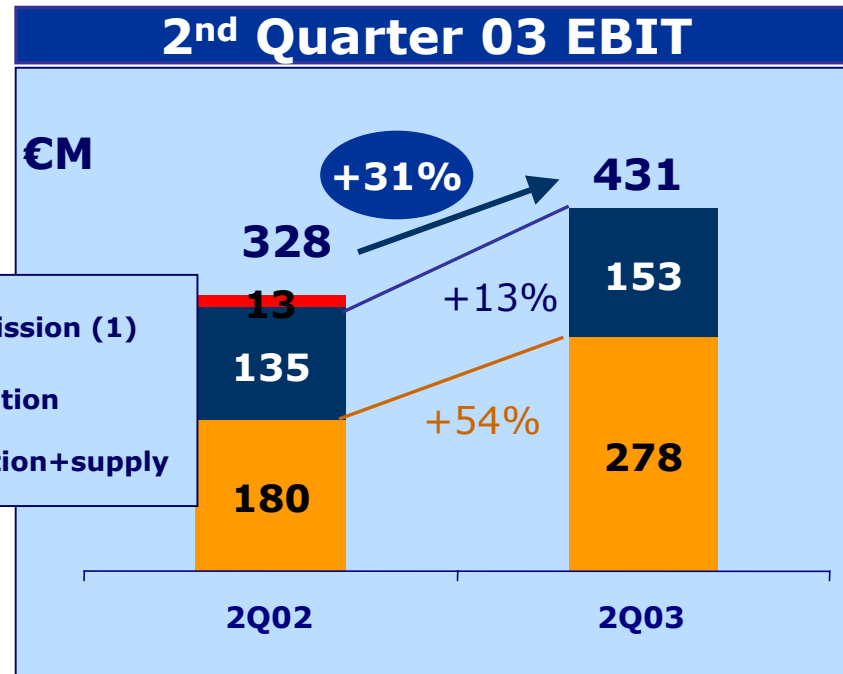
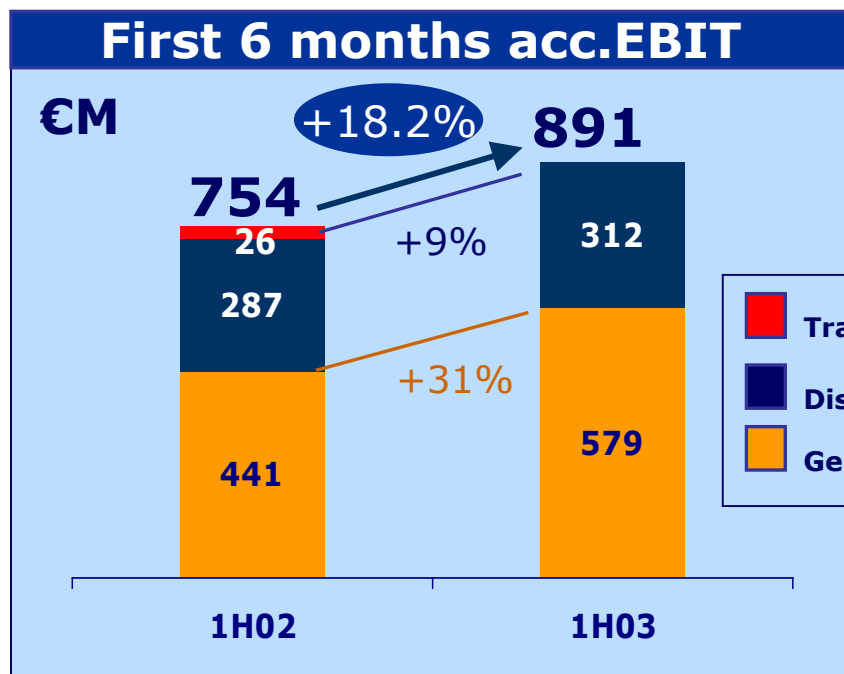
- €1,139 M Ordinary Income vs € 24 M in 1H02
- -30% Extraordinary Income, due to €290 M provisions
- Net Income, +5% to €876 M

## Much stronger balance sheet

- 15% increase in cash flow, 27% lower investments
- Debt reduction: €5.4 bn from June 02
- Leverage from 2.03x to 1.27x in six months
- Strengthening Plan at Enersis successfully achieved

# Domestic EBIT: Strong Performance

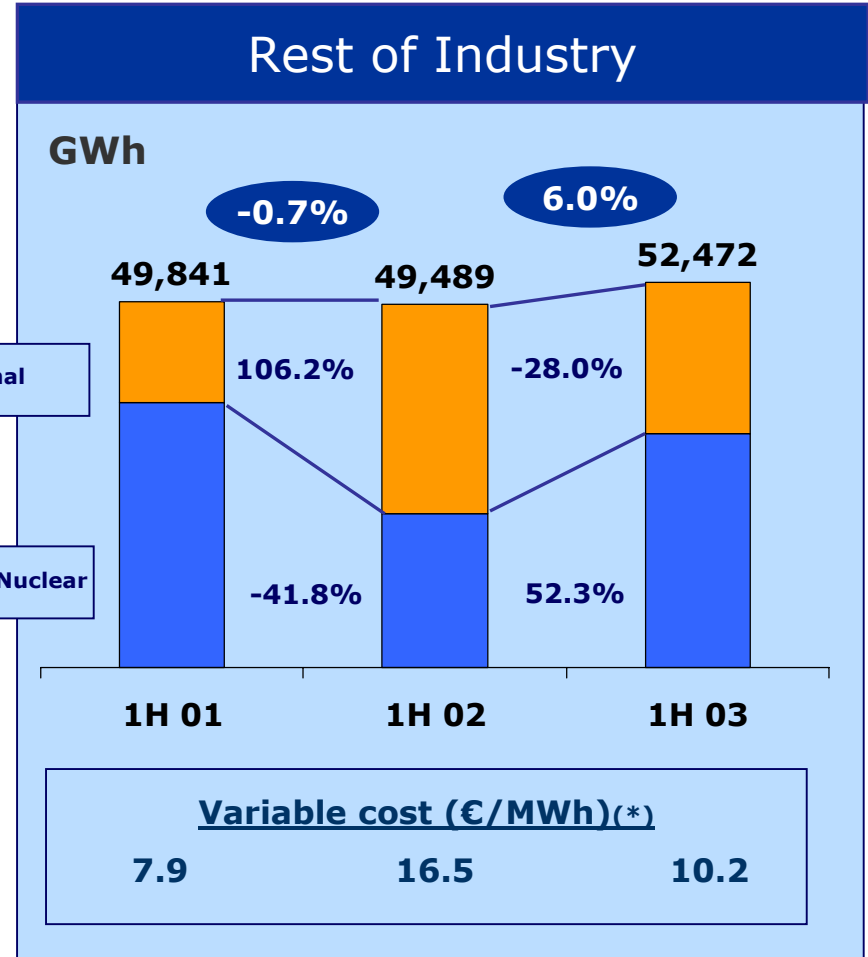
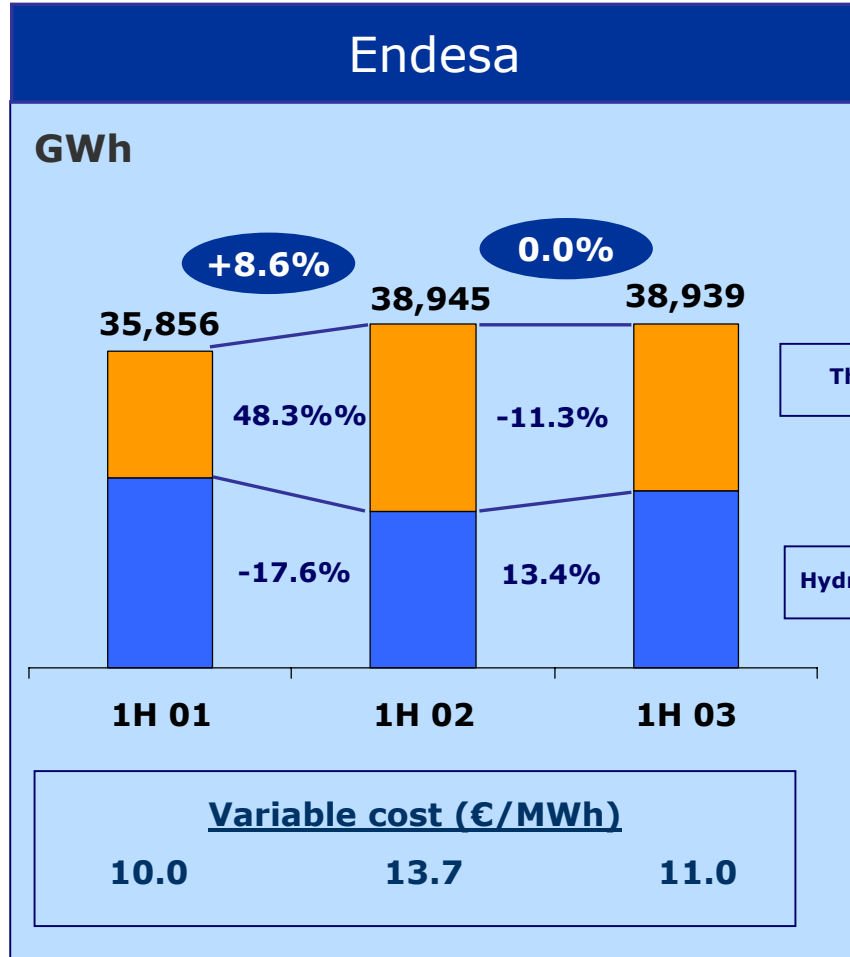
- 1H03 EBIT +18%, ex- HV grid sale effect + 22%
- 2Q03 EBIT + 31% despite lower hydro levels



(1) Estimated contribution from grid asset in 1H 02

- 1H 03 Gross margin +10%, 2Q 03 +15%
  - Stable output and lower fuel cost
  - Natural hedge from CTCs and Supply (27% of the total sales)

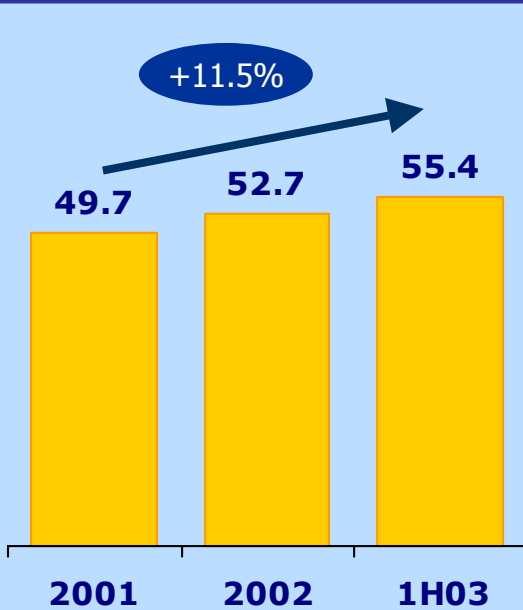
# Spain: Better Performance due to Flexible and Competitive Generation Mix (Mainland)



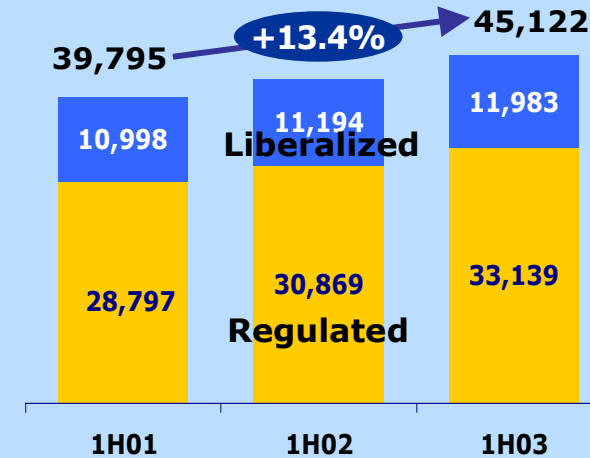
- Stable gross margin due to flexible and competitive fuel mix
- Stable output in any hydro condition
- Lower volatility of variable cost

# Spain: Supply Focused on Profitability and Retention of Market Leadership

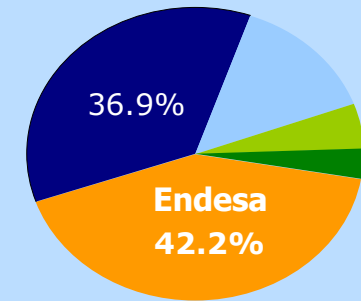
Price to eligible customers (€/MWh)



Total sales to customers (Gwh)



Market share in supply business (regulated + liberalized)

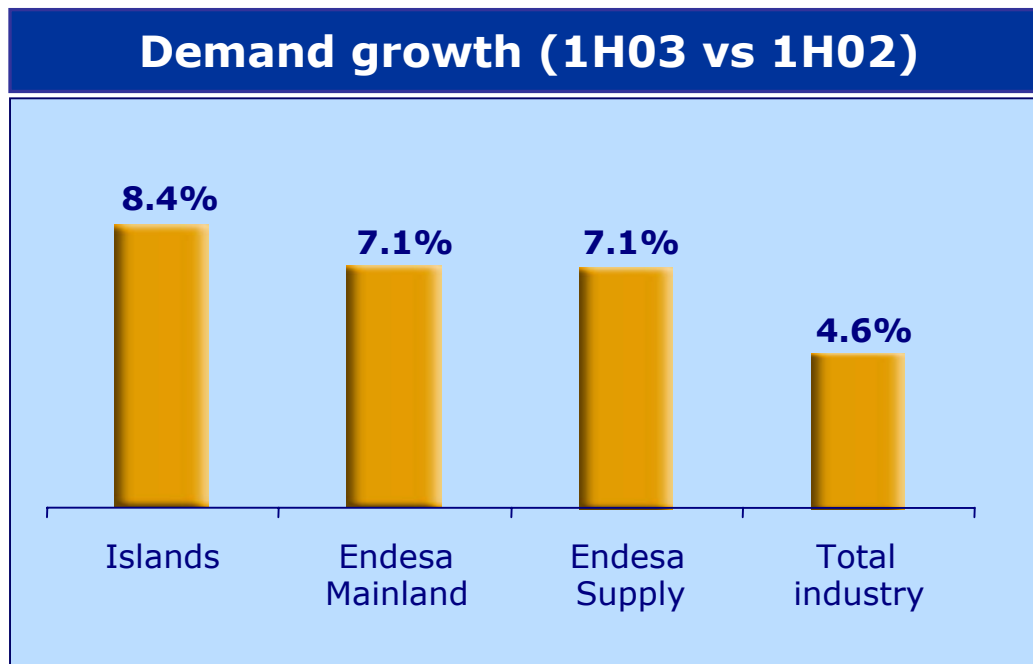


Retention rate (\*)  
95.6%

**ENDESA's total market (regulated+eligible) has increased steadily, while maintaining a leadership position through a healthy retention rate**

(\*) Retention rate = GWh of ENDESA in total liberalized market/GWh of liberalized market in ENDESA's distribution areas.

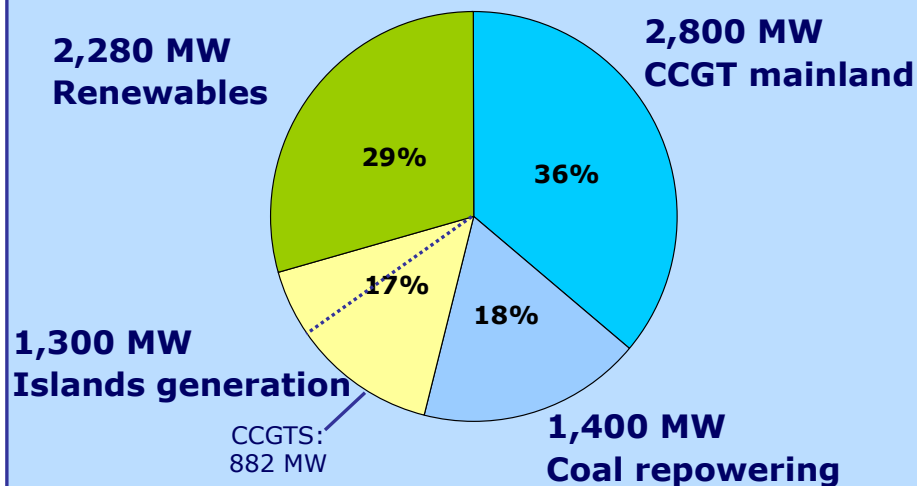
# Spain: Growth Continues in Domestic Business



Endesa continues serving the most dynamic markets in Spain, with demand growth above 7%, higher than national average

# Spain: Reinforcing Leadership in Generation

## 7,780 MW of new capacity 2002-2007



Equivalent to 34% of Endesa's current capacity

## New capacity milestones in 1H03

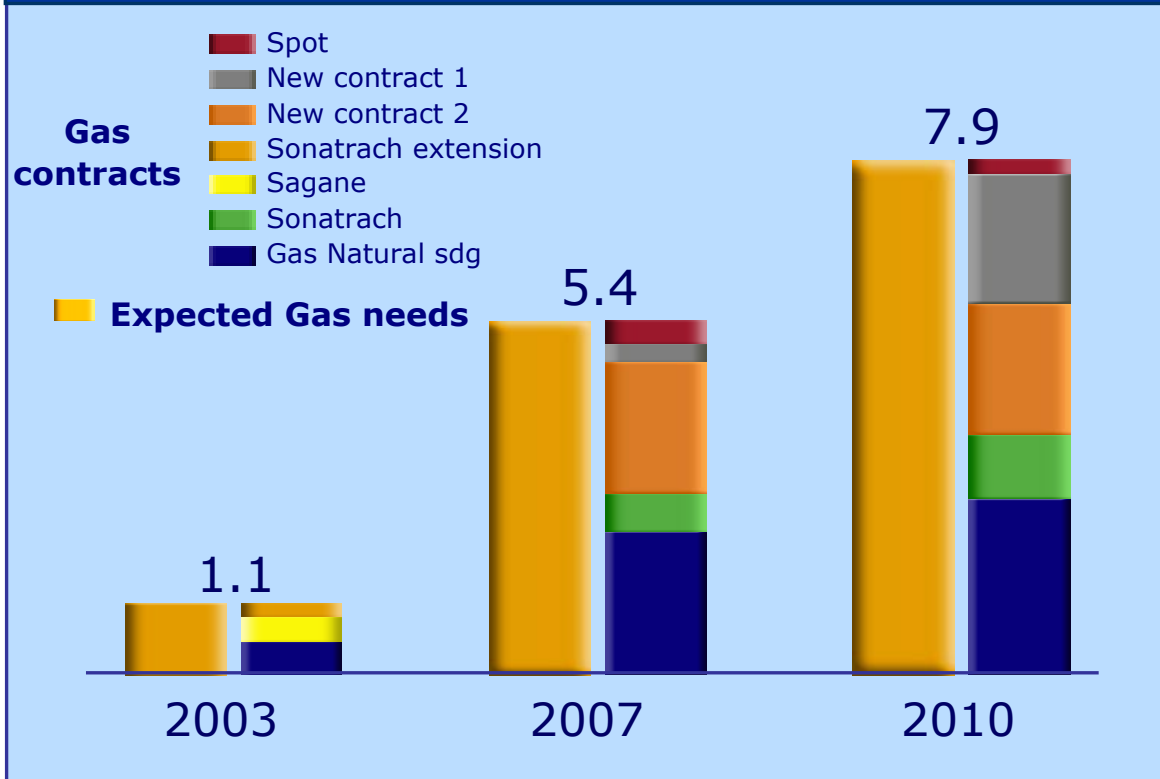
- 400 MW new CCGT (Tarragona) according to schedule
- Balearic: completion of Son Reus CCGT (226 MW)
- Canary: 49 MW
- Ceuta and Melilla: 12 MW
- Renewables: 74 MW wind and 16 MW biomass

All deadlines and commitments have been met, according to initial plans

The capacity plan for the coming years, with a total of 7,780 MW will allow Endesa to retain its leadership position in the generation business, with a well diversified portfolio

# Gas in Spain: Two new Contracts Reinforce Gas Procurement Portfolio

Appropriate balance between contracts and gas needs in mainland Spain (bcm/year)



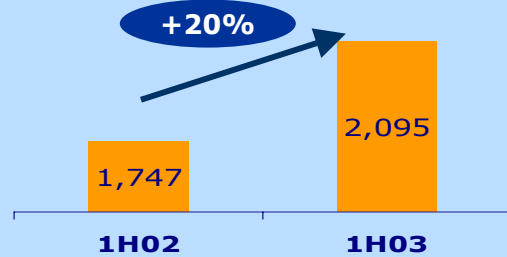
Gas procurement strategy

- Emphasis on diversification of sources and flexibility (take or pay, build-up, make-up, etc)
- Flexible conditions in terms of use, destination, build-up and make-up

# Gas in Spain: Largest Electricity Player in the Gas Market

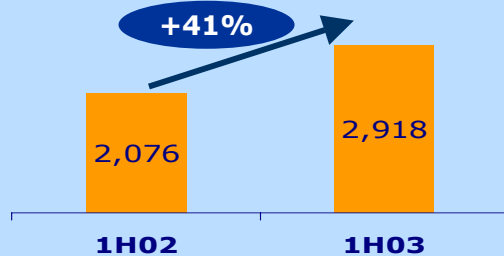
## Sales to Regulated Market:

GWh



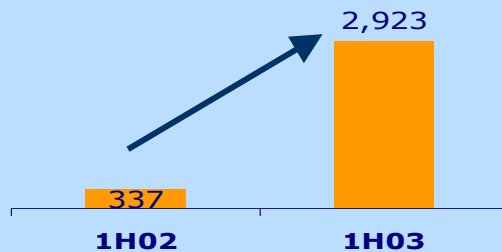
## Sales to Liberalized Market:

GWh



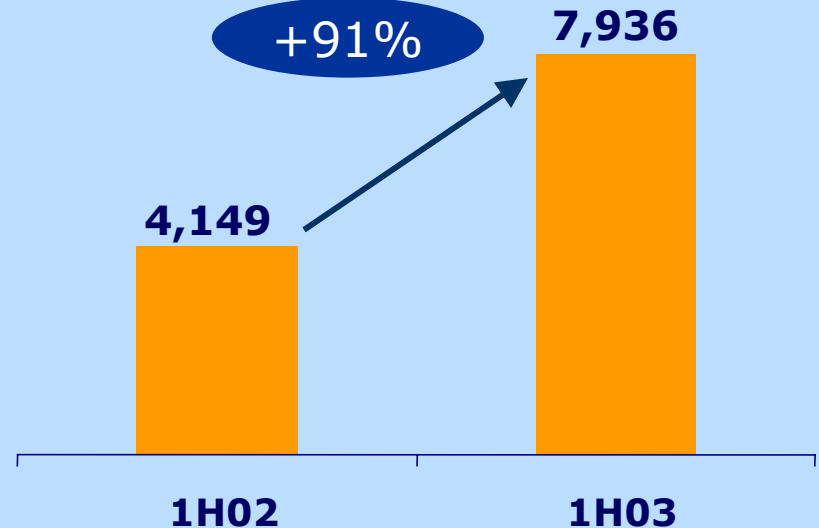
## CCGT consumption:

GWh



## Total Gas Supply:

GWh

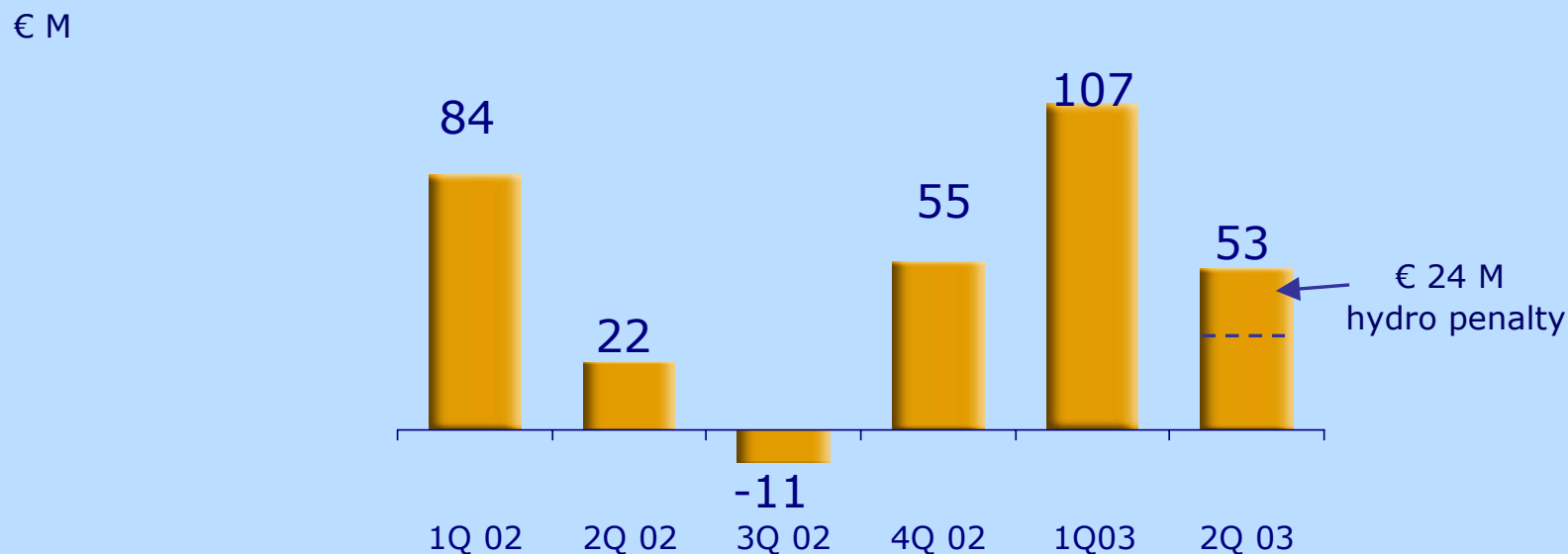


- 2007 objective (15% market share in supply) well on track
- Positive margin in the gas supply activity (€ 2 M in 1H03) right from the start up

# Europe: Strong Operating Performance in 1H03

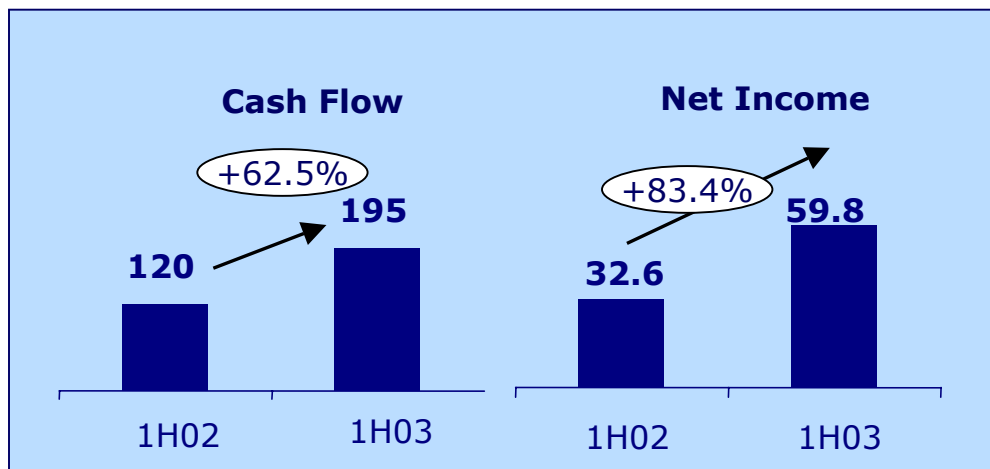
**Europe EBIT in 1H03 amounted to €160M +50.9%**

## Endesa Europa Quarterly EBIT evolution



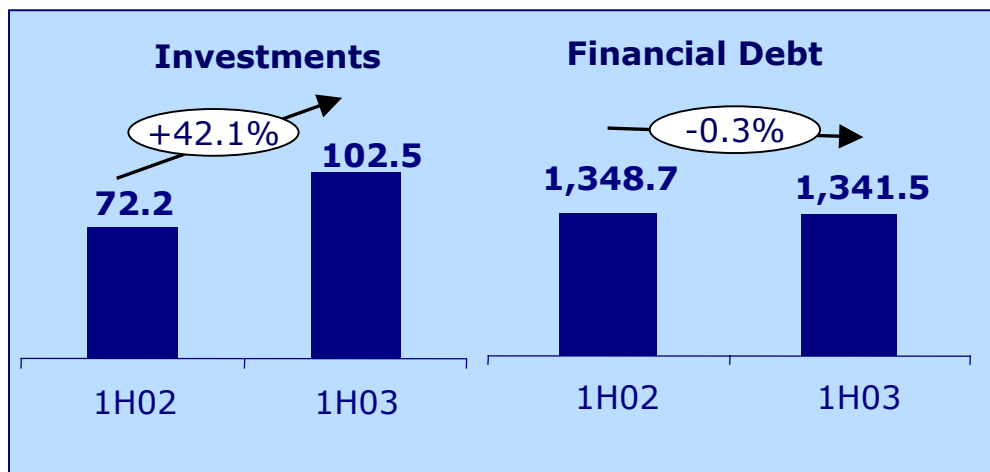
Increase in margins and lower costs resulted in 28% higher EBIT adjusted to hydro penalty reversal

# Italy: Performing Above Plan in 1H03



## Net Income + 83%

- Higher revenues and margins
- Lower fixed cost
- 62% increase in cash flow

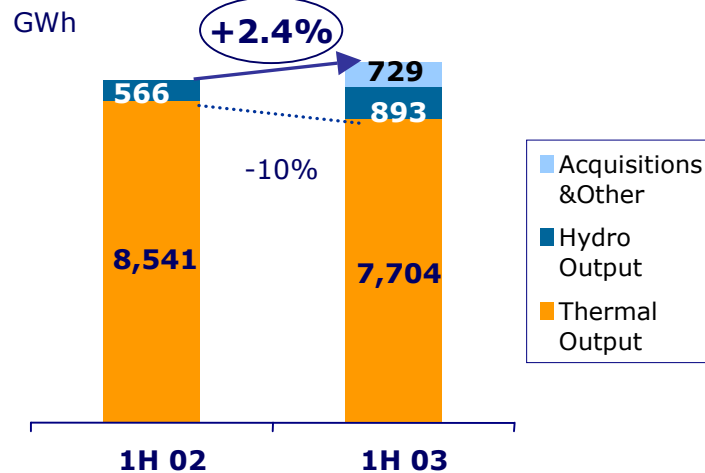


## Self-financing investment plan

- Debt reduced vs. June 02
- Despite 42% higher investments in repowering

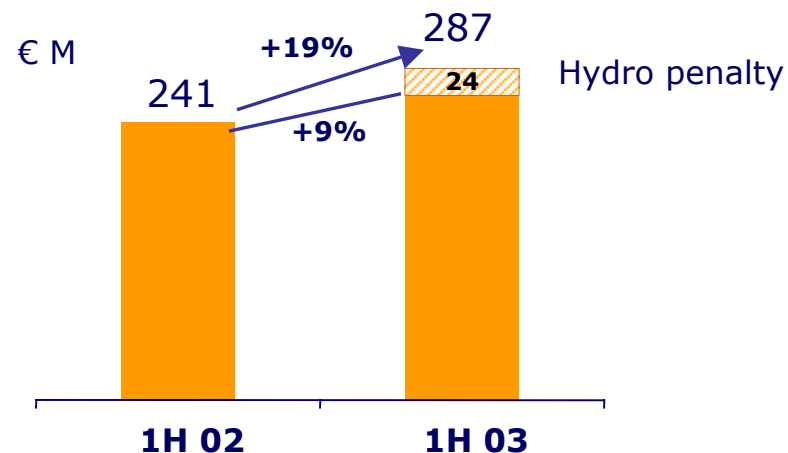
# Italy: Higher Gross Margin in 1H03

## Sales GWh



Electricity prices +13%

## Gross margin



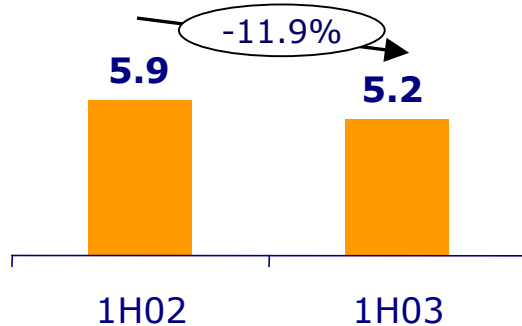
### Energy management strategy

- Production optimisation
- Buying cheap electricity (CIP 6 and imports)
- Selling to liberalized customers at high price hours

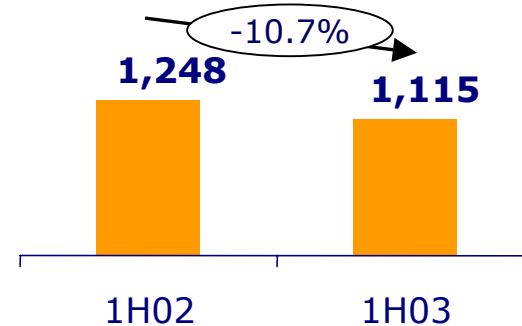
# Italy: Future Results Based on Controllable Parameters

## CONTROLLABLE COST

O&M Cost (€/MWh)



Workforce

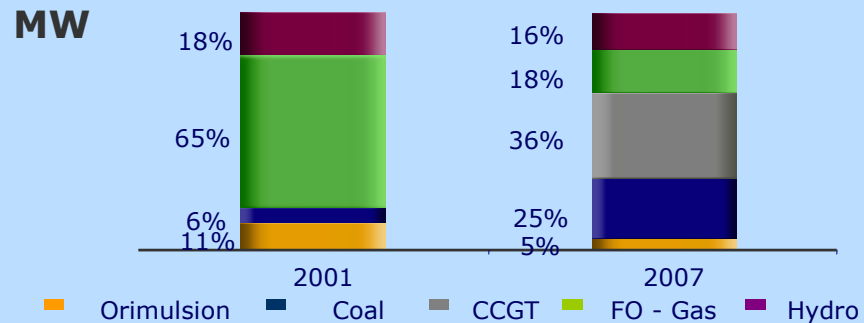


## REPOWERING PLAN

Repowering milestone in 1H 03

Test period started for Ostiglia (800 MW CCGT) and Fiume Santo (320 MW Coal)

## Improvement of Endesa Italia's fuel mix

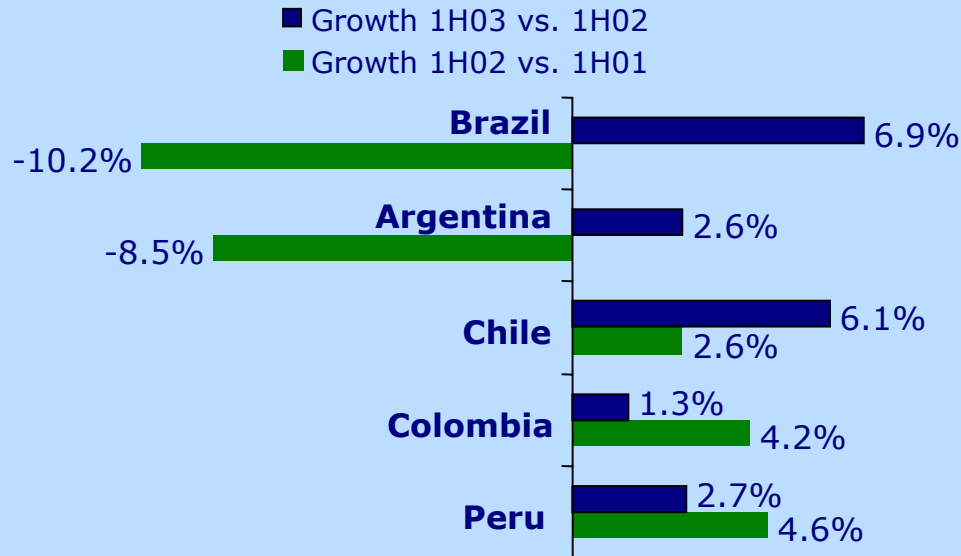


Endesa Italia performing above business plan

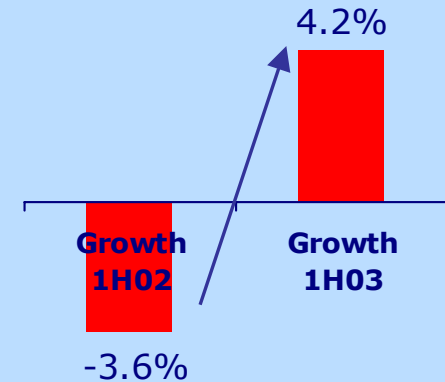
# Latin America: Upside Potential in a Changing Cycle

## Change in trend in electricity demand

Evolution of GWh distributed by  
Endesa's subsidiaries



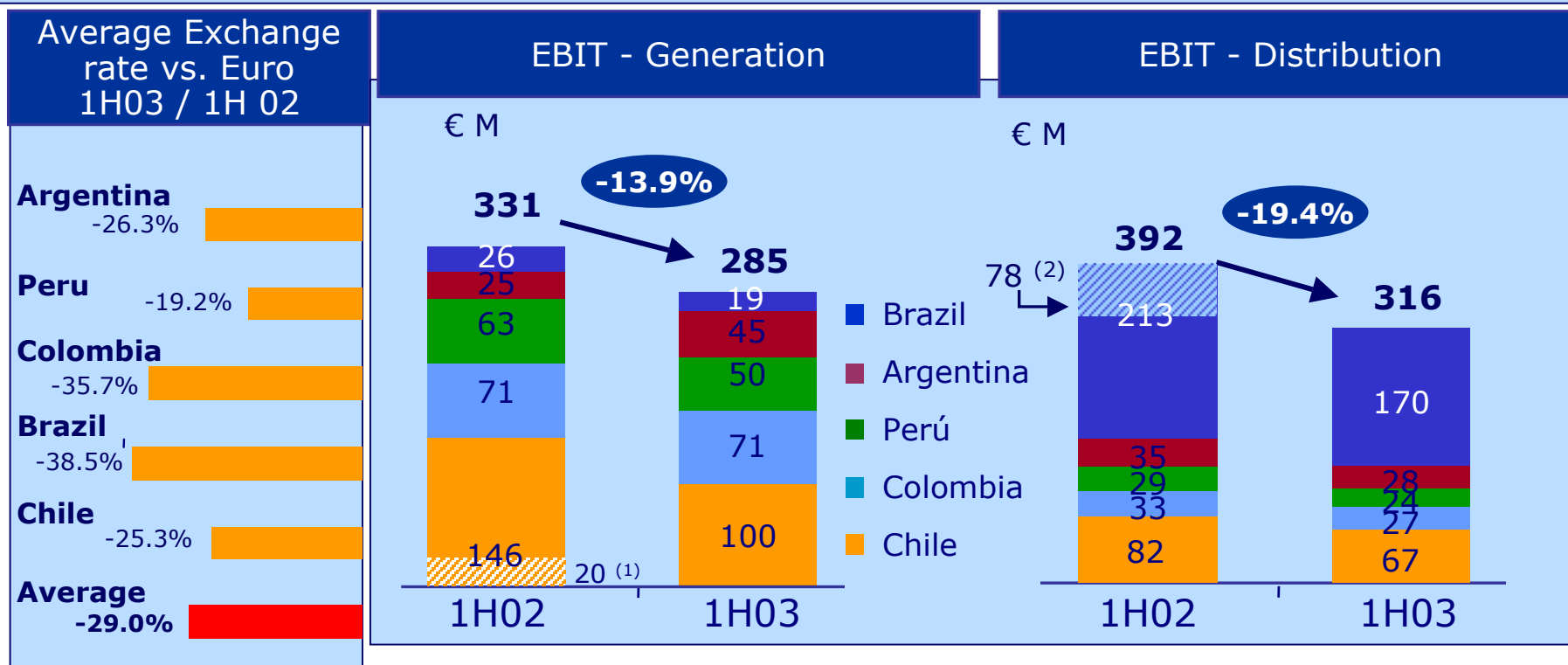
Weighted average increase  
in GWh distributed



Endesa is well positioned to benefit from the economic recovery  
Electricity business resilient to economic downturns

# Latin America: EBIT Stable in US\$ but Affected by Strong Euro

- EBIT -18% after average 19% devaluation US\$ vs. Euro
- EBIT stable in US\$ +0.6%, and 20% increase in local currencies
- EBIT decreased only 5%, excluding € 98 M impact of lower financial expenses capitalised

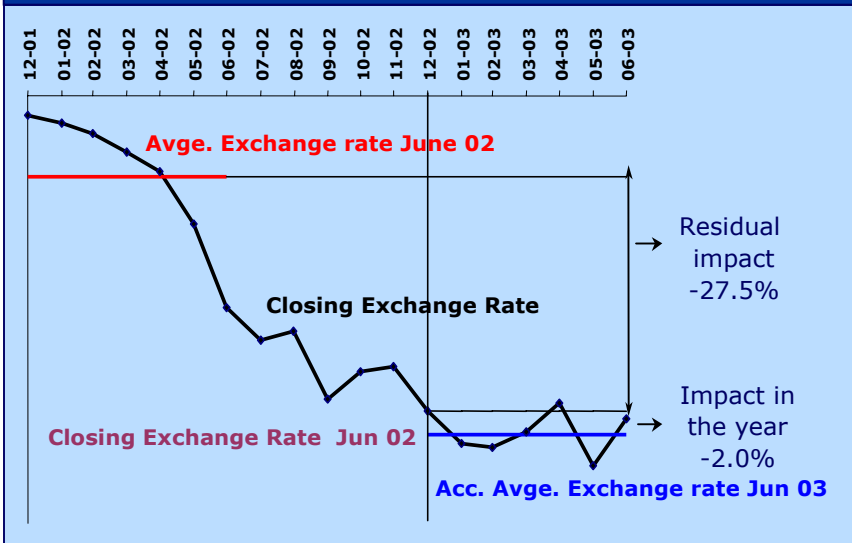


All countries had a positive operating evolution in local currencies

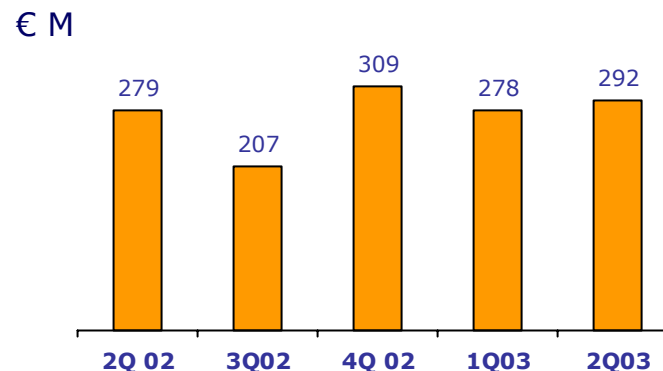
- (1) Includes € 20 M of FX capitalised in Ralco  
 (2) Includes € 78 M of FX capitalised in CIEN

# Latin America: Currency Impact

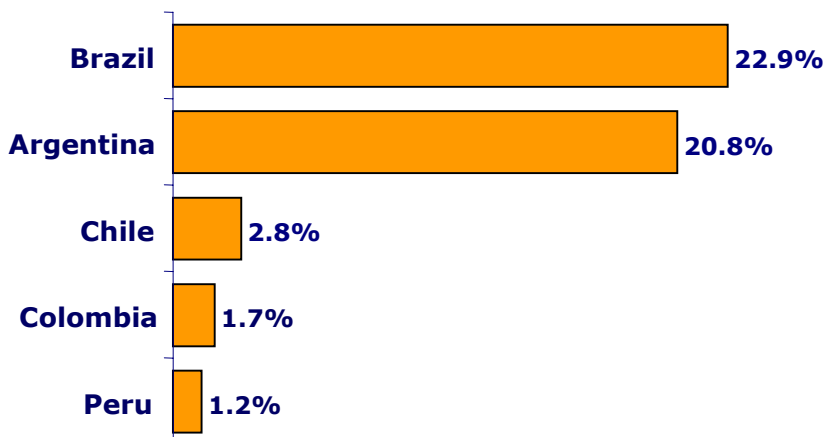
## Impact on P&L of avge exchange rate (1)



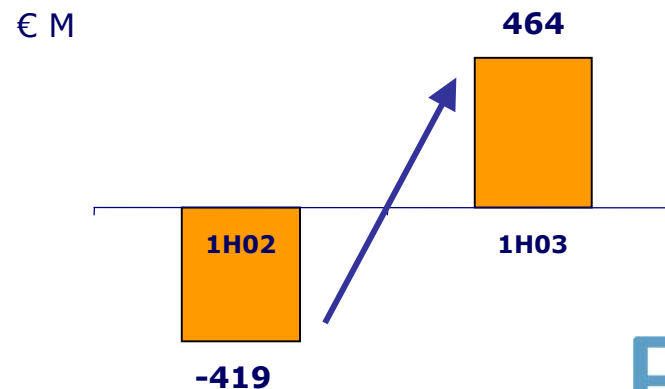
## EBIT adjusted by expenses capitalised



## Local currencies vs US\$ as of June 03 (2)



## Ordinary Income: Positively affected by stronger currencies in 2003



# Enersis: Successful Delivery of Strengthening Plan Targets

## Debt Refinancing

- US\$ 2.3 bn debt refinanced
- New Maturity: 5 years with 2.5 years grace period
- Debt continues to be non-recourse to Endesa Spain

## Disposal Plan

- US\$ 431 M cash + US\$ 251 M debt desconsolidation
- Multiples paid in line with targets:
  - US\$700/customer (Rio Maipo)
  - US\$ 1,000/KW (Canutillar)

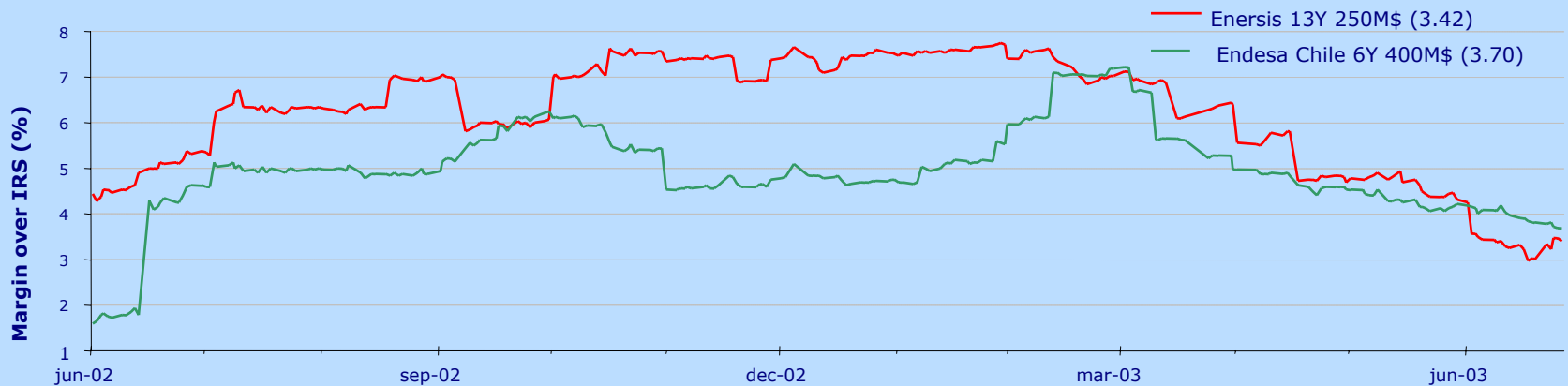
## Capital Increase

- US\$ 1,882 M, 90% of total amount.
- US\$ 663 M cash from minority shareholders.
- Endesa's current ownership remains 65.1%

# Enersis: A Better Financial Outlook

- US\$ 663 M cash from minorities shareholders in capital increase
- Improved access to capital markets: US\$ 600 M bond issue (EOC)
- Pre-pay of 36% of debt refinanced expected by July
- Improving leverage and market capitalization

## Enersis Debt Spreads



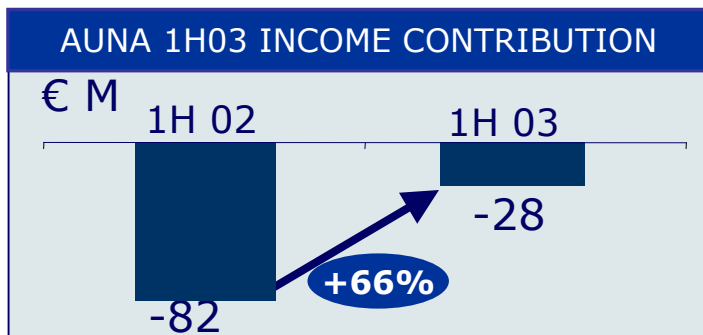
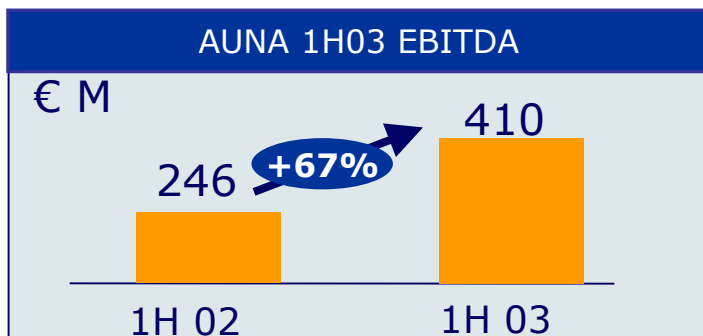
Enersis' debt spreads evolution reflects market confidence in its financial position

# Telecoms: Better Performance Improved Contribution From Equity Income

Equity income from Telecoms improved by € 69 M

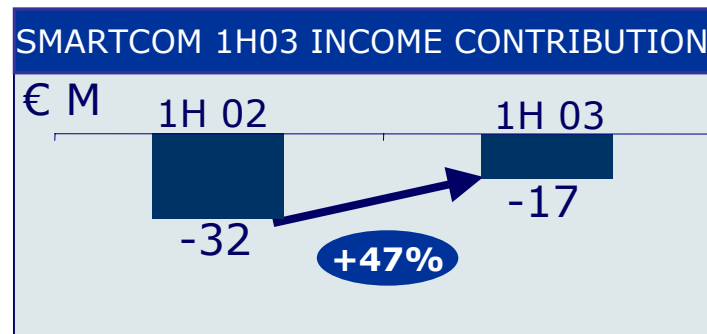
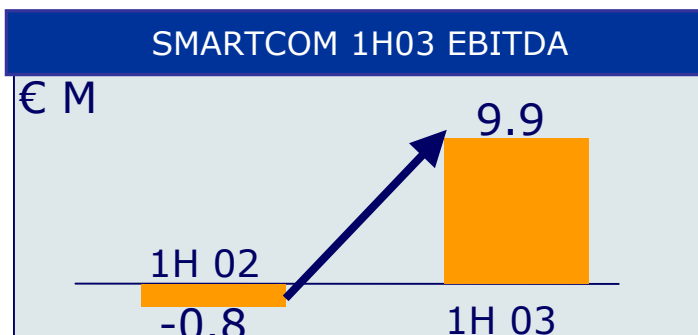
## AUNA:

- AUNA €410 M EBITDA, exceeding plan
- AMENA customers up 25% to 7.2 M
- 604,447 cable customers, doubling Jun02



## SmartCom:

- 1 M clients, + 46%. 16% market share
- Gross margin up by 10% to € 33.9 M
- EBITDA of € 9.9 M, improved by € 10.7 M



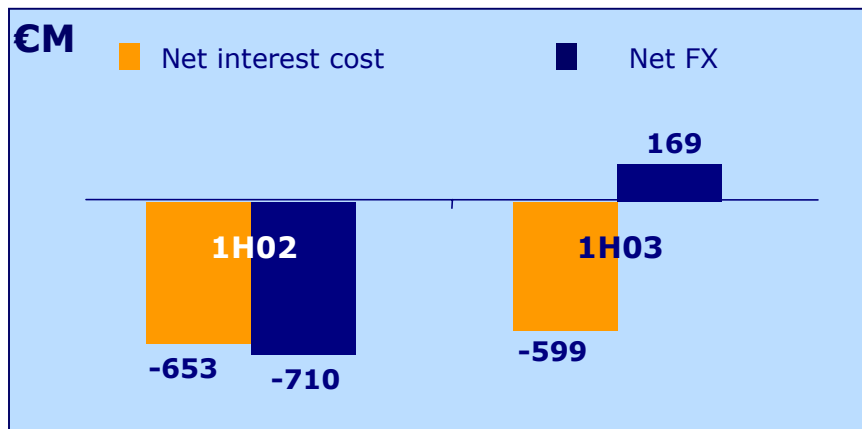
- AUNA does not expect additional contribution from shareholders
- Endesa has exercised the option to buy a 3% of AUNA for €260M. No payment until January 2004.

# 1H 2003 Improvement of Financial Results

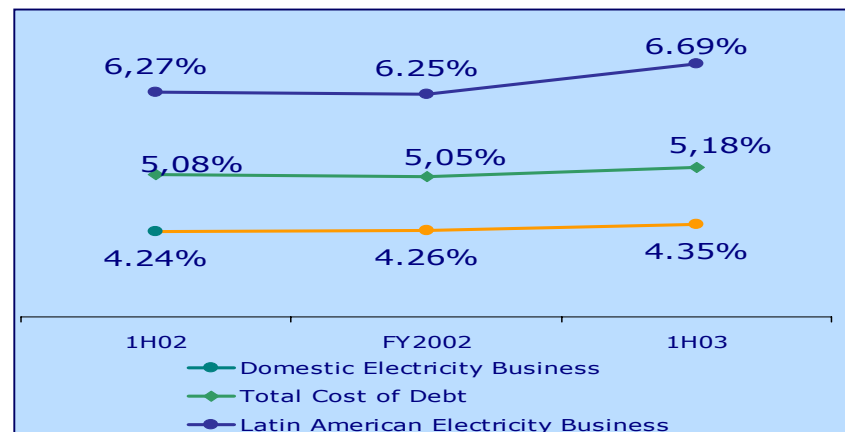
8.3% lower net interest expenses due to lower debt and stable cost of debt

Complete turnaround of FX impact due to stronger Latam currencies

## Financial Results



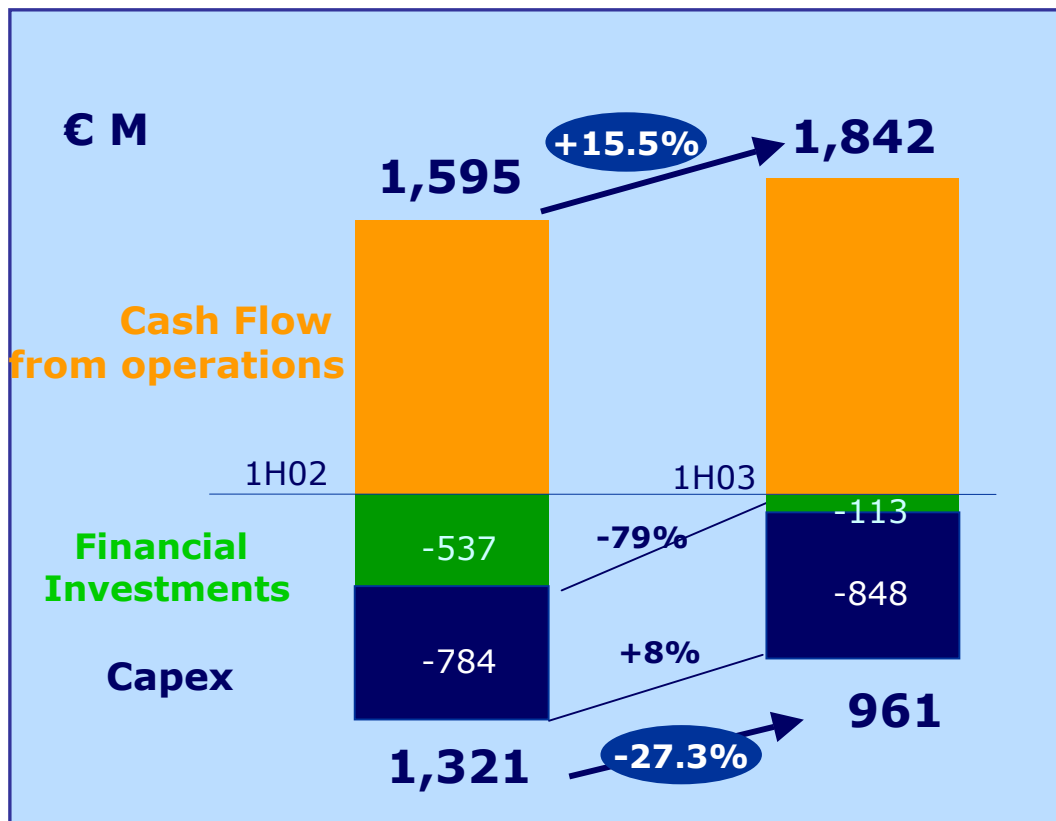
## Cost of Debt



- FX gains mainly from 20.8% revaluation of Argentinean Peso against US\$.
- Endesa has offset this gain with additional provisions following conservative accounting procedures

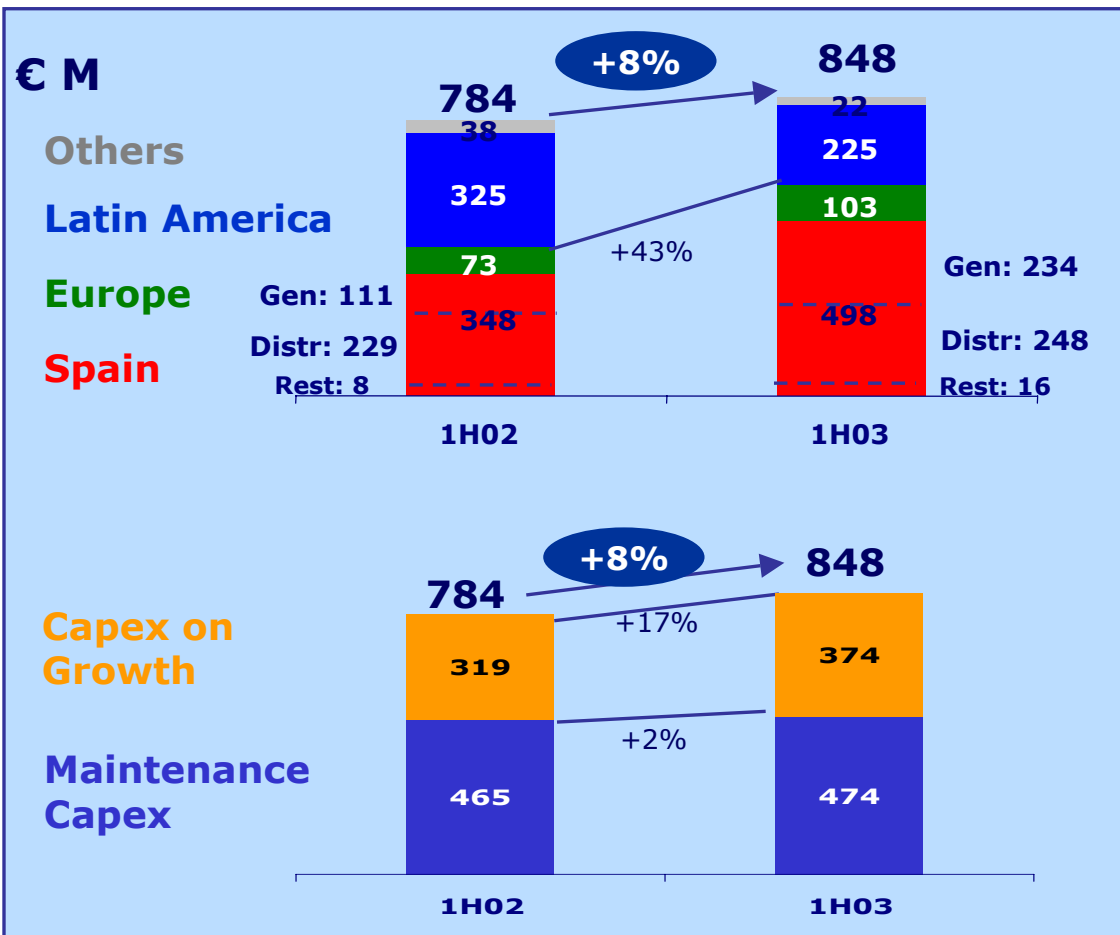
# Higher Cash Flow / Investment Coverage

Cash position improved from both lower investments and higher cash flow from operations



- €1,842 M cash flows generated allowed to cover €961 M investments and €348 M dividend payments and €260 M early retirements payments
- € 2,355 M divestitures in the semester
- 79% reduction in financial investments
- Capex < 1/2 cash flow generated.

# Capex: Organic Growth in Spain and Europe

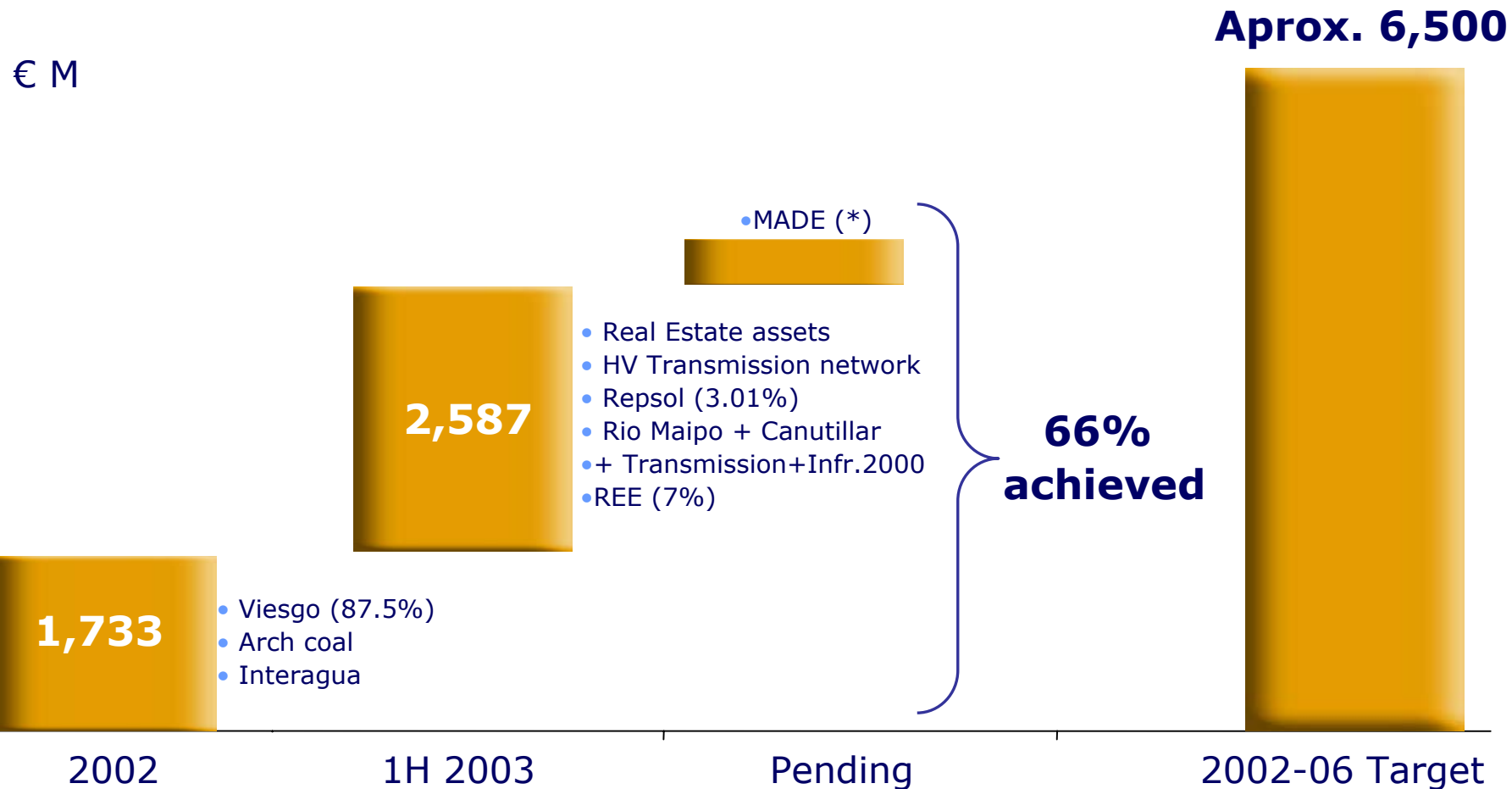


- 71% of capex devoted to Spain and Europe, 43% higher than 1H02
- Increase in domestic capex mainly in generation due to new capacity
- Capex similar to depreciation charge
- Stable maintenance capex in line with Strategic Plan

Expected increase of Domestic and European assets weight according to investment profile

# Divestments: Fast Delivery of Divestiture Targets

Accomplishing with divestment targets of 2002-06 Strategic Plan

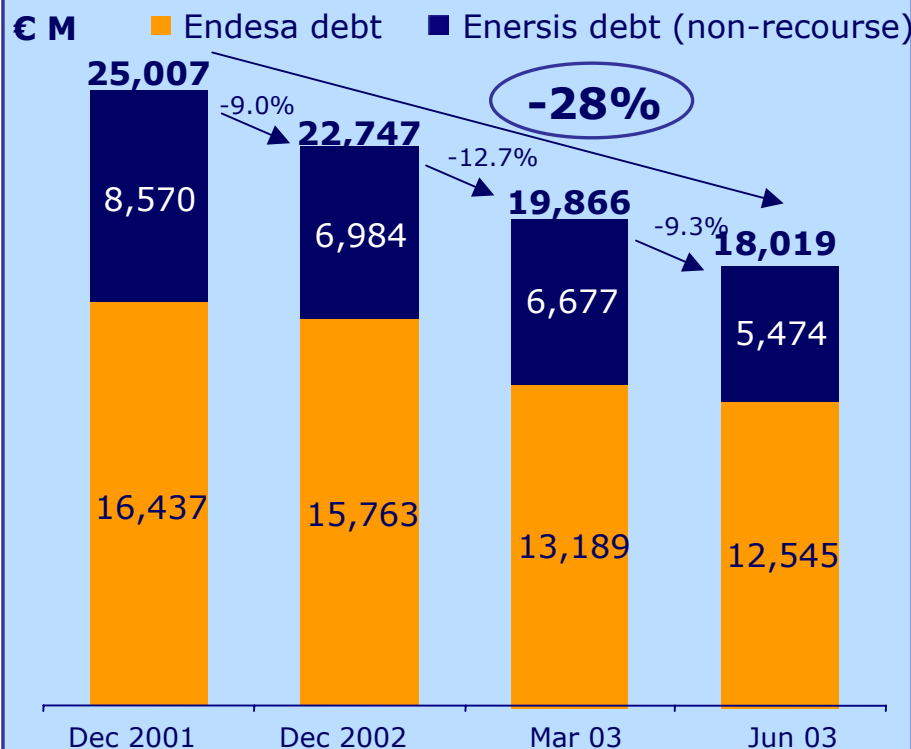


2/3 of 5-year divestment plan achieved in 18 months

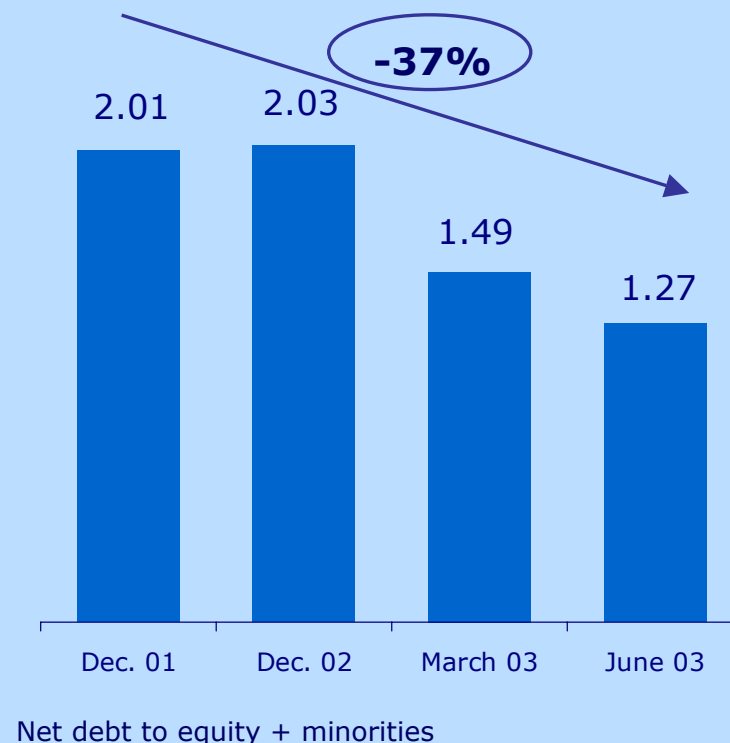
# Debt: Additional 20.8% Reduction in 1H03

28% reduction in debt since Strategic Plan 02-06 was launched

## Net Consolidated Financial Debt



## Leverage

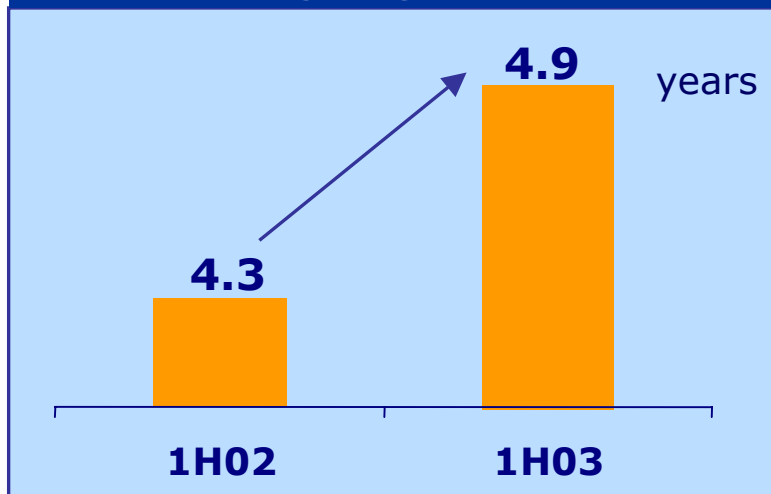


Leverage below average of US & European utilities

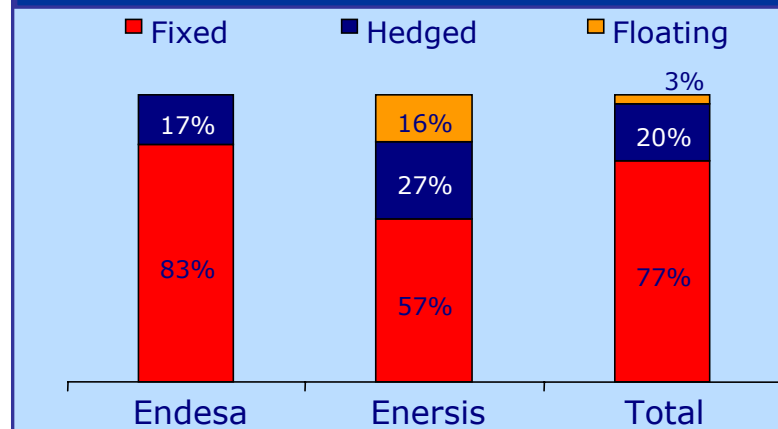
# Debt: Proactive Management of Financial Risk

Current liquidity  
€5 bn exceeds  
debt maturities in  
next 30 months

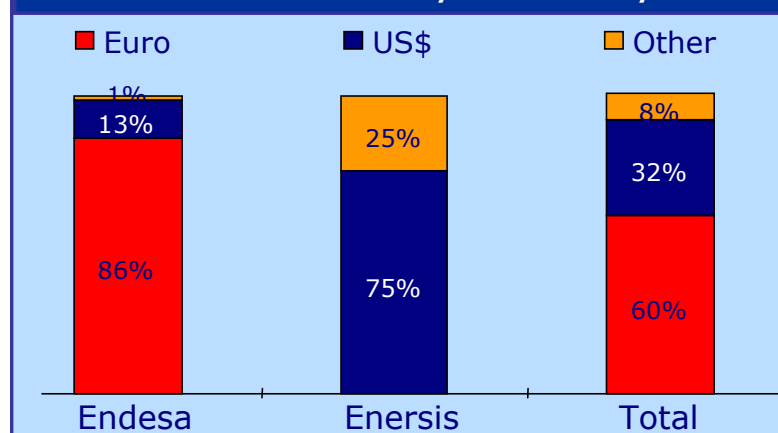
## Extending avge life of debt



## Breakdown by interest rate



## Breakdown by currency



Average cost of debt similar to 1H02 despite extension of average debt maturity and higher weight of fixed and hedged debt.

# Debt: Improving Market's Perception

Lower debt & leverage

+

Higher hedged + fixed debt

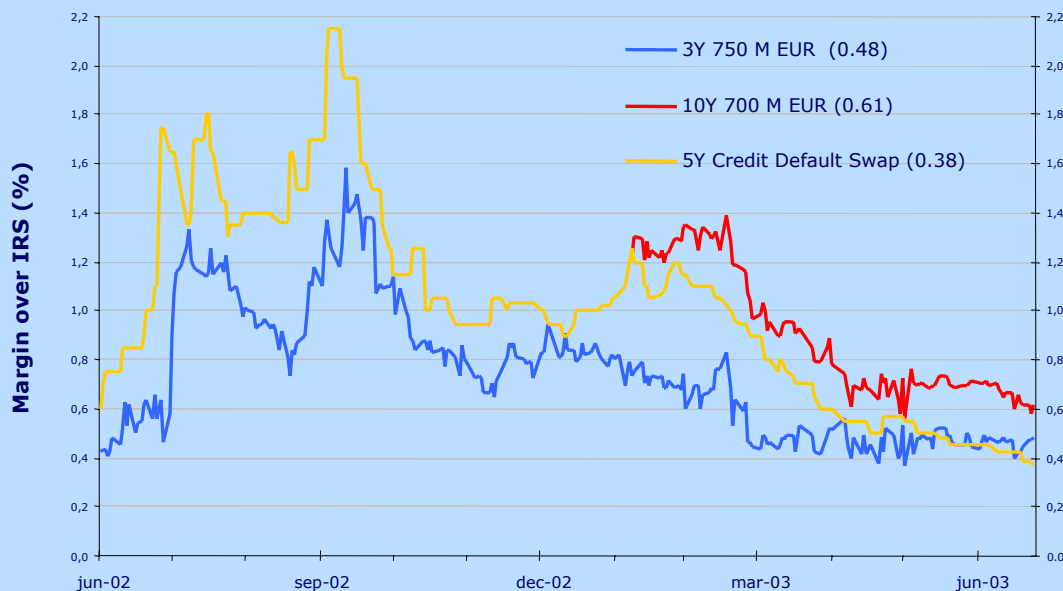
+

Extended average life

+

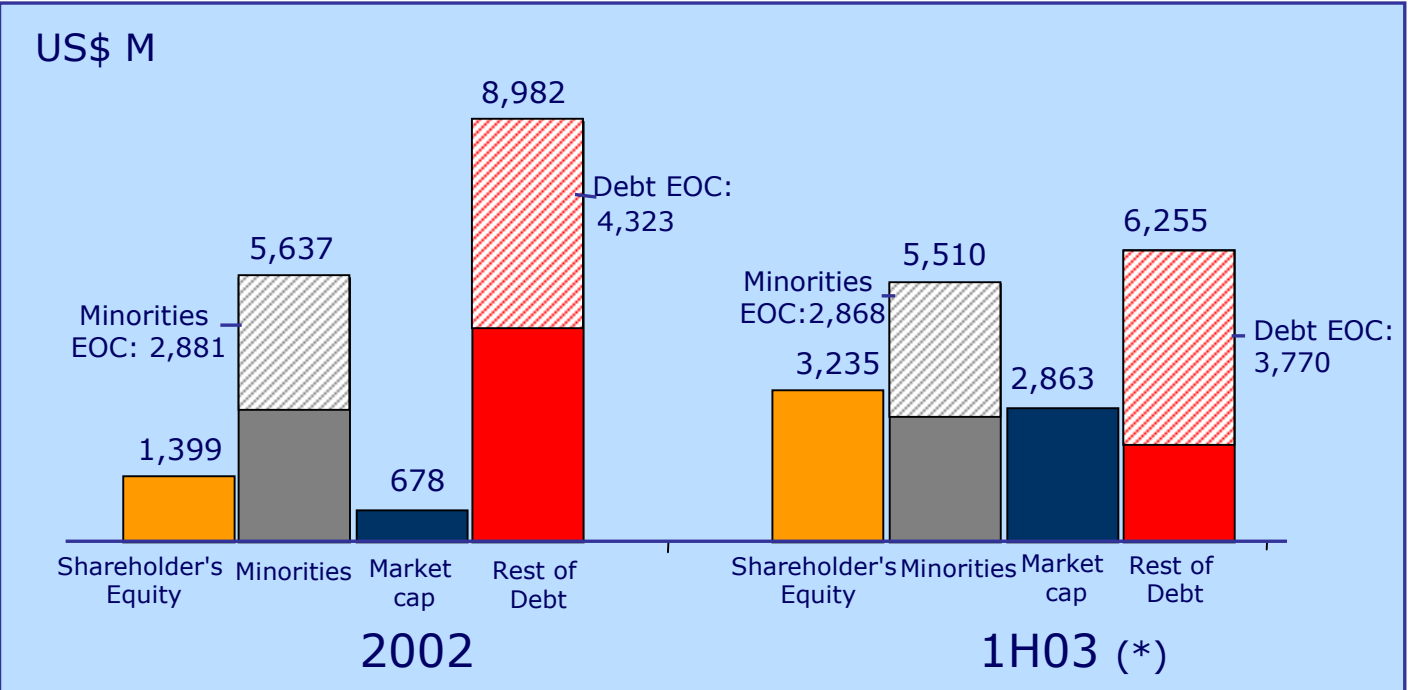
€ 5 bn Liquidity position

## Endesa Spain- bonds spreads



After significant improvement of financial flexibility, Endesa's spreads are back to normal levels

# Enersis: Strengthened Balance Sheet



Improved financial structure, however not yet recognized by rating agencies.

<b>Leverage</b>		
Consolidated leverage		
Debt/(Equity+Min.)	1.28x	0.72x
Enersis market leverage		
ENI debt/market cap	6.87x	0.87X
<b>Rating</b>		
- S&P	BBB	BBB-
- Moody's	Baa3	Ba3

30 (\*) Minorities as of 1Q03. Shareholder's equity proforma.

Market capitalization as of July 14th 2003



- € 464 M total net extraordinary results in 1H03 vs. €666 M in 1H02
  - Domestic: € 514 M gain from HV Grid, €152 M from Real State assets and €44 M from REE 7% stake sale compensated by €157 M provision for domestic business.
  - Latin America: € 133 M provision for business risk includes €82 M additional provision for Argentina.
- Tax rate increase from 17% to 23% due to lower capital gains on the domestic business
- Minorities: from -€267 M to +€353 M due to better results in Latin America and preferred securities

# Conclusions: 1H03 Solid Performance and Strategic Focus

- **Improving operating performance**
  - Leadership in the domestic business with stable results under any market condition
  - Over performing business plan in Europe
  - Stable operating performance of Latin America in US\$
- **Better quality of earnings**
  - Cash flow increased by 15%
  - Net income up by 5% after provisions
  - Complete turn around in the ordinary income
- **Much stronger balance sheet:**
  - Debt reduction and leverage targets achieve in advance of Strategic Plan
  - Successful achievement of strengthening plan in Latin America recognised by financial markets

Successful Delivery of 2002–06 Strategic Plan

# Appendix

**July 2003**

# Highlights for 1H 2003

## Consolidated results

€M	1H 2003	1H 2002	Change (%)
Net Revenues (1)	5,207	5,288	-1.5%
EBITDA	2,458	2,460	-0.1%
EBIT	1,642	1,587	+3.5%
Ordinary Income	1,139	24	+4,645.8%
Net Income	876	837	+4.7%
EPS	0.83	0.79	+4.7%
Cash Flow	1,842	1,595	+15.5%
Financial Debt	18,019	23,434	-23.1%
Employees	26,692	26,495	+0,7%

(1) Sales - energy purchases

# Highlights for 1H 2003

## Consolidated results – Breakdown by line of business

<b>€M</b>	<b>Domestic Electr.</b>	<b>Europe Electr.</b>	<b>LatAm Electr.</b>	<b>Other Businesses</b>
<b>Net Revenues (1)</b>	<b>3,164</b>	<b>628</b>	<b>1,300</b>	<b>115</b>
<b>EBITDA</b>	<b>1,427</b>	<b>215</b>	<b>789</b>	<b>27</b>
<b>EBIT</b>	<b>891</b>	<b>160</b>	<b>579</b>	<b>12</b>
<b>Ordinary Income</b>	<b>659</b>	<b>99</b>	<b>464</b>	<b>-83</b>
<b>Net Income</b>	<b>915</b>	<b>27</b>	<b>4</b>	<b>-70</b>
<b>Cash Flow</b>	<b>1,013</b>	<b>195</b>	<b>611</b>	<b>23</b>
<b>Financial Debt</b>	<b>6,339</b>	<b>1,625</b>	<b>8,063</b>	<b>1,992</b>
<b>Employees</b>	<b>13,568</b>	<b>1,160</b>	<b>11,617</b>	<b>347</b>

(1) Sales – energy purchases

# 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 include, but are not limited to, information regarding: estimated future revenues, costs, EBITDA, earnings, leverage and other ratios, return on invested capital, return on equity and other financial targets; anticipated increases in demand and market share; implementation of cost control measures and the anticipated benefits thereof; anticipated work force levels; management strategy and goals; synergies; operational efficiencies; cost and tax savings; tariffs and pricing structure; estimated capital expenditures and other investments; expected asset disposals; estimated increases in capacity and output and changes in capacity mix; estimated increases in customers and consumption per customer; anticipated supply needs; 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 tax.

**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.



# 2003 First Half Results

**July 2003**