Presentation to investors

Fixed Income Road-show

May 2007

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UNION FENOSA today

Integrated energy company

- Fuel self-sufficiency: Gas and coal
- Balanced power generation mix
- Vertical integration

Sound financial profile

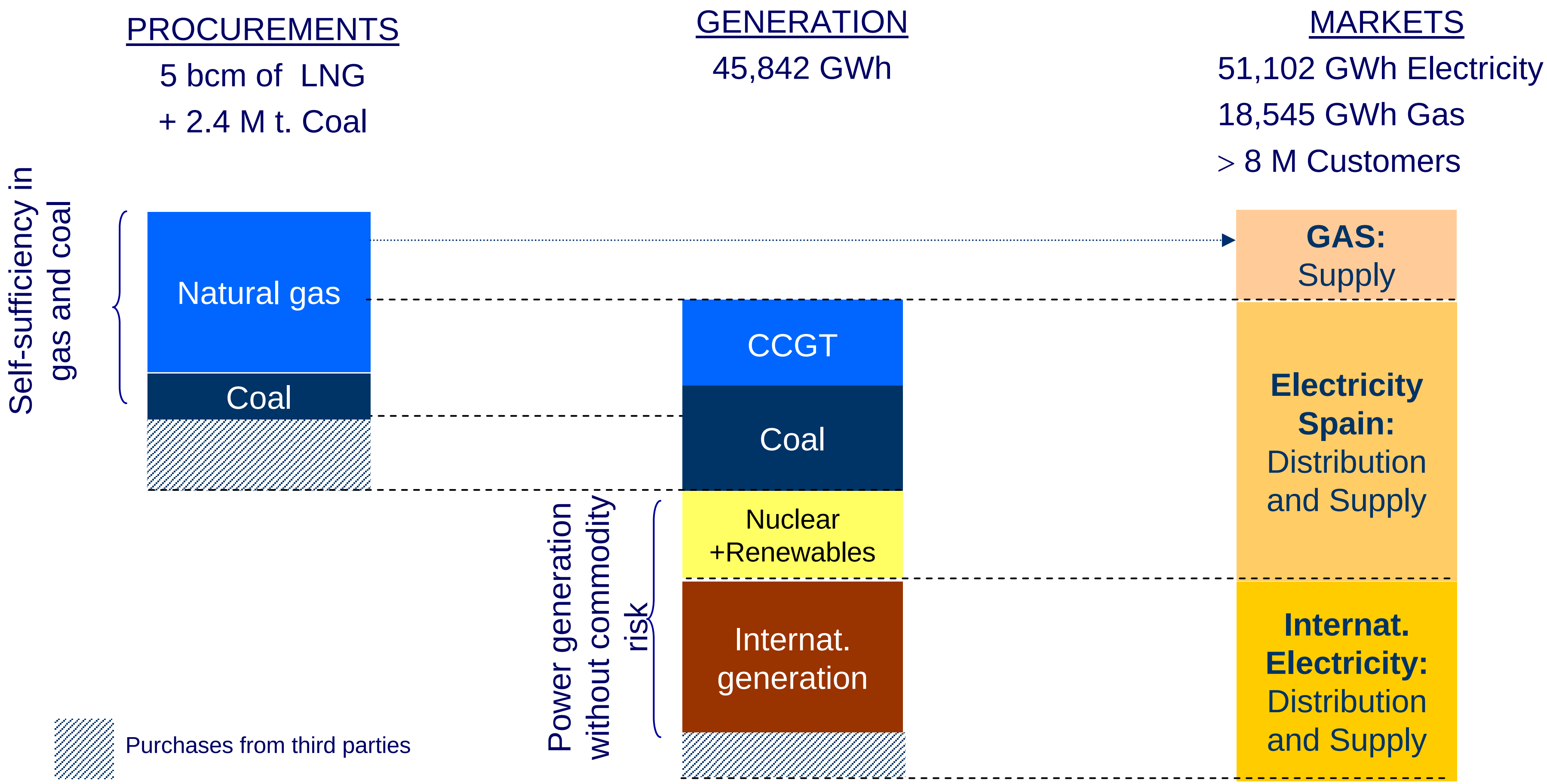
- Balanced financial structure
- Low risk profile
- Improved market perception
- FFO: High expected growth

New strategic plan

- EPS target: 4€
- Clear financial policies
- Foundations for longer-term growth

Organic growth and low risk

Integrated Energy Company

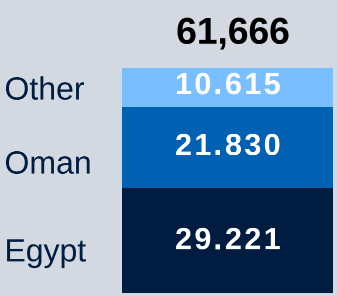


Low exposure to fuel risk

Integrated Energy Company: Gas

Procurement contracts → **Liquefaction + Transportation** → **Regasification** → **CCGTs +Supply**

Procurements 06
GWh



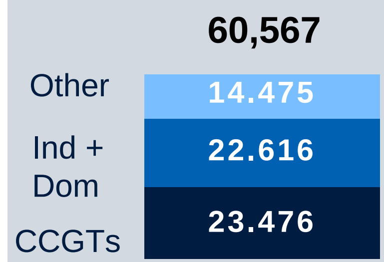
Damietta:
Commercial operation since March 05

Transportation:
2 LNG carriers
300,000 m3
Time charter

Sagunto:
Commercial operation since April 06

Reganosa:
Commercial operation scheduled for 2Q07

Gas billed 06
GWh



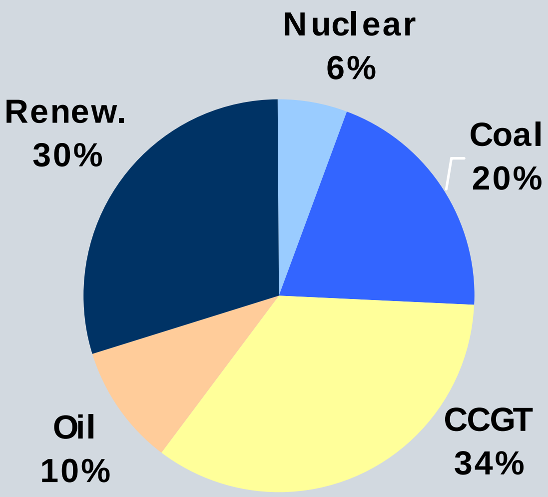
Integrated gas chain hedges business risk

Integrated Energy Company: Generation

Installed capacity 06
MW

Total UNION FENOSA	**10,231**
Nuclear	589
Coal	2,048
CCGT	3,493
Oil+Gas	1,030
Renewables	3,072

Installed capacity 06
%



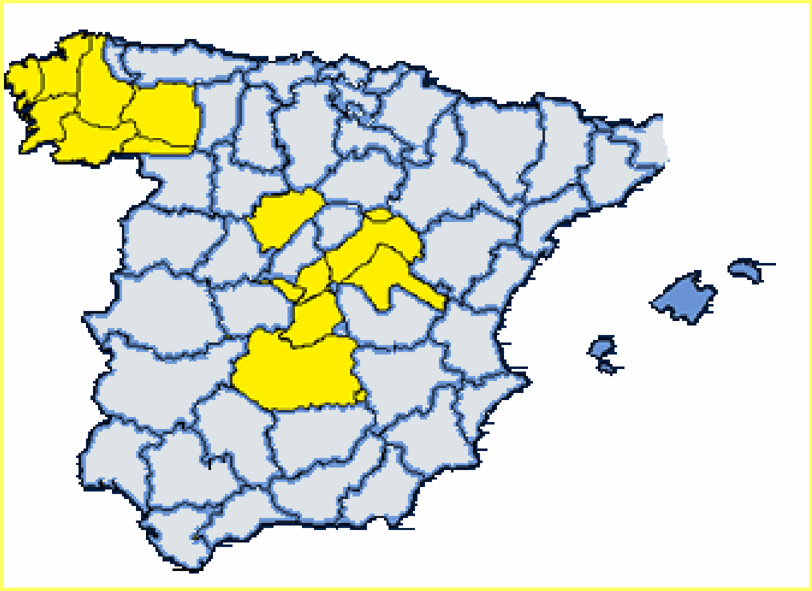
Balanced power generation mix

Integrated Energy Company: Distribution in Iberia

Key figures 2006

Billing (GWh)*	33,906
Customers (k)	3,456
Km of grid	110,741
ICEIT (Minutes)	105.5

*** Bundled tariff + TPA**



Regulated business provides strong and recurrent cash flow

Integrated Energy Company : International

GENERACION
Renewables
DISTRIBUTION

Mexico

CCGTs 1,550 MW
Under construction 450 MW

Guatemala

Power billed(GWh): 1,535
Customers (k): 1,271
Demand growth: +8,9%

Dominican Republic

Palamara 106 MW
La Vega 92 MW

Kenya

AP - FUEL 58 MW

Costa Rica

La Joya - HI 50 MW

Moldova

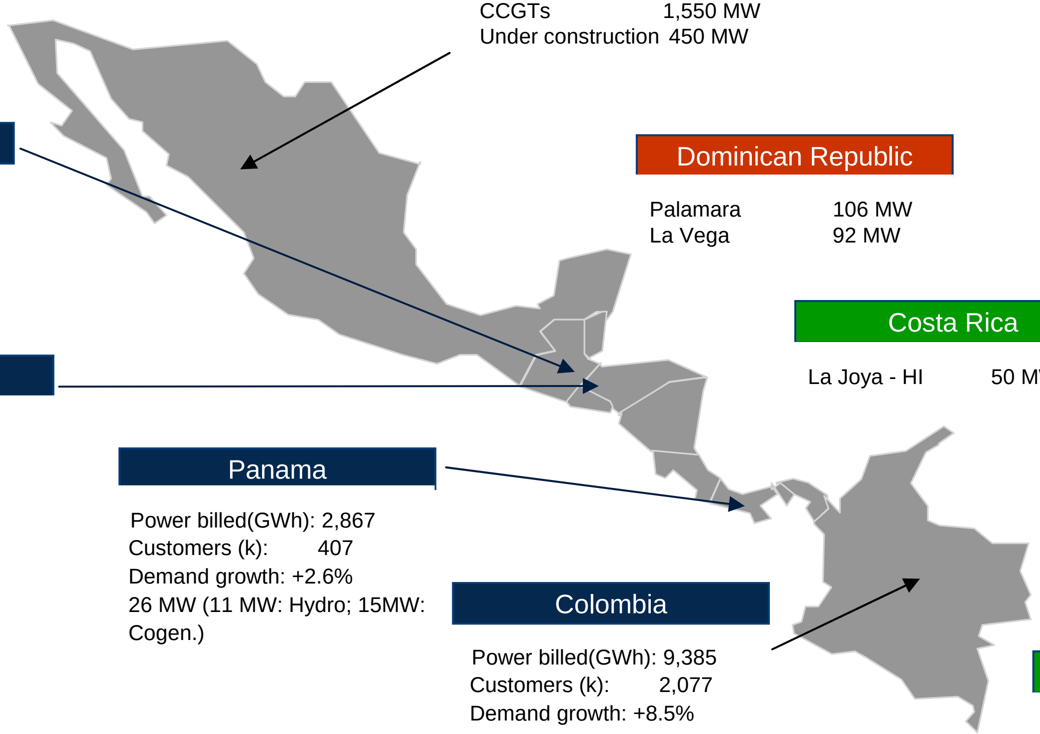
Power billed(GWh): 2.093
Customers (k): 770
Demand growth: +11.3%

Nicaragua

Power billed(GWh): 1,928
Customers (k): 636
Demand growth: +7.1%

Panama

Power billed(GWh): 2,867
Customers (k): 407
Demand growth: +2.6%
26 MW (11 MW: Hydro; 15MW: Cogen.)



Colombia

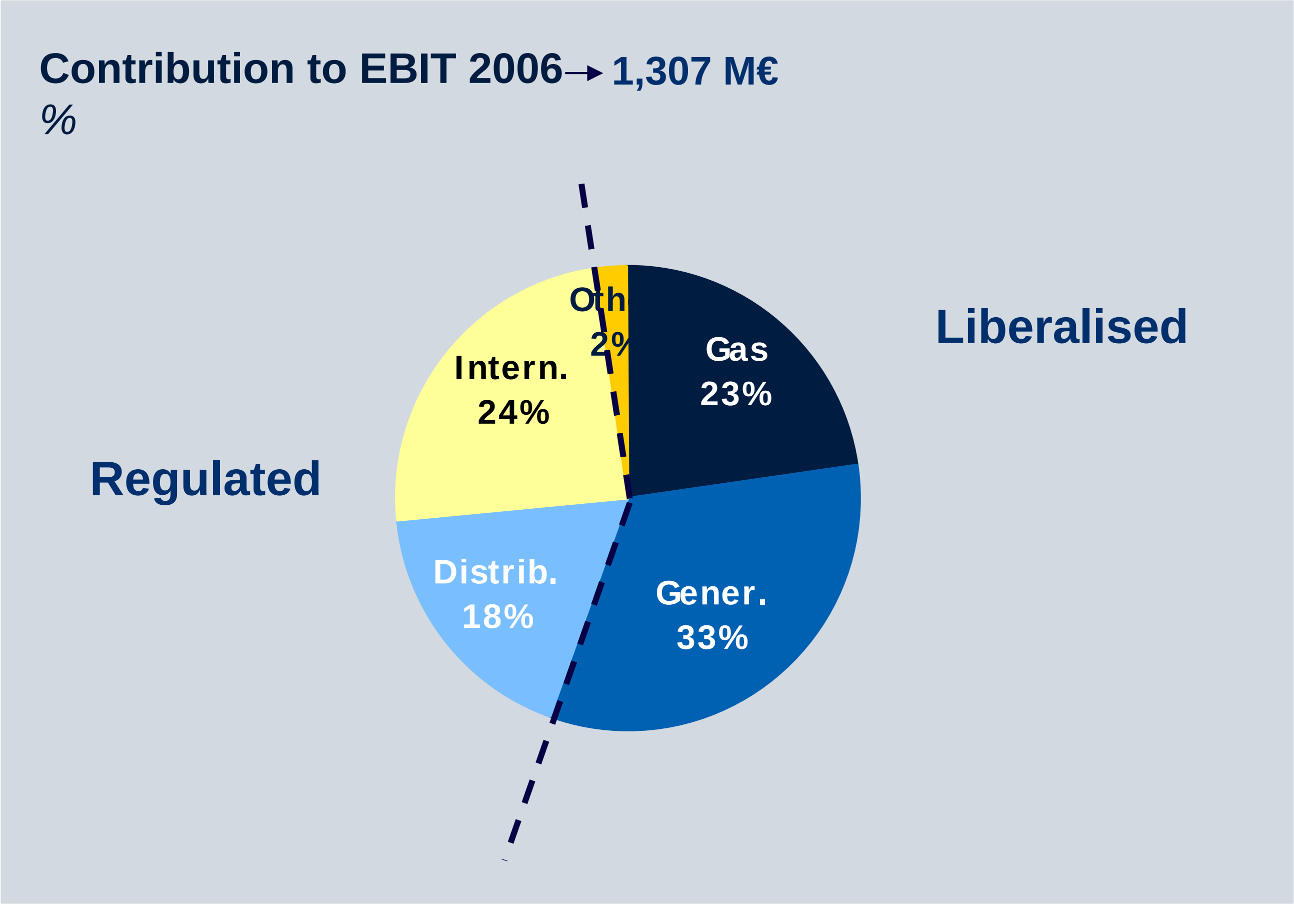
Power billed(GWh): 9,385
Customers (k): 2,077
Demand growth: +8.5%

Colombia

EPSA - HI 891 MW

Organic growth potential whilst lowering exposure

Balanced exposure to businesses …



… with 42% of EBIT coming from regulated activities

Sound financial position 2006

- **Liquidity**
  - 2,600 M€
- **Debt service coverage**
  - Over 24 months
- **Debt vs cash-flow generation**
  - FFO/Debt of 21.3%

Main financial ratios 2006

Leverage

50%

Debt/EBITDA
times

3.0

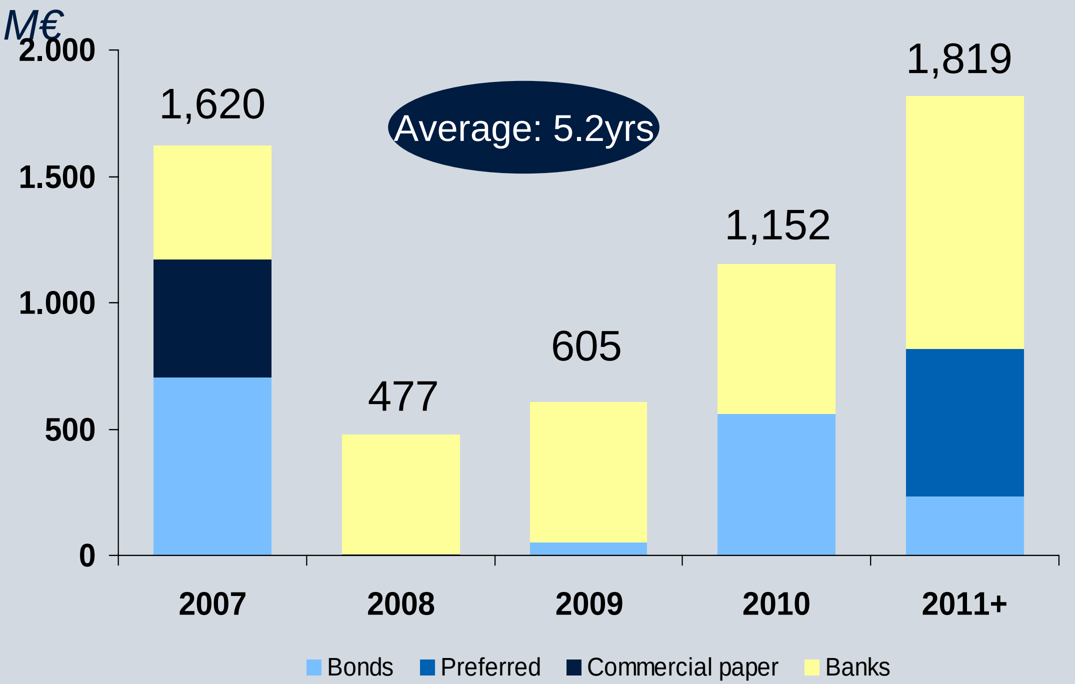
FFO/Financial expenses
times

4.1

Strong debt protection measures

Sound financial position 2006: Balanced financial structure

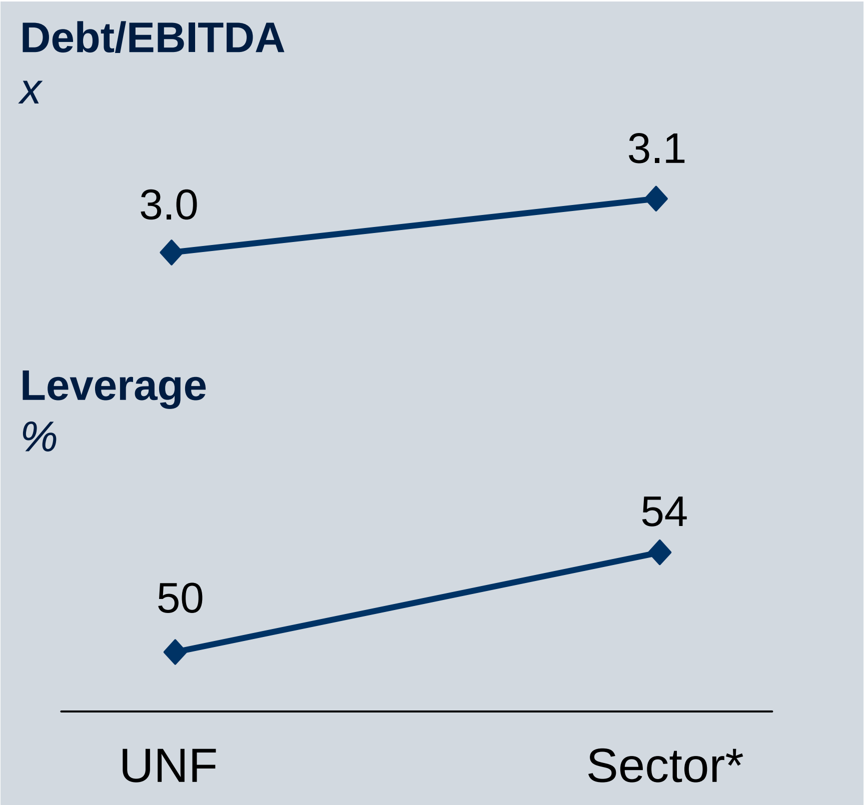
Debt maturity profile as of 31 December 2006 (5,674 M€)



- **Average life of debt**
  - 5.2 years
- **Hedging**
  - 68% at fixed rates
- **Funding sources**
  - 46% capital markets
  - 54% bank debt

Liquidity and risk hedging

Sound financial position: Peer's comparison



* Average of ELE, IBE and GAS

Rating (May 2007)

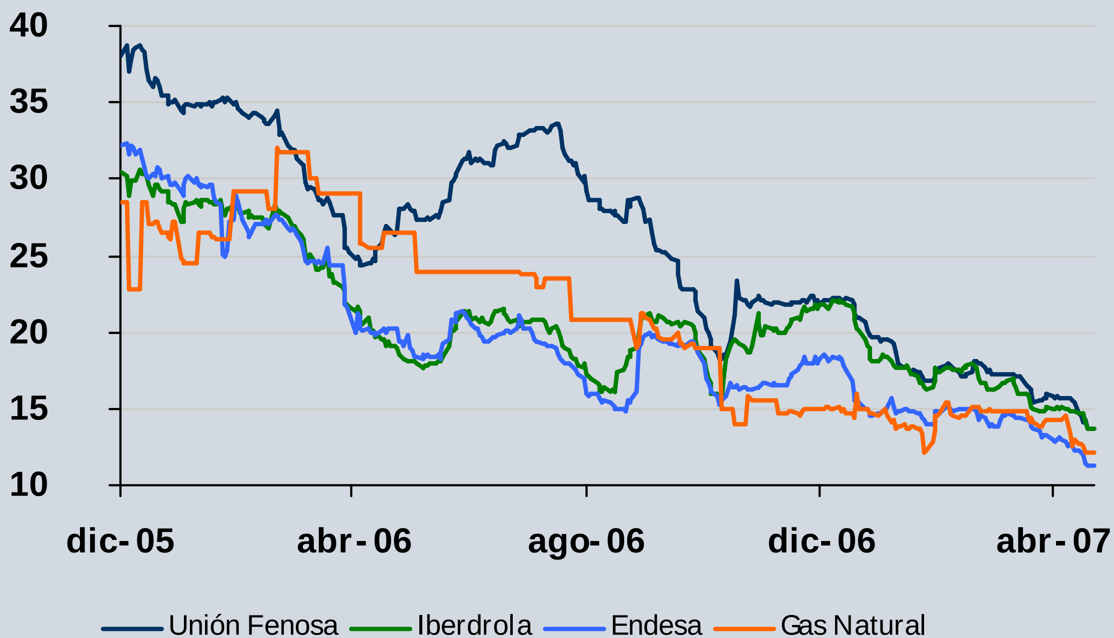
	Fitch	S&P	Moody's
UNION FENOSA	A-	BBB+	Baa1
IBERDROLA	A	A*	A2*
endesa	A*	A*	A3
gasNatural	A+*	A+*	-

* Rating under review

Ratings do not reflect Unión Fenosa's current financial risk profile

Sound financial position 2006: Market perception

5 yr CDS performance
Basis points



5Y spread CDS
Basis points

UNION FENOSA	13.6
IBERDROLA	13.6
endesa	11.3
gasNatural	12.2

Unión Fenosa's 5Y CDS trades in line with at "A" rated peers levels

Credit rating underestimates current financial profile

AGENCY	RATING	OUTLOOK
Fitch	A/A-	Stable
Moody's	Baa1	Stable
Standard & Poors'	BBB+	Stable

Fitch - 5 April 2007

"Key ratios, such as debt to EBITDA of close to 3x, and funds from operations to gross debt of more than 20%, compare favourably with those of higher rated Iberian sector peers. This, together with the early completion of its strategic plan and solid 2006 results, supported an upgrade"

Moody's – 9 May 2007

"The rating upgrade reflects the fact that Union Fenosa has delivered against the main objectives set out in its 2003-7 plan, resulting in a reduction of execution risk and a healthy improvement in the business and financial profile of the company."

Standard & Poors - 11 May 2007

"The ratings reflect Fenosa's vertically integrated business model, which provides earnings diversity and a base of relatively stable network earnings; the improvement in its generation mix; and the competitive and flexible gas supply contracts that result from being an integrated gas-electricity operator".

2007-2011 Strategic Plan: Foundations for strong growth

Growth 2007-2008

- Strong organic growth from assets at an advanced stage of construction:
  - 1,600 MW of CCGT
  - 1 bcm additional from Damietta I
  - New regulation for Generation and Distribution
  - 240 MW in Renewable (50% Eufer +GP)

Growth 2009-2011

- New investments in development
  - 900 MW in CCGT
  - Damietta II (1bcm)
  - 1,000 MW in Renewable
  - Coal strategy
- Capacity to invest an additional 3.6 Bn€

Objectives 2011

Earnings per share
€

4.0

EBITDA
Bn€

3.2

Financial targets

Leverage

< 55%

Debt/EBITDA
times

≈ 3.0

FFO long term growth supported by new business plan

CONTENTS

Development based in:

Energy business

- Fuel strategy: gas, coal (low commodity risk)
- Further development of the gas and renewables business
- New generation with fossil fuels based on clean technologies

Investment plan

- Low execution risk
- High FFO growth
- Balanced businesses

Managing innovation

- Technological solutions: applied to business lines
- Maintain current financial structure
- Human resources: Agility, autonomy, talent

Stakeholders

- Support from shareholder base
- Improve bondholder’s protection

Hypothesis

Economy

SPAIN	2007	2011
GDP (%)	3.2	3.2
CPI (%)	3.0	2.5

Energy

Demand growth: 3.5%

	2007	2011
Brent ($/bbl)	65	55
Coal ($/t)	62	60
Electricity (pool) (€/MWh)	54	55

Regulatory

CO_2 cost of 15€/t throughout the period

Recognition of the 2006 deficit

Distribution remuneration: recognition of an extra 500 M€/year in the period (industry-wide)

Special regime: Reference price + premium, not tied to market

Main figures and targets

Strategic Plan Targets	EBITDA 2011	**> 3.2 Bn €**
	EPS 2011	**EPS 2006 x 2 = 4 €/share**
	Financial Ratios 2011	**Leverage < 55% & Debt/EBITDA = 3x**
	Investment Capacity	**9.0 Bn €**
Recurrent and Project Development Plan	TOTAL CAPEX	**5.4 Bn €**
	Recurrent Capex	**2.5 Bn €**
	Project Development Capex	**2.9 Bn €**
	Capex for Acquisitions	**Not contemplated**
	EBITDA 2011	**2.9 Bn €**
	EPS 2011	**3,6 €/share**
	Financial Ratios 2011	**Leverage = 46% & Debt/EBITDA = 2,2x**

Additional investment capacity of 3,6 Bn €
to exceed Strategic Plan targets

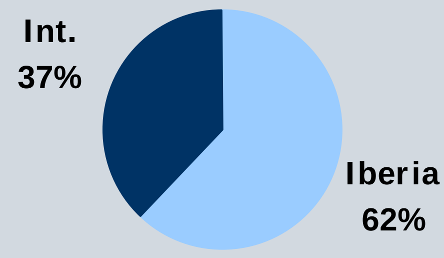
Recurrent and Project Development capex 2007-2011

million €

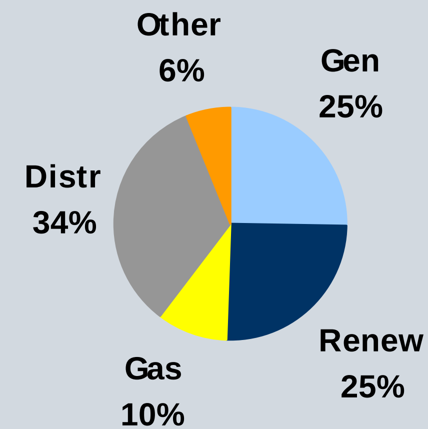
Investments	2007E-2011E	%
Generation Iberia	**1,515**	**28.1%**
Recurrent Investments	222	4.1%
Environmental	380	7.0%
2003-2007 Plan CCGT	156	2.9%
New Assets		
New CCGT	250	4.6%
Renewables	506	9.4%
Distribution Iberia	**1,300**	**24.1%**
Growth demand	521	9.6%
Quality of service	419	7.8%
Transmission & Metering	360	6.7%
Gas	**535**	**9.9%**
Damietta LNG train 1	95	1.8%
Damietta LNG train 2	419	7.8%
Second phase Sagunto	20	0.4%
Generation International	**1,210**	**22.4%**
Recurrent investments		
Mexico	109	2.0%
Others	5	0.1%
New Assets		
New Mexican CCGT	247	4.6%
Renewables	848	15.7%
Distribution International	**503**	**9.3%**
Recurrent investments	503	9.3%
Holding & Other	**337**	**6.2%**
Coal & Others	337	6.2%
UF Group	5,400	100.0%

Investments Breakdown

By Area
%



By business
%

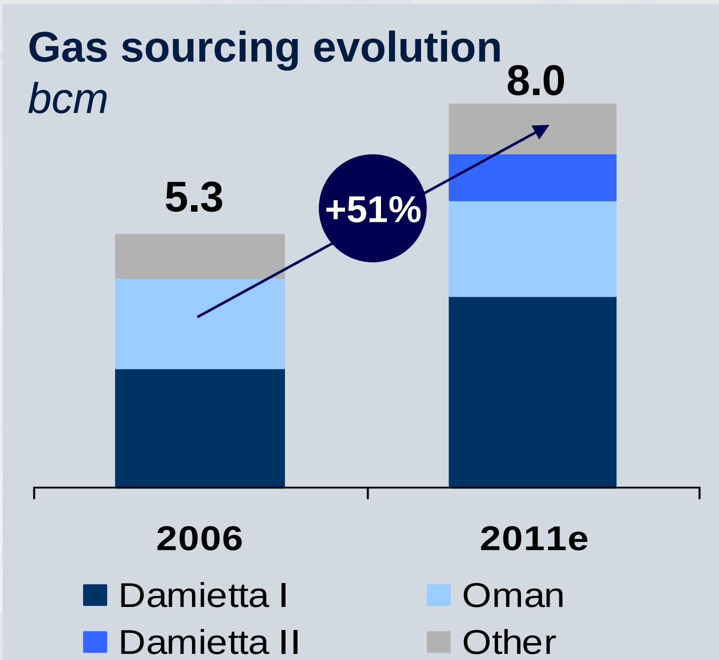


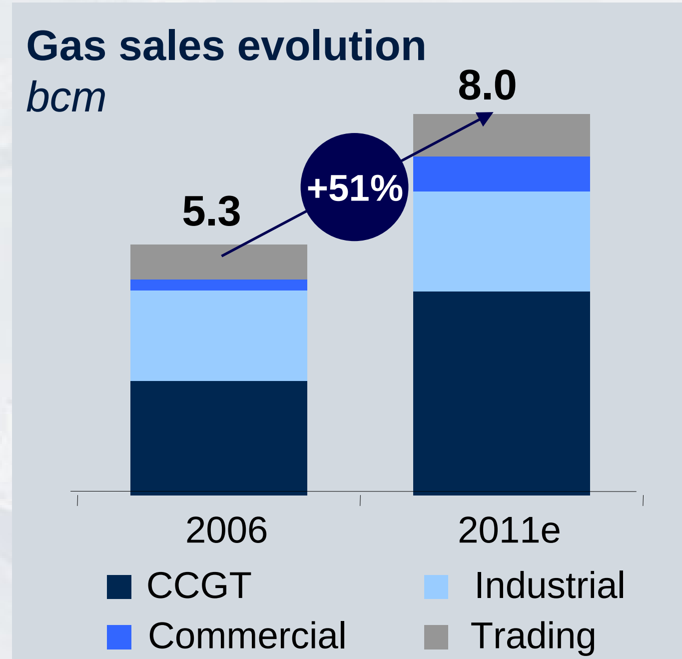
Note: Gas included in Iberia

Gas

UNION FENOSA GAS: Operating Targets

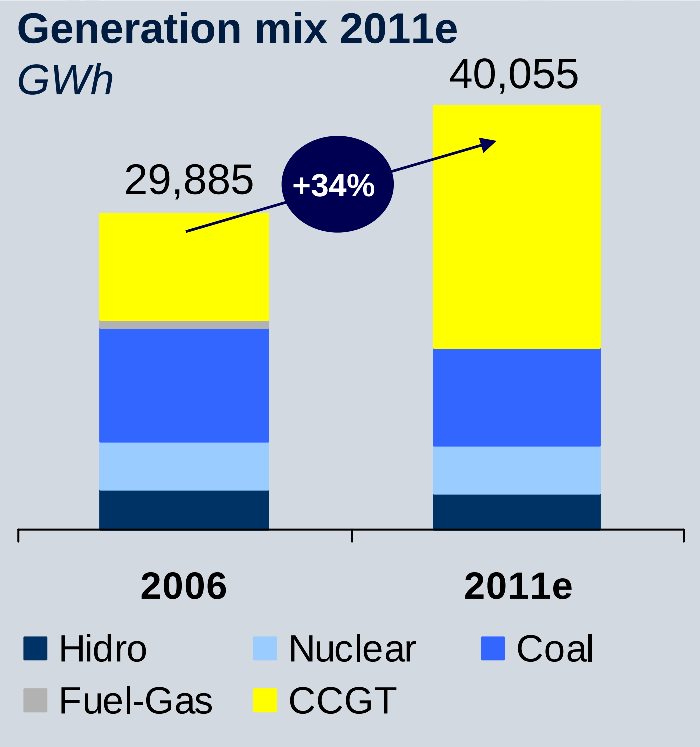
- Increase sourcing diversification (+2 bcm)
- 15% domestic market share





Investments → 535 m€

Generation Ordinary Regime Iberia



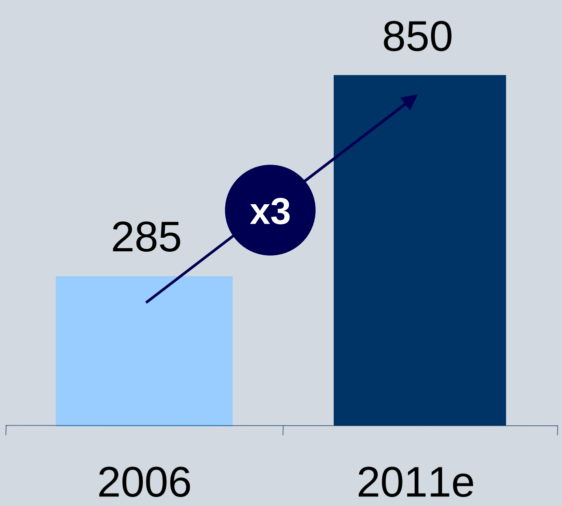
Plan 2007-2011

- 1,600 MW CCGT in operation in 2007
- 400 MW in the period to be build in an already operating CCGT site, thus obtaining significant synergies

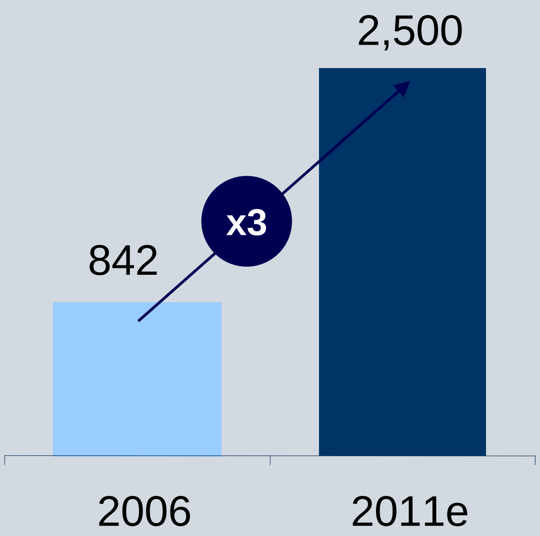
Investments → 1,000 m€

Generation Special Regime Iberia

Installed Capacity 2011e
MW, CAGR = 24,4%



Generation 2011e
GWh, CAGR = 24.3%



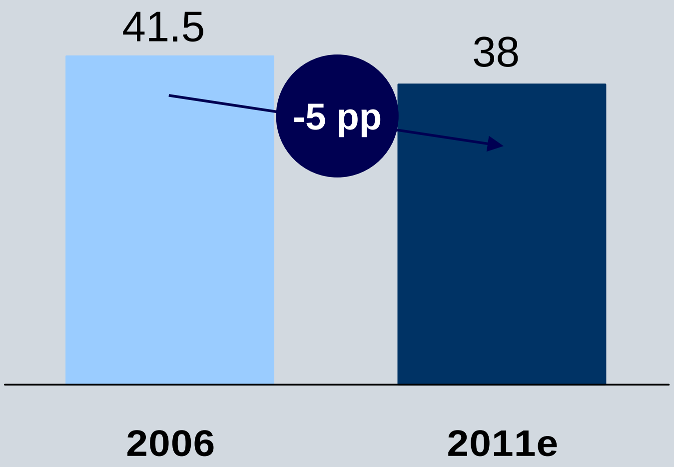
Plan 2007-2011

- Organic growth: EUFER, Generación Peninsular and SOGAMA
  - +67% under construction or very advanced permitting stage (2007-2009)
  - Project portfolio under permitting stage, EUFER, from 2009: 1,500 MW

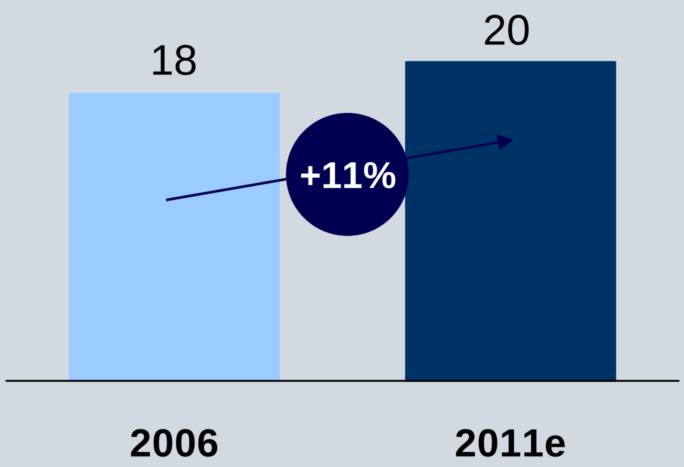
Investments → 500 m€

Distribution Iberia

Operating Efficiency
% Opex / Gross Margin



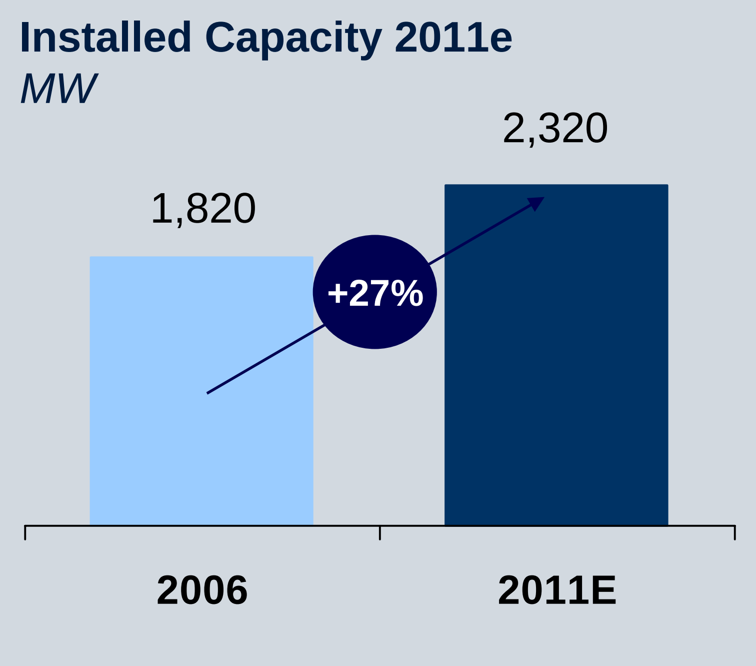
Productivity
GWh/employee



- Guaranteeing demand growth and quality of supply
- Prominence in Transport and Measurement businesses

Investments → 1,300 m€

International conventional generation



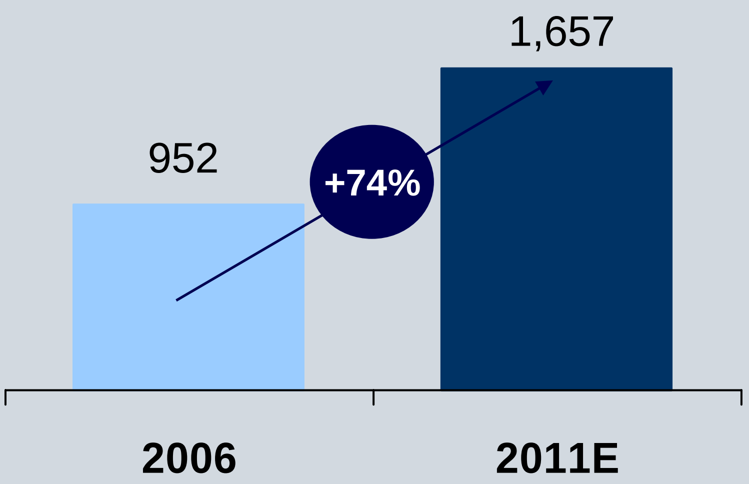
Plan 2007-2011

- Increase by 450 MW in Durango (Mexico)
  - Duration: 25 years
  - Construction begins: October 2007
  - Commercial operation commences: 1Q 10
  - Gas and electricity PPA signed with CFE

Investments → 350 m€

International renewable

Installed Capacity 2011e
MW



Plan 2007-2011

- Studying possible investments in countries where Unión Fenosa is present: (Mexico, Colombia and Central America)
- Covering risks in domestic activities through the generation of CO_2 emission rights (MDL)

Investments → 850 m€

International distribution

- Demand: 4% CAGR growth driven by macroeconomic dynamism and technical management of energy
- Financial exposure: remaining at current levels
- Operating ratios: continuing efficiency and losses improvement
- Capture opportunities in renewable and conventional generation to produce a natural hedge for our distribution
- No additional expansion investments considered

Investments → 500 m€

Strong demand with high prices outlook

Coal Strategy of UF

Ensure physical coverage to the plants at stable and competitive prices

- Coal is a **base fuel in UNION FENOSA** generation
- **40% coal market share at world level** for electricity generation with positive trend
- **Increasing demand and concentration of the offer**: little business opportunities are left
- **Future scenarios of high coal prices**(> 60 USD/t)
- **Fossil fuels (coal-gas) > 80% electricity production**
- UF has a **strong position in domestic gas** and **will maintain its position with coal**: domestic + international
- Future electricity prices will be the result of **continuous arbitrage between coal and gas**

UNION FENOSA has a Strategic Plan for coal

Financial Policy

Financing of Strategic Plan 2007-2011 maintaining criteria of:

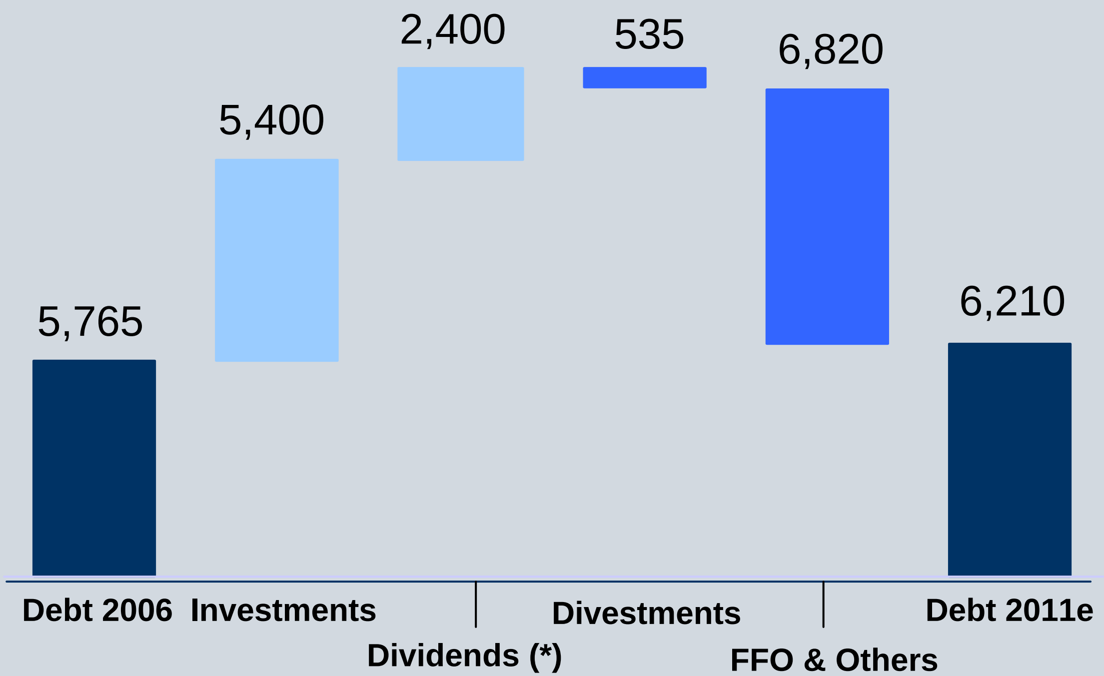
- Solvency and financial strength
- Risk management and minimum volatility of Balance Sheet and P&L

Exchange Rate Risk	**Financing of businesses with domestic currency (natural hedge)**
Interest Rate Risk	**Reduce risk from interest rates volatility through a mix of fixed/variable rates around 65%/35%**
Exposure	**Self-financing of the investments and reduction of corporate financing guaranties**
Liquidity	**Maintain flexibility and solvency with a minimum 12-month period of debt service coverage**

Financing the Strategic Plan

- FFO '06-'11 CAGR in excess of 10%
- FFO generation will allow to:
  - Attend the investment plan
  - Attend dividend payment for 2,400 M€,…
- …while maintaining debt levels under control, …
- …with a balanced debt sources mix

Cash flow evolution
Mn€ (2007-2011)

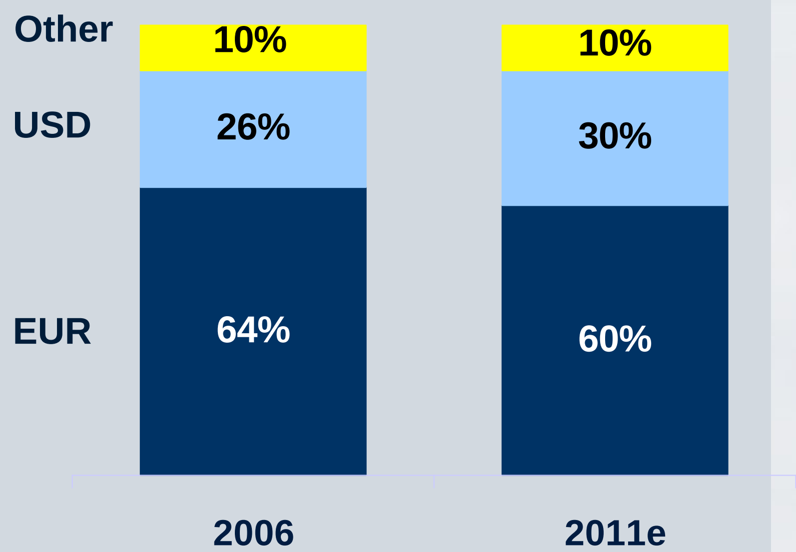


Capacity to grow maintaining financial strength

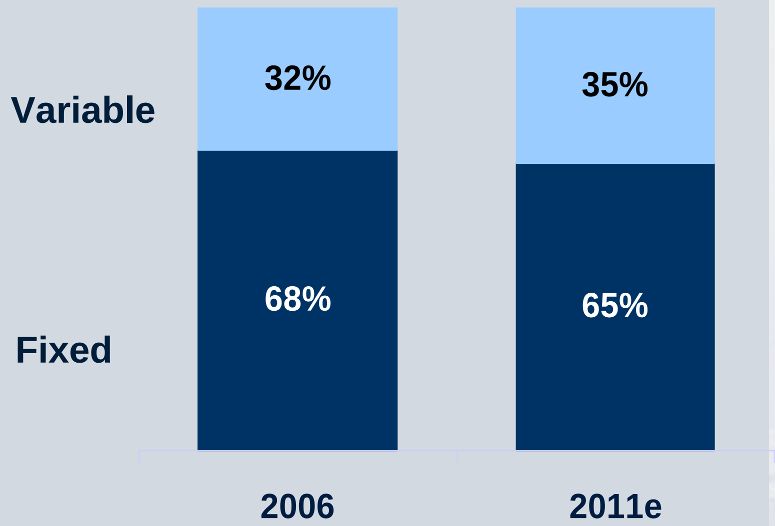
Note: Based on the plan with recurring and development capex (*) Pay-out calculated over Base Case profit

Debt structure

Split by currency
%



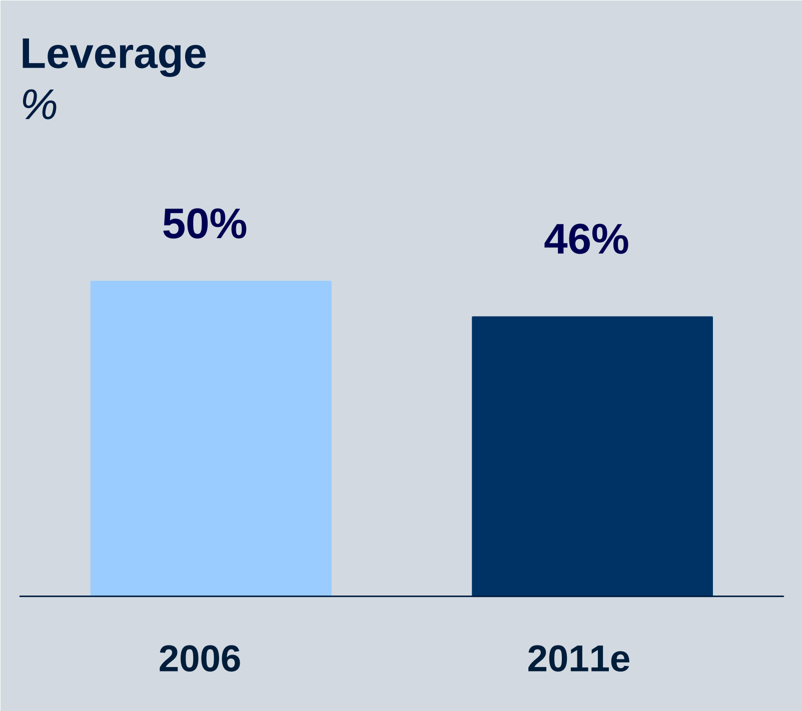
Split by interest rate
%

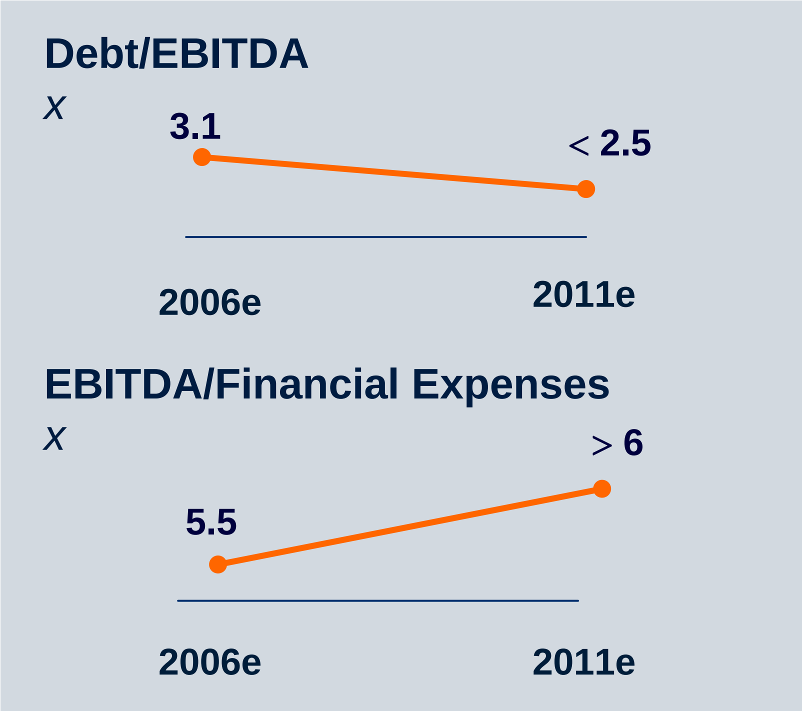


Minimising volatility in the balance sheet and income statement

Note: Based on the plan with recurring and development capex

Financial ratios





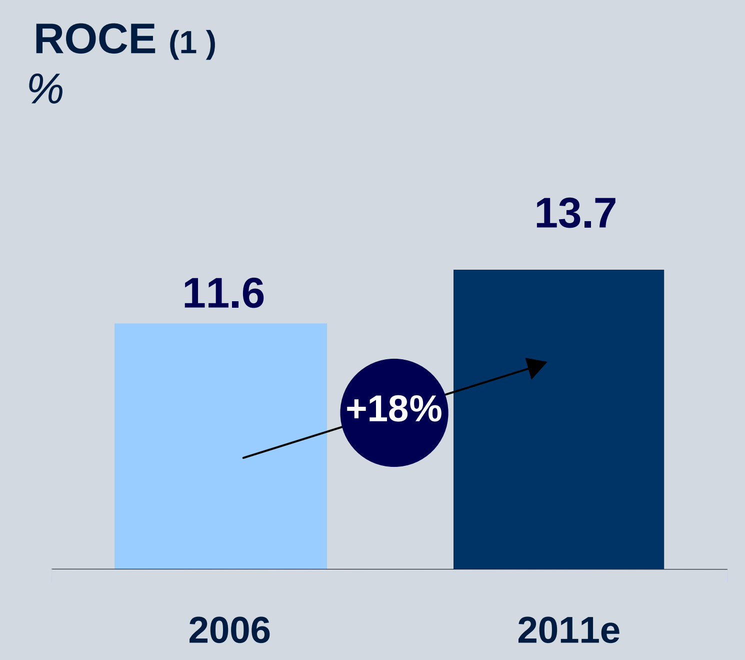
Financial targets:	**Leverage**	**< 55%**	**Debt/EBITDA**	**≈ 3.0 times**

Maintain financial ratios at current levels

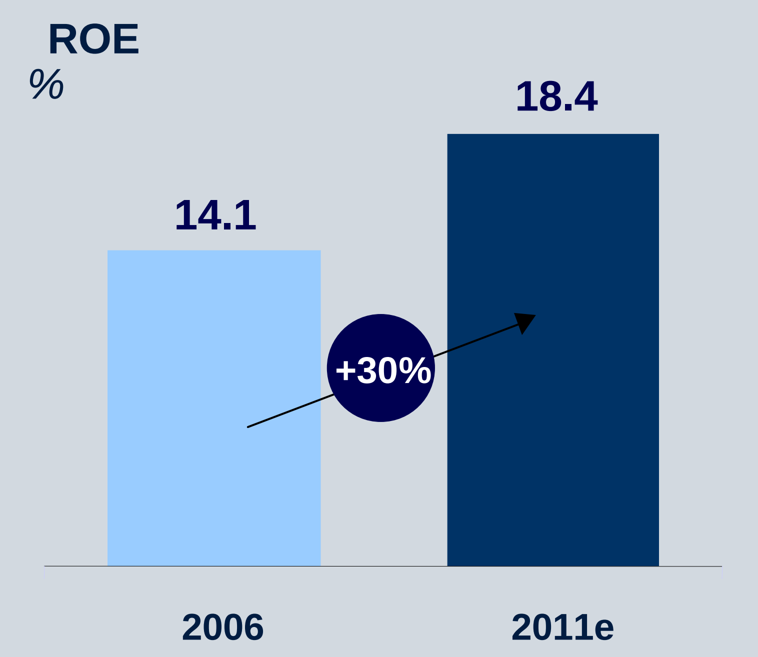
Note: Based on the plan with recurring and development capex

Profitability performance

- Strict evaluation of new investments: hurdle rate and risk assessment
  - Minimum IRR over 1.3 x WACC
  - Monitor ROCE on investments vs. ROCE in Project business plan



(1) Pre-Tax



Note: Based on the plan with recurring and development capex

UNION FENOSA

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Conclusions

- Unión Fenosa is today an integrated energy company with strong cash flow generation and a limited risk profile
- Strategic plan envisages a significant growth
- Unión Fenosa is committed to a sound financial profile
- To maintain a balanced debt sources mix will require to appeal to the capital markets

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2006 results: P&L Account

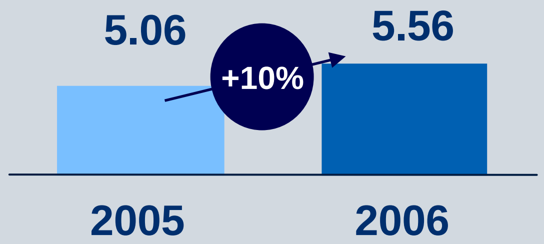
M€	2006	2005	Chg.
REVENUES	6,057	6,099	-0.7%
GROSS INCOME	3,159	2,754	+14.7%
EBITDA	1,907	1,477	+29.1%
EBIT	1,307	924	+41.4%
ATTRIB. NET PROFIT	635	824	-22.9%
Recurrent NET PROFIT	635	460*	+38.0%

*** Recurring profit: Excluding capital gain on Auna**

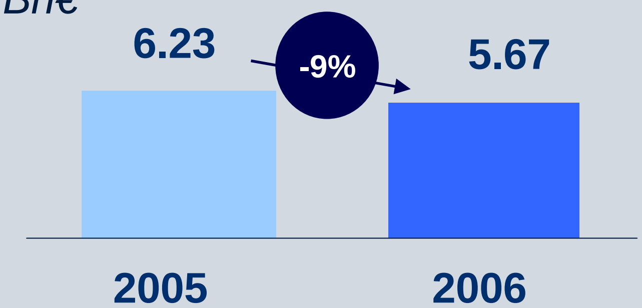
Strong growth based on recurrent results

2006 results: Financial structure

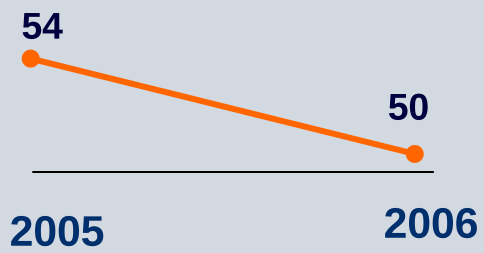
Equity
Bn€



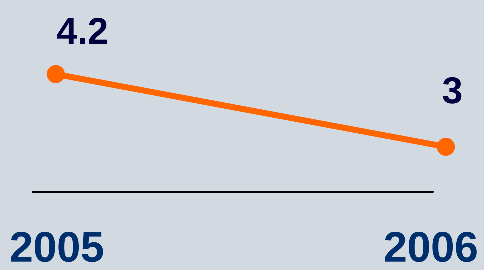
Gross debt
Bn€



Leverage*
%



Debt/EBITDA
x



*Net debt/(net debt + equity)

Strengthen financial structure

2007 Outlook

Tariff

Implement additive tariffs

Avoid tariff deficits

- **16.1% increase** in total service cost for the system
- A **deficit ex-ante of 3,196 million** is recognised in the tariff
- **€500 million increase in distribution** remuneration

Other pending regulations

- Tariff deficit 2006
- 2007 CO2 Treatment , 2008-2012 NAP
- Special Regime
- Transposition of the Electricity Directive

Operations

- **New cash-flow generation without significant investments**
  - 1,600 MW of additional CCGT
  - 1 bcm of natural gas from the first Egyptian contract
  - €80 million of additional revenues for the distribution activity
  - Strong loss reduction in the liberalised market
- **Ratios to confirm reference A levels**

Advance towards a pass through tariff: higher cash-flows

1Q2007 results: P&L Account

M€	1Q 07	1Q 06	Chg.
REVENUES	1,425	1,650	-13.6%
GROSS MARGIN	763	815	-6.3%
EBITDA	529	538	-1.8%
EBIT	386	392	-1.6%
ATTRIBUTABLE NET PROFIT	326	205	+58.7%

BIGGER: Investment progress 1Q 07

Ord. Reg. Generation Iberia

SAGUNTO CCGT

- 84% complete
- Commercial operation:

  Units I, II & III in 3Q 07 and 4Q 07

SABON CCGT

- 79% complete
- Commercial operation: 4Q 07

Sagunto CCGTs

Gas

REGANOSA

- 94% complete
- Commissioning begins on 5 May
- Commercial operation: July 07

MUGARDOS (Reganosa)
UF(21%)
Capacity:
phase I: 3.6 bcm
Nº TANQUES:
phase I: 2x150,000 m^3
Capacity sold
Long-term: 91.8%
Short-term: 50%

SAGUNTO

- Expansion project has begun

BIGGER: Investment progress 1Q 07

Renewable Iberia

- Cabanelas hydro plant came into service (10 MW*)
- Additional 250 MW* in 2007

Renewable International

PANAMA

- Started construction Algarrobos hydro plant (10 MW)
- Commercial operation: 2Q 09

COLOMBIA: EPSA GENERACION

- Administrative process: 140 MW Hidro

*100% EUFER

BIGGER: Investment progress 1Q 07

International Conventional Generation

DURANGO CCGT (MEXICO)

- Durango Norte plant awarded to UF by CFE.
  - Duration: 25 years
  - Capacity: 450 MW
  - Construction begins: October 2007
  - Commercial operation commences: 1Q 10
  - Gas and electricity PPA signed with CFE

Coal Plan

PROCUREMENT STRATEGY

- Acquisition of 70% of Kangra Coal (South Africa)
  - 2.4 Mt/year
  - Reserves of 90-100 Mt
  - Access to the port of Richards Bay
- Control takeover: July 07

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Presentation to investors

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May 2007