

endesa07

ANNUAL REPORT ACTIVITIES REPORT



ENDESA was incorporated in 1944 as Empresa nacional de Electricidad, S.A.

Its name was changed to ENDESA, S.A. at the General Shareholder's Meeting held on 25 June 1997. It is registered in volume 323, sheet 1, page 6,045 of the Madrid Mercantile Register.

The Company's registered offices and headquarters are located in calle Ribera del Loira No. 60, 28042, Madrid, and its tax identification code is A28023430. At 31 December 2007, its share capital amounted to 1,270,502,540.40 euros, represented by 1,058,752,117 shares, each with a par value of Euro 1.2.

Its shares are listed in Spanish stock markets and in the off-shore stock market of Santiago de Chile.

Its core business is the production, transmission, distribution and supply

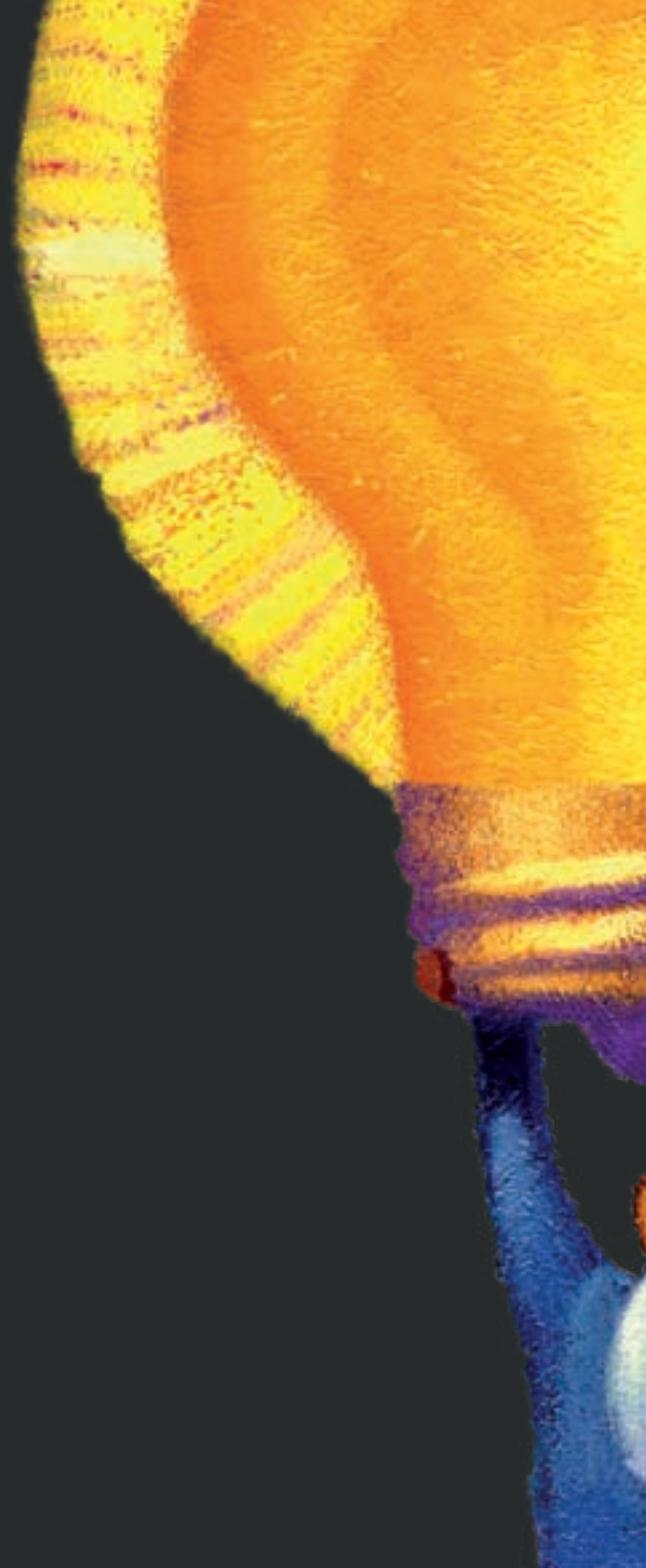
of electricity. The company is also a major operator in the natural gas sector and develops other energy-related services.

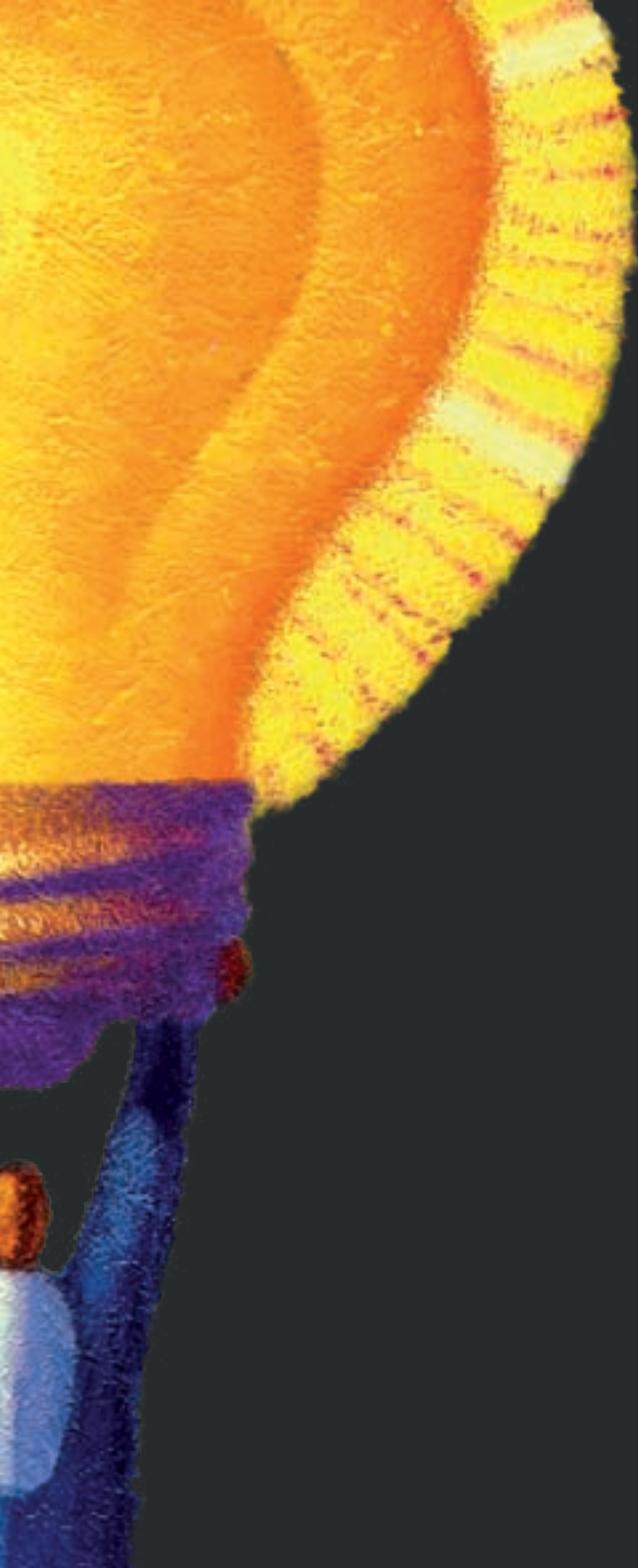
Its assets totalled Euro 58,047 million at 31 December 2007.

ENDESA is the leading company in the Spanish electricity sector, one of the largest electric utilities in Europe and the largest private electricity multinational in Latin America.

In 2007, it reported after-tax profit of Euro 2,675 million, EBITDA of Euro 7,485 million, Operating profit of Euro 5,596 million and total revenues of Euro 21,931 million.

At year-end 2007, ENDESA directly employed 27,019 people, of whom 12,677 work in Spain and Portugal, 2,147 in other European countries and 12,169 in Latin America.





CONTENTS

CHAIRMAN'S LETTER	2
CHIEF EXECUTIVE OFFICER'S LETTER	4
GOVERNING BODIES	6
ENDESA'S STRATEGY: OVERVIEW	8
ECONOMIC, ENERGY AND REGULATORY FRAMEWORK	12
2007 RESULTS	26
BUSINESSES	62
Business in Spain and Portugal	63
Business in Europe	88
Business in Latin America	97
Services and other activities	109
SUSTAINABLE DEVELOPMENT AND ENVIRONMENT	116
TECHNOLOGY AND INNOVATION	128
HUMAN RESOURCES	136
SOCIAL ACTION	152
APPENDICES	162
Main companies of the ENDESA group	162
Key financial indicators	166
Key operating data	169
ENDESA's generation assets in Spain at 31 December 2007	170
ENDESA's generation assets in Europe and North Africa at 31 December 2007	173
ENDESA's generation assets in Latin America at 31 December 2007	174
Significant events in 2007 and 1Q08	176



CHAIRMAN'S LETTER

Osvaldo Acciausti

In mid-October 2007, in my first public intervention as Executive Chairman of ENDESA, I asserted that one of this Company's major strengths was its ability to contribute to changing the energy model worldwide and to play a pivotal role in resolving the major energy challenges of the future.

Some may have thought, and may continue to think, that this was an exaggeration. However, if you carefully read the information provided in this Operations Review, you may well come to the conclusion that perhaps I was not exaggerating after all, and that I had solid reasons for making these assertions.

ENDESA, including its discontinued operations, closed 2007 with installed capacity of 49,187 MW, produced 183,946 GWh in the year and supplied 227,502 GWh to more than 23 million customers. This huge industrial scope goes hand in hand with a no-less-significant financial strength with assets of Euro 58,047 million, revenues: Euro 21,931 million, EBITDA: Euro 7,485 million, cash flow: Euro 5,258 million, net income: Euro 2,675 million and capex: Euro 4,746 million.

It is also worth recalling that these results were attained in a difficult context, shaped by slowing electricity demand in Europe and by the problems caused by low precipitation levels and natural gas supplies which undermined the business in Latin America. This was compounded by the increasingly delicate international financial situation, which saw the energy raw materials markets come under increasing pressure, and uncertainty mounted.

In addition to the aforementioned results, the Company boasts a highly competitive and diversified generation mix; service quality has steadily improved in the countries where ENDESA operates; the Group has made a strong commitment as an operator in the deregulated electricity market and it is making increasing efforts in the field of renewable energy and technological innovation, which are a cornerstone in its fight against climate change.

We also highlights ENDESA's traditional commitment to the communities where it operates, as evidenced by the Euro 39.2 million invested social action projects in 2007, i.e. 24.5% more than in the previous year.

These and other aspects of the company's industrial and corporate reality make ENDESA one of the leading electric utilities, not just in Europe, but in the world. And, on that basis, I do not think there can be any doubt that one of the world's leading electric utilities must necessarily be in a sufficiently strong and competitive position to contribute to developing a new energy model.

Not only can it do this: it must.

It is obliged to do so by its economic significance in the countries where it operates and by the major impact of its corporate purpose — the provision of electric power services — on economic and social development in these countries. It is also obliged to do so because the cornerstone of its business project are the thousands of men and women who are fully aware that society demands from authorities, international bodies and companies an urgent response to the threat posed to our children and our children's children.

Accordingly, ENDESA strives to be the right place for those thousands of people to help create value and wealth, respecting the environment, through a balanced use of natural resources and paving the way for social progress in the communities we serve. In short, we strive to ensure a lasting future for this great business project and to thereby contribute to the sustainability of our model of society.

This means affording particular attention to the needs of Company employees: providing them with adequate professional development, enabling them to reconcile their work with their personal and family life, unlocking the value of the diversity of their opinions, cultures and convictions, and providing them with a safe and healthy place to work.

In this connection, we are proud to say that the frequency of accidents fell by 22% in all ENDESA's businesses in 2007, and that its track record is currently above the average for the Spanish electricity sector and the benchmark EU sectors. These results pave the way for further improvements in this regard.

In short, all of the data pertaining to energy, economic, technological, social and environmental performance at the Company evidence its capacity to play a pivotal role in overcoming the energy challenges facing society. And the enthusiasm and commitment of the men and women working at ENDESA make an even greater contribution to meeting this challenge successfully.

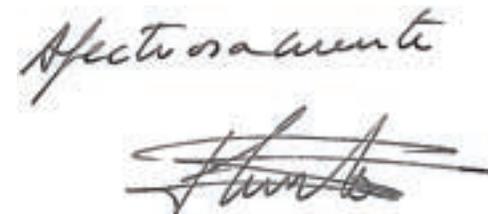
Consequently, our contribution to developing the new energy model worldwide is not an option, but a duty. Now is the time to perform this duty, because now we have the opportunity to develop and implement this model. This new energy model will be viable in the long term and combine growth with value creation. To achieve this, we have set ourselves the following priorities, among others:

- Maintain our leadership in the Iberian Peninsula and Latin America and strengthen our foothold in new target markets.

- Boost our income statement growth.
- Guarantee the supply of primary energy sources.
- Seek to constantly improve supply quality.
- Slash CO₂ emissions.
- And, achieve all of this with a particular focus on the Company's main asset, its professionals.

Furthermore, compliance with these targets will be accompanied by a major effort in technological innovation, since this will remain vital to our strategy, via sustainable generation with clean coal and renewable energy, "smart" networks, eco-efficiency and excellence in all processes.

In other words, we undertake to perform a duty which we accept at both individual and collective level with enthusiasm and conviction, because we are convinced not only that it is possible to keep on creating value using new, more sustainable methods of conducting our business, but that this is indeed the only way to proceed with security and future prospects.



José Manuel Entrecanales Domecq
Executive Chairman



CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholder,

2007 was a very important year for ENDESA. The Company completed a change in ownership structure and was able to achieve sound results against this complex backdrop, exceeding the targets that had been announced to the market.

Net income totalled Euro 2,675 million, one of the highest in history, albeit 10% lower than in 2006. However, for a fair comparison it is worth noting that in 2006 earnings were influenced by several highly significant non-recurring factors. Discounting these factors from both years, net income actually increased by 14%.

At the same time, EBITDA totalled Euro 7,485 million, up 5% vs. 2006 (+8% like-for-like).

These earnings were underpinned by sound operating performance. 227,502 GWh of electricity were sold, 3% more than in 2006, on the back of a customer base of 23 million, and installed capacity amounted to 49,187 MW at year-end.

In Spain and Portugal, net income totalled Euro 1,785 million, i.e. 14% higher than in 2006 like-for-like; and EBITDA came to Euro 3,830 million, a like-for-like increase of 6%.

These figures were obtained in a context marked by a 28% slump in Spanish pool prices, a decline in CO₂ rights prices and an increase in renewables/CHP generation. Nevertheless, the dip in prices had a limited impact on ENDESA due to our commitment to supplying power in the deregulated market, based on a selective and profitable policy.

Another unfavourable aspect was the application of Royal Decree Law 3/2006, which reduced remuneration for electric power output in an amount equivalent to the value of the freely allocated CO₂ emission rights.

Nevertheless, ENDESA still confirmed its position as the leading operator in the Spanish electricity sector, with a 38% market share in ordinary regime generation, 43% in distribution and 53% in deregulated sales.

The Company's business in Europe posted net income of Euro 419 million, up 13% like-for-like, and Euro 1,121 million in EBITDA, in line with 2006, despite the adverse effects of sluggish demand for electricity in Italy and France.

During the year, new infrastructure projects will continue to be developed: in Italy, the two 400 MW groups at the Scandale CCGT plant and the Livorno regasification plant, as well as the addition of new wind power facilities total-

ling 188 MW; and in France, several CCGTs totalling 860 MW currently in the pipeline, plus 1,720 MW in approved facilities. These infrastructure projects, in addition to the planned asset disposals in the two countries, agreed in 2008, will, alongside those scheduled in Spain, generate approximately Euro 4,500 million in gross capital gains.

ENDESA Hellas, in which ENDESA holds a 50.01% interest, was unveiled formally in 2007. This strategic alliance with Mytilineos Holding, S.A. is the largest independent operator in Greece.

In Latin America, net income totalled Euro 471 million in 2007, up 17% like-for-like and EBITDA was Euro 2,534 million, up 16% vs. 2006.

This growth was achieved despite lower rainfall levels and natural gas supply problems, since the sound macro-economic performance of countries where ENDESA operates triggered soaring demand for electricity, pushing sales to 61,610 GWh, i.e. a 6% increase.

There were significant regulatory improvements during the year. Most notable of these were the tariff increases approved in Argentina, the first since the economic crisis of 2001. These improvements can be expected to continue in the next few years.

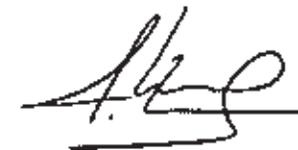
A number of generation facilities were developed, particularly in Chile: the San Isidro II CCGT (379 MW); the Palmucho hydroelectric plant (32 MW); the Canela wind farm (18 MW), ENDESA's first in Latin America; the Bocamina II coal-fired plant (345 MW), and the Quintero regasification plant. Furthermore, the Aysén hydroelectric project is under study; if approved, it would have an installed capacity of 2,750 MW.

The total return ENDESA offered its shareholders in 2007, including the share price appreciation, dividends approved and attendance bonuses for the Extraordinary General Shareholders' Meetings held during the year, came to 6.9%, bringing average total return in the last three years to 37%.

In other words, in 2007 ENDESA posted sound results in a difficult context, exceeding the targets set and confirming that the Company is still forging ahead.

Accordingly, the new era we have just begun rests on very solid foundations, placing us in a position to meet future challenges, with the added strength of our new shareholders. Among these challenges, priority shall be given to the fight against climate change, increasing competitiveness in a globalised market, and the permanent challenge of providing a safe and high-quality service for our customers and society at large.

Based on the considerable strength provided by this great Company's extraordinary human capital, in other words, its thousands of shareholders, employees, customers and suppliers, I am sure that we will be able to overcome these challenges and generate value in a responsible way for the society we serve.



Rafael Miranda Robredo
Chief Executive Officer

The Company's Governing Bodies*

BOARD OF DIRECTORS

Honorary Chairmen

Feliciano Fuster Jaume
Rodolfo Martín Villa
Manuel Pizarro Moreno

Executive Chairman

José Manuel Entrecanales Domecq

Deputy Chairman

Andrea Brentan

Chief Executive Officer

Rafael Miranda Robredo

Members

Carmen Becerril Martínez
Luigi Ferraris
Claudio Machetti
Valentín Montoya Moya
Esteban Morrás Andrés
Fernando d'Ornellas Silva
Borja Prado Eulate

Non-Executive Secretary

Salvador Montejo Velilla

EXECUTIVE COMMITTEE

Chairman

José Manuel Entrecanales Domecq

Members

Andrea Brentan
Luigi Ferraris
Rafael Miranda Robredo
Valentín Montoya Moya
Esteban Morrás Andrés

Non-Executive Secretary

Salvador Montejo Velilla

AUDIT AND COMPLIANCE COMMITTEE

Chairman

Borja Prado Eulate

Members

Andrea Brentan
Valentín Montoya Moya
Fernando d'Ornellas Silva

Non-Executive Secretary

Salvador Montejo Velilla

APPOINTMENTS AND COMPENSATION COMMITTEE

Chairman

Fernando d'Ornellas Silva

Members

Andrea Brentan
Valentín Montoya Moya
Borja Prado Eulate

Non-Executive Secretary

Salvador Montejo Velilla

* Detailed information regarding corporate governance may be found in ENDESA's 2007 Corporate Governance Report.

FINANCE AND INVESTMENT COMMITTEE

Members

Carmen Becerril Martínez
Andrea Brentan
Luigi Ferraris
Claudio Machetti
Valentín Montoya Moya
Esteban Morrás Andrés

Non-executive members

Juan Gallardo Cruces
Paolo Bondi

Non-Executive Secretary

Salvador Montejo Velilla

INDUSTRIAL PLANNING, STRATEGY AND SYNERGIES COMMITTEE

Members

Carmen Becerril Martínez
Andrea Brentan
Luigi Ferraris
Rafael Miranda Robredo
Valentín Montoya Moya
Esteban Morrás Andrés

Non-Executive Secretary

Salvador Montejo Velilla

MANAGEMENT COMMITTEE

Executive Chairman

José Manuel Entrecanales Domecq

Chief Executive Officer

Rafael Miranda Robredo

Members

General Manager-Legal Department

Francisco de Borja Acha Besga

General Manager-Spain and Portugal

José Damián Bogas Gálvez

General Manager-Procurements

Francesco Buresti

General Manager-Communication

Pío Cabanillas Alonso

General Manager-Finance

Juan Gallardo Cruces

General Manager-Latin America

Pedro Larrea Paguaga

Secretary General and to the Board of Directors

Salvador Montejo Velilla

Deputy General Manager

Esteban Morrás Andrés

General Manager-Human Resources

Germán Medina Carrillo

General Manager-Europe

Jesús Olmos Clavijo

General Manager-Services and Technology

Antonio Pareja Molina

ENDESA'S STRATEGY: OVERVIEW



On 12 March 2008, ENDESA sent a document containing an overview of its 2008-2012 Strategic Plan to the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores* or CNMV), in order to offer the markets a preview of the Plan's highlights.

The ultimate objective of these basic strategic lines is to develop a new global and sustainable energy model, by tapping major growth and profitability opportunities, underpinned by the Company's main strengths: a unique asset base, proven capacity to generate substantial cash flow in a balanced and sustained manner, a solid financial position and considerable scope for making use of joint development projects alongside its core shareholders in a number of different fields.

Attainment of this final objective will be based on the five strategic priorities set forth below.

It is worth recalling that the document containing the overview of ENDESA's Strategic Plan had not yet been submitted to the Company's Board of Directors for approval at the time of writing this Report on the Company's Operations.

01. A NEW, GLOBAL AND SUSTAINABLE ENERGY MODEL

The first goal in ENDESA's strategy is to further a new global and sustainable energy model in its target markets, based on an energy mix with a greater focus on renewables, which will result in a drastic cut in CO₂ emissions.

For this purpose, ENDESA and Acciona Energía will create a new company which will group together all their renewable assets. The new company will be a global leader in renewable energy, with an installed capacity of 6,700 MW. It will operate in 14

countries over 4 continents and will have a technologically diversified energy mix, extending to wind, solar, biomass and mini-hydroelectric energy.

As a result of this initiative, as well as improvements in ENDESA's ordinary mix via new hydroelectric and CCGT capacity, and a number of environmental R&D&i projects, the joint CO₂ factor of ENDESA and the new renewables company will be reduced from 0.44 tonnes of CO₂/MWh to 0.21 tonnes of CO₂/MWh between 2007 and 2020, implying an improvement of more than 50%.

02. 2008-2012 INVESTMENT PLAN

Another of the Plan's priorities will be to boost growth in ENDESA's businesses via investments amounting to Euro 24,400 million in 2008-2012, an amount which does not include the investment in the new renewables company.

Within the framework of this Investment Plan, which amounts to 27% more than the previous Strategic Plan, Euro 20,900 million have been earmarked for organic growth, of which Euro 10,300 million are for the business in Spain and Portugal, and Euro 3,500 million have been set aside for corporate development.

As a result of executing this Plan, ENDESA will strengthen its position as leader in the Iberian market, mainly via the following actions:

- Adding 4,838 MW of installed capacity to its generation assets.
- Ensuring its position in the deregulated market based on a profitable customer base, and excellence and efficiency in customer services.
- Expanding its distribution business, on the back of the planned regulatory improvements and a commitment to rolling out digital metering (100% by 2015).

Furthermore, the Company's service quality is above the average in the Spanish electricity sector, and it aims to continue in the same vein.

In Latin America, where the Company will invest Euro 6,500 million, the Investment Plan will enable it to add 1,938 MW to its installed capacity in Chile, Colombia and Peru (already earmarked), plus some 200 MW in Brazil to increase its market share.

Lastly, the Investment Plan will enable the Company to strengthen its position in Greece and Morocco, and tap entry opportunities in new markets which might fit in with its growth strategy, in particular Mexico, the UK and the US, as well as Australia and South-East Asia.

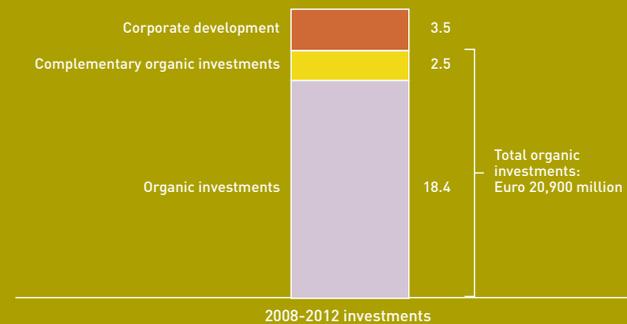
03. GROWTH IN ORDINARY PROFIT

The growth triggered by this investment commitment will be based on strict profitability criteria, so as to achieve double-digit growth in ordinary net income in 2008-2012.

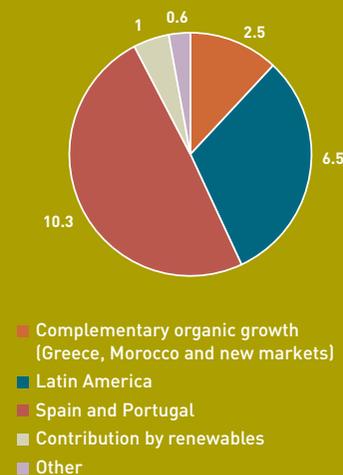
Compound average growth under this heading will be 10.9%, to attain net ordinary profit (i.e. excluding capital gains on divestments) totalling Euro 3,461 million in 2012. At the same time, EBITDA is expected to growth at a rate of 8.9% (CAGR), to reach Euro 9,491 million in the same year.

The dividend policy outlined in the Overview of ENDESA's 2008-2012 Strategic Plan, pending approval by the Board of Directors, envisages a 50% payout of ordinary profit and up to 100% of capital gains generated by asset disposals, depending on the quality and timing of the investment opportunities. However, this dividend policy proposal must be ratified at the General Shareholders' Meeting.

TOTAL INVESTMENT PLAN IN 2008-2012: Euro 24,400 MILLION



GEOGRAPHICAL BREAKDOWN OF ORGANIC INVESTMENTS: Euro 20,900 MILLION



04. SYNERGIES PLAN

Another significant aspect of the Strategic Plan will be the substantial synergies created by the entry of Acciona and Enel as core shareholders in ENDESA.

In December 2007, the Company announced to markets that it expected to generate some Euro 680 million in synergies by 2012. In fact, this target will be exceeded, and synergies will total Euro 734 million, as a result of new synergies and additional efficiencies in Latin America, deriving from 30 projects which are already underway, and from specific projects in Spain which include, among others, practical improvements in operating and maintenance activities in generation, joint operations in purchasing fuel and other coordinated initiatives with Acciona and Enel.

05. INCREASED SECURITY IN FUEL SUPPLY

The Strategic Plan will focus especially on strengthening security in the supply of primary energy sources as a condition for availing itself of supplies at competitive prices which enable it to unlock value in the long term.

In this regard, the Company will benefit considerably from the higher contracting capacity, as well as the opportunities for risk diversification deriving from potential joint development projects in this connection with its core shareholders.

ECONOMIC, ENERGY AND REGULATORY FRAMEWORK



01.

MACROECONOMIC HIGHLIGHTS

GLOBAL ECONOMIC CLIMATE

The global economy remained dynamic in 2007, growing at a pace of 4.9% vs. 5.0% in 2006, buoyed by the ongoing strength of emerging economies and sustained activity in most European countries.

However, in the fourth quarter of the year uncertainty spread through the main industrialised countries, due mainly to the tensions in financial markets stemming from the US subprime mortgage sector.

In the United States, economic growth slowed notably in 4Q07. GDP growth closed the year at 2.2%, i.e. 0.7% lower than in 2006. In response to this deceleration, the Federal Reserve cut interest rates and the administration announced a fiscal stimulus package.

In the euro area, GDP growth slowed to 2.6% in the year, i.e. 0.2% lower than in 2006. Inflation increased notably in the last few months, reaching 3.1% for the year as a whole due to the impact on energy and food raw materials prices, despite the euro's strong rally against the dollar. The European Central Bank held rates steady at 4%, determined to take preventive action to keep inflation in check.

Emerging and developing economies grew strongly. These economies benefited from the strong dynamism in internal demand, firmer

macroeconomic policies and, for countries exporting basic products, high food and energy prices.

China's GDP soared by 11.4% in 2007. Industrial output and investment in fixed assets in China showed signs of moderation at year-end, while retail sales accelerated. Retail prices increased by 6.5%, the highest increase in the last 11 years.

ECONOMIC CLIMATE IN SPAIN

In 2007, the Spanish economy posted the same growth rates as in previous years, but showed signs of deceleration in the latter part of the year. Yearly GDP growth was 3.8%, 0.1% lower than in 2006. This moderation was due mainly to lower domestic demand, especially consumer spending, and less investment in the construction sector.

Exports were fairly dynamic, due to demand from emerging markets, despite the dollar's appreciation and the European markets running out of steam.

The CPI closed the year at 4.2%, the largest increase since early 2006, taking the inflation spread vs. EMU to 1.1%. The increase was due mainly to the performance of energy goods and prepared foods.

Employment continued to grow relatively strongly, averaging 3% in the year as a whole, although it slowed as the year progressed due to more sluggish activity in the construction sector. The year-end unemployment rate was 8.6%.



ECONOMIC CLIMATE IN LATIN AMERICA

In Latin America, GDP grew 5.8% in 2007, in a context of rising internal demand and a lower contribution from external demand than in recent years. Inflation stood at 5.8% in the region, as a result of a widespread increase in all countries.

Economic performance in countries where ENDESA operates was as follows in 2007:

	GDP growth %	Inflation	Inflation spread vs. previous year (%)	
			GDP growth %	Inflation
Chile	5,2	4,6	1,2	1,2
Argentina	8,5	8,8	-0,1	-2,1
Brazil	5,3	3,6	2,6	0,5
Colombia	6,8	5,5	0	1
Peru	8,3	1,8	0,3	0,7

02. INTERNATIONAL FUEL AND FREIGHT MARKET

OIL AND OIL DERIVATIVES

The international oil market was characterised by continued price increases throughout 2007. The reference price per barrel, which in January was scarcely USD60, was close to USD100 by year-end.

Global demand continued to increase, mainly thanks to China and other emerging economies, so idle production capacity also remained very low. This situation, in addition to the exchange rate trend, helped keep prices high in the market.

Oil derivatives followed suit. Both fuel and gas oil prices reached record highs in December (USD525/tn and USD845/tn, respectively).

NATURAL GAS

Long-term gas prices remained high in 2007 due to the high crude oil and oil derivatives prices, to which gas prices are indexed.

As in 2006, activity in the natural gas market remained high. Spot market prices declined to around USD6-USD8/MMBtu (Henry Hub).

The market remained highly liquid, with dispatches initially planned for Spain being diverted and sold to third countries.

Spot prices in Asian markets were much higher than the Henry Hub index. Many of the diverted deliveries from other Spanish electric utilities ended up in that market.

COAL

During the first part of 2007, coal prices remained stable at around USD68-72/tn in the international market. From May onwards, they began rising, due initially to the increase in freight costs, which in September reached USD90/tn. From then on, FOB coal prices also surged, closing the year at above USD127/tn, a record high.

The reasons for this increase stem mainly from the higher demand for coal in Asia, both importing countries (such as Japan and India),

and exporters (like China), whose export levels dropped. To compound the situation, there were difficulties in Australia, where continuous logistical problems due to the saturation of ports generated congestion and long waits to load vessels (almost a month), leading to a decline in exports.

Indonesia was still the world's largest exporter (more than 140 million tonnes), despite also meeting setbacks due to an earthquake and torrential rain late in the year. South Africa exported some 66 million tonnes, and increased supplies to Asia, triggering price escalation at the end of the year. Specifically, the FOB price of South African coal remained around USD50-USD55/tn until September, and surged to USD95/tn at year-end.

FREIGHT MARKET

The freight market was volatile once again in 2007. Freight prices began the year relatively low, at USD22/tn for the RB-Rotterdam route; subsequently, they increased to above USD50/tn in October and then began moderating.

At the same time, the maximum price for the Indonesia-El Ferrol route was above USD68/tn. The reasons for this surge were increased demand for iron ore in China and congestion in Australian, Indonesian and Brazilian ports.

03. INTEREST RATE PERFORMANCE AND EXCHANGE RATE EFFECT

In 2007, euro interest rates continued the upward trend which commenced in 2006. The 3M Euribor rate increased from 3.72% in 2006 to 4.68% in 2007.

Regarding long-term rates, the 10-year swap rate increased from 4.20% at the end of 2006 to 4.72% at the end of 2007.

As a result of this performance, the spread between short and long rates has narrowed considerably, and the interest rate curve even inverted at times.

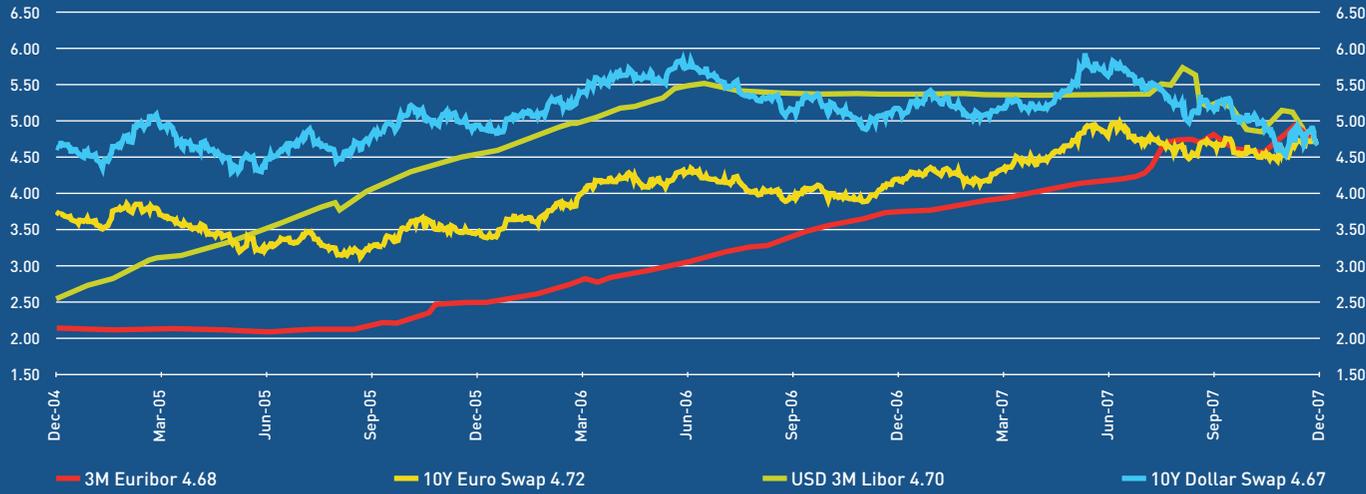
At the same time, dollar rates, measured by the USD 3M Libor rate, fell from 5.36% in 2006 to 4.70% in 2007. The 10Y US swap rate fell from 5.18% to 4.67% in the same period. At 2007 year-end, the spread between short and long dollar curve rates narrowed too, to the point where they both inverted.

Short-term interest rates in the Latin American countries where ENDESA operates rose sharply, except for in Brazil where the benchmark rate fell from 13.25% in 2006 to 11.12% in 2007.

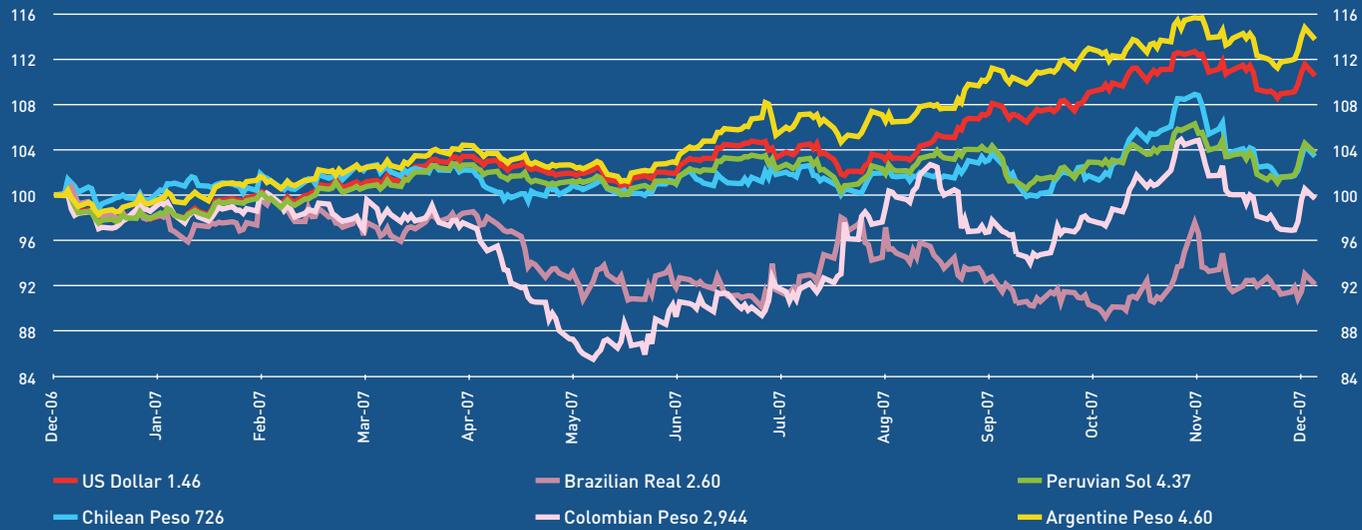
With regard to the parity between the euro and the major currencies on ENDESA's balance sheet, we would highlight the dollar's 11% depreciation, from USD/EUR1.3199 in 2006 to USD/EUR1.4590 in 2007.

Most of the main Latin American currencies lost ground against the euro, particularly the Argentine peso, which lost 14%, with the exception of the Brazilian real, which appreciated 8%.

INTEREST RATES IN RECENT YEARS



PERCENTAGE CHANGE IN VALUE OF EURO VS. LATIN AMERICAN CURRENCIES AND VS. DOLLAR IN 2007



04. REGULATORY FRAMEWORK

EUROPEAN UNION (EU) REGULATORY FRAMEWORK

In early 2007, the European Commission published its Strategic European Energy Review (SEER) based on the three pillars of the Lisbon strategy: sustainability, competitiveness and security of supply. The SEER is pivotal on the following long-term objectives:

- 20% increase in energy efficiency.
- 20% reduction in CO₂ emissions with respect to levels in 1990.
- 20% contribution by renewable energies to the energy mix.

Furthermore, the SEER contains an analysis of the development of the interior energy market, reports on clean coal and proposes a guiding plan for developing nuclear energy.

SINGLE ENERGY MARKET

In 2007, two major steps forward were taken in developing the single energy market:

- In July, the period for complete deregulation of the residential gas and electricity market pursuant to European Directive 96/92/EC concluded. Countries such as France and Italy completed their deregulation processes by that date.
- In September, the European Commission approved its Third Legislative Package, which during the first few months of 2008 was still being debated in the European Parliament. This is a set

of proposals which will amend the current guidelines and rules governing the internal gas and electricity market.

The main aim of this package is the separation of transmission network ownership. Member countries must choose an ownership separation system for the transmission network or a model whereby an independent operator would manage network assets without actually owning them.

Furthermore, it proposes to create an Agency for the Cooperation of Energy Regulators (ACER), a body which will recommend measures but which does not replace national regulators, since it will have no decision-making powers.

Lastly, the package encourages greater cooperation between the gas and electricity network operators via the creation of the European Network for Transmission System Operators (ENTSO).

“GREEN PACKAGE”

This comprises a broad range of documents containing the main analyses and proposals by the European Commission which should help the EU to meet its commitments in combating climate change. It was published on 23 January 2008.

Draft directive on improving and extending emission rights trading

This proposal aims to establish the legal framework for emission rights trading in 2013-2020, so as to reduce emissions by 20% with respect to 1990. According to the proposal, there will be no free rights allocated to the electricity sector, but these will be auc-

tioned, whereas for the rest of industrial sectors the free rights will be centralised via the European Commission and will be gradually phased out.

Draft directive on promoting renewable energy

The European Commission has given the 27 member states their respective targets to ensure that primary renewable energy sources will account for 20% of the total EU energy mix by 2020. They currently account for 8.5%, and the necessary 11.5% increase has been shared out, in part uniformly between the countries and in part proportionately to their GDP. Spain's specific objective for the penetration of renewables' in its energy mix coincides with the common target of 20%.

Draft directive on the capture and storage of CO₂

In view of the importance of ensuring the contribution of fossil fuels to the security of energy supply in a sustainable manner, the European Commission is seeking to establish a favourable framework for implementing technological solutions for carbon capture and storage (CCS). Accordingly, it has proposed the construction of 10 to 12 pilot plants by 2015 and defined some guidelines to regulate State aid for meeting production surcharges with CCS and lays the groundwork for the storage and transport of CO₂.

NATIONAL ALLOCATION PLAN

In 2007, the European Commission approved the various National Allocation Plans for CO₂ emission rights (NAP II). The table shows the allocations for each country where ENDESA operates.

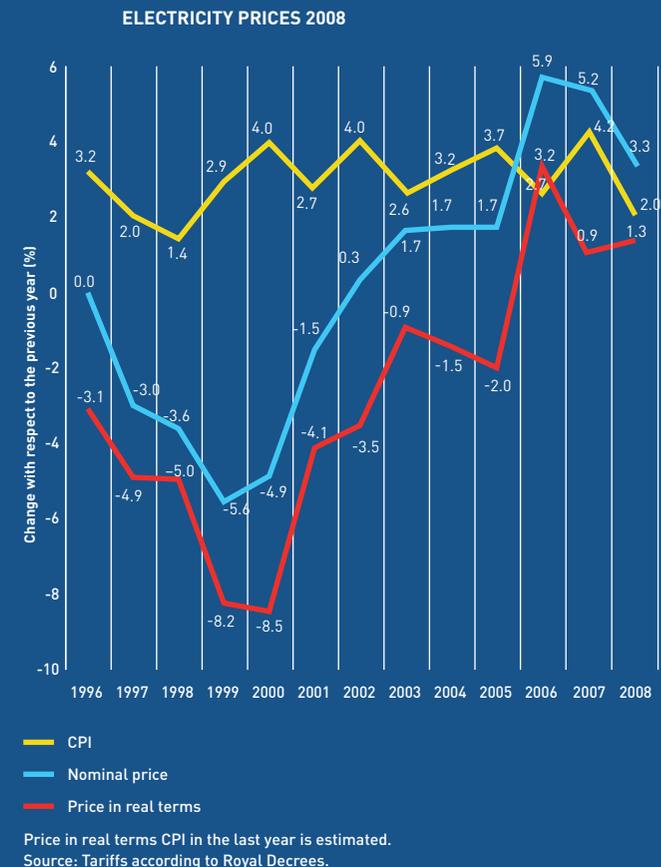
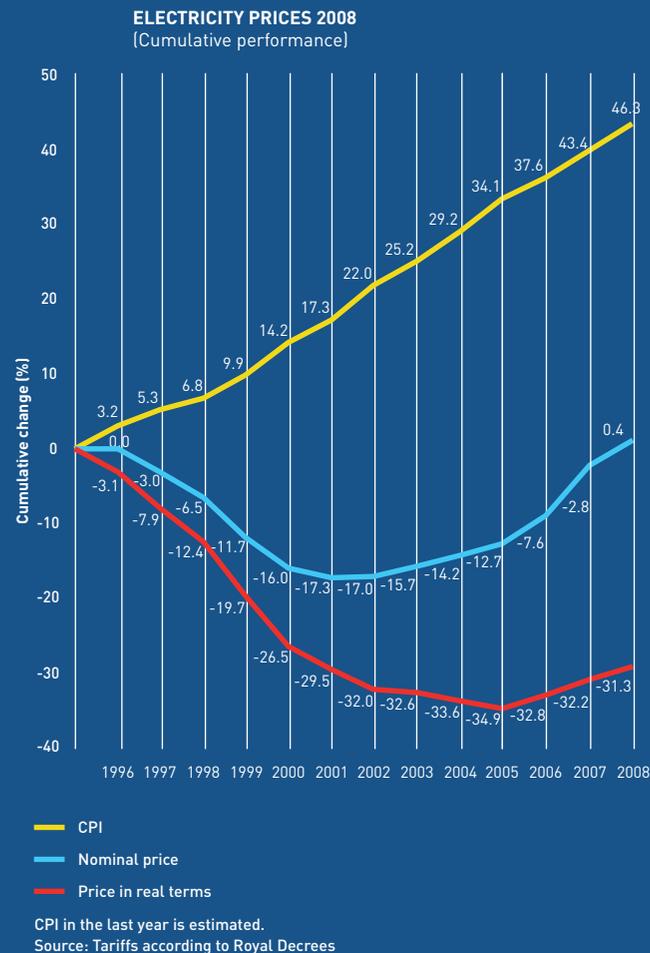
Allocations to ENDESA under the 2008-2012 NAP	MtCO ₂ /year
Spain	26.3
France	6.4
Italy	8.8
Poland	1.3

REGULATORY PROVISIONS IN THE SPANISH ELECTRICITY SECTOR

The electricity tariff for 2008

The average increase approved for electricity sales tariffs and electric power transmission and distribution network access tariffs applied to companies was 3.3% as from 1 January 2008.

Despite this increase, the tariff still fails to reflect the significant rise in the cost of this service in recent years, so the system will continue to generate a tariff deficit in 2008.



Lower revenues in the generation market

Ministerial Order ITC/3315/2007, dated 15 November, develops article 2 of Royal Decree Law 3/2006, establishing the calculation procedure for reducing remuneration for electricity output in an amount equivalent to the value of freely-allocated greenhouse gas emission rights. Spain's Energy Commission (*Comisión Nacional de Energía-*

or CNE) must calculate the payment obligations corresponding to each of the agents to which this Order applies.

In December 2007, Royal Decree Law 11/2007 was passed. This act establishes the reduction in generation revenues under the ordinary regime in the mainland market for 2008-2012, due to the effect on the market price of internalisation of CO₂ emission rights. In accordance with this Royal Decree Law, the amounts deducted shall be considered taxable system revenues.

Primary Energy Emissions

Primary energy emissions, which were regulated by Royal Decree 1634/2006, are intended to foment forward electricity contracting using market mechanisms. These consist of ENDESA and Iberdrola, as incumbent producers, auctioning a specific amount of power. In 2007, three auctions were held in which basic and peak products were traded with quarterly, half-yearly and yearly delivery periods, for an equivalent of 9,799 GWh of power.

CESUR auctions (Last Resort Power Supply Contracts)

Ministerial Order ITC/400/2007 and a series of resolutions establish the regulation governing bilateral agreements with physical delivery which obliges distributors to acquire power. This new contracting model provides an automatic mechanism for establishing the power price to be included in tariffs.

During 2007, three CESUR auctions were held, in which distributors acquired an amount of basic charge power with quarterly delivery. 6,500 MW were auctioned at each one and Endesa Distribución contracted 35% of the demand.

Capacity Guarantee

Ministerial Order ITC/2794/2007, dated 27 September, revoked the remuneration framework for the capacity guarantee hitherto in place and replaced it with a new system, called "capacity payments". This system was later completed by Ministerial Order ITC/3860/2007, dated 28 December, whereby the electricity tariffs would be revised from 1 January 2008.

This new system is based on remunerating generators for a number of facilities which meet certain criteria, under two different headings:

- An incentive to investment, remunerating generation capacity recently added to the system for a period of 10 years. The model also envisages payment of an environmental investment incentive at desulphurisation plants.
- An incentive to availability, remunerating the system operator for making available a certain capacity for specific periods.

Distribution

Royal Decree 222/2008 has established a new framework in which benchmark remuneration is established for each distributor for four-year periods. The Decree provides that the remuneration for the first period shall be based on 2008 figures, which already envisage remuneration increases allocated in 2007 and in 2008. During the regulatory period, initial remuneration shall be calculated annually, and the necessary remuneration shall be added so as to cover the rise in costs deriving from increased activity.

Furthermore, Ministerial Order 3860/2007, revising the electricity tariffs from 1 January 2008, establishes the plan to replace metering equipment for power supply contracts of up to 15 kW with new smart meters. This replacement must be completed by 31 December 2018.

Renewables/CHP

In May 2007, Royal Decree 661/2007, concerning renewables/CHP, replaced the previous Royal Decree 436/2004 and introduced significant changes in the installed capacity of this system which comes into operation in 2008.

- Remuneration for renewables/CHP operators is not linked to the benchmark tariff performance. From now on, this remuneration will depend on the CPI and various fuel price trends.

- A floating premium is established based on market energy prices. The premium may be nil for market prices above a certain threshold.

Island and Non-Mainland Electricity Systems (SEIE)

In October 2007, the non-mainland deficit calculation was approved for the period spanning 2001 and 2005. The tariff revision for 2008 establishes an annuity of Euro 192 million to recover this deficit.

Transposition of the Electricity Directive, Law 17/2007

Regulation of the Spanish electricity sector is set forth mainly in the Electricity Sector Act 54/1997 (*Ley del Sector Eléctrico*), which was amended on 4 July by Act 17/2007, to adapt it to the provisions of Directive 2003/54/EC of the European Parliament and the Council, dated 26 June, regarding common rules for the EU electricity market. This Act mainly introduced the following changes:

- The transmission network manager shall act as a sole transmission system operator (TSO).
- The Office of Supplier Changes will be created to supervise switching gas and electricity suppliers. ENDESA owns a shareholding in the Office of Supplier Changes, alongside other energy companies.
- From 1 January 2009, the integrated tariff system will be discontinued, and last resort tariffs will be established, which only consumers of electric power whose contracted capacity is lower than 50 kW may access from 2011. Until it comes into force, the supply tariff will remain in place, and implemented by the distributor.

REGULATORY PROVISIONS IN THE PORTUGUESE ELECTRICITY SECTOR

New regulation in the electricity sector and changes to tariff structure

The legislation affecting the Portuguese electricity sector was modified substantially in 2007. Decree Law 264/2007 provides a set of measures aimed at promoting the development of the Iberian electricity market (MIBEL) and regulatory standardisation.

The measures include the early termination of the Power Purchase Agreements. As well as fostering competition, this measure substantially has impacted on tariffs, leading to a revision in September.

Electricity tariff for 2008

The energy regulator, ERSE, published the tariff revision for 2008, whereby the end customer power tariff increased by 2.9%.

MIBEL started operating

On 1 July 2007, the Iberian Electricity Market (MIBEL) started operating. Ministerial Order ITC/843/2007 established the applicable system for the exchange of electricity within the EU and internationally.

All agents in the Iberian market will offer supply to a single daily market. Provided there is no congestion in the interconnections between Spain and Portugal, there will be a single daily market price for both countries.

Interconnection capacity will be managed via a mechanism called market splitting. This system limits the supply from Portugal which matches the Iberian market to the available interconnection capacity, leading to different prices in Portugal and Spain when the interconnection is saturated; this has been the case 82% of the time since the mechanism started operating.

REGULATIONS GOVERNING GAS ACTIVITY IN SPAIN

Transposition of the Gas Directive

The main regulatory change introduced in the Spanish gas sector in 2007 was Act 12/2007, amending the Hydrocarbons Law to adapt it to the provisions of Directive 2003/55/EC, of the European Parliament and the Council, dated 26 June, regarding common rules for the European natural gas market. This Act establishes the obligation to separate regulated and deregulated activities along the lines of the law applicable to the electricity sector, removes regulated tariffs and introduces the last resort tariff from 1 January 2008.

Last resort supply

Royal Decree 1068/2007 regulates last resort supply and will enter into force from 1 July 2008. Consumers supplied by a distributor who has not chosen to designate a supplier will be supplied by the last resort supplier belonging to the distributor company's group.

Tariffs in 2007

Raw material costs increased by 0.7% in 2007, pushing domestic-commercial gas tariffs up by around 0.3%. Regulated tariffs for industrial customers disappeared on 1 July 2007.

REGULATORY PROVISIONS IN FRANCE, ITALY AND GREECE

France

Benchmark electricity tariffs increased in August 2007 by between 1.1% and 1.5%. Gas tariffs have increased by between 10.5% and 11.6% in the professional segment and by 4% for residential customers since 1 January 2008.

During 2007, the "Return Tariff" was established, enabling large deregulated customers to return to a regulated tariff at a cost 23% higher than the benchmark tariff, although lower than the market cost. Furthermore, a compensation mechanism was created for energy suppliers affected by this tariff, such as Endesa France. However, the existence of regulated tariffs with prices that are lower than the benchmark pool prices means that there is no effective competition for the time being.

Electricité de France (EdF) will be obliged to make available to the rest of agents 10.5 TWh/year via long-term contracts because of a lawsuit filed against it in February by Direct Energy, an independent supplier.

Furthermore, electricity network operators (ERdF, Electricité Réseau Distribution France) and gas network operators (GRdF, Gaz Réseau Distribution France) were legally separated.

With regard to energy saving certificates, under the *Arrêt* (act) of 31 October 2007, Endesa France was obliged to cut its production 53 GWh in 2006-2008. Verification of compliance with this obligation will take place in June 2009.

Italy

Act 125/07 created larger protection tariffs, to guarantee last resort supply to domestic customers and small businesses, and the safeguard tariff, which is for last resort supply to large customers.

Delibera (act) 165/07 signalled an end to the enquiry opened in 2004 for the disruption in supply occurring on 28 September 2003, and Endesa Italy was not sanctioned.

At the same time, Act 175/07 confirmed the remuneration mechanism for those plants which make their generation capacity available on the critical days of the year. It establishes specific remuneration based on by available capacity on critical days and another, later, remuneration applicable only if an operator's annual income is inferior to a reference amount published by the Energy Regulator (*Autorità per l'Energia*). In 2007, Endesa Italy received Euro 13 million for these concepts, an amount which does not include payments corresponding to the month of December.

The energy regulator's Act 295/07 approved payment of the costs deriving from the gas crisis in the winter of 2006. This entails a payment of Euro 13.18 million for Endesa Italia.

Act 348/07 approved the electricity tariff for the 2008-2011 period, defining the aspects pertaining to regulated activities (transmission, distribution and metering), as well as the benchmark rate for remuneration on activities.

Lastly, Act 329/07 passed by the energy regulator defined the methodology for easing congestion in the international interconnection network for 2008. An important new measure in this regulation is the implementation of common allocation rules among network operators in central and southern Europe (Italy, France, Switzerland, Slovenia, Austria and Greece).

Greece

The Greek government accepted PPC's request to approve a 22% tariff increase, structured in three tranches: in December 2007, a 7% increase applied; in 2008, the tariff will increase by another 7%, and in 2009 there will be a final increase of 8%.

REGULATORY PROVISIONS IN LATIN AMERICAN COUNTRIES WHERE ENDESA OPERATES

Chile

In September 2007, Act 20.220 came into force, establishing the conditions and actions to implement in the event of bankruptcy at electric utilities which might compromise the security of supply. This is a transitory measure obliging companies which cannot comply with their contracts to maintain the supply for a further eighteen months, and urges counterparties to put this supply out to tender. Once the eighteen-month period is complete, if new contracts have not been obtained, generators elsewhere in the system must supply the power. In the event of an official bankruptcy statement, the obligation for generators will be immediate, and they will be afforded credit in an amount equivalent to the difference between the

spot price of the power and the node price at the time, multiplied by the power supplied to regulated customers.

In June, in order to boost security of supply, Exemption Resolution No. 386 on demand management was issued. This resolution details the items established in the Corta II Act in 2007, which empowers generation companies to present offers to reduce and/or increase supply temporarily to regulated customers.

Brazil

In the first quarter of 2007, an Ordinary Tariff Revision was carried out at Coelce, the largest of the 65 distributors in Brazil to which this revision applies. Accordingly, the value added distribution tariff (VAD) was reduced by 7% with respect to 2006, of which 4% corresponds to the adjustment in regulatory WACC due to lower country risk. However, it is worth noting that the tariff approved at the revision, which will be in place from 2007 to 2011, is preliminary, since the regulator ANEEL and distribution companies are conducting operating and maintenance cost studies, as well as price studies, to value new investments and perfect the pricing methodology. The tariff will be revised in 2008 with retroactive effect, once these studies have been completed.

Ampla also completed its Annual Tariff Adjustment, resulting in a 9.6% increase from March onwards.

For the Argentina-Brazil interconnection, in December 2007 ANEEL established the remuneration for the transmission network operator CIEN for that same year. This remuneration was fixed in accordance with the agreement between CIEN and Cammesa for the supply of the Garabí II border node from the Federal Republic of Brazil.

With regard to the limits on horizontal integration, Aneel has issued Resolution 252/2007 under which there is no limit on horizontal participation in the generation business. Limits on horizontal integration for distribution remain in place.

Colombia

In January 2007, The Mining and Energy Ministry approved Decrees 387 and 388 governing supply and universalisation. The first of the two decrees established guidelines for supply in the regulated market, including symmetrical treatment for the allocation of rights and obligations among agents, and incentives to implement plans to reduce losses. The second decree set guidelines for improving electricity access conditions, which implies an effort to standardise tariffs among distributors located close to one another, always maintaining the respective margins of each company.

Furthermore, in 2007 the reliability charge mechanism approved in November 2006 was enforced. This remunerates generation based on certified energy, and replaces the previous remuneration system based on capacity. In November 2007, certified energy remuneration for 2008 and for 2010-2012 was set at USD13.05/MWh/month, indexed to US inflation. Furthermore, the process for the first certified energy auction (which will take place in 2008) was consolidated, and the entry of new capacity from 2013 onwards defined.

Peru

On 25 November 2007, Emergency Decree No. 46 was issued, which established measures for electricity prices during periods of transmission network congestion. The stranded costs arising in these periods will be met by generators of the system affected.

On 17 May 2007, Supreme Decree No. 027-2007 was issued, amending article 139 of the Electricity Concessions Act, establishing a new remuneration plan for secondary transmission. According to this new system, the remuneration value of this type of transmission will be protected by covenant from 2009, until that time the current indexed system will remain in force.

Lastly, in October 2007 Supreme Decree No. 52 was issued approving the regulation establishing the mechanisms and conditions for long-term supply contract tenders. This mechanism was first established in July 2006 under Act 28.832 to Ensure the Efficient Development of Electricity Generation.

Argentina

In December 2006, once the Edesur concession renegotiation contract had been ratified by the government, and the relevant Presidential Decree issued, the regulator approved the application of a new tariff framework, in force from 1 February 2007, which implied a 38% increase in VAD. This tariff increase was applied retroactively to November de 2005, when the agreement was originally signed. Furthermore, Energy Department Resolution 433/2007, in April 2007, envisages that the Integral Tariff Revision will come into effect in 2008 and be valid for 5 years.

Subsequently, on 27 November 2007, Energy Department Resolution 1838/07 approved an additional 9.75% increase in VAD due to retroactive inflation adjustments to May 2007.

In July 2007, in response to a request from Edesur, the regulator approved a five-year extension to the initial concession contract management period, as from entry into service of the new tariff revision, in accordance with the agreement.

As regards generation, the Energy Department approved Resolution 564/2007, calling generation operators subscribing to the final agreement for the re-adaptation of the electricity pool to contribute to the additional financing of the two CCGTs at Foninvemem. Pursuant to this Resolution, most generation operators, including the ENDESA group companies, were involved in that financing with an additional contribution equivalent to 50% of undefined maturity payments for the year 2007. These payments are debts owed by the State to generation operators, which are unpaid since they do not have a definitive maturity date.

2007 RESULTS



01.

FINANCIAL DATA

01.1. KEY FIGURES

Net income: ENDESA reported net income of Euro 2,675 million in 2007, Euro 294 million less than in 2006.

To compare both years in like-for-like terms we note that in 2006 there were five highly significant non-recurring items:

- Recognition of stranded costs for non-mainland generation for 2001-2005 (Euro 227 million), and for corresponding interest (Euro 31 million), with a combined impact of Euro 197 million on net income.
- A negative impact amounting to Euro 137 million on net income related to the effect on deferred taxes of the reduction in the prevailing corporate tax rate in Spain. This effect was partially offset by the cancellation of tax provisions amounting to Euro 75 million. Accordingly, the net impact of the two accounting entries was negative in the amount of Euro 62 million.
- The tax effect relating to ENDESA Italia's revaluation of the tax bases of its assets to their book values, as permitted by current legislation in Italy. The amount of this tax effect was Euro 148 million and its impact on net income after minority interests stood at Euro 118 million.
- The tax impact of the merger between Elesur and Chilectra, which was Euro 170 million, with an impact on net income after minority interests of Euro 101 million.

- Income generated from asset disposals, which amounted to Euro 432 million, with an impact of Euro 365 million on net income and minority interests. After discounting these five effects from the 2006 accounts in addition to the income obtained from asset disposals in 2007, net income increased by 14.2% in 2007.

References to a like-for-like comparison of earnings in this document always refer to variations produced after deducting the items mentioned above from both years' results.

ENDESA'S NET INCOME IN 2007

	Millions of Euros	% change 2006	lfl % change 2006	% contribution to total net earnings in
Spain and Portugal	1,785	(3.2)	13.7	66.7
Europe	419	(15.0)	12.8	15.7
Latin America	471	2.0	17.4	17.6
Total	2,675	(9.9)	14.2	100.0

The Public Tender Offer for ENDESA shares

On 5 October 2007, the Spanish Securities Exchange Commission (CNMV) announced that the tender offer by Acciona, S.A. and Enel Energy Europe, S.r.l., involving 100% of Endesa, S.A.'s shares (excluding 487,116,120 shares, equivalent to 46.01% of the share capital, which had been immobilised by their respective holders as per the Offer Prospectus) had been accepted by 487,601,643 shares. This represents 85.30% of the shares involved in the offer and 46.05% of the share capital of Endesa, S.A. Of these, 4,541,626 shares correspond to the offering in the United States.

Now that the takeover bid has closed, Acciona and Enel own 92.1% of ENDESA's share capital. This stake enables the successful bidders to execute the joint management agreement signed by both companies on 26 March 2007.

With Acciona and Enel sharing management control of the Company, in the coming months ENDESA must complete certain transactions previously agreed between the controlling shareholders or by the controlling shareholders with third parties.

- Acciona and ENDESA will contribute their renewable generation assets to a joint venture which will be at least 51%-owned by Acciona, with ENDESA retaining the remaining stake.
- The sale of the following assets to E.ON AG:
 - ENDESA Europa's assets in Italy, France, Poland and Turkey.
 - Certain additional assets located in Spain comprising 10-year rights on 450 MW of nuclear energy capacity based on an energy supply contract and three thermal plants with combined installed capacity of around 1,475 MW.

These asset transfers will be undertaken at market value based on valuation analyses to be conducted by several prestigious international investment banks.

Under IFRS, the Spanish generation facilities and the Endesa Europa assets to be sold by ENDESA are considered discontinued

operations for purposes of the 2007 financial statements, and their assets, liabilities and after-tax earnings are therefore booked under a single heading. Furthermore, for comparative purposes, the income generated by the operations now considered discontinued is reclassified under a single heading in the 2006 consolidated income statement appended as part of the consolidated 2007 financial statements.

IFRS 5 also stipulates that the renewable energy assets and their associated liabilities to be contributed to a company controlled by Acciona classify as assets held for sale; accordingly they have been reclassified under a single heading on the asset and liability sides of the balance sheet, respectively.

For the purpose of comparing the performance of the Endesa Group in 2007 and in 2006, and considering the significant volume of operations which have been discontinued, the following analysis is based on all the operations performed in 2007, including both those that were ongoing at 31 December 2007 and those that had been discontinued.

To make this analysis clearer, the 2006 and 2007 pro-forma consolidated income statements for the entire Endesa Group and its businesses in Spain, Portugal and the rest of Europe are presented, including under each heading the sum of ongoing and discontinued activities. Latin America is not included, since there were no discontinued operations in this region.

	Millions of Euro		Millions of Euro		Millions of Euro	
	Pro-forma Consolidated Income Statement		Pro-Forma Income Statement for Spain and Portugal		Pro-forma Income Statement for Europe	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
REVENUES	21,931	20,580	10,437	10,090	4,366	4,411
Sales	21,222	19,637	10,044	9,520	4,239	1,190
Other operating revenues	709	943	393	570	127	221
SUPPLY AND SERVICE COSTS	10,938	10,146	4,367	4,231	2,894	2,945
Power purchases	4,504	3,943	1,032	995	1,452	1,219
Fuel consumption	4,491	3,997	2,326	2,143	1,365	1,447
Transport expenses	916	738	538	365	10	10
Other variable supplies and services	1,027	1,468	471	728	67	269
GROSS PROFIT	10,993	10,434	6,070	5,859	1,472	1,466
Capitalised expenses	202	194	166	162	7	4
Personnel expenses	1,654	1,608	1,093	1,062	160	149
Other fixed operating expenses	2,056	1,881	1,313	1,124	198	205
EBITDA	7,485	7,139	3,830	3,835	1,121	1,116
Depreciation and amortisation	1,889*	1,900	1,112	1,130*	234	270
EBIT	5,596	5,239	2,718	2,705	887	846
FINANCIAL INCOME	(993)	(939)	(445)	(392)	(79)	(56)
Net financial expenses	(947)	(969)	(413)	(398)	(79)	(58)
Exchange differences	(46)	30	(32)	6	—	2
Share of profit (loss) of companies accounted under the equity method	(23)	63	47	53	12	1
Income from other investments	(1)	10	(2)	6	—	—
Income from asset disposals	147	432	101	214	(4)	1
PRE-TAX PROFIT	4,726	4,805	2,419	2,586	816	792
Corporate income tax	1,243	1,007	622	731	258	157
INCOME IN THE YEAR	3,483	3,798	1,797	1,855	558	635
Parent company	2,675	2,969	1,785	1,843	419	493
Minority shareholders	808	829	12	12	139	142

* Including ongoing and discontinued operations.

Revenues

Revenues* in 2007 totalled Euro 21,931 million, i.e. +6.6% vs. 2006. Sales* totalled Euro 21,222 million, up 8.1%.

Variable costs* rose by 7.8%, due mainly to the higher cost of electricity and gas purchases for sale and higher generalised fuel costs.

The combination of trends in revenues and variable costs drove gross profit* 5.4% higher to Euro 10,993 million.

Meanwhile, EBITDA* was Euro 7,485 million and EBIT* was Euro 5,596 million, up 4.9% and 6.8%, respectively.

	Gross profit*			EBITDA**			EBIT		
	Euro million	% Chg vs. 2006	% Chg vs. 2006 lft	Euro million	% Chg vs. 2006	% Chg vs. 2006 lft	Euro million	% Chg vs. 2006	% Chg vs. 2006 lft
Spain and Portugal	6.070	3.6	7.8	3.830	(0.1)	6.2	2.718	0.5	9.7
Europe	1.472	0.4	0.4	1.121	0.5	0.5	887	4.9	4.9
Latin America	3.451	11.0	11.0	2.534	15.8	15.8	1.991	18.0	18.0
Total	10.993	5.4	7.7	7.485	4.9	8.3	5.596	6.8	11.7

Financial results

Financial results* in 2007 were negative in the amount of Euro 993 million, vs. Euro 939 million, also negative, in 2006. This variation was due to exchange differences*, which in 2006 amounted to Euro 30 million in gains, and in 2007 totalled Euro 46 million in losses.

Net financial expenses totalled Euro 947 million, which implies a 2.3% decline vs. the amount reported in 2006, down 5.3% like-for-like.

Net financial expenses for 2007 were Euro 76 million lower as a consequence of the higher interest rate used to calculate the present

value of contingencies related to workforce layoff programmes, compared with the figure used in this calculation at the end of 2006. The difference is due to a rise in market interest rates. These contingencies were recorded as provisions.

Asset disposals

In 2007, ENDESA sold shares in Red Eléctrica de España, S.A., representing 2% of that company's share capital, for Euro 96 million, generating gross capital gains totalling Euro 78 million.

* Including ongoing and discontinued operations.

Following the sale, ENDESA now owns 1% of REE, in line with the ceiling in effect as of 31 December 2007 under prevailing legislation.

During 2007, ENDESA continued to execute its property disposal plan, making sales amounting to Euro 82 million and generating gross capital gains of Euro 63 million. These disposals included a 40% stake in the company that owns the land in the city of Malaga where the former generation plant was located. The stake was sold for Euro 48 million, and yielded pre-tax capital gains of Euro 36 million.

Cash flow

Operating cash flow* totalled Euro 5,258 million, up 13.3% on the figure in 2006 and 18.4% like-for-like.

CASH FLOW FROM OPERATING ACTIVITIES (Millions of Euro)

		% Chg vs. 2006
Spain and Portugal	2,639	(3.0)
Europe	821	16.6
Latin America	1,798	47.6
Total	5,258	13.3

Investment

ENDESA invested a total of Euro 4,746 million in 2007. Of this figure, Euro 4,391 million was capex and the remaining Euro 355 million was accounted for by financial investments.

INVESTMENT(*) (Millions of Euro)

	Capex and intangible assets	Financial	Total
Spain and Portugal	2,639	166	3,079
Europe	582	38	620
Latin America	896	151	1,047
Total	4,391	355	4,746

Financial management in 2007

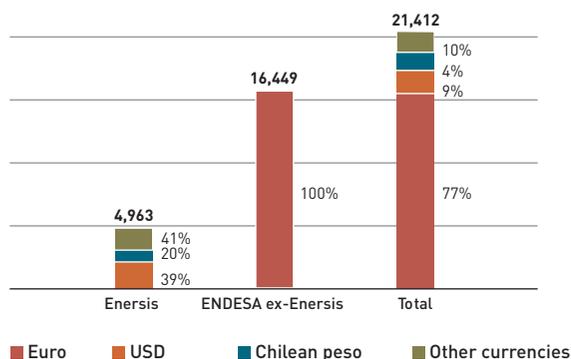
ENDESA covered most of its financing requirements in the first half of 2007, tapping the favourable conditions existing in the financial markets during that period, when the banking market was highly liquid and credit spreads in the capital markets were tightening.

Endesa, S.A. and its direct subsidiaries (excluding the Enersis Group) signed new long-term loans for a total of Euro 1,775 million. It also extended the term of its bank debt and long-term credit lines which total Euro 6,917 million, and it issued a long-term bond for Euro 300 million.

As a result of these operations, the average life of debt at these companies was 4.9 years in December 2007. Liquidity totalled Euro 5,552 million, of which Euro 5,139 million were amounts unconditionally available in long-term credit lines, equivalent to 17-month debt maturities.

Enersis and its subsidiaries also took advantage of the favourable situation in the local financial markets and obtained long-term financing under competitive conditions. The average life of debt of these companies was 5.2 years at year-end and liquidity totalled Euro 1,215 million, of which Euro 431 million corresponded to credit lines and the remaining Euro 784 million were cash. These amounts are equivalent to 15-month debt maturities.

* Including ongoing and discontinued operations.

STRUCTURE OF NET DEBT BY CURRENCY (Millions of Euro)


77% of total debt at the Endesa Group was euro-denominated and 9% was dollar-denominated at the end of 2007; the remaining 14% was denominated in Latin American currencies. ENDESA follows a policy whereby its companies' debt is always denominated in the currency in which its cash flows are generated.

At 31 December 2007, of the Group's total debt, 56% was fixed-rate or hedged while the remaining 44% bore a variable rate.

Indebtedness and average cost of debt

ENDESA's net debt* totalled Euro 21,412 million at 31 December 2007, i.e. Euro 1,572 million or 7.9% higher than in 2006. Of this total, Euro 16,449 million was debt corresponding to Endesa, S.A. and its direct subsidiaries, excluding Enersis, and the remaining Euro 4,963 million was debt corresponding to Enersis and its subsidiaries.

We would point out that ENDESA had the recognised right at 31 December 2007 to collect Euro 3,385 million in connection with two regulatory issues: Euro 1,558 million for financing the revenue shortfall from regulated activities and Euro 1,827 million in compensation for stranded costs in non-mainland generation. Factoring in these figures, ENDESA's net debt at 31 December 2007 was Euro 18,027 million.

BREAKDOWN OF ENDESA'S NET DEBT BY BUSINESS LINE* (Millions of Euro)

	31-12-07	31-12-06	Difference	% Chg
Business in Spain and Portugal	14,071	12,548	1,523	12.1
Business in Europe	1,822	1,674	148	8.8
Endesa Italia	630	748	(118)	(15.8)
Rest	1,192	926	266	28.7
Business in Latin America	5,519	5,618	(99)	(1.8)
Enersis	4,963	4,749	214	4.5
Rest	556	869	(313)	(36.0)
Total	21,412	19,840	1,572	7.9

* Including ongoing and discontinued operations.

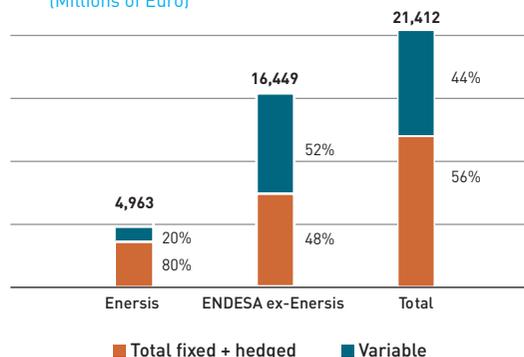
ENDESA'S NET DEBT STRUCTURE*

	ENDESA and direct subsidiaries		Enersis Group		Total Endesa Group	
	Millions of Euro	% of total	Millions of Euro	% of total	Millions of Euro	% of total
Euro	16,402	100	—	—	16,402	77
USD	34	—	1,940	39	1,974	9
Other currencies	13	—	3,023	61	3,036	14
Total	16,449	100	4,963	100	21,412	100
Fixed	6,240	38	3,790	76	10,030	47
Hedged	1,683	10	180	4	1,863	9
Variable	8,526	52	993	20	9,519	44
Total	16,449	100	4,963	100	21,412	100
Average lifetime (years)		4.9		5.2		5.0

The average cost of ENDESA's total debt* was 5.86% in 2007, vs. 5.45% in 2006. The average cost of debt for Endesa, S.A. and its direct subsidiaries (excluding Enersis) in 2007 was 4.5% compared to 4.19% in 2006. It is worth highlighting how small this increase was, in view of the substantial increase in Euro interest rates in 2007.

Meanwhile, the average cost of debt for the Enersis Group in 2007 was 9.71%, higher than the 2006 figure of 9.12%, due to the larger proportion of local currencies in the debt structure, mainly the Brazilian Real and the Colombian Peso. The average life of the Endesa Group's debt* at 31 December 2007 was 5 years.

NET DEBT STRUCTURE BY INTEREST RATE
(Millions of Euro)



ENDESA's performance in the secondary market

In the second half of 2007, both the secondary bonds market and the credit derivatives market were impacted by financial turmoil, triggering substantial spread widenings.

The most liquid bonds of Enersis and Endesa Chile began widening in July 2007, reversing the tightening trend they had been experiencing for some years previously.

* Including ongoing and discontinued activities.

Main financial transactions in 2007

We would highlight the following risk transactions carried out by Endesa, S.A. during the year:

- Between March and May ENDESA renegotiated its long-term bilateral credit lines with front-line Spanish and foreign banks, by the amount of Euro 3,677 million, and extended their maturity to 5 years, reducing the margin.
- In March, Endesa Capital, S.A.'s Euro Medium-Term Notes Programme was renewed, with Endesa, S.A.'s guarantee. This is the first Euro Medium-Term Notes Programme verified by the Spanish Securities Exchange Commission (Comisión Nacional del Mercado de Valores - CNMV). It targets international institutional investors, in English, with Terms and Conditions subject to UK law and under euro market standards.
- Also in March, financing was extended for the Sagunto regasification plant, in which Endesa Generación holds a 20% shareholding, by the amount of Euro 115 million over 24 years. In December the construction guarantee provided by Endesa, S.A., totalling Euro 59 million, was released.
- In April, an additional year was added to the syndicated loan with 33 banks totalling Euro 1,715 million, bringing the loan period to five years.
- Between April and July, new five-year bilateral credit lines were signed for a total of Euro 1,550 million in the same conditions as for the rest of the long-term credit lines.
- In May, agreement was reached with a banking syndicate to finance the waste treatment plant at Palma de Mallorca (TIRME), in which Endesa Cogeneración y Renovables (ECyR) hold a 40% stake, by the amount of Euro 590 million over 28 years. This operation allowed Endesa, S.A.'s guarantee of Euro 32 million to be cancelled and the extension to be financed with no additional guarantees.

- In June, a three-year syndicated club deal loan was signed with 13 financial institutions for Euro 1,525 million.
- Also in June, the company took out a ten-year loan for Euro 225 million with Instituto de Crédito Oficial.
- In early July, subsidiary Endesa Capital, S.A. performed a Euro 300 million, five-year debt issue.
- Endesa Capital, S.A. continued to hold fortnightly auctions as part of its domestic issues programme, subscribed to by the main Spanish financial institutions, and heavily subscribed by telephone. The outstanding balance was Euro 1,192 million at year-end.
- Commercial paper issues in Europe continued via the Euro Commercial Paper Programme at International Endesa, B.V. guaranteed by Endesa, S.A. The outstanding balance was Euro 1,099 million at year-end.

The main financial transactions performed by Enersis in 2007 via its subsidiaries were as follows:

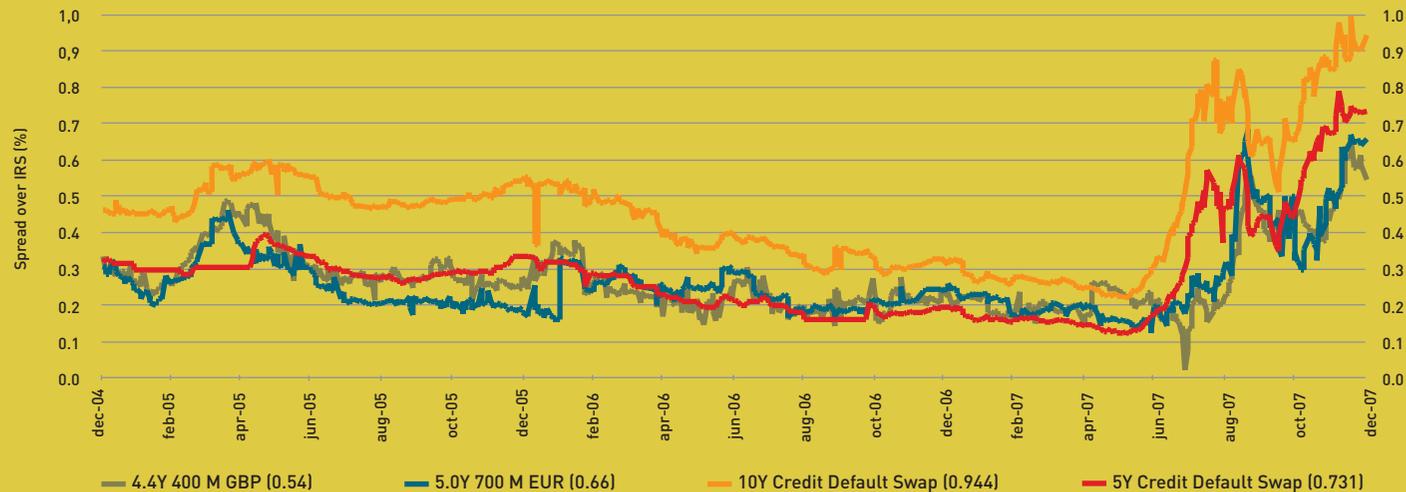
Chile

- In April, Endesa Chile issued bonds in the local market totalling 4 million unidades de fomento maturing in 20 years.

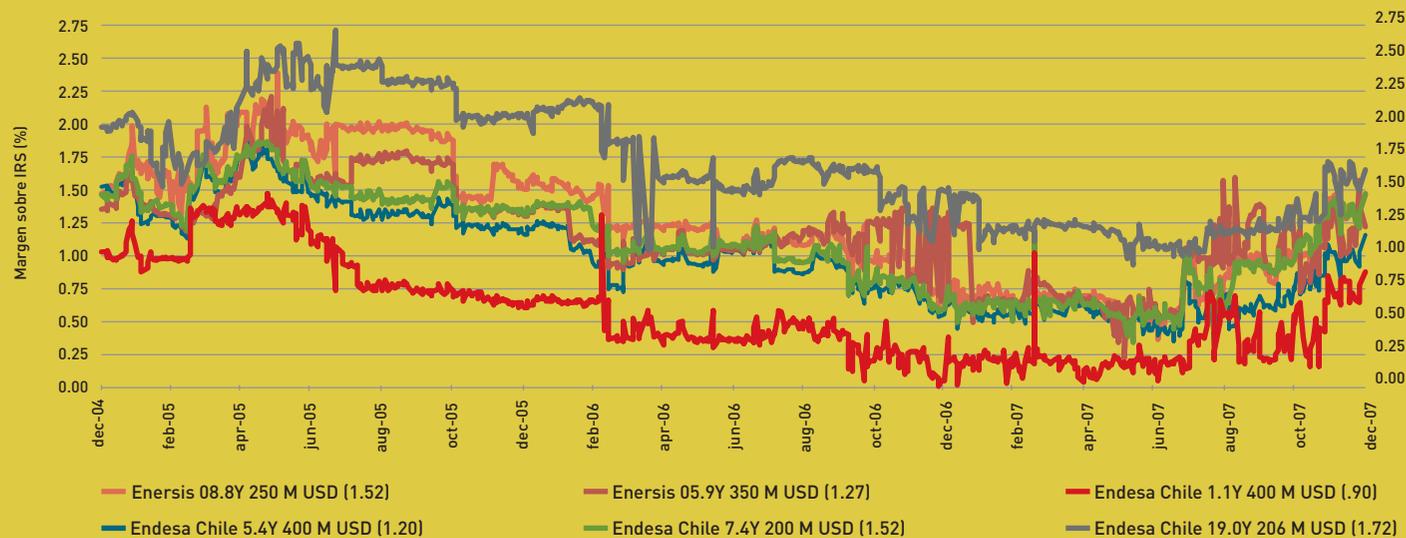
Brazil

- Throughout the year, Ampla negotiated debt facilities amounting to 600 million Brazilian reals in 3-, 5- and 6-year maturities.

ENDESA ESPAÑA BONDS. (%)



ENERSIS GROUP YANKEE BONDS (%)



- Coelce financed investments in 2007 and 2008 with official loans from BNDES and Eletrobrás totalling 339 million Brazilian reals in 6- and 12-year maturities, respectively.

Argentina

- In June, Edesur issued local bonds amounting to 165 million Argentine pesos, maturing in 5 years.

Colombia

- In February, Emgesa issued local bonds amounting to 170,000 million Colombian pesos, maturing in 10 years.
- Throughout the year, Codensa used the current bond programme amounting to 650,000 million Colombian pesos to issue bond maturing between 3 and 10 years.

Peru

- During the year, Edelnor issued bonds totalling 130 million Peruvian sols maturing between 5 and 8 years.
- Edegel issued bonds during the year totalling 128 million sols maturing between 4 and 12 years, as well as local bonds in dollars totalling USD 10 million maturing in 20 years.

Credit ratings

As of the date of release of FY07 earnings, ENDESA's long-term debt ratings are A- at Standard & Poor's and A3 at Moody's, both under review for a possible downgrade, while Fitch currently rates it an A, outlook negative.

Equity

ENDESA's consolidated net equity totalled Euro 17,130 million at 31 December 2007. This is Euro 1,194 million higher than the 2006 year-end figure.

Of this amount, Euro 11,989 million was owned by Endesa, S.A.'s shareholders, and Euro 5,141 million corresponded to minority shareholders of Group companies.

Total equity corresponding to Endesa, S.A. shareholders increased by Euro 698 million from 31 December 2006 as a result of 2007 net income of Euro 2,675 million, plus revenues and expenses recognised in equity, with a net positive effect of Euro 56 million, less distribution of Euro 2,034 million to shareholders in dividends and bonuses for the attendance of shareholders' meetings.

Financial leverage

The increase in Group equity offset the increase in net financial debt* to leave leverage* at 125% at 31 December 2007, as compared to 124.5% at 2006 year-end.

If we factor regulatory receivables into net debt, the leverage ratio would be 105.2%.

Shareholder remuneration

At the General Shareholders' Meeting held on 20 June, the Company agreed to pay a gross dividend of Euro 1.64 per share against 2006 results, entailing a total payment of Euro 1,736 million.

* Including ongoing and discontinued operations.

In addition, in 1Q07 ENDESA distributed a gross attendance bonus of Euro 0.15 per share, or additional remuneration of Euro 148 million, for attending the Extraordinary General Shareholders' Meeting scheduled for 20 March. ENDESA distributed another attendance bonus of Euro 0.15 per share, additional remuneration of Euro 148 million, for attending the Extraordinary General Shareholders' Meeting finally held on 25 September 2007.

Lastly, in accordance with the resolution approved at the meeting of ENDESA's Board of Directors held on 19 December 2007, the Company paid a dividend of Euro 0.5 per share against 2007 results. This payment, which was made on 2 January 2008, entailed a total outlay of Euro 529 million.

In all, ENDESA's governing bodies agreed in 2007 to pay its shareholders Euro 2.44 per share, entailing total payment of Euro 2,561 million. ENDESA has paid its shareholders a total of Euro 5,102 million since 2005.

01.2. RESULTS BY BUSINESS LINE

01.2.1. Business in Spain and Portugal

Net income and key operating data

The Spanish and Portuguese electricity business posted net income of Euro 1,785 million in 2007, a like-for-like increase of 13.7% vs. 2006. This figure represents 66.7% of ENDESA's total bottom line.

EBITDA* was Euro 3,830 million and EBIT* stood at Euro 2,718 million, growth of 6.2% and 9.7% respectively on a like-for-like basis.

Some of the most significant events in 2007 in terms of performance at this business were the 28.3% decline in Spanish pool prices, as a result of more sluggish demand, the slump in CO₂ prices, from Euro 6.45/tn to Euro 0.02/tn, and 11.6% growth in renewable/CHP generation, most notably wind power.

This decline in pool prices had a limited impact on ENDESA's margins thanks to the Company's strategy of supplying the deregulated market, which acts as a natural hedge against the risk associated with generation activities, and also to the lower cost of covering the CO₂ emission rights deficit, due to lower prices.

Specifically, ENDESA sold 55.6% of its output to final customers in the deregulated market in 2007, a segment where sales prices increased by 18.5%. In contrast, the rest of the sector sold only 19.8% of its output on the deregulated market. This demonstrates that, comparatively, the Company's supply strategy hedges better against fluctuations in pool prices.

At the same time, distribution revenues increased by 12.8%. The recent regulatory changes, improving remuneration for this activity, drove this positive performance.

Lastly, results at the gas business also improved substantially in 2007. This business contributed Euro 246 million to gross profit.

* Including ongoing and discontinued operations.

Application of Real Decree Law 3/2006

Royal Decree Law 3/2006 contained, among others, certain measures applicable in 2006 designed to reduce the revenue shortfall from regulated activities that year. At the date of issuing the 2006 annual accounts, the corresponding enacting regulations had yet to be passed so that at the time it was not possible to precisely calculate the impact of the new legislation.

In 2007, the regulations to enact the measures provided for the aforementioned Royal Decree were issued. These regulations govern the price to be applied to sales between generation and distribution companies belonging to the same group under a physical bilateral contract and the manner for accounting, netting from generation revenues, for the internalisation by generators of cost of freely allocated CO₂ emission rights into wholesale prices.

The application of these new regulations meant that the Group recorded Euro 151 million less in revenues in 2007.

ENDESA believes that certain aspects of the enacting legislation contradict the provisions of Royal Decree Law 3/2006 and has accordingly brought a case before the courts contesting those aspects.

The tariff deficit

Despite the 4.3% increase in the electricity tariff in 2007, regulated revenues were not sufficient to fully offset system costs.

This led to an estimated deficit in revenues from regulated activities in the sector of Euro 1,320 million, of which Euro 583 million corresponds to ENDESA. This amount will be recovered in the coming months, together with accumulated interest, when the ex-ante deficit recognised in legislation issued in 2007 is auctioned.

Meanwhile, the 2007 regulations enacting Royal Decree Law 3/2006 modified the remuneration due on regulated generation in 2006, which in turn modified the revenue deficit from regulated activities that year. At 31 December 2007, ENDESA had the recognised right to collect Euro 975 million to finance this deficit.

Non-mainland system regulation

On 2 October 2007, the resolution issued by the General Directorate of Energy and Mining stipulating the final specific costs to be remunerated in the island and non-mainland generation systems for 2001 to 2005 was approved.

The definitive figures published do not represent a significant variation on the estimates prepared by ENDESA and applied in its accounts, and the resolution dissipates all uncertainty related to the collection of these receivables.

At 31 December 2007, ENDESA had the recognised right to collect stranded costs in non-mainland generation networks totalling Euro 1,827 million.

Revenues*

Revenues* at the business in Spain and Portugal totalled Euro 10,437 million in 2007, a like-for-like increase of 5.8% on 2006, despite netting fewer freely allocated CO₂ rights as revenues.

Sales* advanced 5.5% to Euro 10,044 million vs. 2006 (up 8.1% lfl)

SPAIN AND PORTUGAL SALES* (Millions of Euro)

	2007	2006	Difference	% Chg.
Mainland ordinary regime generation	4,150	4,149	1	0.0
Sales to deregulated customers	2,674	1,789	885	49.5
Rest of sales in OMEL	1,476	2,360	[884]	[37.5]
Renewables/CHP generation	253	256	[3]	[1.2]
Revenues from regulated distribution	2,034	1,784	250	14.0
Non-mainland generation and supply	2,274	2,098	176	8.4
Supply to deregulated customers outside Spain	305	299	6	2.0
Gas supply	750	647	103	15.9
Revenues from regulated gas distribution	59	46	13	28.3
Other sales and services rendered	219	241	[22]	[9.1]
Total	10,044	9,520	524	5.5

Mainland generation

The increase in ENDESA's mainland output and in prices charged to deregulated customers almost entirely offset the lower pool prices, so that sales* in mainland ordinary regime generation were very similar to those of 2006.

Revenues from sales of renewable/CHP energy generated by consolidated companies totalled Euro 253 million, down 1.2% vs. 2006.

This decline was due to the cessation of renewable energy supply activities by Endesa Cogeneración y Renovables (ECyR) in May 2006 which entailed greater electricity purchases and sales. Strip-ping out this factor, sales figures would have remained stable as the negative impact of the lower sales price was offset by higher output.

* Including ongoing and discontinued operations.

Despite this fall in revenues, gross profit at ENDESA's renewables/CHP generation business rose 2.6% to Euro 237 million.

Supply to deregulated customers

Sales to deregulated customers in Spain totalled Euro 2,833 million, a 47.1% increase on 2006. Of this amount (which excludes the tolls payable to Endesa Distribución), Euro 2,674 million corresponded to the mainland deregulated market and Euro 159 million to the non-mainland market.

Revenues from supply to deregulated European markets other than Spain by Endesa Energía rose 2% to Euro 305 million.

Lastly, the average selling price to end customers rose 18.5% in 2007 thanks to the Company's stringent and selective sales policy.

Distribution

Revenues from regulated distribution activities were Euro 2,034 million, a 14% increase on the figure seen in 2006, due mainly the higher remuneration for this activity set by the Royal Decree governing the electricity tariff for 2007.

Non-mainland generation

ENDESA's sales in non-mainland systems totalled Euro 2,274 million, up 8.4%. Of this amount, Euro 2,115 million corresponded to sales to regulated customers and the remaining Euro 159 million to deregulated customers.

Gas distribution and supply

Revenues from gas sales in the deregulated market rose 15.9% to Euro 750 million in 2007. This increase boosted the gross margin from gas supply by 86.7%, to Euro 183 million at year-end 2007. Revenues from regulated gas distribution totalled Euro 59 million, Euro 13 million more than in 2006.

Other operating revenues

Other operating revenues* in Spain and Portugal came to Euro 393 million in 2007, Euro 177 million less than in 2006.

This item includes only Euro 1 million corresponding to the 2007 portion of CO₂ emission rights allocated to ENDESA under the scope of the Spanish National Allocation Plan for emissions (NAP), which are recorded under revenues.

This figure is Euro 253 million lower than the figure recorded under revenues in 2006, due mainly to the sharp fall in the market price for these rights. However, this drop in revenues was offset by the lower expense recorded for the use of these emission rights.

* Including ongoing and discontinued operations.

Operating expenses

The breakdown of operating expenses* in the Spanish and Portuguese business in 2007 is provided below:

OPERATING EXPENSE* IN SPAIN AND PORTUGAL (Millions of Euro)

	2007	2006	Difference	% Chg.
Supplies and services	4,367	4,231	136	3.2
Power purchases	1,032	995	37	3.7
Fuel consumption	2,326	2,143	183	8.5
Power transmission expenses	538	365	173	47.4
Other supplies and services	471	728	(257)	(35.3)
Personnel	1,093	1,062	31	2.9
Other operating expenses	1,313	1,124	189	16.8
Depreciation and amortisation charges	1,112	1,130	(18)	(1.6)
Total	7,885	7,547	338	4.5

Power purchases

Power purchases* rose 3.7% year-on-year to Euro 1,032 million.

This increase reflects higher gas purchases to supply higher volumes to the deregulated market.

Fuel consumption

Fuel consumption* totalled Euro 2,326 million in 2007, i.e. up 8.5% year-on-year. This increase was due mainly to higher output in 2007, to which the contribution by hydroelectric power was smaller.

Other supplies and services

Other supplies and service expense* totalled Euro 471 million in 2007, some Euro 257 million less than in 2006.

This reduction was due entirely to the effect of emission rights. The value assigned to the freely allocated emission rights was lower in the amount of Euro 253 million, which offset lower revenues under the same heading, as described in "Other operating revenues". Furthermore, there was a Euro 46 million reduction in the emissions rights costs recognised in 2007 and not covered by the rights allocated in the NAP as compared to 2006.

* Including ongoing and discontinued activities.

Personnel expenses

Personnel expenses* amounted to Euro 1,093 million in 2007, up 2.9% vs. 2006.

Other operating expenses

“Other operating revenues”* totalled Euro 1,313 million, i.e. a 16.8% increase on the 2006 figure. The variation in this income statement heading is not directly comparable year-on-year as it includes expenses associated with the various takeover bids for the company amounting to Euro 80 million. This figure is Euro 48 million higher than in 2006.

Depreciation and amortisation charges

In 2007 depreciation and amortisation charges* amounted to Euro 1,112 million, i.e. Euro 18 million more than in 2006. Under IFRS 5, the 2007 income statement does not include any depreciation charges for the assets classified as held for sale since 1 October 2007. Had they not been included in the asset disposal processes underway, depreciation and amortisation charges on these assets in 4Q07 would have totalled Euro 28 million.

Net financial expense

ENDESA recorded net financial losses* totalling Euro 445 million in 2007, i.e. 13.5% more than in 2006. This includes an expense of Euro 32 million for exchange losses*, vs. the Euro 6 million in exchange gains in 2006.

Net financial expenses* totalled Euro 413 million, i.e. 3.8% more than in 2006. When analysing financial results, the Euro 3,385 million financial asset corresponding to the tariff deficit receivable and compensation for stranded costs on non-mainland generation, both of which bear financial interest, must be considered.

Net financial expenses in 2007 include revenues of Euro 76 million corresponding to the higher interest rate applied to calculate the net present value, at 31 December 2007, of commitments under workforce layoff programmes existing at that date compared to the rate used to make this calculation at year-end 2006. The difference is due to the higher market interest rates.

Net financial debt* in the Spanish and Portugal business at 31 December 2007 stood at Euro 14,071 million, vs. Euro 12,548 million at year-end 2006. However, it is also worth highlighting that in 2007 the regulatory financial receivables mentioned above, specifically the tariff deficit receivable and compensation for stranded costs on non-mainland generation, both of which bear financial interest, also increased by Euro 606 million. Accordingly, taking into account this amount, the net increase in 2007 was Euro 917 million.

Cash flow

Cash flow* from operations from the Spanish and Portuguese business totalled Euro 2,639 million in 2007, a like-for-like increase of 5.4%.

* Including ongoing and discontinued operations.



Investments

Investments* in Spain and Portugal totalled Euro 3,079 million in 2007, 5.4% higher than in 2006. 91.8% of this figure corresponds to capex for the development or improvement of electricity generation and distribution facilities. We would highlight the increase in investments at renewable/CHP facilities.

TOTAL INVESTMENT* IN SPAIN AND PORTUGAL (Euro million)

	2007	2006	% Chg
Capex	2,827	2,630	7.5
Intangibles	86	100	(14.0)
Financial investments	166	191	(13.1)
Total investments	3,079	2,921	5.4

CAPEX IN SPAIN AND PORTUGAL (Euro million)

	2007	2006	% Chg
Generation	1,457	1,171	24.4
Ordinary regime	1,007	840	19.9
Renewables/CHP	450	331	36.0
Distribution	1,314	1,408	(6.7)
Other	56	51	9.8
Total	2,827	2,630	7.5

01.2.2. Business in Europe

Net income

Net income in Europe totalled Euro 419 million in 2007, a like-for-like increase of 12.8% on 2006.

During 2007 the electricity business in Europe was significantly affected by weak demand for electricity in Italy and France. This was due to the higher temperatures in both countries in the first quarter, while demand did rebound somewhat in the last few months of the year.

The price differential between France and Italy resulting from the sharp fall in prices in France, especially in the third quarter, prompted Italy to replace its own production with imports.

As a result of all these factors, ENDESA's total generation in Europe tumbled. Meanwhile, sales were virtually flat year-on-year.

Operating profit

Despite the unfavourable environment, ENDESA's business in Europe generated Euro 1,121 million in EBITDA* in 2007, 0.5% more than in 2006.

In Italy, this growth was underpinned by lower output costs thanks to a better generation mix, lower CO₂ costs and higher self-supply of green certificates, and in France by a higher supply margin and lower fixed costs following the implementation of the Efficiency Improvement Plan.

* Including ongoing and discontinued operations.

EBITDA* & EBIT* IN EUROPE (Millions of Euro)

	EBITDA*			EBIT*		
	2007	2006	% Chg.	2007	2006	% Chg.
Italia	918	916	0.2	765	749	2.1
ENDESA France	209	196	6.6	134	98.3	6.7
Trading	38	42	(9.5)	38	42	(9.5)
Holding and others	(44)	(38)	(15.8)	(50)	(43)	(16.3)
Total	1,121	1,116	0.5	887	846	4.9

Operating profit (EBIT)* advanced 4.9% to Euro 887 million.

When comparing EBIT* in 2006 and 2007, it is worth considering that, under IFRS 5, income statement figures do not include any depreciation charges from 1 October 2007 for the assets held for sale to E.ON. If these assets had not been classified as held for sale, the fourth quarter depreciation and amortisation charge would have been Euro 68 million.

Dividends paid by Endesa Italia, Snet and Tahaddart

In 2007, Endesa Italia paid shareholders Euro 216 million against 2006 earnings, of which Euro 173 million corresponded to Endesa Europa.

Snet also paid a final dividend of Euro 33 million to its shareholders, of which Euro 21 million corresponded Endesa Europa, plus an interim dividend of Euro 40 million, of which Euro 26 million corresponded to Endesa Europa.

Tahaddart paid out Euro 9 million against 2006 earnings, of which Euro 3 million corresponded to Endesa Europa.

Finally, Endesa Trading paid an interim dividend of Euro 25 million.

Margin growth in Italy

In 2007, demand for electricity in the Italian network as a whole remained almost flat vs. 2006, as a result of the temperature trend, and there was a significant increase in imports in the northern region due to the price differential with France. These circumstances, plus the lower precipitation levels, pushed the load factor lower at ENDESA's plants in Italy and, therefore, made major inroads in total power generation. Furthermore, the first two factors cited contributed to a substantial decline in pool prices, as well as lower sales.

This led to a 2.0% drop in revenues^(*), which was offset by a 3.7% reduction in supply and service costs due to lower fuel consumption and lower CO₂ costs, owing to a sharp drop in emission rights prices. EBITDA* therefore increased by 0.2%, very much in line with 2006 levels.

* Including ongoing and discontinued operations.

ENDESA ITALY KEY DATA (Millions of Euro)

	2007	2006	Difference	% Chg.
Revenues*	2,856	2,915	(59)	(2.0)
Gross profit*	1,095	1,087	8	0.7
EBITDA	918	916	2	0.2
EBIT	765	749	16	2.1

Earnings growth at Endesa France

Despite lower output, triggered by the unfavourable weather conditions, as in the case of Italy, Endesa France's earnings grew in 2007, due largely to lower fixed and variable costs and a higher supply margin.

EBITDA* rose by 6.6% to Euro 209 million and EBIT* by 36.7% to Euro 134 million vs. 2006.

Revenues* totalled Euro 1,133 million, up 4.7%, since, although output was down, sales increased by 4.7%, exactly the percentage increase in revenues*.

In Poland, the mild weather conditions also triggered a decline in electricity output at the Bialystock plant (-6.2%), although the effect of this on revenues was mitigated by the tariff revision.

Variable costs* increased by 6.4%, despite lower output, mainly as a result of higher power purchases (+10.6%). However, improvements in the supply margin boosted the gross margin* by 0.9% to Euro 335 million. Meanwhile, fixed costs* fell by 7% as a result of the progress made on the group's Efficiency Plan.

The increase in gross margin* and the reduction in fixed costs* boosted EBITDA* by 6.6% to Euro 209 million, and EBIT* by 36.7% to Euro 134 million.

ENDESA FRANCE KEY DATA (Million of Euro)

	2007	2006	Difference	% Chg.
Revenues*	1,133	1,082	51	4.7
Gross profit*	335	332	3	0.9
EBITDA*	209	196	13	6.6
EBIT*	134	98	36	36.7

* Including ongoing and discontinued operations.

Incorporation of Endesa Hellas: financial considerations

Endesa Hellas was incorporated in March 2007, as a result of a strategic alliance between ENDESA and the Greek industrial group Mytilineos Holding. ENDESA holds 50.01% of this company's share capital, and Mytilineos Holding owns 49.99%.

Endesa Hellas, which has already commenced activities, is the operator with the largest order book of projects under construction and in development in the Greek market. Mytilineos contributed all its thermal and renewable energy assets in addition to the licences it currently holds. ENDESA will contribute to Endesa Hellas a maximum of Euro 485 million plus an additional premium of up to Euro 35 million. An additional Euro 80 million cash adjustment is estimated based on the net financial situation of the assets contributed. On 31 July 2007, the first asset contribution by Mytilineos culminated successfully and Endesa Europa made a Euro 169 million payment.

European debt

Net debt* at ENDESA's electricity business in Europe stood at Euro 1,822 million at the close of 2007, an increase of Euro 148 million, or 8.8%, over the debt balance at year-end 2006.

Net financial loss* amounted to Euro 79 million in 2007, Euro 23 million more than in 2006.

We would recall that in 2H06 the European business increased its debt to finance capex, leading to an increase in interest expense. ENDESA's business in Europe generated Euro 821 million in cash flow* in 2007, an increase of 16.6% on 2006.

Investment

Investment* in this business totalled Euro 620 million. Of this amount, Euro 571 million was capex (Euro 296 million at Endesa Italy, Euro 198 million at Endesa France and Euro 77 million at Endesa Hellas).

Financial investment* totalled Euro 38 million and included the acquisition of the Serra Pelata (Euro 14 million), Piano di Corda (Euro 8 million) and Alcamo (Euro 8 million) wind farms.

01.2.3. Business in Latin America

Net income

In 2007, net income at ENDESA's Latin American businesses totalled Euro 471 million, an increase of 2% on 2006. On a like-for-like basis, this growth jumps to 17.4%.

Operating momentum was strong, as reflected by the performance of EBITDA and EBIT. EBITDA was Euro 2,534 million, up 15.8% year-on-year and EBIT was Euro 1,991 million, growth of 18%. Measured in local currency, EBITDA rose 18.1% and EBIT 20.1%.

* Including ongoing and discontinued operations.

We would point out that these increases occurred despite a challenging operating environment marked by lower rainfall levels and gas supply issues.

Improvement in generation, transmission and distribution margins

Scant precipitation and continuing gas supply issues triggered a higher load factor at the thermal power stations, specifically a higher use of liquid fuels which in turn pushed generation costs higher. Nonetheless, ENDESA's favourable generation mix in Latin America and higher sales prices led to a 13% increase in the unit margin to USD 29.6/MWh.

Generation margins, measured in dollars, rose sharply in Colombia (+27%) due to higher average sales prices, mainly because of higher capacity remuneration as a result of the application of the new reliability charge. Meanwhile, in Brazil margins rose 4.8% due to a higher average sales price and an improved generation mix, while in Argentina the 3.4% increase was due higher spot prices. In Chile, the increase in the sales prices also drove a 19.6% increase in the average margin, despite a poorer production mix shaped by lower hydro output and higher thermal output using diesel. In Peru,

the production mix, with a greater thermal component, and lower end customer sales prices triggered a 9.9% reduction in the average margin vs. 1Q07.

In the distribution business, rising demand, the application of a new tariff regime in Argentina and operating efficiency improvements all led to an improvement in operating indicators. The unit margin stood at USD 40/MWh distributed, an increase of 15.6% vs. 2006, after factoring in the retroactive application of the Argentine tariff hike.

Optimisation of ownership structure

ENDESA completed its organisational restructuring in Colombia in 2007. In December 2006 the boards of Emgesa and Betania in Colombia approved the merger of the two utilities. This merger, effective since 1 September 2007, has given rise to the largest generator in Colombia, with installed capacity of 2,829 MW.

EBITDA & EBIT IN LATIN AMERICA (Millions of Euro)

	EBITDA			EBIT		
	2007	2006	% Chg.	2007	2006	% Chg.
Generation and transmission	1,352	1,238	9.2	1,060	981	8.1
Distribution	1,236	1,036	19.3	994	802	23.9
Other	(54)	(86)	—	(63)	(95)	—
Total	2,534	2,188	15.8	1,991	1,688	18.0

EBITDA

ENDESA's Latin American business contributed Euro 2,534 million to EBITDA in 2007, 15.8% more than in 2006. EBIT totalled Euro 1,991 million, up 18%.

Measured in local currency, EBITDA rose 18.1% and EBIT 20.1%.

The table below shows the breakdown of EBITDA and EBIT of ENDESA's fully consolidated subsidiaries by country and business line:

BREAKDOWN OF EBITDA AND EBIT IN LATAM BY BUSINESS (Millions of Euro)

Generation and transmission	EBITDA			EBIT		
	2007	2006	% Chg.	2007	2006	% Chg.
Chile	585	576	1.6	471	483	(2.5)
Colombia	260	227	14.5	213	182	17.0
Brazil	163	159	2.5	145	140	3.6
Peru	145	150	(3.3)	96	108	(11.1)
Argentina	120	149	(19.5)	73	111	(34.2)
Total Generation	1,273	1,261	1.0	998	1,024	(2.5)
Brazil-Argentina interconnection	79	(23)	—	62	(43)	—
Total Generation and Transmission	1,352	1,238	9.2	1,060	981	8.1

Breakdown of EBITDA EBIT	EBITDA			EBIT		
	2007	2006	% Chg.	2007	2006	% Chg.
Chile	191	201	(5.0)	165	178	(7.3)
Colombia	295	277	6.5	224	213	5.2
Brazil	531	422	25.8	436	335	30.1
Peru	88	87	1.1	60	54	11.1
Argentina	131	49	167.3	109	22	395.5
Total Distribution	1,236	1,036	19.3	994	802	23.9

Generation and transmission

Chile

Output fell by 6% vs. 2006, to 18,773 GWh. Scant precipitation and low reservoir levels in Chile led to lower hydro powered output. This was offset by higher thermal fuelled generation, resulting in a significant increase in generation costs. Fuel costs rose 302% while power purchases jumped 88.6%. However, price hikes were sufficient to absorb higher costs and the impact of lower generation. EBITDA

rose 1.6% on 2006 to Euro 585 million. However, topline growth was insufficient to absorb higher depreciation charges on the back of new investments, and EBIT fell 2.5% year-on-year to Euro 471 million.

Colombia

Generation EBITDA and EBIT rose significantly in Colombia, despite the impact of the tax on the companies' assets at 31 December 2006, which totalled Euro 18 million. This good performance was due to higher capacity payments at Emgesa following the introduction of the new reliability charge and higher sales prices as a result of the change in the generation mix (lower hydro). Consequently, EBITDA rose 14.5% to Euro 260 million while EBIT totalled Euro 213 million (17%).

Brazil

ENDESA's subsidiaries in Brazil generated significantly less power in 2007 as a result of gas supply problems and lower precipitation. Lower thermal generation was offset by higher purchases on the spot market at lower prices to meet contractual electricity supply obligations. Lower hydro output was mitigated by higher sales prices in the deregulated market. Consequently, EBITDA rose 2.5% to Euro 163 million while EBIT increased 3.6% to Euro 145 million.

Peru

ENDESA's subsidiaries in Peru generated substantially more power in 2007 as a result, among other factors, of the addition of the Ventanilla CCGT plant and the higher levels of availability of the Piura plant, which in 2006 was out of service for two and-a-half months. However, the increase in sales did not fully offset the 9.9% reduction in the unit sale margin as a result of lower spot prices, the effect on costs of higher thermal output and the higher power purchases. Accordingly, EBITDA totalled Euro 145 million and EBIT Euro 96 million, down 3.3% and 11.1%, respectively.

Argentina

The lower total output at ENDESA subsidiaries in Argentina, due mainly to lower precipitation rates, was offset by higher sale prices, which boosted revenues notably (+22.9%). Low precipitation and ongoing gas supply difficulties continued to trigger increases in fuel costs due to the need to generate power using fuel oil and higher prices were not sufficient to offset spiralling costs. EBITDA fell 19.5% to Euro 120 million in 2007, while EBIT fell 34.2% year-on-year to Euro 62 million.

Interconnection between Argentina and Brazil

Given the problems in exporting electricity from Argentina to Brazil arising from the gas supply issues affecting use of the interconnection line, CIEN, the line operator, is in the process of changing its business model to render this interconnection profitable again.

As part of this new strategic approach, in June the company signed an agreement with Cammesa to export up to 700 MW of energy to Argentina between June and September 2007 in exchange for a fixed toll of 131 million Brazilian reals.

This strategy has enabled the use of the transmission line to carry electricity from Brazil to Argentina, charging the corresponding toll.

As a result, EBITDA at the interconnection totalled Euro 79 million in 2007, Euro 102 million more than in 2006. EBIT amounted to Euro 62 million, some Euro 105 million more than in 2006.

Distribution

Chile

Sales in Chile rose 7.7%, due largely to the 4.4% increase in electricity sold. However, this growth did not offset the 0.3% drop in unit margins as a result of the application of the new subtransmission tariff implemented in 2007, which triggered a 5% drop in EBITDA to Euro 191 million and a 7.3% decline in EBIT to Euro 165 million.

Colombia

Both EBITDA and EBIT at the Colombian distribution business were affected by the one-off impact of the above-mentioned tax levied on corporate assets at 31 December 2006. This impact amounted to Euro 11 million. Nevertheless, the 6.4% jump in sales volume drove EBITDA 6.5% higher to Euro 295 million. EBIT meanwhile rose 5.2% to Euro 224 million.

Brazil

The increase in sales volume in Brazil, coupled with a significant decline in energy losses and higher margins led to increases in EBITDA and EBIT of 25.8% and 30.1%, respectively, to Euro 531 million and Euro 436 million vs. 2006.

Peru

EBITDA from distribution totalled Euro 88 million, i.e. 1.1% higher than in 2006, mainly as a result of the increase in energy distributed. Meanwhile, EBIT rose 11.1% to Euro 60 million.

Argentina

Distribution sales increased by 31.2% as a result, on the one hand, of the major increase in energy distributed, and, on the other hand, the Euro 40 million posted in the first quarter of the year due to the tariff increase approved retroactively from November 2005. Consequently, EBITDA amounted to Euro 131 million, a 167.3% increase, and EBIT came to Euro 109 million, up no less than 395.5%.

Share of profit (loss) of companies accounted under the equity method

In 2007, the share of losses of companies accounted for using the equity method was Euro 82 million. The Group recorded income of Euro 9 million under this heading in 2006.

Underlying the losses recorded under this heading in 2007 is the poor performance of Gas Atacama, in which ENDESA has an indirect stake of 18.2% (through Endesa Chile, which owns 50% of the company), especially in the last quarter of the year. GasAtacama is being forced to produce electricity using fuel-oil in light of the Argentine gas supply issues; this phenomenon is significantly increasing its cost base and pushing the operation into losses. These losses widened significantly in the latter part of the year as a result of the sharp increase in oil prices.

In addition to spiralling costs, on 25 January 2008 GasAtacama was handed an unfavourable arbitration ruling on its request to dissolve the electricity sales agreement with distributor EMEL ahead of time.

These events led Endesa Chile to recognise a Euro 74 million impairment charge that gave rise to the losses recorded under this heading.

In view of this situation, in April 2008 an agreement was reached between the shareholders of GasAtacama and the mining companies in northern Chile, whereby the latter will cover most of the deficit generated at GasAtacama by the distributor EMEL.

Financial results

Net financial results at ENDESA's Latin American business amounted to an expense of Euro 469 million in 2007, Euro 22 million lower than in 2006.

The exchange gains of Euro 22 million in 2006 narrowed by Euro 36 million in 2007 to net losses of Euro 14 million.

Net financial expenses totalled Euro 455 million, down 11.3% or Euro 58 million. Net debt at ENDESA's Latin American business stood at Euro 5,519 million at 31 December 2007, Euro 99 million less than at the start of the year.

Rating upgrade

On 3 July, the rating agency Standard & Poor's upgraded its rating on Enersis and Endesa Chile by one notch from BBB- to BBB, both with a stable outlook.

Also in July, Fitch and Feller Rate upgraded the rating of Enersis, from A+ to AA- for its local debt.



These new ratings reflect the improved financial profile of both companies and the agencies' expectations of a benign macroeconomic climate in Latin America.

Cash flow

Cash flow generated by ENDESA's business in Latin America totalled Euro 1,798 million euros in 2007, an increase of 47.6% on 2006.

Cash returns

In May, Enersis paid a final dividend against 2006 results representing income of USD 184 million for Endesa Internacional. This dividend made a significant contribution to total cash returns from ENDESA's Latin American business in 2007, which amounted to USD 456 million.

This, coupled with the USD 561 million received in 2005 and 2006, brings total returns between 2005 and 2007 to USD 1,017 million.

Investment

Investment in Latin America in 2007 totalled Euro 1,047 million, of which Euro 875 million corresponded to capex.

The breakdown of capex is as follows:

CAPITAL EXPENDITURE IN LATIN AMERICA

(Millions of Euro)

	2007	2006	% Chg.
Generation	295	328	(10.1)
Distribution and Transmission	539	493	9.3
Other	41	48	(14.6)
Total	875	869	0.7

Financial investments in the period include the acquisitions by Endesa Chile of third-party shareholdings in Costanera (5.5%), Hidroinvest (25%), which in turn owns 59% of Hidroeléctrica El Chocón, and Hidroeléctrica El Chocón (2.48%), which amounted to Euro 46 million.

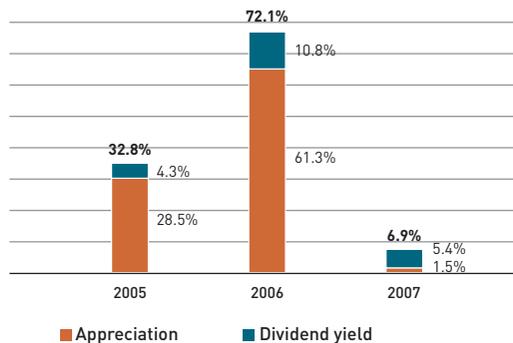
02. SHARE PRICE PERFORMANCE AND INVESTOR RELATIONS

02.1. TOTAL RETURNS FOR ENDESA SHAREHOLDERS

In 2007, ENDESA's shareholders received a 6.9% return, including the appreciation in share value, dividends approved and attendance bonuses for Extraordinary General Shareholders' Meetings.

Share performance was strongly impacted by the takeover bids for the company and eventually closed the year up 1.5%. However, ENDESA's shareholders also received a dividend of Euro 1.64 per share, plus two attendance bonuses of Euro 0.15 per share each (Euro 0.30 per share in total) for the two Extraordinary General Shareholders' Meetings called. Consequently, ENDESA's shareholders

TOTAL RETURNS FOR ENDESA SHAREHOLDERS
(2005-2007)



received a total of Euro 1.94 per share in dividends and attendance bonuses, which implies 5.4% yield, as well as the gains due to share performance.

In the last 3 years, total annual return for ENDESA's shareholders has averaged 37.3%.

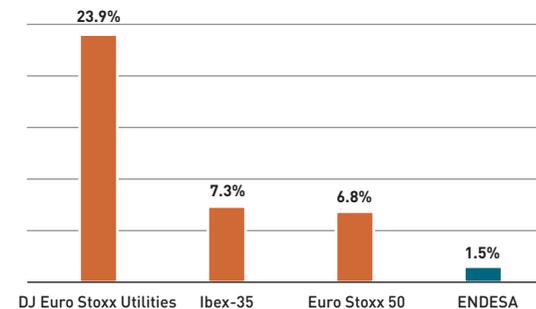
02.1.2. ENDESA ON THE STOCK MARKET

ENDESA's share performance was impacted strongly in 2007 by the circumstances surrounding the takeover bids for 100% of its share capital.

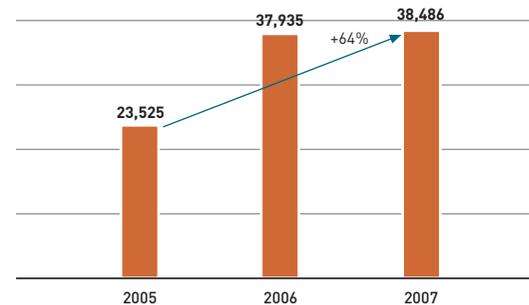
After the first quarter, in which the upward trend continued, the launch of takeover bids by Enel and Acciona on 11 April stabilised the share's value until the transaction was completed in October. From then on, the share was volatile before closing the year up 1.5%.

However, 2007 was an important year for ENDESA's share price performance. The share posted various closing record highs in the first four months of the year. The last was recorded on 16 April, when

ENDESA'S GAINS IN THE MADRID STOCK MARKET AND COMPARISON WITH THE MAIN BENCHMARK INDICES. 2007



ENDESA'S MARKET CAPITALISATION (Millions of Euro)
2005-2008



it hit Euro 40.64, implying 13.4% upside YTD and record market capitalisation totalling Euro 43,028 million.

The special circumstances at ENDESA in 2007 led its share performance to differ from the rest of Spanish electric utilities, which amply outperformed the Ibex-35 as safe-havens. Spain's main stock market index, the Ibex-35, gained 7.3% in a very tough year, which from summer onwards was characterised by the turmoil unleashed by the US subprime crisis.

This crisis, which continued into 2008, was accompanied by a wide range of factors which increased uncertainty: inflation, doubts regarding US economic growth, higher bond yields, fears that a real estate crisis might be unleashed, etc. This increased stock market volatility.

Nevertheless, the Ibex-35 recorded the second-largest gain of the main European indices, beaten only by Germany's Dax Xetra, which gained 22.3%. The sound earnings at most listed Spanish companies offset the financial tensions throughout the year.

In the specific case of ENDESA, unlike events of the last three years, the share underperformed the benchmark indices, both in the market as a whole (Ibex-35: +7.3%, Eurostoxx 50: +6.8%), and by sector (Eurostoxx Utilities: +23.9%).

At all events, the Company's enterprise value, based on its market capitalisation, has soared by 64% in the last three years.

02.1.3. ENDESA'S EXCLUSION FROM THE MAIN BENCHMARK INDICES

On 4 April 2007, ENDESA was temporarily delisted from the Ibex-35 as a result of the takeover bid launched by E.ON. The Advisory Committee authorised its return to the selective index on 17 April, with a 60% coefficient, following the entry of Acciona and Enel into its

share capital. On 2 October, ENDESA was again delisted when the acceptance period for the Enel and Acciona bid ended.

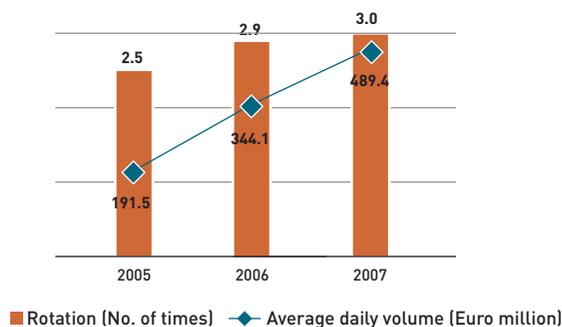
On 5 October, the CNMV announced that the bid by Acciona and Enel for ENDESA had been 92.06% accepted. Considering that the post-bid free-float was down to 7.94%, on 23 October the Advisory Committee decided to allow the stock back on the index, with a 5% coefficient applicable to its capitalisation. Based on this coefficient, ENDESA closed the year with a weighting of 0.37% on the Ibex-35, ranked 31st by market cap.

The limited remaining free-float after the takeover by Acciona and Enel also led the committees of the Stoxx and Morgan Stanley Capital Index (MSCI) to exclude ENDESA.

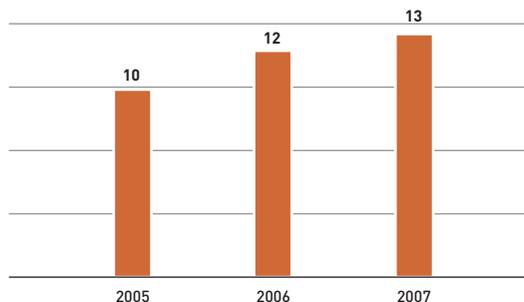
Liquidity

One of the reasons why the Advisory Committee decided to keep ENDESA in the Ibex-35 was the share's high liquidity levels. Although in the last quarter of 2007 there was a drastic reduction in trading volume in the share, average daily volume traded in the year was 4.38% higher than in 2006, at 12.5 million.

ENDESA'S CAPITAL ROTATION AND AVERAGE TRADING VOLUME



AVERAGE DAILY TRADING VOLUME
(Millions of shares)



The high trading volume translated into rotation of almost three times the Company's capital, in line with rotation in 2006, which was 2.9 times.

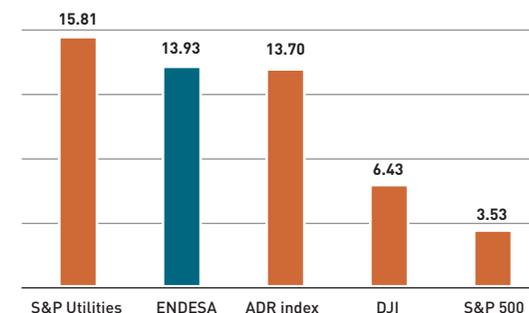
The effective volume traded in 2007 was Euro 123,332 million, i.e. 41.1% higher than in 2006.

02.2. ENDESA ON THE NEW YORK STOCK EXCHANGE

On 7 December 2007, ENDESA requested exclusion of its ADRs from the New York Stock Exchange, due to the scant levels of liquidity which this market contributed and the costs it represented for the Company.

Following the takeover by Acciona and Enel, less than 0.3% of the free-float traded on the NYSE; and in the previous twelve months, ENDESA's trading volume in that exchange had not reached 1% of the total trading volume in the rest of the markets in which it is listed.

**ENDESA'S ADR PERFORMANCE IN NEW YORK
AND COMPARISON WITH BENCHMARK INDICES IN THE US.**
2007



Despite being excluded, ENDESA's ADRs continued to trade in the OTC market and will continue to do so until they are definitively de-listed in June 2008.

ENDESA's ADR gained 13.93% in 2007, in line with the 15.81% gains posted by US electric utilities listed on the Standard & Poor's Utilities Index and the 13.7% gains in the global ADR index. Furthermore, ENDESA's ADR reached a record high on 28 September, when it closed at USD 57.1.

02.3. SHARE PERFORMANCE BY ENERSIS AND ENDESA CHILE

As a result of the energy situation deriving from the gas supply problems in Argentina, the low precipitation levels and the surge in oil prices, ENDESA's main subsidiaries in Chile had a tough year on the stock market in 2007, with the shares losing ground.

Enersis dropped 5.79% in the stock market of Santiago de Chile and closed the year at 159.85 pesos per share, while shares in Endesa Chile dropped 3.48%, and closed at 630.99 pesos each.

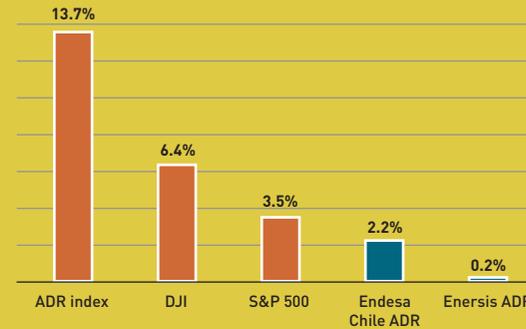
Despite the losses in share value at both companies, analysts covering the shares have not changed their recommendations, which in general are to buy. This indicates that the decline in share performance is a global phenomenon and is not due to operating, commercial or financial factors at the two companies.

In the NYSE, these two Chilean companies, which trade in the form of ADRs, posted a positive performance. Enersis' ADR closed the year up 0.19% to USD 16.03. Endesa Chile's ADR gained 2.23% in 2007 to close at USD 37.57, and reached a record high of USD 49.62 on 20 June.

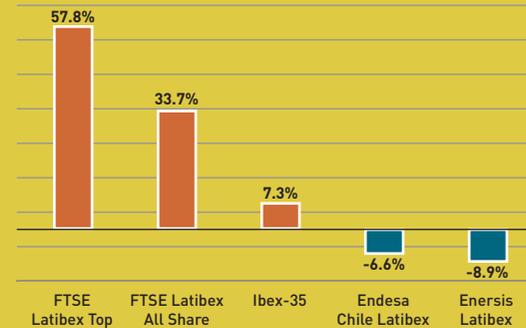
As for share performance in the Latibex, Enersis fell by 8.9% to Euro 11.01 per share, and Endesa Chile dropped 6.6% to close the year at Euro 25.98 per share.

Enersis' shares were the most traded in the Chilean stock market in 2007, with an effective total trading volume of 1.22 billion pesos. Average daily trading volume was 41.68 million shares per day, 55% higher than in 2006, when it was 26.97 million. Endesa Chile's trading volume also increased, from 5.09 million shares per day in 2006 to 6.46 million in 2007, up 26.9%. The total effective volume amounted to 927,000 million pesos.

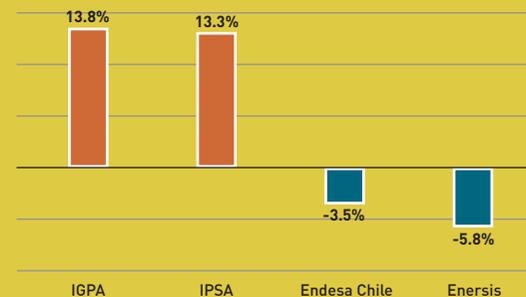
NEW YORK AND COMPARISON WITH THE MAIN BENCHMARK INDICES, 2007



PERFORMANCE BY ENERSIS AND ENDESA CHILE IN THE LATIBEX MARKET AND COMPARISON WITH MAIN BENCHMARK INDICES, 2007



ENERSIS AND ENDESA CHILE PERFORMANCE IN THE SANTIAGO DE CHILE STOCK MARKET AND COMPARISON WITH MAIN BENCHMARK INDICES, 2007



SHARE PRICE DATA FOR ENDESA, ENERSIS AND ENDESA CHILE. 2007

	High	Low	Average	Closing price	(%) annual revaluation	Volume of traded instruments
Electronic market						
ENDESA (€/share)	40.64	35.21	38.74	36.35	1.45	3,149,755,082
Chile's Stock Exchange						
Enersis (pesos/share)	212.39	158.92	183.68	159.85	-5.79	10,294,748,641
Endesa Chile (pesos/share)	868.92	620.18	745.26	630.99	-3.48	1,594,510,338
NYSE						
ENDESA NYSE (USD/share)	57.1	45.75	53.01	53	+13.93	21,108,309
Enersis (USD/ADR)	20.23	15.2	17.64	16.03	+0.19	105,964,387
Endesa Chile (USD/ADR)	49.62	36.41	42.88	37.57	+2.23	27,682,070

02.4. ENDESA'S DIVIDENDS

ENDESA upheld its commitment to increase shareholder returns via dividends in 2007.

At the General Shareholders' Meeting held on 20 June, the Company agreed to pay a gross dividend of Euro 1.64 per share against 2006 results, entailing a total payment of Euro 1,736 million.

This is the amount resulting from the sum of the interim dividend paid on 2 January 2007 (Euro 0.5 per share) and the final dividend of Euro 1.14 per share paid on 2 July. This total dividend of Euro 1.64 per share implies a 58.5% payout.

Furthermore, ENDESA paid its shareholders a total of Euro 0.30 per share in bonuses for attending the two Extraordinary General Shareholders' Meetings called in the year. The first of these bonuses, Euro 0.15 per share, was for the meeting scheduled for 20 March which was eventually cancelled. This bonus implied Euro 148 million in additional remuneration to shareholders. The second bonus, also Euro 0.15 per share, was paid for attendance at the Shareholders' Meeting held on 25 September 2007, and also originated a payment of Euro 148 million.

Lastly, on 2 January 2008, the Company paid a dividend of Euro 0.5 per share against 2007 earnings.

02.5. INVESTOR RELATIONS AND SHAREHOLDERS' OFFICE ACTIVITIES

Investor relations

ENDESA maintains ongoing relationships with its shareholders, both private and institutional investors, as well as with the leading stock market analysts, and provides them with a steady stream of detailed information on the Company's performance. This is provided by ENDESA's Investor Relations Department with offices in Madrid and New York and a Shareholders' Office in Madrid.

The activities of the Investor Relations Department in 2007 included 10 public presentations to analysts and investors. Of these presentations, four focused on the Company's quarterly earnings and six were part of the visits which ENDESA organises yearly to its facilities, this year in Valencia. These presentations focused on the performance of the various businesses and were attended by 54 analysts.

In 2007, two Shareholders' Meetings were held, the Annual General Shareholders' Meeting on 20 June, and the Extraordinary General Shareholders' Meeting on 25 September (another Extraordinary Meeting, called for 20 March, was eventually cancelled, as we have mentioned). The Extraordinary General Meeting in September achieved a record quorum of 93.5% of the share capital.

A total of 33 financial institutions carry out regular research on ENDESA, making it one of the most closely market-tracked electric utilities in the world.

Shareholders' Office

ENDESA's Shareholders' Office provides a free shareholder relations service, either in person, or by telephone or e-mail, answering any queries shareholders may have and providing them with information on the Company: results, dividends, share prices, new bond issues, General Shareholders' Meetings, etc.

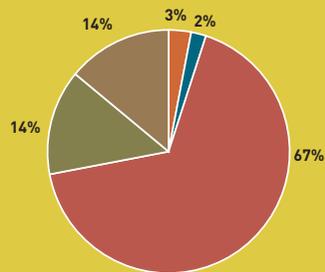
In 2007, the Shareholders' Office handled some 42,000 telephone enquiries and 8,000 visits from private investors, most regarding the Annual and Extraordinary Shareholders' Meetings, and sent more than 2,400 information mailings by post or e-mail.

Furthermore, because of the General Shareholders' Meetings called in 2007, 25,500 visits were received at the investor services desks set up for this purpose at ENDESA's offices outside Madrid.

One of the main sources of information for private investors is ENDESA's website (www.endesa.es), specifically under the "Investors" section, which provides access to its main financial documents and publications, summaries of reports issued by top analysts, investment banks or rating agencies, documents related to the General Shareholders' Meeting and information on corporate governance, etc. In addition, the conference calls on quarterly earnings are broadcast in real-time via this channel.

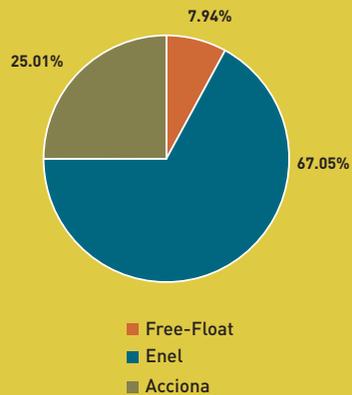
ENDESA also sends interested investors and shareholders press releases, quarterly results statements, reports, corporate magazines and other corporate publications.

TYPE OF INFORMATION REQUESTED BY ENDESA'S PRIVATE SHAREHOLDERS IN 2007



- Share performance
- Meeting Information on ENDESA
- Dividends
- General Shareholders'
- Takeover

ENDESA'S SHAREHOLDER STRUCTURE IN MARCH 2008



- Free-Float
- Enel
- Acciona

ENDESA SHAREHOLDER STRUCTURE

Following the takeover of ENDESA by Acciona and Enel, which was successfully completed in October 2007, Acciona owns 25.01% of the Company's share capital and Enel owns 67.05%.

Consequently, ENDESA's shareholder structure in March 2008 was as shown in the chart.

BUSINESSES





01. BUSINESS IN SPAIN AND PORTUGAL

01.1. OVERVIEW OF ENDESA'S BUSINESS IN SPAIN AND PORTUGAL

ENDESA is the largest electricity company in the Iberian region (the Spanish and Portuguese markets), putting it in a strong position to take advantage of the opportunities offered by the development of the Iberian electricity market (MIBEL), an initiative promoted by the governments of the two countries.

01.1.1. PRESENCE IN SPAIN

At the end of 2007, ENDESA had an ordinary-regime capacity in Spain of 22,860 MW and a total capacity of 1,450 MW in Renewable and CHP. In the year as a whole, output totalled 88,181 GWh in ordinary regime and 2,877 GWh in Renewable and CHP.

In the same year, the company achieved a 38.3% market share of standard generation, 42.8% of distributed energy, 39.7% of sales to regulated-market customers, 52.6% of sales to deregulated-market customers and 43.6% of total sales to end customers.

It also supplied the greatest volume of energy to end customers through its electricity grids (107,359 GWh), and had the most extensive distribution grid (303,958 km) and the largest customer base in the Spanish electricity sector (over 11 million).

ENDESA is also the leading company in sales, with 36,611 GWh sold on the deregulated market in Spain, where it had a total of 1,147,180 customers at year-end 2007. On the regulated market (i.e. the market composed of customers supplied in accordance with rates fixed by the public authorities, the Company sold 72,746 GWh in 2007.

ENDESA also has a sizeable presence in the natural gas sector. On the regulated market, it provided gas services to over 375,000 users and distributed 7,092 GWh of power. On the deregulated market, gas sales were 30,085 GWh, 27% up on 2006, to more than 446,000 supply points, giving the Company a market share of 13.7%.

01.1.2. PRESENCE IN PORTUGAL

ENDESA operates in the generation business in Portugal through its 38.9% stake in Tejo Energía, owner of the Pego coal-fired thermal power station, which has capacity of 600 MW and produced 3,500 GWh in 2007. Tejo Energia also has a licence to build and operate a 800 MW CCGT plant in the Tajo region, near to Abrantes, which is slated to start operating in 2008.

ENDESA also has a significant CHP and wind energy operations. It also has a 50% stake in Sociedade Termica Portuguesa, the Portuguese CHP market leader, with an operating capacity of 58.6 MW in 2007, and wholly owns Finerge, which at the end of 2007 was the country's third-largest wind power operator, with a total capacity of 233 MW. In addition, 2007 saw the construction and start up of the first 132 MW of the contract awarded by the Portuguese government to a consortium in which ENDESA has a 20% stake through its shareholding in Termica Portuguesa y Finerge.

Finally, Endesa Energia also operates in the deregulated Portuguese market through Sodesa, a 50/50 joint venture between ENDESA and the Portuguese industrial group, Sonae, whose portfolio at the end of 2007 comprised 2,500 supply points and around 700 GWh of contracted energy.

01.2. ENDESA'S ACTIVITIES IN THE SPANISH ELECTRICITY SECTOR IN 2007

01.2.1. THE SPANISH ELECTRICITY SECTOR IN 2007

2007 was a very dry year, even drier than 2006, especially in the hydro-electric basins where ENDESA operates, and rainfall patterns were uneven throughout the year. After a dry January, average rainfall levels were recorded from February to June, but from July onwards it was dry to very dry. However, hydro output for the sector as a whole was 26,011 GWh, 4.2% higher than the previous year, although wind-generation output was higher, at 26,634 GWh, a rise of 17.4% on 2006.

As for other technologies, lower nuclear generation and traditional fuel-oil/gas-fired output, which met only an extremely small part of mainland electricity demand, was offset by increased production at coal-fired power stations, due CO₂ emission rights prices at virtually zero, and at CCGTs. In addition, generation at renewables/CHP plants was 11.6% higher, covering 21% of the system's demand.

Electricity demand in the Spanish market as a whole rose by 2.8%, largely due to the mild temperatures recorded throughout the year. This limited growth in demand and the sizeable increase in renewables/CHP generation saw ordinary regime output grow by just 1.4% compared to 2006.

Fossil fuel prices on the international markets marked an upward trend during the whole of 2007, with an especially large rise in the second half of the year. This increase was reflected in the price of all fuels: coal rose to close to USD 140 /tn and oil to USD 90/bbl DTD Brent. Freight costs also rose considerably, with price increases experienced half way through the year. Thanks to its fuel buying policy, ENDESA was less affected than the rest of the sector by these increased costs.

The price of CO₂ emission rights remained practically at zero right through the year, closing at a price of Euro 0.02/tn, due to excess supply. However, it should be noted that these CO₂ prices relate to the first application of the European Trading Scheme (ETS) and, therefore, should not be confused with the level of CO₂ emission prices in the second period, which runs from 2008-2012, and which are trading at around Euro 20/tn.

The low price of CO₂ emission rights referred to above meant lower marginal production costs vs. 2006, which in turn led to a substantial drop in the average price of electricity on the OMEL market, which closed the year Euro 15.6/MWh below the average 2006 price.

01.2.2. ENDESA'S ELECTRICITY GENERATION

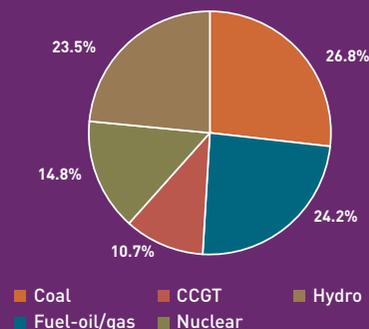
Ordinary regime

Ordinary-regime capacity

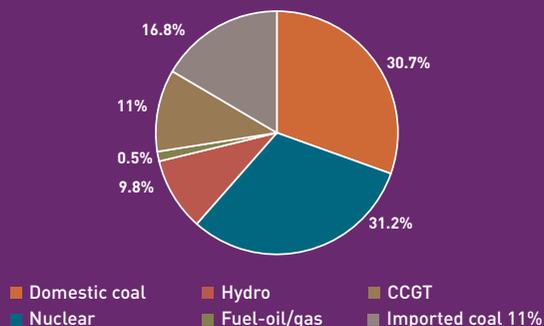
ENDESA has more ordinary-regime generation capacity than any other Spanish electricity company. At year-end 2007, the total capacity was 22,860 MW (excluding that belonging to Nuclenor). Of this amount, 18,342 MW corresponded to the mainland electricity system and the remaining 4,518 MW to the Balearic and Canary Islands and the Spanish enclaves of Ceuta and Melilla.

The company's generation mix is appropriately diversified: 26.8% corresponds to coal-fired plants, 23.5% to hydro plants, 24.2% to traditional fuel-oil/gas plants, 14.8% to nuclear plants and 10.7% to CCGTs.

UNDER ORDINARY REGIME AS OF 31/12/2007



ENDESA'S MAINLAND ELECTRICITY GENERATION STRUCTURE UNDER THE ORDINARY REGIME 2007



ENDESA ELECTRICITY PRODUCTION AT BUSBAR COST (GWh) (*)

	2007	2006	% Chg.	% of Total
Hydro	7,149	7,571	-5.6	8.1
Nuclear	22,906	24,389	-6.1	26.0
Domestic coal	22,514	22,016	2.3	25.5
Imported coal	12,288	10,500	17.0	13.9
Fuel-oil/gas	380	964	-60.6	0.4
CCGTs	8,080	6,431	25.6	9.2
Total mainland	73,317	71,871	2.0	83.1
Non-mainland	14,864	14,461	2.8	16.9
Total	88,181	86,332	2.1	100.0

(*) The output of Nuclenor (consolidated by the equity method in ENDESA's consolidated 2007 financial statements) is not included.

This diversity allows ENDESA to substantially increase its output and, as a consequence, its market share, with lower fuel costs than its competitors.

Ordinary-regime electricity output

In 2007, ENDESA's ordinary-regime generation plants recorded a total net output of 88,181 GWh, 2% more than in 2006. Its market share fell 0.8 percentage points to 33.1%, largely owing to a reduction in the use of coal-fired, CCGT and fuel-oil/gas plants.

On the mainland, there was a total increase in generation of 1,446 GWh, as a result of the 2,286 GWh increase in output from coal-fired plants and 1,649 GWh from CCGT plants.

Availability and utilisation at ENDESA's mainland coal-fired plants were even higher in 2007 than 2006, making a significant contribution to the guarantee of supply. Fuel-oil/gas plants had a testimonial presence in ENDESA's mainland generation mix and the continued use of these fuels is almost exclusively due to the need to overcome certain limitations in the transmission grid.

The increase in demand from non-mainland systems was covered by a net capacity increase of 162 MW. Output totalled 14,864 GWh, 2.8% higher than in 2006.

New facilities, extensions and operational upgrades

In 2007, ENDESA added 162 MW to its ordinary-regime output capacity and it synchronised 816 MW of power to the grid from the As Pontes CCGT plant. The following projects were completed, developed or undertaken during the course of the year.

Mainland system

- Synchronisation of 816 MW of capacity from the As Pontes (La Coruña) CCGT plant to the grid.
- Adaptation to imported coal of unit 2 of the As Pontes thermal power station, which became operational in November. Also, the manufacture of equipment to adapt group 1 was started, with the changes slated to take place in 2008.
- Commissioning and start up of the project to install an 800 MW CCGT plant on the land previously used by groups 1 and 2 of the Besós thermal power station in Sant Adrià de Besós (Barcelona).
- Completion of the new coal unloading facilities at El Ferrol port.
- Demolition of group 2 of the Besós thermal power station and group I of the Compostilla (León) thermal power station.
- Commissioning and start up of the construction of a new controlled deposit for non-hazardous waste at the As Pontes thermal power station.
- Start up of the modified desulphurisation facility at the Andorra (Teruel) thermal plant. Ongoing construction of the desulphurisation plants for groups 4 and 5 of the Compostilla II power station, the desulphurisation facility for group 1 of the thermal plant at Litoral (Almería) and the desulphurisation facility for the thermal power station at Los Barrios (Cádiz). These installations are required to comply with the EU Environment Directive for large combustion plants.

- Start up of the project to increase pumping capacity at the Guilena (Sevilla) hydro plant.
- Delivery of the pertinent documents to obtain substantive approvals for the 400 MW CCGT plant at La Pereda (Asturias).
- Tender submitted to the Gijón Port Authority for a concession project involving the construction of a 860 MW CCGT power station on land that is part of Musel port extension.
- Delivery of all the documents necessary for the construction of a 860 MW CCGT plant in Ledesma (Salamanca).
- Final stage of testing and adaptation of the actions undertaken to reduce NOx emissions in unit 1 of the Litoral thermal power station, to comply with the EU Environment Directive for large combustion plants.

Balearic Islands

- Start up of the 81 MW heat unit at Cas Tresorer 1 (Mallorca), thereby completing the installation of the first unit of this CCGT plant.
- Start up of two diesel units with a total capacity of 36 MW at the Ibiza power plant.
- Start up of the desulphurisation plant for units 1 and 2 at Alcudia power station in Mallorca and implementation of the necessary measures to reduce NOx emissions.
- Commissioning and start up of the project to install a combined cycle at the Cas Tresorer 2 plant.
- Commissioning and start up of the project to install a 25 MW gas unit at the Ibiza power station.
- Continuation of the project to install a 50 MW gas unit at the Mahón (Minorca) power station.

Canary Islands

- Finalisation of the assembly work for the 75 MW heat unit for the Barranco 2 CCGT plant on the island of Gran Canaria.
- Completion of the building work for an 18 MW diesel unit at Punta Grande power station on the island of Lanzarote.
- Commissioning and start of the project to install the CCGT plant at Granadilla 2 (Tenerife).
- Start up of the extension of the sea water cooling system at the El Palmar diesel-fired power station on the island of La Gomera, to absorb planned increases in capacity.
- Final stage of testing and adaptation of measures undertaken to reduce NOx emissions in units 4 and 5 of the Jinámar power station, and final stage of assembly and connexion of units 5 and 6 of the Candelaria plant. These actions involve the installation of low NOx burners and combustion management.

Ceuta and Melilla

- Start up of diesel unit 11 at the Ceuta power station (12 MW), and commissioning and start up of the 14 MW gas unit installation project at the same plant.
- Start up of the water cooling systems and the modification of the substation at Ceuta power station to cover the increases in generating capacity.
- Start up of units 12 and 13 at the Melilla power station (a total of 24 MW), and commissioning and start up of the renovation project for the cooling system at the same plant.

- Start up of the modified substation at Melilla power station to cover the increases in capacity being carried out there.

Renewables/CHP

ENDESA brought 638 MW of gross renewable energy capacity on stream in 2007, to give a total capacity of 2,435 MW at year end; an increase of 36% on 2006.

ENDESA holds an average stake of 69% in the facilities where it has an ownership interest. If the capacity of CHP facilities in operation are included, ENDESA had gross capacity of 2,857 MW in renewable energies and CHP at the end of 2007.

ENDESA's net output from renewable energies and CHP facilities stood at 3,777 GWh in 2007, of which 2,381 GWh came from wind power, 519 GWh from mini-hydro plants, 655 GWh from cogeneration, including industrial customers, and the rest from other technologies.

For consolidation purposes, at the end of 2007 ENDESA had capacity of 1,630 MW, with output of 2,877 GWh in renewable energies and cogeneration.

Breakdown by technology

Wind Energy

At the end of 2007, ENDESA had 11 wind farms under construction (7 in Spain and 4 in Portugal) with a total capacity of 386.9 MW, of which 75 MW were in their final stage of development.

ENDESA's growth in this technology was above the Spanish sector average, which enabled it to increase its market share from 7.8% in 2006 to 8.1%.

Mini-hydro plants

At the end of 2007 ENDESA had shareholdings in 39 operational mini-hydroelectric plants with total capacity of 240 MW. Its average shareholding was 82 %.

During the year the necessary permission was obtained to begin the Chanada, Silvan and Boeza mini-hydro projects.

Solar photovoltaic and solar thermal energy

Highlights of the activities carried out by ENDESA in 2007 in relation to its solar photovoltaic facilities were as follows:

- Construction started on the Guadarranque (Cádiz) plant, with a capacity of 12.3 MW and axle-monitoring technology.
- Construction of 8 photovoltaic plants at ENDESA thermal power station sites, with a total capacity of 730 kW, and the installation of an 80 kW plant at the Company headquarters in Madrid.
- Incorporation of Concentrasolar, a 50/50 joint venture between ENDESA and Isofotón, to develop the first plants with concentrated photovoltaic (CPV) systems.

In 2007, progress was made in the administrative proceedings and the construction of two plants in Andalusia with a total capacity of 1.5 MW. In the field of solar thermal energy, ENDESA and Instituto Hispánico del Arroz (Hisparroz), a core shareholder of the Ebro-Puleva group, signed an agreement to jointly develop four 50 MW plants located in the south of Seville province. These projects, for which administrative proceeding are already underway, will be majority-owned by ENDESA and have a thermal storage system so that power can be generated even when there is no sunlight.

In addition, ENDESA is developing a further 50 MW of projects in the province of Granada.

Biomass-Biogas

ENDESA has holdings in six operational biomass plants, with a total capacity of 58.2 MW. Of these, three are biogas plants: one at the wastewater purification station in Aguas de Jerez (Cadiz province) and the other two at the solid urban waste landfill sites in Can Mata and El Garraf (Barcelona province).

ENDESA has also carried out feasibility studies into the development of biomass plants in the autonomous regions of Andalusia, Aragon and Castilla/León, with is making a further study in Galicia.

Additionally in 2007, feasibility studies continued into the use of biomass at ENDESA's thermal power stations, with the following results:

- Co-operation agreement signed with the Galician regional government, Environment Ministry and Council for the Rural Environment to carry out co-combustion tests at the As Pontes plant. This agreement will provide data on the supply conditions and cost of biomass plants through tests to be carried out by the Spanish authorities.
- Design and start of the administrative procedures for the biomass co-combustion project at the Litoral (Almería) thermal power station, following the positive results of the tests carried out in 2006.

Waste treatment

ENDESA holds stakes in three waste treatment plants (Tirme, Tirmadrid and TRM) with a total capacity of 70.6 MW.

CHP

At the end of 2007, ENDESA held stakes in CHP plants with a total capacity of 423 MW. Its average shareholding in these power stations was 47%.

Other projects

Green Fuel Corporation, in which ENDESA has held a stake since 2005 and whose mission is to build and operate biodiesel production facilities, began work on a plant in Extremadura. Other projects of this type are also at development stage in the autonomous regions of Aragon, Castilla/León, and Andalusia.

Mining: coal extraction

In 2007, ENDESA extracted a total of 4.5 million tonnes coal, equivalent to 11,888 million therms: a fall of 28.7% in tonnes vs. 2006 and 22.4% in therms. This amounts to around 25% of domestic coal production measured in tonnes.

ENDESA'S MINING OUTPUT BY TYPE OF COAL

(Millions of L.H.V*. therms)

Producer	Type of coal	2007	2006	% Chg.
Endesa Generación	Brown lignite	5,050	8,078	-37.5
Endesa Generación	Black lignite	2,105	2,409	-12.6
Encasur	Bituminous coal	3,831	3,923	-2.3
Encasur	Anthracite	902	905	-0.3
Total		11,888	15,315	-22.4

*L.H.V.: Lower Heating Value

The mining operations relating to ENDESA's coal production, all of which are open-cast mines, were the large-scale García Rodríguez at As Pontes (La Coruña); two mines in the region of Andorra (Teruel), the Barrabasa Oeste and Gargallo Oeste pits; the Cervantes and Ballesta Este mines in the Guadiato basin (Cordoba); and, finally, the Emma pit at Puertollano (Ciudad Real).

Total coal sales were 11,835 million therms, a fall of 23% on 2006, slightly below output, so stocks increased slightly.

BREAKDOWN OF ENDESA'S COAL SUPPLY

(Millions of L.H.V. therms)

Receiving company	Destination plant	2007	2006	% Chg.
Endesa Generación	AS Pontes	5,045	8,078	-37.5
Endesa Generación	Teruel	2,113	2,409	-12.3
Elcogas	Puertollano GICC	928	1,056	-12.1
Viesgo Generación	Puente Nuevo	1,775	1,788	-0.7
Viesgo Generación	Puertollano	1,974	2,044	-3.4
Total		11,835	15,375	-23.0

70 % of these supplies (measured in therms) went to Endesa Generación, 6 % to the subsidiary Elcogas and 24 % to Viesgo Generación.

The significant decrease in both output and supply in 2007 was due, as it was in 2006, to the adjustment of ENDESA's mining activities to the regulatory framework set out in the New Coal Mining Plan 2006/2012 and approved by the Spanish authorities, and also the plans to adapt the As Pontes thermal power station to the exclusive use of imported coal. In relation to the latter, December 2007 saw the end of coal mining at the As Pontes pit, which from now until well into the future will be exclusively concerned with the restoration plan to turn the hole left behind by the mine into an artificial lake.

01.2.3. ENDESA in the regulated electricity market

In Spain, ENDESA distributes electricity to a market area of around 200,000 square kilometres, largely corresponding to 20 provinces in seven autonomous regions (Catalonia, Andalusia, the Canary Islands, Aragon, Extremadura, Castilla/León), with a total population of around 22 million.

In 2007, ENDESA's regulated-market customers in Spain grew 2.1 % in relation to the previous year, including those who received a tariff supply service as well as those who, while situated in one of the Company's distribution areas, availed themselves of the choice of supplier option, standing at over 11.4 million customers.

The largest increases were recorded in the Canary Islands, Andalusia, Extremadura (2.6%) and the Balearic Islands (2%).

TOTAL NUMBER OF ENDESA CUSTOMERS IN THE REGULATED MARKET

	2007	2006	% Chg.
Aragon	873,454	857,549	1.9
Catalonia	4,130,930	4,072,145	1.4
Balearic Islands	651,907	638,979	2.0
Andalusia and Extremadura	4,701,631	4,581,215	2.6
Canary Islands	1,094,685	1,066,630	2.6
Total ENDESA	11,452,607	11,216,518	2.1

Includes customers of AEE S.A., Depcsa and distribution tolls.

TOTAL ENERGY SUPPLIED BY ENDESA (GWh)

	2007	2006	% Chg.
Erz Endesa	9,062	8,544	6.1
Fecsa Endesa	44,818	43,831	2.3
Gesa Endesa	5,476	5,370	2.0
Sevillana Endesa	39,473	38,360	2.9
Unelco Endesa	8,529	8,278	3.0
Total ENDESA	107,359	104,383	2.9

ENDESA'S ELECTRICITY SALES IN THE REGULATED MARKET (GWh)

	2007	2006	% Chg.
Erz Endesa	5,830	5,665	2.9
Fecsa Endesa	27,317	26,977	1.3
Gesa Endesa	4,450	4,425	0.6
Sevillana Endesa	28,394	27,975	1.5
Unelco Endesa	6,755	6,557	3.0
Total ENDESA	72,746	71,599	1.6

The total energy supplied through ENDESA's distribution grids rose to 107,359 GWh, 2.9% up on 2006. Growth was particularly high in Aragón (6.1%) and the Canary Islands (3%).

The proportion of total energy supplied by ENDESA's grids to deregulated-market customers stood at 32.2% in 2007, vs. 31.4% in 2006.

ENDESA's electricity sales on the tariff-regulated market rose by 1.6% to 72,746 GWh. As a result of the significant transfer of customers from the regulated to the deregulated market, the amount of energy supplied to the latter increased by 5.3%, from 32,884 GWh in 2006 to 34,613 GWh in 2007.

01.2.4. Development of distribution infrastructure

The length of the lines making up ENDESA's distribution grids grew by 8,266 km in 2007, to give a total of 303,958 km. 27.8% of these were underground lines.

Also during the year, 24 new substations, 3,608 medium-to-low voltage transformation centres and 955 metering medium-voltage customers were put into operation. As a result, by the end of the year ENDESA had 947 substations 151,673 transformation centres and 36,530.

In turn, transformation capacity increased by 3,555 MVA, equivalent to 4.2% of available supply at the end of 2006.

In addition to the development of this infrastructure, a number of activities to improve power supply quality were carried out. These include stepping up maintenance work, renovating facilities and increasing the automation of the medium-voltage grid (i.e. under 36 kV). In 2007, 1,242 remote controls were put into operation under the Company's Medium Voltage Network Automation Plan, representing a 21% increase over the previously existing supply.

Other initiatives focused on reducing the environmental impact of the grids and developing several rural electrification plans, backed by the respective local governments and the European Union.

ENDESA'S ELECTRICITY DISTRIBUTION FACILITIES¹

	2007	2006	% Chg.
High-voltage overhead lines (km)	20,106	19,559	2.8
High-voltage underground lines (km)	867	796	8.9
Medium-voltage overhead lines (km)	79,254	78,823	0.5
Medium-voltage underground lines (km)	32,905	31,264	5.2
Substations (No.)	947	923	2.5
Substations (MVA)	79,020	75,465	4.7
Transformer stations (No.)	115,143	111,535	3.2

¹ The data for 2006 may differ in certain cases from that published in the notes to the 2006 annual report due to post-publication inventory updates. At the close of 2007, the total length of low-voltage lines stood at 170,826 km.

The main actions undertaken by ENDESA in 2007 to develop its distribution infrastructure in each of its Spanish regional markets were as follows:

- In Catalonia, the roll out of the Tramuntana Plan continued and the Vall-Llobregat, Albàrrec, Cervelló, Subirats, Puigpelat, Santa Susana, Sant Cugat and Pla de Tarragona substations came into service with a total capacity of 801 MVA and 15 new transformers. 8 substations were extended with 9 new transformers with a total capacity of 495 MVA.

91 km of new circuits were built, 26.84 km of which was 220 kV. Particularly notable amongst these were the underground cables installed below the Maragall and Trinitat substations in Barcelona, and the connection between Aena and Viladecans. 295 km of lines were also repowered.

Finally, the development of the Medium-Voltage Grid Remote Control Plan made it possible for 340 new remote-control points to be installed.

- In Andalusia and Extremadura, the Conjuero, Seccionamiento Cementera AG, Jaralillos, Huevar, Mojácar, Jerez (Speed Festival) and Geolit substations came into service. These new facilities involved the start up of 8 new transformers with a total capacity of 236 MVA. In addition, 19 substations were extended and 20 new transformers came on stream, providing a total capacity of 735 MVA. Of particular importance were the injection of 220 kV of energy into the Granada Capital, Olivares and Rocío substations.

100 km of new circuits were built, 61 km of line were repowered and, within the framework of the Medium-Voltage Grid Remote Control Plan, 562 new remote-control points were installed.

- In the Balearic Islands, the new Son Oms substation came on stream with two new transformers, with a total capacity of 40 MVA. The 220/66 transformation at the new Ca's Tresorer (320 MVA) substation came into operation and the Santa Eulària substation was also extended, with a new 31.5 MVA transformer coming into service.

37.4 km of new circuit were built, 1.3 km of line was repowered and, through the Medium-Voltage Grid Remote Control Plan, 100 new remote-control points were installed.

- In the Canary Islands, the increases in 220/66 kV transformer capacity at the Jinámar and Barranco de Tirajana (Gran Canaria)

and Candelaria (Tenerife) plants were completed. Additionally, the 66/MV transformation centre was expanded at the Buenos Aires, Candelaria and Corralejo plants, two transformers were repowered and one new one installed, giving an overall increase in capacity of 88 MVA.

In the area of transmission lines, 99 km of new circuit were built. The development plans for south Tenerife and south Gran Canaria were further advanced with the construction of a 220 kV line between the Granadilla power station and the future Vallitos 220/66 kV substation, and the start of work on the 220 kV line between the Barranco de Tirajana power station and the future Santa Águeda 220/66 kV substation.

Lastly, the execution of the Medium-Voltage Grid Remote Control Plan led to the installation of 157 new remote-control points.

- In Aragon, highlights included the start up of the new Venta del Aire and Huesca Airport substations. In addition, 8 substations were extended and 9 new transformers came on stream, providing total capacity of 340.5 MVA. Also of particular note was the injection of 150 MVA extra power from the transmission grid at the Sabiñánigo substation. Work was also carried out on the planned infrastructure to power the Expo 2008 in Zaragoza.

Lastly, the development of the Medium-Voltage Grid Remote Control Plan meant that 83 new remote-control points to be installed.

01.2.5. Continuity of supply

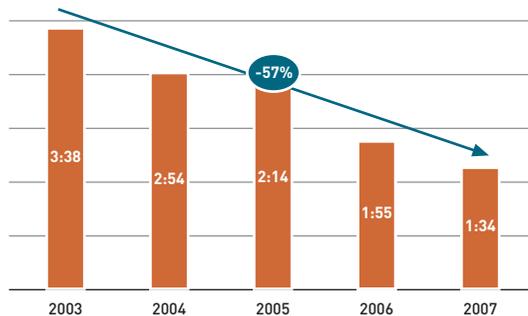
In 2007, ENDESA achieved the highest level of quality of supply in its history, beating the sector average.



The indicator which measures the continuity of supply is the Average Interruption Time, and the procedure for calculating this is regulated by Royal Decree 1955/2000. The results are audited annually by an outside company. In 2007, the Average Interruption Time for the markets supplied by ENDESA was 1 hour 45 minutes, 10 minutes (8%) less than in 2006. The Average Interruption Time includes all possible causes of interruption, including those originating from facilities owned by Red Eléctrica de España (REE), as occurred in the supply incident recorded in Barcelona on 23 July 2007. Stripping out this effect, ENDESA's Average Interruption Time was 1 hour 34 minutes, an 18% improvement on 2006. This implies availability of service equal to 99.98% of total hours for the year.

In the regions of Spain where ENDESA is the main distributor, the best Average Interruption Time was recorded in the Canary Islands (52 mins), followed by Catalonia (1 hour 12 mins), Aragón (1hour 13mins), the Balearic Islands (1hour 36 mins) and Andalusia (2 hours 5 mins). These figures represent improvements of between 50% and 70% in relation to the service quality levels seen in these regions five years ago.

TOTAL AVERAGE INTERRUPTION TIME PERFORMANCE IN ENDESA'S MARKETS IN SPAIN (hh:mm)*



* Does not include the transmission incident which occurred in Barcelona in July 2007, as this was attributable to Red Eléctrica de España (REE), and involved Average Interruption Time of 11 minutes. 2005 data did not include the effect of hurricane Delta because of its exceptional nature. If it were included then the 2005 Average Interruption Time would have been 2 hours and 44 minutes.

Many of the cities served by ENDESA enjoy levels of service quality on a par with the best in Europe. Additionally, all the provincial capitals the Company supplies had an interruption time of less than one hour, and Teruel, Las Palmas de Gran Canaria, Almería and Huesca all had an interruption time of less than 20 minutes in 2007.

01.2.6. Quality Policy

General Quality Plan

During 2007 Endesa Red continued to roll out its General Quality Plan, begun in 2003, which encompasses the investment plans and management improvement projects for the Company's distribution infrastructure.

Of these, the Organisational Efficiency Plan deserves particular mention. Its objective is to increase the profitability of the business, containing costs through organisational measures and maintaining an integrated focus on operational efficiency.

In addition, a number of projects were undertaken aimed at improving the continuity of supply, these included:

- The Micro Plan, which is causing a qualitative leap in reliability levels at substations through an innovative approach to defining maintenance strategies.
- Meta Project, which improves incident-response times and is integrated into the new Daily Management System, "TiC:TaC powered by Lean".
- Formula 1 Project, aimed at reducing interruptions in supplies caused by scheduled grid work.

In addition, major efforts have been made to raise the quality levels of the other services that the Company provides for its customers. Two initiatives are of particular importance:

- The Technical Services Management System, which covers all distribution operations involving interacting with customers: meter-equipment management, supply agreements, telephone help lines to report power cuts, response to new customer applications, etc.
- Nabla Project, which aims to optimise the process of building new grid facilities and their start up with zero defects through the application of Lean Operations methods, in which Endesa Red is a global benchmark.

Finally, 2007 saw the launch of two new initiatives within the framework of the General Quality Plan:

- The first-time application of the Supplier Integration Scheme, which was developed in 2006 as a new model for dealing with contractors and equipment suppliers. This application has had a positive effect on the framework contracts governing MV/LV, substations and HV lines which together are responsible for contracting worth over Euro 400 million a year, and are resulting in notable improvements in various quality indicators.
- The creation of the Distribution Clearinghouse, a virtual forum for ENDESA's technical experts in the various areas of distribution who work in Spain, Argentina, Brazil, Chile, Colombia and Peru to exchange views, spread best practice and increase their knowledge. October 2007 saw the launch of this initiative at ENDESA's International Distribution Congress; 'Conecta 2007', in Madrid.

01.2.7. ENDESA in the deregulated market

The Spanish electricity market is fully deregulated, with all customers able to choose their own suppliers. However, the true deregulated market, i.e. the one made up of those customers who have actually exercised this right, accounted for 27.2% of the total market, measured in energy terms, at the end of 2007.

ENDESA supplied a total of 36,611 GWh to these customers; giving it a 52.6% share of the deregulated market, a fall of 3% age points on the previous year's figure. It is worth noting that the Company's market share in those areas not covered by its distribution grid rose by 21%.

As of 31 December 2007, ENDESA had 1,147,180 customers in the deregulated market, a rise of 69,374 on 2006.

ENDESA has a wide network of face-to-face customer service points, with 40 sales offices and 387 service points in areas where it operates as a distributor and 4 sales offices and 49 service points outside its distribution markets.

Customer Service Excellence Plan

In 2007, the Customer Service Excellence Plan, originally launched in 2003, had two main focuses: continued improvement of those processes most relevant to customers (contracting, complaints, after-sales care) and becoming the benchmark for "best market practices" in customer service (developing a customer relations model, identification of key quality differentiation factors and preparing a community relations plan).

The main results obtained during the year were as follows:

- The activation time for new domestic and small business gas customer contracts in the deregulated market was reduced by over 40%.
- 96.8% of complaints in the sales cycle were resolved within the expected time frame, a 2% age point improvement on 2006.
- Residential customer service coverage in those areas in which ENDESA has traditionally had a lower presence increased substantially with the opening of 20% more service points.
- Overall satisfaction of domestic customers in the deregulated market was 7.91 out of 10; 3 tenths higher than its competitors.
- 9 out of 10 customers declared themselves satisfied with ENDESA's call centre service.
- ENDESA's personalised sales network for large customers obtained a rating 5% higher than that of its competitors.

Customer service channels in 2007

In 2007, ENDESA continued enhancing and improving its customer service channels, integrating face-to-face customer service at sales offices and service points, call centres and online customer service, with the aim of standardising the service customers receive in all their contact with the Company. ENDESA also continued to follow its Customer Service Excellence Plan.

Supply-wise, ENDESA has set up a regional channel structure to respond to the needs of its customer base, designed to handle the features of each segment within it: Large Customers, Companies, New Construction and General Public.

In 2007, the Company's face-to-face customer service network continued to widen its regional coverage and reach, with 46 sales offices and 428 service points, over 10% of which are in regions in which ENDESA does not act as a distributor.

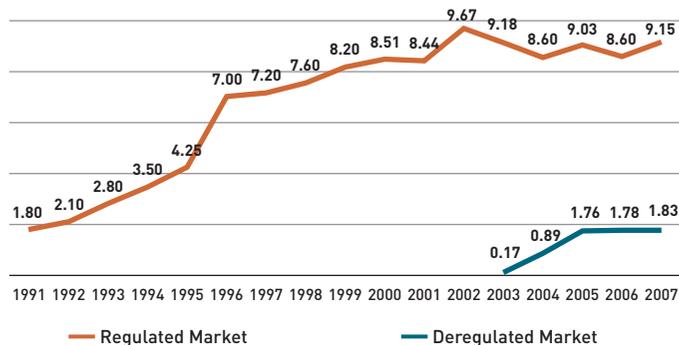
	Sales Offices	Service Points	Total Points
Aragon	6	29	35
Catalonia	7	156	163
Balearic Islands	3	24	27
South	23	142	165
Canary Islands	3	30	33
Own Market	42	381	423
Other Markets	4	47	51
Total	46	428	474

22,000 repairs and 147,000 maintenance jobs were carried out in customer homes and premises through this network, an increase of 356% on 2006, due to the considerable growth in the number of products, suppliers and customers.

ENDESA's Call Centre dealt with 11.5 million calls relating to sales issues and technical supply problems, 6% more than in the previous year. ENDESA's Call Centre consists of three physical locations (one in Seville and two in Barcelona) integrated within a single virtual platform. This structure affords the Company greater flexibility in managing the service and ensures quality remains high while optimising operating costs. In 2007, the level of customer service improved significantly in terms of average wait time ratios and abandonment rates.

In particular, the excellent response of the Call Centre during the Barcelona power cuts on 23 July 2007, when it was able to increase capacity in record time to attend 70,000 complaints with very little difficulty.

1991 CALLS HANDLED BY ENDESA'S CALL CENTRE
(Millions of calls)



Lastly, in 2007 ENDESA redesigned its online sales channel to make it accessible to all users, including the disabled. The audit carried out by Technosite certified accessibility according to international guidelines WCAG1.0 of W3C/WAI with Double A level conformance.

In addition, new features were added to the online office, such as digital billing for all customer segments. Customers can access the website — www.endesaonline.com — via most mobile handsets and find out about what ENDESA has to offer or to view their contracts or bills.

Endesaonline is the market leader in terms of the number of different transactions that customers can carry out online. By the end of the year, 230,000 customers had registered for the service, making over 2,400,000 transactions and queries over this channel: 20% up on 2006.

Measurement of perceived quality

During 2007 ENDESA continued to develop various initiatives to ascertain the degree of customer satisfaction with its products and services and the customer services it provides through all its communication channels. To this end, the Company carried out 54,800 telephone interviews with customers and more than 1,200 audits in its sales offices and service points in Spain.

This research showed that the overall level of customer satisfaction was 7.54 out of 10 and satisfaction with supply was 7.93 out of 10. With regard to meter reading, billing and collection, customers awarded ENDESA 7.65 out of 10. Furthermore, 76% of customers interviewed said that they would remain loyal to ENDESA.

Customer service quality scored 8.42 out of 10 at sales offices and 7.49 out of 10 at service points. ENDESA's image was given a rating of 7.53 out of 10.

01.2.8. ENDESA's Customer Ombudsman

ENDESA's Customer Ombudsman works independently of the Company's management teams and was appointed to provide customers with an additional means of dialogue in connection with the services that ENDESA provides in the Spanish market; to listen to the views of those wishing to address the organisation either from inside or outside; and to make recommendations as to new ways of discovering customer needs and expectations and methods of improving customer service. Since June 2005 ENDESA's Customer Ombudsman has been José Luis Oller Ariño.

In the course of last year, the Customer Ombudsman office handled 1,053 complaints, 44% of which it was able to resolve directly. The remainder, once they had been studied and initial contact had been made with the customers involved, were passed on for final processing to the usual service channels made available by the Company.

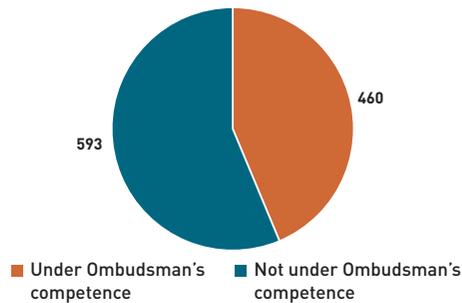
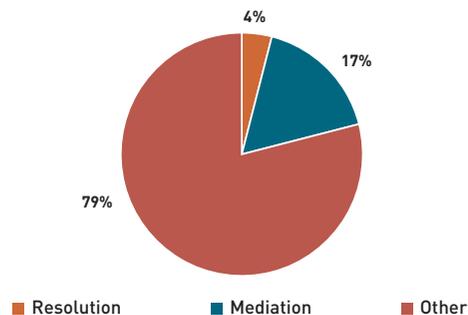
Of the complaints that met the requirements for being dealt with by the Ombudsman, 79% were handled and resolved by mediation between the Company and the customer; 17% were resolved by the Ombudsman, of which 66% upheld the customers' claims either fully

or in part; and the remaining 4% were withdrawn by the customer or for other reasons.

Of the complaints falling within the Ombudsman's direct remit, 43% related to issues of supply quality, 32% to contract and billing issues, and the remainder to other issues.

The Ombudsman's recommendations to the Company in 2007, largely dealt with making improvements to the way claims for compensation and recurring complaints are dealt with, and what information is provided to customers, particularly with regard to their rights and responsibilities. The Ombudsman also recommended that action be taken to inform customers about forthcoming regulatory changes in the gas and electricity markets.

Other activities carried out in 2007 focused on improved communications and relations between the Company and its customers. To this end, further Mediation working sessions and Communication and Customer Relations Days were held in all ENDESA's regional markets. The Ombudsman was also a driving force behind the creation of a forum for the Customer Ombudsmen of European energy companies and the organisation of a meeting to debate the EU's proposed European Charter on the Rights of Energy Consumers at which representatives of the major Spanish energy companies, various consumer associations and many European Customer Ombudsmen were all present.

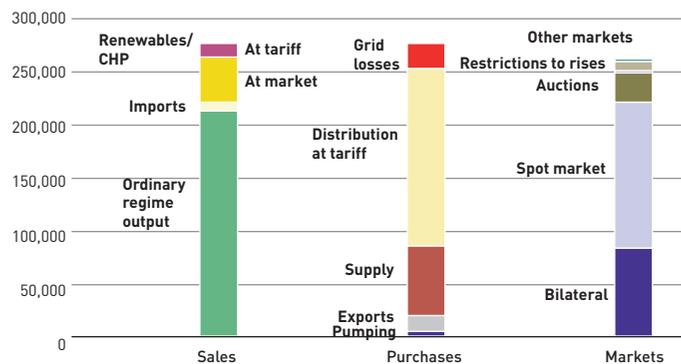
COMPLAINTS RECEIVED IN 2007

COMPLAINTS RESOLVED BY THE CUSTOMER OMBUDSMAN


01.3. ENDESA IN THE WHOLESALE MARKET

01.3.1. The Spanish electricity wholesale market in 2006

The Spanish wholesale market is divided into three types of market: the forward market managed by the Operador del Mercado Ibérico de Energía-Polo Portugués (OMIP); the spot and intraday markets managed by Operador del Mercado Ibérico de Energía-Polo Español (OMEL); and the operations markets managed by Red Eléctrica de España (REE), designed to provide the necessary reserves to meet

SALES AND PURCHASES IN THE MAINLAND MARKET IN 2007 (GWh)



demand and other ancillary services. In addition to these organised markets, market agents can directly enter into financial contracts to lock in prices, for example direct supply contracts between producers and customers.

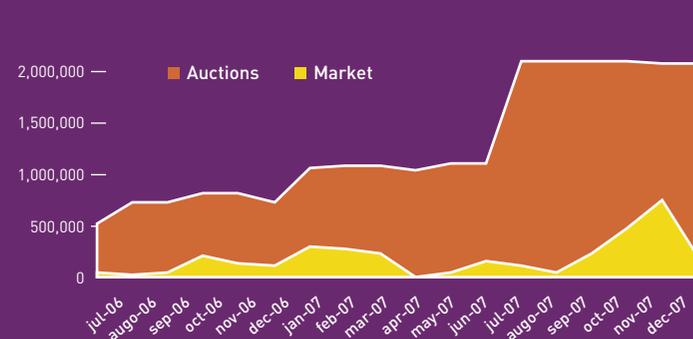
In 2007, a total of 260,120 GWh (in busbar cost) was produced in Spain, after the 10,590 GWh of pumping consumption was removed and the balance of imports included. This constitutes the entire energy supply available for sale to end customers through distributors and suppliers; for export; and to cover the consumption of the system itself (grid losses, auxiliary consumption by power stations; and pumping consumption).

The way in which these supplies are contracted in the wholesale market underwent a radical change in 2007 compared with the previous year, with distributors no longer entering into bilateral contracts with suppliers belonging to the same business group, in accordance with Royal Decree 3/2006.

SPANISH OTC DEALS (2003-2007)



OMIP TRADING VOLUMES (MWh)



In 2007, 50% of energy supplies were obtained in the OMEL spot market, 30% from bilateral contracts, 11% from auctions (EPEs and Cesur), 4% in REE operations markets and the rest, some 5% of output, was acquired directly from distributors at the renewables/ CHP tariff rate.

OTC forward contracting has been carried out simultaneously with the OMEL market since 2001, through the sale and purchase of swaps using the OMEL spot market as the benchmark and liquidation index. Market instability created by regulatory changes led to major fluctuations in the volumes traded each month in 2007. As a result the need to hedge positions originated in auctions (EPEs and Cesur) contributed to an increase in trading volumes, with a record high being reached during the year of 41,600 GWh.

OMIP opened for business on 1 July 2006, and in 2007 25,200 GWh in forward contracts were traded. A significant part of the trading stemmed from the requirement imposed on distributors to acquire 10% of demand on this market, which takes the form of two monthly energy auctions. All other trading is continuous.

Electricity auctions in the wholesale market

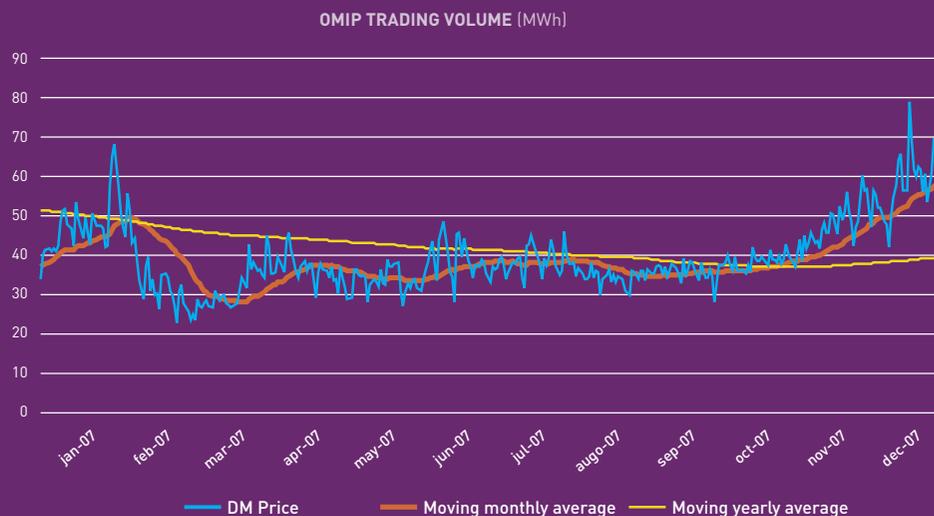
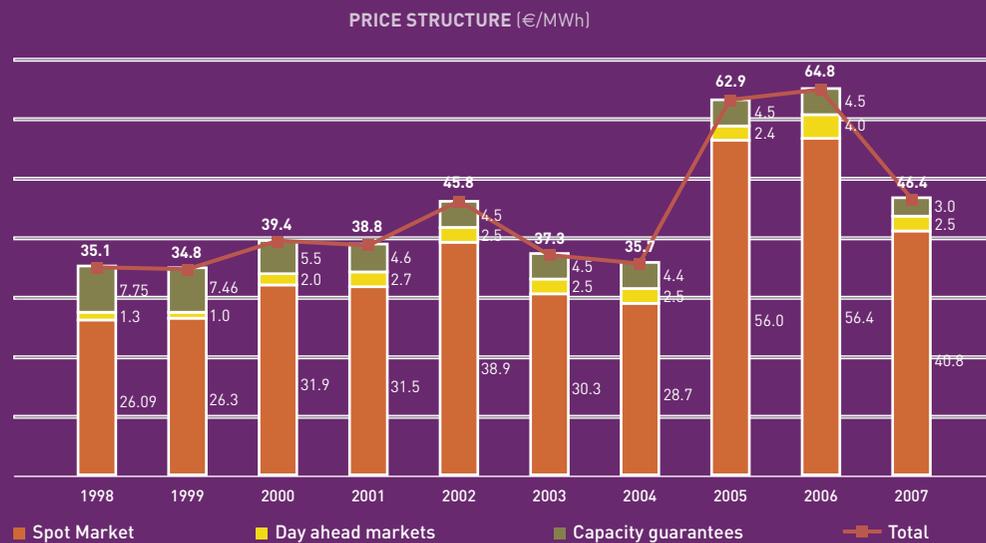
Royal Decree 1634/2006, of 30 December, relating to the 2007 tariff, requires the two main market operators to make primary energy emission auctions (VPPs). ENDESA has to auction up to 1,000 MW of its capacity at its maximum volume of energy emissions. This is the most important operation made by ENDESA in the forward electricity markets. Three auctions took place in 2007, for increasing amounts of power and time periods of up to 12 months.

In addition, the Ministry of Industry, Tourism and Commerce Order of 26 February 2006 regulates auctions for the supply of power to distributors, as a mechanism for fixing future prices. The distributors buying energy at these auctions were, by %age purchases, ENDESA (35%); Iberdrola (35%); EDP (12%); Unión Fenosa (11%), Hidrocarbónico-EDP (4%); Viesgo-Enel (3%).

Three auctions for distributors were held in 2007:

- The first took place on 19 June 2007, with energy delivered in the third quarter of 2007. 6,500 MW (14.3 TWh) were awarded at a base price of Euro 46.27/MWh. ENDESA was awarded 1,420 MW (3.1 TWh), 22% of the energy auctioned.
- The second bidding period closed on 19 September 2007, with energy delivered in the final quarter of 2007. 6,500 MW (14.4 TWh) were awarded at a base price of Euro 38.45/MWh. ENDESA was awarded 550 MW (1.2 TWh), 8.5% of the energy auctioned.
- The third closed on 19 December 2007, with the energy delivery planned for the first quarter of 2008. 6,500 MW (14.2 TWh) were awarded at a base price of Euro 64.65/MWh. ENDESA was awarded 860 MW (1.9 TWh), 13% of the energy auctioned.

Capacity auctions were also held in Portugal, similar to the VPPs in Spain, with REN and EDP as sellers. ENDESA took part in these auctions, buying approximately 50% of the energy on offer.



Electricity prices in the wholesale market

The weighted average price on the spot market was Euro 40.83/MWh in 2007, far less than in 2006, which closed at Euro 56.4/MWh. Last year monthly prices fluctuated between Euro 30.2/MWh in March and Euro 60.3/MWh in December, which priced in expectations of a price increase in 2008 due to rising CO2 prices. In 2007, with stranded costs of day-ahead markets adding Euro 2.50/MWh to the average price and capacity guarantees Euro 3.03/MWh, the final year-end price was Euro 46.4/MWh: 28.6% lower than in 2006. This fall was largely due to the drop in CO2 prices, which, in the first application of the European Trading Scheme (ETS), stood at Euro 0.02/MWh.

ENDESA's sales and purchases in the wholesale market

In 2007, ENDESA sold 75,727 GWh on the wholesale market; 28.4% of total mainland energy supply (output in ordinary regime, renewables/CHP output and imports).

Almost 58% of sales was from bilateral contracts, including 5,755 GWh from auctions (EPEs and Cesur); and the remaining 42% came from the OMEL and REE markets.

Bilateral contracts with suppliers grew 10% in 2007. At the same time, forward contracts effected via capacity auctions and for purchases by distributors (EPE and Cesur respectively) accounted for 7.6% of sales.

ENDESA acquired 102,723 GWh on the wholesale market, of which 36% went to supply, 61% to distribution and the rest to pumping consumption (1%) and exports (2%).

01.3.2. CO₂ market: compliance with ETS commitments.

In 2007, ENDESA continued to apply its environmental policy within the framework of EU regulations for emission rights trading (ETS) to comply with the objectives of the Kyoto Protocol.

ENDESA plays an active role in the main European markets (NordPool, Powernext and ECX) and has accounts open in registers in Denmark, France and Spain (Renade) to optimise the management of its emission-rights position.

As referred to earlier, CO₂ prices collapsed in 2007, dropping from Euro 6.45/tn at the end of 2006 to Euro 0.02/tn in December 2007. This sharp fall was due to excess supply of emission rights resulting from the generous allocations contemplated in the National Allocation Plans of some European countries.

ENDESA's allocation of CO₂ emission rights under the Spanish National Allocation Plan for emissions (NAP) was Euro 36.9 million for 2007. This allocation, which was insufficient to begin with, added to the low hydro output for in year, led to the Company to consume more emission rights than it had been allocated. ENDESA took advantage of the low CO₂ prices to buy all its needs in the various markets in which it operates and made bilateral contracts with other Spanish and international players.

In order to meet the requirements of the second period of ETS allocation (2008 to 2012), the Company is taking part in various international projects to reduce emissions (Clean Development Mechanisms or CDMs), which should enable it to comply with a large part of its acquired obligations by reducing emissions in third countries.

ENDESA SALES AND PURCHASES IN 2007 (GWh)



PRICES OF CO₂ EMISSION RIGHTS ETS PHASE I



Fuel procurement

In 2007, demand for imported coal held firm due to the collapse of CO2 prices, referred to above, which made coal-fired plant production more competitive than that of CCGT plants.

As a result, ENDESA struck one-year forward contracts through its subsidiary Carboex for supplies from certain countries (Colombia, South Africa), along with shorter term and spot contracts. Of particular note was the fixed price for the next three years' supplies from P.T. Adaro, made on very favourable terms taking into consideration the price rises seen in the last few months of the year. Following the general market trend, price indexing using the API 2 and API 4 indices was quite common, which fostered hedging operations in financial markets.

The total supply of ENDESA and Gesa Generación was 10.4 million tonnes of coal and 0.25 million tonnes of coke, and 227,000 tonnes for third parties.

Carboex supplied 1.693 million tonnes of fuel and 1.121 million tonnes of gas oil to ENDESA in 2007, which was a reduction of 3.2% and 7.1 % respectively on last year, due to the lower consumption resulting from the reduced demand for electricity.

Endesa Generación managed 1.53 bcm of gas for CCGT consumption and 0.13 bcm for consumption by bi-combustible thermal power plants. Gas supply carried out by Carboex to supply Endesa Energía was 2.67 bcm and the volume of supply to third parties was 0.0/8bcm. El suministro de gas realizado por Carboex para comercialización a Endesa Energía fue de 2,67 bcm y el volumen de comercialización con terceros ascendió a 0,08 bcm.

DE FUEL SUPPLY TO ENDESA, INCLUDING OWN PRODUCTION

	2007	2006	% Chg.
Domestic coal (Thousand tonnes)	7,413	9,620	-22.9
Imported coal (Thousand tonnes)	10,411	10,574	-1.5
Oil coke (Thousand tonnes)	266	254	4,7
Liquid Fuels (Thousand tonnes)	2,934	2,921	0.4
Natural gas (million m ³)	1,660	1,508	10.1
Natural gas for combined cycle plants (million m ³)	1,532	1,238	23.7

One of the biggest successes of 2007 in gas procurement was to obtain a very competitive price within a market of rising prices: the average price of ENDESA's supplies was 2.5% less than in 2006, while the benchmark gas price in Spain (CMP) rose by over 11%.

Finally, 2007 saw the start of operations at the Reganosa gas plant and its supply of the As Pontes CCGT plant.

01.3.3. Risk management in the electricity business

Results of the electricity business in Spain and Portugal are subject to uncertainty because of their exposure to electricity, fuel and CO₂ emission rights markets, etc. ENDESA's Energy Management Department is responsible for ensuring that the business margin targets set are achieved within the risk limits established by the Spanish and Portuguese Risk Committee.

Risk limits are applied both to aggregate risk measurements (margin at risk or maximum portfolio loss permitted) and to individual risk measurements (commodities or counterparty credit risk exposure).

In 2007, an excellent balance was achieved between margin and risk in a situation of unfavourable prices and great uncertainty. This was largely thanks to good regulatory risk evaluation and integrated portfolio management in forward markets for a period of no less than three years.

The strategy of selling electricity through the various forward power sales channels reduced the impact on income of the heavy fall in prices (down 28.3% on 2006). In fuel markets, the management of prices, coordinated with electricity sales, mitigated the effects of the general spike in prices experienced at the end of last year.

In the CO₂ emissions rights markets, ENDESA has an extensive portfolio of CDM and JI projects which will generate sufficient ERCs at competitive prices for 2008-2012, which are intended to guarantee coverage of part of the emissions deficit expected in this period and thereby reduce the risk associated with this market.

01.4. ENDESA'S ACTIVITIES IN THE PORTUGUESE ELECTRICITY SECTOR IN 2007

In the Portuguese electricity market where it operates under the Endesa Portugal brand, ENDESA mainly focuses on the generation and supply of electricity in the deregulated market.

01.4.1.

ENDESA Generación has a 38.9% stake in Tejo Energía, the company which owns the Pego coal-fired thermal plant. This 600 MW plant is one of the largest in the country and has pre-sold its energy long term to the Portuguese grid. In 2007 it produced 3,500 GWh and made a major Euro 120 million investment in a desulphuration plant to comply with environmental standards on combustion gases emission.

Also in 2007, Tejo Energia obtained a licence to build and operate a 800 MW CCGT plant in the Tajo region, near to Abrantes; a project which involves a total investment of Euro 500 million and is slated to begin operating in 2008. The company has completed the tender process for this plant, which consists of two 400 MW units, with ENDESA owning 50% of each.

In addition, ENDESA and Sonae, one of Portugal's largest industrial groups, jointly (50/50) own Sociedade Térmica Portuguesa, the Portuguese CHP energy market leader with capacity of 58.6 MW in CHP and renewables. ENDESA also wholly owns Finerge, which at the end of 2007 had gross capacity of 233 MW in operation, 290 MW under construction and 36 MW in renewable energy plants under development.

In addition the year saw the construction and start up of the first 132 MW of the 1,200 MW contract awarded by the Portuguese government via tender to the Eólicas de Portugal consortium in which ENDESA has a 20% stake through its shareholding in Termica Portuguesa y Finerge. The first installation was opened in November in Viana do Castelo.

The complete Eólicas de Portugal project entails investment of over Euro 1,500 million between 2007 and 2011 to develop 48 wind farms with capacity of between 20 and 25 MW and the resulting creation of 1,500 new jobs.

Three wind farms in which ENDESA has a stake came into service in 2007:

	Gross MW	Type
Azinheira	14	Wind
Almargem	6	Wind
Alto Minho	132	Wind
Total	152	

01.4.2. Supply in the deregulated market

ENDESA operates in the deregulated Portuguese market through Sodesa (the result of a 50/50 joint venture between ENDESA and the Portuguese industrial group, Sonae), which had a portfolio at the end of the first half of 2007 comprising 3,648 supply points and around 2,800 GWh of contracted energy, making it the country's number one supplier.

However, due to restrictions in the international interconnection between Portugal and Spain which have occurred since the MIBEL opened in 2007 and the unfavourable tariff revision carried out by the Portuguese regulator in September, ENDESA has substantially reduced its operations in the Portuguese market, and closed the year with around 2,500 supply points and 700 GWh/year of contracted energy.

In 2007, ENDESA and the energy regulator ERSE (Entidad Reguladora de Servicios Energéticos) collaborated on the distribution of energy-efficient light bulbs to over 70,000 families, achieving savings of over 7.2 GWh/year and promoting energy efficiency among households.

01.5. GAS BUSINESS IN SPAIN

ENDESA is present in both the regulated and deregulated markets of the Spanish gas sector. The Company has significantly increased its presence in this business in recent years, reaching a particularly strong position in combined electricity and gas sales to end customers.

01.5.1. The Spanish natural gas market in 2007

The Spanish natural gas market continued to grow at the same rate in 2007 as it had in 2006, posting total sales of 408,000 GWh, an increase of 4.3%. Gas consumption rose 7.6% in the deregulated market and gas used for electricity generation went up by 5.5 %, whilst in the regulated market demand fell 11.6%. The deregulated market accounted for 54% of total sales, the regulated market 11% and electricity generation 35%.

99.7% of total Spanish market demand was covered by imports: 37% from Algeria; 24% from Nigeria; 13% from Persian Gulf countries; 11% from Egypt; 6% from Trinidad and Tobago; 6% from Norway and 3% from Libya.

01.5.2. ENDESA in the Spanish natural gas market

ENDESA is present in all three areas of the gas business in Spain: supply to deregulated customers; distribution, transmission and supply to regulated customers; and the receipt, storage, regasification and transmission of liquid natural gas.

Gas sales in the deregulated market

Conventional deregulated market

As of 31 December 2007, ENDESA's customer portfolio in the conventional deregulated gas market (excluding sales for electricity generation) consisted of 446,131 supply points, with annual contracted consumption of 43,000 GWh vs. 33,000 GWh in 2006, an increase of 30%.

ENDESA supplied a total of 30,085 GWh in the year as a whole; this was an increase of 13.7% on 2006 and gave the Company a 13.7% market share.

Electricity generation market

Natural gas sales to electricity generation plants (bi-combustible and CCGT plants) amounted to 9,250 GWh in 2007. ENDESA's share

of the whole Spanish deregulated market (including the generating market) rose to 13.6%.

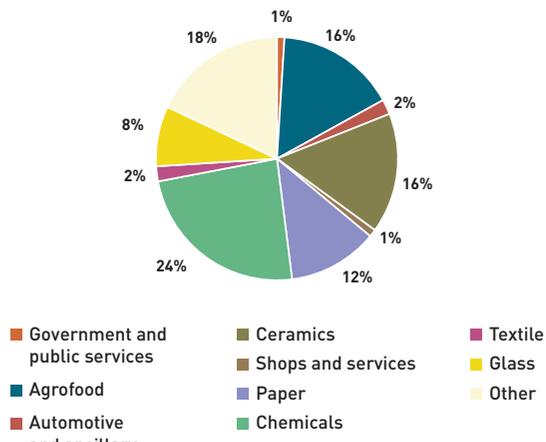
ENDESA in the regulated gas market

ENDESA is active in the Spanish gas distribution sector through the wholly own subsidiary Endesa Gas, the umbrella for ENDESA's natural gas distribution and tariff sales business interests in Spain.

Distribution areas and markets served

Endesa Gas operates in seven Spanish regions and is authorised to distribute piped gas in over 250 towns and cities. At the end of 2007, Endesa Gas supplied gas to 375,897 consumers, distributing 7,092 GWh of energy and making sales of 2,456 GWh. These figures show growth of 7% in the number of consumers and an increase of 5% in terms of volume of energy distributed versus 2006.

ENDESA'S GAS PORTFOLIO IN THE DEREGULATED MARKET BY SECTOR. 2007



Endesa Gas holdings in gas companies

Endesa Gas distributes natural gas through its stakes in the companies: Gas Aragón (Aragon, 60.67% holding); Distribuidora Regional del Gas (Castilla/León, 45% holding) and D.C. Gas Extremadura (47%). It also operates through Gesa Gas (Balearic Islands); Endesa Gas Distribución (Andalusia and Castile-La Mancha) and Gas Alicante (Valencia region), which are wholly-owned companies.

	Consumers	GWh
Gas Aragón	186,334	3,565
Gesa Gas	90,438	550
D. Regional del Gas	21,184	1,684
D.C. Gas Extremadura	49,584	979
Endesa Gas Distribución	22,096	239
Gas Alicante	6,261	74
Total*	375,897	7,091

* Data as of December 2007.

Transmission and distribution infrastructure

ENDESA is present in the natural gas transmission sector through Endesa Gas Transportista, S.L. (wholly-owned subsidiary); Transportista Regional del Gas, S.A. (in which it has a 45% stake) and Gas Extremadura Transportista, S.L. (in which it has a 40% stake). Together, these three companies operate 371 km of the transmission grid.

ENDESA currently has several gas pipelines either under construction or in the project stage which will increase its transmission network to 770 km by the end of 2008.

In 2007, Endesa Gas' distributors built 468 km of pipeline, taking its distribution network in Spain to 3,771 km, a 14% increase on the previous year.

	km built in 2007	Total km in 2007
Gas Aragón	132	1,407
Gesa Gas	34	704
D. Regional del Gas	32	336
D.C. Gas Extremadura	82	588
Endesa Gas Distribución	169	591
Gas Alicante	19	145
Total	468	3,771

* Data as of December 2007.

Gas pipelines which came on stream in 2007 included: Cella-Calamocha (57 km) and Villafranca-Jerez de los Caballeros (59 km).

Receipt, storage and regasification projects

ENDESA is involved in two liquid natural gas (LNG) receipt, storage and regasification plants which are currently in operation:

- *Reganosa* in Mugardos (La Coruña), in which it holds a 21% stake. The plant has a 130 km gas pipeline, storage capacity of 300,000 m³ of LNG and a natural gas regasification capacity of 412,800 m³/(n)/h (3.6 bcm/year).
- *Sagunto*, S.A. regasification plant in Sagunto (Valencia), in which it has a 2% stake. The plant has a storage capacity of 300,000 m³ of LNG and a natural gas regasification capacity of 800,000 m³/(n)/h (7 bcm/year). Work is currently underway to increase storage capacity by 150,000 m³ of LNG and natural gas regasification capacity by 200,000 m³/(n)/h. The planning applications to build a fourth LNG storage tank (150,000 m³) and a new LNG vaporiser (200,000 m³/(n)/h) are currently being processed.

The Company also involved with two LNG reception, storage and regasification plants being developed by C. T. de Gas Canarias (Gascan) in the Canary Islands, in which Endesa holds a 45% stake. At the moment the preliminary studies and groundwork are underway for the launch of these projects located in Gran Canaria and Tenerife, respectively. The Tenerife plant has been awarded a favourable Environmental Impact Statement by the Environment Ministry. Each of the plants has a planned storage capacity of 150,000 m³ of LNG and a natural gas regasification capacity of 150,000 m³/(n)/h (1.31 bcm/year).

In addition, ENDESA has a 12% holding in the Medgaz project; a direct gas pipeline between Algeria and Spain, via Almería, which will carry 8 bcm/year of natural gas.

02. BUSINESS IN EUROPE

02.1. ENDESA IN EUROPE: KEY DATA

ENDESA is one of the five leading electric utilities in Europe. Its presence in this market, outside of Spain and Portugal, is mainly concentrated in four countries: Italy, France, Poland and Greece, and the Company's activities in Morocco can also be added to this due to their strategic location in the Mediterranean basin.

ENDESA's strongest presence is in the generating business in Italy and France, and in the supply business in the deregulated markets of these and other European countries. The Company is also active in the continent's major wholesale markets and carries out cross-border electricity exchanges.

ENDESA entered the Greek market in March 2007, through a strategic alliance with the Greek group Mytilineos Holding: leader of the metallurgy and engineering sector in its home country. This alliance led to the setting up of Endesa Hellas, Greece's major independent energy operator, in which Endesa Europa has a 50.01% stake with the remaining 49.99% held by Mytilineos Holding.

At year end 2007, ENDESA's capacity in Europe stood at 9,990 MW, of which 7,156 MW corresponded to ENDESA in Italy and 2,817 MW to Endesa France and 17 MW to Endesa Hellas. Capacity increased by 215 MW during the year as a result of extra wind power capacity coming on stream: 188 MW in Italy; 10 MW from the Lehaucourt wind farm in France; and 17 MW from the Greek Sidirokastro wind farm. Endesa Europa also acquired the Alcamo (Sicily) wind farm, which is still under construction.

ENDESA's total European output in 2007 stood at 33,396 MW, of which 24,108 MW were generated in Italy, 9,273 MW by Endesa France and 15 MW by Endesa Hellas.

Sales totalled 52,517 GWh, of which 32,583 GWh corresponded to ENDESA in Italy, 19,919 GWh to Endesa France and 15 GWh to Endesa Hellas.

02.1.1. Italy

Generation Business

ENDESA has an 80% controlling stake in the generating company Endesa Italia following several share operations carried out since September 2001 when a consortium headed by ENDESA was awarded the Italian generator then known as Elettrogen. This consortium was made up of ENDESA (45%); SCH (40%) and the Italian company ASM Brescia (15%). Subsequently, ENDESA acquired SCH's holding, and at a later date sold 5.3% of it to ASM Brescia; this gave ENDESA 80% ownership of Endesa Italia and ASM Brescia the remaining 20%.

Endesa Italia is Italy's third largest generator, with capacity of 6,646 MW and market share of 7.2%. Its generation portfolio includes several thermal plants: Tavazzano (1,840 MW), Monfalcone (976 MW), Ostiglia (1,530 MW), Fiume Santo (1,040 MW) and Trapani (170 MW); the Terni (530 MW), Cotronei (369 MW) and Catanzaro (115 MW) hydroelectric plants and the Florinas (20 MW) Vizzini (24 MW) and Trapani (32 MW) wind farms.

ENDESA also has other generating facilities and investments in Italy. It has held 58.35% of Centro Energía Teverola and Centro de Energía Ferrara since 2006, both CCGT plants with a total capacity of 340 MW. Also, under a framework agreement signed with Gamesa in November 2004, ENDESA has acquired six wind farms providing a total capacity of 232 MW and which are already in operation, though two of these are still not working at full capacity. Finally, in July 2007, ENDESA acquired Alcamo wind farm in Sicily, which will have capacity of 30 MW.

ENDESA's total generation assets in Italy had a net output of 24,108 GWh in 2007, a drop of 6% on 2006, largely as a result of a slowdown in demand, low rainfall and increased imports into Italy. Sales were also down: at 32,583 GWh they were 3% lower than the previous year.

Thermal energy output in 2007

In 2002, a repowering programme began to convert Endesa Italia's thermal power plants to more energy-efficient and environmentally-friendly technologies, while also substantially increasing their capacity. As part of this programme, units 1, 2 and 3 of the Ostiglia plant and units 5 and 6 of the Tavazzano plant have already been converted to CCGT generation, and units 3 and 4 of the Fiume Santo plant have been converted to coal-fired generation.

In 2007, the Company continued with this programme and was awarded the Environmental Impact Statement for the conversion of units 3 and 4 at the Monfalcone plant (each of 400 MW) to CCGT generation. Also, in the first few months of 2008 the desulphurisation systems of units 1 and 2 at this same plant came on line.

Additionally, in 2007, Endesa Italia obtained the construction permit for a 400 MW CCGT plant on the Tavazzano site.

Renewable energies business in 2007

There was a large increase in ENDESA's renewables capacity in Italy in 2007.

Adding to the wind farms of Florinas (20 MW), Iardino (14 MW) and Vizzini (24 MW) already in service, in 2007 the Trapani (32 MW), Montecute (44 MW), Poggi Alti (20 MW), Marco Aurelio Severino (44 MW), Piano di Corda (52 MW) and Serra Pelata (58 MW) wind farms also started operations. The Montecute, Poggi Alti and Marco Aurelio Severino wind farms were acquired from Gamesa in 2006, and Piano di Corda and Serra Pelata in January 2007. The real operating capacity of the Piano de Corda and Serra Pelata wind farms at year-end was 6 MW and 42 MW, respectively; in other words, they have yet to reach their maximum capacity.

Additionally, in July 2007, ENDESA acquired 100% of Merwind, owner of the 30 MW wind farm in Alcamo (Sicily) which is currently at development phase.

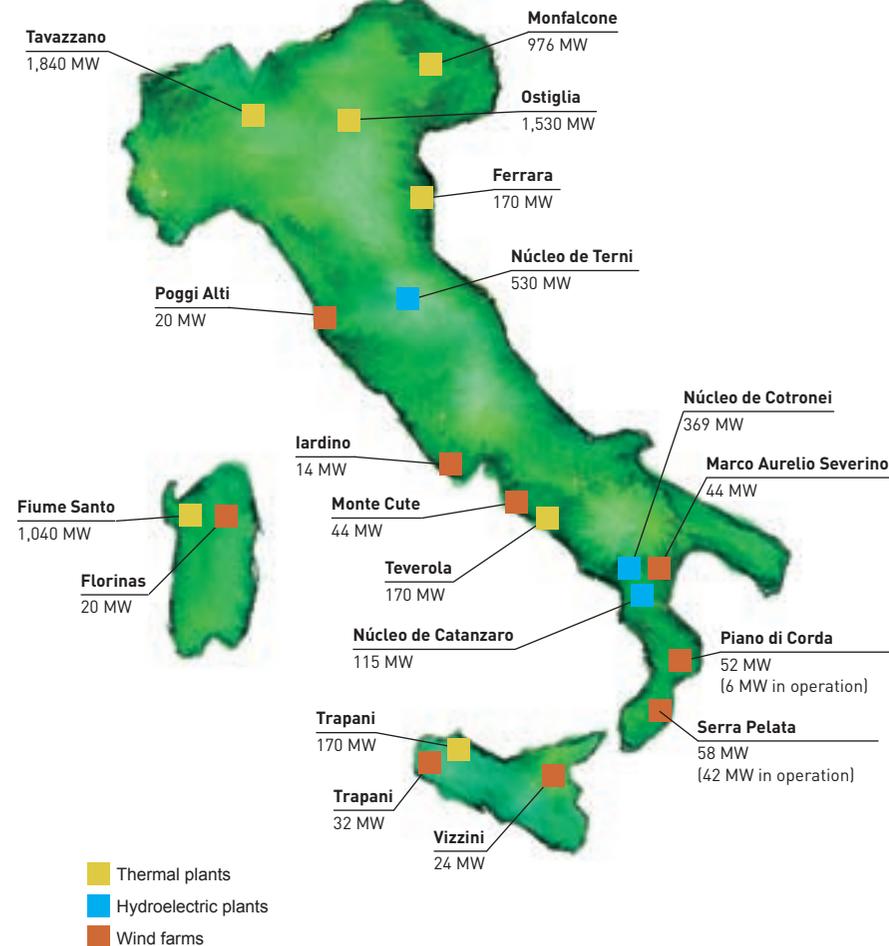
Elsewhere, during the year ENDESA continued to produce electricity from the co-combustion of animal flour and olive waste products in the coal units at the Monfalcone plant.

Supply business

ENDESA has a strong position in the electricity supply business in Italy through its holdings in three companies.

Since 2006, it has held a 50% stake in MPE Energía, which supplies electricity to residential customers and which had sales of 3.300 GWh in 2007. The remaining 50% is owned by Merloni Progetto Energia. With the aim of taking advantage of the opportunities

ENDESA ITALIA POWER PLANTS



created by deregulation of the Italian domestic market, in 2007 MPE Energía launched a major marketing campaign to attract new customers and maintain the loyalty of existing ones. In December, the Company approved a Euro 30 million rights issue, which will take effect in 2008, with ENDESA contributing Euro 15 million.

ENDESA also has a 50% stake in energy supplier Ergon Energía, which sold 10,216 GWh in 2007 (a 50% rise on 2006). The remaining 50% of this company is owned by ASM Brescia.

Finally, Endesa Europa Power & Fuel, an energy supply company wholly owned by Endesa Trading, had sales of 4,145 GWh in 2007.

Other ENDESA Europa projects in Italy

The preliminary work for the construction of the Scandale plant, started in 2005, continued in 2007. This plant is owned by Ergosud S.p.A., which is jointly owned (50/50) by Endesa Europa and ASM Brescia. This plant has two CCGT units, each of 400 MW, producing electricity and heat.

In addition, since 2006, ENDESA has held a stake in the company, OLT Offshore LGN Toscana S.r.L., owner of the projected Livorno regasification terminal, which will give it the rights to 1.5 bcm of gas from 2008. All the necessary authorisation has been granted to enable the execution of this project. In July 2007, OLT Offshore LGN Toscana S.r.L. held a rights issue. As a result of this, ENDESA's shareholding increased from an initial 25.5% to 30.46%.

Endesa Italia Dividends

In January 2007, Endesa Italia paid shareholders a total dividend of Euro 216 million, of which Euro 173 million corresponded to ENDESA.

02.1.2. France

Generation Business

ENDESA holds a controlling 65% stake in the French generating company, Snet. It originally acquired a 30% shareholding in the company in 2002, adding a further 35% stake in 2004. Snet's other shareholders are Charbonnages de France (CdF) and Electricité de France (EdF). Snet, which began operating under the name Endesa France in December 2006, owns seven coal-fired thermal units in France with a capacity of 2,477 MW and a wind farm with capacity of 10 MW. The bulk of its output is sold to EdF. It also owns 69.58% of the Bialystok (Poland) CHP coal plant and 50% of the Turkish company, Altek.

New thermal plant sites

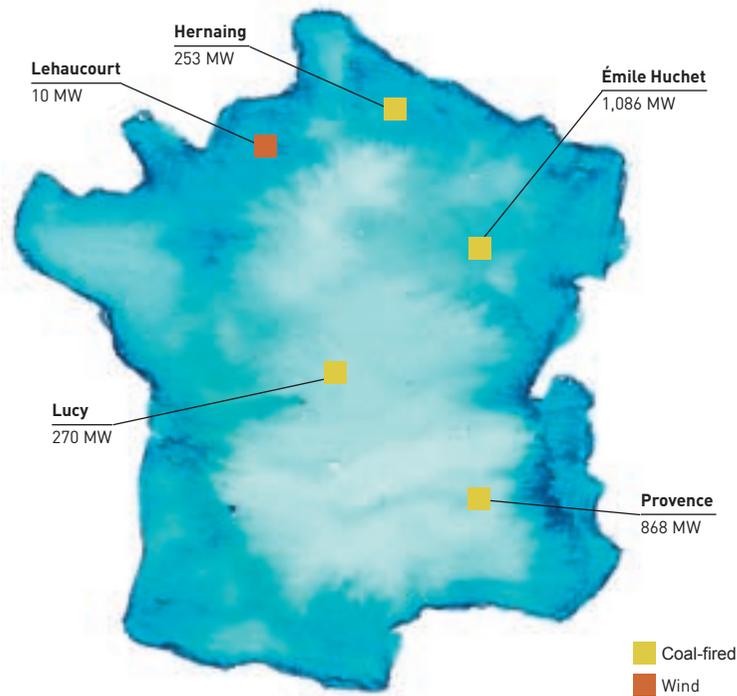
Snet's Industrial Plan, presented in 2005, included the target of reaching 2,000 MW of CCGT capacity by 2010.

To this end, Endesa France began construction on two 430 MW CCGT units at its Emile Huchet site in November 2007. In addition, the Company obtained the pertinent permits to begin construction of the new CCGT units at the new Lacq site, acquired in 2006, and at the existing site at Lucy. The Lacq site has two 430 MW CCGT units and the Lucy site has one 430 MW unit. These come in addition to the permit obtained at the end of 2006 to construct a combined cycle unit, also of 430 MW, at Hornaing. The official request for a construction permit for the existing Provence site is still being processed.

These new units will allow Snet to diversify the fuels used by its generation plant introducing natural gas and compensating for the closure of the Lucy 3, Hornaing 3 and Émile Huchet 5 units, scheduled to occur before 2015.

In addition, the Company signed an agreement in 2006 to acquire and reserve a site in the port of Le Havre which is ideal for the construction of a supercritical coal-fired plant.

SNET'S GENERATION MIX IN FRANCE



Desulphurisation and denitrification projects

2007 saw the construction of the desulphurisation and denitrification systems for two 600 MW units at the Emile Huchet 6 and Provence 5 plants completed. These systems will come into service in 2008, which will allow Snet to comply with the EU Directive limiting the emissions produced at large combustion facilities.

Wind energy

One of the objectives of Snet's Industrial Plan is to obtain 200 MW of renewable energy capacity by 2010.

To help reach this target, the Lehaucourt (10 MW) wind farm began commercial operations in March 2007. In August 2007 work began on the Cernon (17.5 MW), Muzillac (10 MW) and Ambon (10 MW) wind farms, which are at an advanced phase of construction. The purchase of Aerodis was completed in October; this company has wind energy capacity of around 110 MW.

In addition, Snet has been granted the necessary permission to construct its Kergrist wind farm in Brittany (France), which will have a total capacity of 26 MW.

As a result of these initiatives, Snet's wind power capacity in operation, construction and development is over 200 MW.

Snet's holdings in other companies

In December 2007, Snet agreed the purchase from EdF of an additional 55% of Soprolif (a French company which owns a circulating fluid bed plant with capacity of 250 MW), in which it already had a 45% stake. The deal was closed on 14 February 2008 once the relevant authorisation had been given. As a result, Soprolif is now wholly owned by Snet.

Snet also holds a 69.58% stake in the company that owns the Polish CHP plant at Bialystok; the rest of the share capital belongs to the Polish government. Bialystok has capacity of 178 MWe and 468 MWt, equivalent to 330 MWe. Lastly, Snet and the Turkish group Alarko each own 50% of the Turkish company Altek with 40 MW of hydro capacity split among three plants and Purchase Power Agreement (PPAs) with the state generating company, and a 80 MW CCGT plant which sells energy in the deregulated market.

Electricity sales

Snet sold 18,414 GWh in France in 2007, of which 7,768 GWh corresponded to its own production and 10,646 GWh were power purchases from third parties. Energy sales in Poland totalled 1,505 GWh. Sales from the supply business amounted to 6,334 GWh to 138 customers on the deregulated French market.

The Transitory Regulated Tariff for Market Adjustment (TRTAM) came into force in 2007. This allows eligible industrial customers to enjoy a lower than market price in 2007, 2008 and 2009. Generators and suppliers have the right to be compensated for this under the provisions of the act passed on 4 May 2007. Snet has made a thorough assessment of this mechanism, with the aim of ensuring that it receives the correct amounts of compensation for these reduced revenues.

In this changing situation, the company has maintained its commercial policy with the aim of gaining profitable market share and managing the new regulatory situation in France. Sales to eligible customers rose from 4,500 GWh in 2006 to 6,300 GWh in 2007.

Also in 2007, Snet was given permission to operate in the Spanish market (OMEL).

Snet dividends

In 2007, Snet paid out a total dividend of Eur 72.6 million and received its first dividend (Eur 6.4 million) from the company which owns the Bialystock power plant.

The good results of key performance indicators enabled Snet to achieve the objectives it set itself for 2007. These included: consolidated gross operating income (EBITDA) growth of 7% vs. 2006; net consolidated income which increased from Euro 64.6 million in 2006 to Eur 116 million in 2007; keeping staffing levels constant in France, and reducing the headcount by 22 at the Bialystock plant (i.e. 10% lower than 2006).

Additionally, Snet received the Company of the Year Award 2007 from the Spanish Chamber of Commerce in France and Energy Business magazine's Silver Award in the Excellence in Energy Trading category, a prize which recognises the main players in the European electricity market.

02.1.3. Greece

As previously mentioned, in March 2007, ENDESA entered the Greek electricity market through the creation of Endesa Hellas, a company which is the result of a strategic alliance between ENDESA and the Greek industrial group Mytilineos Holding. The share capital of this company is held 50.01% by ENDESA and 49.99% by Mytilineos.

Endesa Hellas, which has now begun operations, will become the operator with the largest order book of projects under construction and in development in the Greek market which should allow it to obtain a 10% market share by 2010.

The company has projects which will provide gross capacity of around 2,500 MW from thermal energy plants (natural gas and clean coal) and renewable energies (wind, hydro and solar).

Its activities will be complemented by electricity and CO₂ emission rights trading and it intends to introduce a development plan with the objective of supplying energy to end customers in the medium term.

In July 2007, the first contribution of assets by both partners to Endesa Hellas took place. The assets contributed by Mytilineos Holding include: the 430 MW CCGT plant under construction at the Viotia site; a construction permit for a 400 MW CCGT plant at Volos; a 700 MW wind energy portfolio (of which the 17 MW of the Sidi-rokastro wind farm are currently in operation); and a 310 MW trading licence. Endesa Europa made an investment of Euro 169 million.

Through its holding in Endesa Hellas, ENDESA has acquired an important stronghold in one of Europe's most attractive electricity markets both strategically, given its growth prospects, and in terms of its pricing structure and interconnections with Italy, Bulgaria, Macedonia and Albania. It will also act as a platform for expansion into other countries in south-east Europe.

02.1.4. Poland

ENDESA's presence in Poland is channelled through Endesa Polska, which was set up in 2006 as an investment vehicle for the Company in this country, and also to supply wholesale customers and develop energy management activities. In 2007, Endesa Polska managed 98 GWh of the interconnection between Poland and Germany.

As already stated, ENDESA has a controlling stake in the Byalystock CHP plant through the French company Snet. In 2007, the output of the Bialystock plant was 1,505 GWh and the company which

owns it paid out the first dividend in its history. The total dividend was Euro 9.2 million, of which Snet received Euro 6.4 million. Finally, ENDESA has a 10% holding in Towarowa Gielda Energii, the Polish Power Exchange.

02.2. ENERGY MANAGEMENT AND PARTICIPATION IN THE WHOLESALE MAREKTS

02.2.1. European wholesale activities

ENDESA operates in the European wholesale market to manage its generation and supply activities outside the Iberian region.

Among other targets, this gives the group the necessary power supply to meet its contracts with European customers and balance out risk positions in those areas where it operates. Endesa Trading is the subsidiary responsible for this area of the business.

In 2007 these markets were affected by a major reduction in the initial volatility of CO₂ emission rights prices; a fall in prices for rights for the first phase of the National Allocation Plan (NAP); and significant regulatory uncertainty about prices in the second phase (which have remained relatively high, at between Euro 20 and 25/tn) and this has affected electricity prices.

Electricity futures prices rose slightly during the year. The base price for 2008: Euro 56/MWh in Germany and Euro 53.81/MWh in France at the start of 2007, rose to Euro 61.9 /MWh and Euro 65.6/MWh, respectively, by the end of the year.

However, average spot prices in 2007 experienced major falls in both countries. The average base price was Euro 40.9/MWh in France and Euro 38/MWh in Germany vs levels of around Euro 50/MWh recorded in 2006. However, despite these falls, very high peaks were soon reached again, unusual under normal market conditions, which were driven by unexpected reductions in nuclear capacity.

Endesa Trading handled a total energy volume of 40,700 GWh in 2007. Of this amount, 4,400 GWh corresponded to Endesa France and the rest to direct supply contracts with large industrial consumers, distributors and other agents, and to import and export operations at the interconnections between Spain, France, Germany, Netherlands, Belgium, Denmark, Poland and Italy.

Another highlight was the energy obtained by Endesa Trading at the various Virtual Power Plant auctions (VPPs) held by EdF in France (1,300 GWh) and Dong Energy in Denmark (371 GWh). This energy has enabled a more efficient management of the different interconnection capacities.

02.2.2. International exchanges

The coordinated auctions method was still the benchmark for international electricity interchange market operators in 2007. This was a continuation of the policy established in 2006 in accordance with EU directives on increasing transparency and promoting competition in the awarding of interconnection capacity between countries.

Endesa Trading took part for the first time in capacity auctions for the Germany/Poland interconnection and was awarded a total of 98 GWh.

It also participated in the first VPPs (Virtual Power Plant) auction held by E.ON in Germany. Endesa Trading was awarded the maximum capacity available at the auction: 30 MW base load for 2008 and 2009. This gives ENDESA virtual assets in Germany; a country

in which until now it did not have any generating capacity, only interconnection capacity with neighbouring countries: France, Netherlands and Denmark.

The energy transmitted in 2007 from France to Italy as a result of cross-border operations amounted to 2,400 GWh. With regard to interconnections between Spain and France, exports reached 284 GWh, whilst there were no imports, as a consequence of the current regulatory framework impeding major Spanish operators from importing energy from its neighbour.

02.2.3. The CO₂ Emissions Market

April 2007 saw the start of the second CO₂ emission rights trading period within the first phase of the National Allocation Plan (NAP). Throughout the year the trend already experienced in 2006 was confirmed, i.e. an excessive allocation of rights in most of the countries participating in the EU's Emission Trading System (ETS) triggered a gradual fall in prices in this first phase: at one point down to almost zero. In the second phase, and despite a degree of regulatory uncertainty, prices have been much less volatile than seen in the first phase the previous year, with rights trading at around Euro 20-25/tn.

In the year as a whole, Endesa Trading handled 9.4 million tonnes of CO₂ emission rights purchases and sales in the first and second phases. It is worth mentioning too that 2007 also saw the first Emission Reduction Credits (ERCs) trading operations as hedges for Endesa France.

ENDESA IN EUROPE AND NORTH AFRICA IN 2007
 (EXCLUDING SPAIN AND PORTUGAL)

Italy

- 80% of generator Endesa Italia.
Capacity: 6,646MW
Generation: 22,089
GWh Sales: 30,557 GWh
- 58.35% of CE Teverola and CE Ferrara. Capacity: 340 MW
- 100% of Iardino wind farm: 14 MW
- 100% Montecute wind farm: 44 MW
- 100% Poggi Alti wind farm: 20 MW
- 100% MA Severino wind farm: 44 MW
- 100% Piano di Corda wind farm: 52 MW (6 MW in operation)
- 100% Serra Pelata wind farm: 58 MW (42 MW in operation)
- 100% Alcamo wind farm: 30 MW under construction
- 50% of Ergosud (800 MW under construction)
- 50% of the supplier Ergon Energia
- 50% of the supplier MPE
- 100% of the supplier Endesa Europa Power and Fuel
- 30.46 % of OLT Offshore Toscana, Livorno regasification terminal, with capacity of 4 bcm (under construction)
- 100% of Terminal Alpi Adriatico, Monfalcone regasification plant with capacity of 8 bcm (project)

France

- 65% of generator SNET.
Capacity: 2,487 MW
Generation: 7,768 GWh
Total sales: 18,414 GWh
- 45 % of generator Soprolif (**)
Capacity: 250 MW
- 5 % of the Powernext energy exchange

Morocco

- 32% of Energie Electrique de Tahaddart: owner of the Tahaddart CCGT plant.
Capacity: 384 MW

- Electricity sales in European countries: 52,516 GWh*
- Total volume of 40.7 TWh of energy managed through trading
- Presence in the deregulated markets of various European countries

- 2.5% of Endex (central European deregulated energy derivatives exchange) based in Amsterdam

Poland

- 10% of pool market operator Gielda Energii
- 70% of the Byalistok plant (**)
Capacity: 330 MWe
Generation and sales: 1,505 GWh

Grecia

- 50.01% of Endesa Hellas, strategic alliance with Mytilineos Holding which has: 17 MW wind power capacity and 2,500 MW in wind farm projects.
Output and sales: 15 GWh

Turkey

- 50% of the Altek (**) which owns a 40 MW hydroelectric plant and an 80 MW CCGT gas plant

* Not including energy supplied by Endesa Energía to European countries outside the Iberian market.
** Through Snet.

02.3. MOROCCO

ENDESA's operations in Morocco are managed as part of its European business, due to the strategic importance this market holds within the Mediterranean region as a whole. ENDESA is present in Morocco through the 32% stake it holds in Energie Electrique de Tahaddart, the company which owns the 384 MW CCGT plant in Tahaddart. The other shareholders in this company are Office National d'Electricité (ONE) which has a 48% stake and Siemens, with 20%. In 2007, the plant produced 3 TWh, a 37% rise on the previous year's figure. A major improvement in the plant's financing conditions was achieved during 2007, including lower interest rates on its loans and a change from a variable to a fixed interest rate, thereby considerably reducing the risk of possible market fluctuations. This lower financial cost up to 2018, when the loans contracted by the company mature, is estimated at approximately Euro 13 million. In August 2007, Energie Electrique de Tahaddart distributed dividends against 2006 income; Euro 3 million of this went to Endesa Europa. Finally, in 2007 ENDESA won the international bid to advise the Moroccan National Electricity Office (ONE) on the creation of its trading room, ONETrading.

03. THE LATIN AMERICAN BUSINESS

ENDESA is the leading private-sector multinational electric utility in Latin America. It is the leading electricity company in Chile, Argentina, Colombia and Peru. It supplies electricity to five of the region's six largest cities (Buenos Aires, Bogota, Santiago, Lima and Rio de Janeiro) and is forms part of the Siepac electricity interconnection system that will link the six Central American countries.

The electric utilities in which ENDESA has interests in Latin America had total capacity of 14,707 MW at the close of 2007. Their aggregate output in the year was 59,512 GWh (a 4% drop on the previous year's level) due to low levels of rainfall and gas supply problems in various countries, with sales of 61,610 GWh (6% up on 2006) to a total of almost 12 million customers.

ENDESA's strategy in Latin America is to build up a broad business platform which will allow it to leverage the huge potential for growth and profitability the region offers. To this end, it has acquired majority interests in a considerable number of electricity generation, transport, distribution and supply companies, with the aim of securing management control and therefore being in a position to pass on its corporate best practices to these companies. The Group has invested with the clear intention of building a long-term presence in Latin America, working in collaboration with the national authorities and within the existing regulatory frameworks, and are clearly orientated to providing the best electricity service possible to its customers.

ENDESA is present in Latin America through its 60.62% stake in Enersis and the shareholdings acquired directly in other operators in the region.

ENDESA remains firmly committed to environmental protection in those Latin American countries in which it operates. As evidence of this, at the end of 2007 practically all of ENDESA's capacity in Latin America and all of its distributors in the region were ISO 14001 certified.

ENDESA has also made a firm commitment to Corporate Social Responsibility in Latin America. Internally, the Group is working proactively on ongoing improvements in the health and safety conditions of staff employed by its investees. It is working towards the certification of its health and safety at work management systems pursuant to standard OHSAS 18001 at the majority of its workplaces. At the end of 2007, all of ENDESA's generators in the region and five

out of six of its distribution companies, had obtained this certification. The only distributor not yet to have received this certificate is currently awaiting official notification of its award, having passed the required audit in January 2008.

Externally, ENDESA continued to carry out a large number of social initiatives of various kinds; in 2007 this involved a total investment outlay of Euro 14.3 million.

03.1. BREAKDOWN OF ENDESA'S OPERATIONS IN LATIN AMERICA BY COUNTRY

03.1.1. Chile

36% of ENDESA's consolidated assets in Latin America are located in Chile. The company's workforce in this country numbers 2,865.

As referred to above, ENDESA operates in the Chilean market through Enersis, in which it holds a controlling stake of 60.62%.

Through this holding in Enersis, ENDESA has an interest in Endesa Chile, the main generator in Chile, which owns 4,779 MW of capacity either directly or through its investees. Enersis holds a 59.98% stake in Endesa Chile.

In turn, Endesa Chile holds stakes in other Chilean generators, such as San Isidro, Pangué, Celta and Pehuenche, and owns 50% of GasAtacama, which has 781 MW of thermal energy capacity. Endesa Chile shares control of this company with the only other shareholder, and, therefore, neither its key financial figures nor its capacity are included in ENDESA's figures for Latin America.

Also, through Enersis, ENDESA holds a 99.08% controlling interest in the distributor Chilectra which has 1.5 million customers. Enersis also has significant stakes in real estate, engineering, IT and services companies in both Chile and other Latin America countries.

03.1.2. Brazil

25% of ENDESA's consolidated assets in Latin America are located in Brazil, and the Company employs 3,270 people in that country.

Since 2005, all of ENDESA's shareholdings in this country have been grouped together in the holding company: Endesa Brasil.

In the generation business, ENDESA holds a 99.61% stake in the Cachoeira Dourada hydro plant (665 MW capacity) and a 100% stake in the Fortaleza thermal plant (322 MW capacity).

In the transmission business, ENDESA wholly owns Cien which manages two 500 km long interconnection power lines between Argentina and Brazil with a total interconnection capacity of 2,100 MW.

In the distribution segment, ENDESA manages Ampla and Coelce in which it has controlling interests of 91.94% and 58.9%, respectively. Ampla distributes electricity to 2.4 million customers in the state of Rio de Janeiro, while Coelce sells energy to 2.7 million customers in the state of Ceará.



03.1.3. Colombia

21% of ENDESA's consolidated assets in Latin America are located in Colombia where the Company has 1,657 employees.

In 2007, ENDESA's two Colombian generation companies, Emgesa and Betania merged to form the largest generator in Colombian with a total capacity of 2,829 MW. At year end, ENDESA held a controlling stake in this company of 48.48%.

It also has a 48.48% controlling interest in Codensa, which distributes electricity to 2.2 million customers. ENDESA's partner in both Codensa and Emgesab is Empresa Eléctrica de Bogotá (EEB). This is a mainly publicly-owned utility belonging to the city of Santa Fé de Bogotá, which owns 51.52 % of both companies.

03.1.4. Peru

11 % of ENDESA's consolidated assets in Latin America are in Peru where the company employs 1,165 people.

ENDESA manages 1,599 MW of capacity here. It has a 61.06% controlling interest in generator Edegel, which has capacity of 1,468 MW and 60% of Empresa Eléctrica de Piura (Eepsa), with capacity of 131 MW.

Also, ENDESA, with Enersis, holds a 60% stake in Edelnor, which distributes electricity to 986,000 customers in the northern part of Lima.

03.1.5. Argentina

7% of ENDESA's consolidated assets in Latin America are located in Argentina where the company employs 3,172 people.

In the generation business, ENDESA holds a 69.99% stake in Central Dock Sud, a plant which has two units with joint capacity of 870 MW. Through Enersis and Endesa Chile it also controls 69.77% of the Costanera thermal plant (2,324 MW capacity) and 67.67% of the El Chocón hydro plant (1,320 MW capacity).

In the distribution business, through its subsidiaries, ENDESA owns 72.1% of the share capital of Edesur, giving it a controlling interest of over 99%. Edesur is a distributor which supplies electricity to 2.2 million customers in the southern part of Buenos Aires.

In the transmission business, ENDESA also holds a 22.2% stake in Yacylec, a company which operates and maintains the 282 km Yaciretá line and the Resistencia switching station.

03.1.6. Central America

ENDESA is playing an important role in developing infrastructure for the Siepac Project. It is responsible for building the 1,800 km backbone line for the electrical grid interconnection between six Central American countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama).

This infrastructure is being developed through Empresa Propietaria de la Red. ENDESA has a 12.5% stake in this company and is responsible for its executive management.

03.2. GENERATION.

03.2.1. Key Data

At year end 2007 ENDESA's holdings in Latin America had a total installed capacity of 14,707 MW.

ENDESA'S CAPACITY IN LATIN AMERICA* (MW)

	2007	2006	% Chg.
Chile	4,779	4,477	6.7
Argentina	4,513	4,508	0.1
Colombia	2,829	2,779	1.8
Peru	1,599	1,574	1.6
Brazil	987	979	0.8
Total	14,707	14,317	2.7

* Data only includes generation companies which are fully consolidated. Therefore, the 781 MW of the GasAtacama plant (Chile) is not included.

In 2007, capacity increased by 390 MW as a result of the San Isidro II plant (thermal, 248 MW open cycle), the Palmucho (hydro-electric plant, 32 MW), and Canela (wind, 18 MW) coming on stream in Chile. Finally, in Colombia, the improvements made to the turbines at the El Guavio hydro plant boosted capacity by 50 MW, and capacity at the Ventanilla CCGT plant was increased to 493 MW, a net increase of 36 MW compared to the end of 2006. In addition, the audits carried out allowed a 21 MW net increase in power to be consolidated.

However, capacity was reduced in Peru, due to the obsolescence of a gas turbine at the 15 MW Malacas plant.

Total electricity output for ENDESA in Latin American was 59,512 GWh in 2007, down 4% on the previous year. This drop was due to low rainfall and gas supply problems in Chile and Argentina.

ENDESA'S POWER OUTPUT IN LATIN AMERICA* (GWh)

	2007	2006	% Chg.
Chile	18,773	19,973	-6.0
Argentina	16,606	17,752	-6.5
Colombia	1,942	12,564	-5.0
Peru	8,237	7,250	13.6
Brazil	3,954	4,489	-11.9
Total	59,512	62,028	-4.1

* Data only includes companies which are fully consolidated. Therefore, the output of the GasAtacama plant (Chile) is not included.

03.2.2. New plants and new projects

Chile

San Isidro II

In 2007, Endesa Chile made progress on the construction of the San Isidro II CCGT plant in Chile. On 23 April, the open-cycle gas turbine (capacity 248 MW) at the plant came on stream and in January 2008, the San Isidro II CCGT began full commercial operations using fuel-oil, reaching a capacity of 353 MW. It is estimated that the definitive output of the plant will be 377 MW by 2009, when it will be operating with gas from the LNG regasification terminal at Quintero. Total estimated investment in this project stands at USD 230 million.

The Palmucho Plant

The Palmucho plant, owned by Endesa Chile and located in the Bío-Bío region, came on stream on 28 November 2007.

It is a run-of-river power plant, situated at the foot of the Ralco hydro-plant dam. The Palmucho plant uses the Ralco plant's water flow (27.1 m³/s) and has a capacity of 32 MW. The project has involved an investment of USD 45 million and the new plant has not reduced the capacity of the Ralco plant nor does it require new water rights.

Bocamina and TG Quintero

In 2007, once the relevant permits had been obtained, the contracts were awarded for the construction of two new plants in Chile: the Bocamina II coal-fired plant, which will have an estimated capacity of 350 MW and be operative by 2010, and the TG Quintero open-cycle gas plant (capacity 250 MW) due to come on stream in 2009.

The Quintero regasification terminal

Endesa Chile is one of the shareholders, along with Metrogas, Enap and British Gas, in the company constructing the LNG regasification plant in Quintero bay.

This company was incorporated in March 2007 and Endesa Chile holds a 20% stake. In May, several commercial agreements were signed, giving the definitive push needed for the plant's construction.

This terminal will play a key role in supplying gas to Chile's central region and will also supply fuel to the San Isidro II CCGT power station and other facilities.

The Quintero plant will be able to process 9.6 million m³ of gas a day and will have a LNG storage capacity of 320,000 m³ in two large tanks. It is slated to come on stream partially in 2009 and fully in 2010.

The Aysén project

In 2007, further progress was made on this project which could supply hydroelectric power to the Aysén region (XI Region of Chile).

Endesa Chile holds a 51% stake in Centrales Hidroeléctricas Aysén, S.A., which is developing this project together with Colbún.

If this project were to be given the go-ahead, 2,750 MW of hydro-electrical power would be added to the Chilean grid, split between five plants, thus making a very significant contribution to securing the country's electricity supply. The development of the Aysén project would require investment of around USD 2.8 billion.

A 2,000 km high-voltage transmission line would also need to be built, which would be done by a third party.

Other hydro projects

Endesa Chile is considering a number of hydro projects: Los Cóndores (estimated 150 MW capacity); Neltume (400 MW capacity) and Choshuenco (130 MW capacity), part of the Neltume hydro series, using the planned link for the Neltume plant.

Peru

Expansion of the Santa Rosa plant

Endesa Chile is developing an expansion plan for the Santa Rosa plant in Peru, which currently has a capacity of 231 MW and three open-cycle turbines working on natural gas. The expansion plan involves the installation of a new gas turbine with capacity of 189 MW. It is slated to come on stream mid-2009 and will require an investment of approximately USD 90 million.

Colombia

Quimbo Plant

This project to build a hydro plant in Quimbo (Colombia) with a capacity of 400 MW is currently at its study phase.

Endesa Eco

In 2005, Endesa Eco, a wholly-owned subsidiary of Endesa Chile, was created to administer and manage renewable energy projects in Latin America.

The Canela wind farm opened in December 2007, the first to contribute energy to the Chilean grid (SIC). It has total installed capacity of 18 MW. This company is also developing the Ojos de Agua mini-hydro power plant project in the Maule region of Chile, with capacity of 9 MW. Total investment in this project will be USD 20 million. It is due to come on stream in 2008.

03.3. TRANSMISSION

03.3.1. CIEN

ENDESA owns CIEN, the high-voltage electricity link between Brazil and Argentina.

The first phase of the project came into service in the first half of 2000, with a capacity of 1,050 MW. Work on the second phase began at the end of 2000, and the transmission capacity of the link was doubled in 2003 to 2,100 MW.

03.3.2. SIEPAC:

In 2007 work began on the electricity link between Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama through a 1,800 km trunk line. This 230 kV dual circuit line will increase the pow-

er transmission capacity from 50 MW to 500 MW in those countries. The estimated investment for this project totals US\$ 370 million.

The tender to contract concluded in 2006 with 12 companies bidding. The contract was awarded to the Mexican subsidiary of the Techint Group for Lot 1 (Guatemala, El Salvador and Honduras) and to a Spanish company Abengoa-Inabensa for Lot 2 (Nicaragua, Costa Rica and Panamá).

SIEPAC will also launch the Central American wholesale electricity market (MER) and its regional agencies, the Regional Electricity Interconnection Commission (CRIE) and the Regional Operator Agency (EOR).

03.3.3. Other transmission assets.

As mentioned previously in this report, ENDESA also carries out electricity transmission activities in Argentina as a shareholder of Yacylec, which operates a 282 kilometre line between the Yaciretá hydroelectric plant and the Resistencia switching station.

03.4. DISTRIBUTION

03.4.1. Key figures

Between them, ENDESA's Latin American distribution subsidiaries sold 61,610 GWh in 2007, up 5.7% from 2005. This increase reinforces the region's positive trend in electricity demand and provides further evidence to signal the end of the region's economic crisis of 2001 and 2002.

ENDESA ELECTRICITY DISTRIBUTION IN LATIN AMERICA (GWh)

	2007	2006	% Chg.
Chile	12,923	12,377	4.4
Argentina	15,833	14,837	6.7
Colombia	11,441	10,755	6.4
Peru	5,201	4,874	6.7
Brazil	16,212	15,438	5.0
Total	61,610	58,281	5.7

Sales by these companies rose significantly in all countries. In particular, Edesur (Argentina) and Edelnor (Peru) increased sales by 6.7% each, while energy sold by Codensa (Colombia) was up 6.4%.

03.4.2. Managing distribution losses

Distribution losses suffered by ENDESA companies throughout the region stood at 11.2% in 2007, in line with the previous year.

In 2007 the Company continued its efforts to reduce energy losses in the Rio de Janeiro distribution area operated by Ampla. The project, called "Red Ampla" involves incorporating the most advanced technologies into the grid to prevent the theft of electricity. Investment in 2007 totalled Euro 47 million and has yielded clear results: 42,000 customers were fitted with new electricity meters, cutting losses from 53.4% to 3.1%. Over 89,000 customers were connected to this grid in 2007, bringing the total number since the programme was first launched to 448,000.

The good results and the short time frame in which the investment has been recovered, only three and a half years, make this project one of the most successful and groundbreaking undertaken by ENDESA in the field of electricity distribution in the region.

03.4.3. Customers and quality of service

At the close of 2007, in the five Latin American countries where it distributes electricity, ENDESA had a total customer base of 12 million, 3.4% up on 2006.

ENDESA CUSTOMERS IN LATIN AMERICA (thousands)

	2007	2006	% Chg.
Chile	1,483	1,437	3.2
Argentina	2,228	2,196	1.5
Colombia	2,209	2,138	3.3
Peru	986	951	3.7
Brazil	5,067	4,859	4.3
Total	11,973	11,581	3.4

Continuing the trend seen in previous years, in 2007 ENDESA subsidiaries continued to step up the quality of services provided. Specifically, the mean annual interruption time per customer dropped by 3%, to 9.6 hours.

03.5. ENDESA'S FINANCIAL AND CORPORATE STRATEGY IN LATIN AMERICA

03.5.1. Financial strategy

One of the most relevant trends in ENDESA's Latin American business in recent years has been the Company's ongoing efforts to boost the financial position of its subsidiaries by implementing efficient debt and hedging policies to achieve the same financial standards as investment grade companies.

Building on the improvements made, the business is increasingly contributing to ENDESA's revenues, both in terms of greater liquidity obtained through investments and profits earned in those countries.

ENDESA's Latin American strategy rests on eight business principle pillars in all the countries in which it operates:

- Proper management of financial risks, aiming to adequately hedge foreign currency risk, minimise the negative impacts of changes in interest rates, maintain sufficient liquidity, continually manage modifications to contractual restrictions on financial obligations and maintain debt ratios that are in line with the industry, the geographic area, and target rating levels.
- Best practices in order to comply with good corporate governance obligations in all companies, meet the requirements imposed by the Sarbanes-Oxley Act, simplify the corporate structure, and promote recognition of financial corporate practices with all stakeholders.

- High-quality financial service through active participation of each country's financial teams in financing processes and activities, and proactive efforts to mitigate risks within the possibilities of each company.
- Proper risk classification in companies through ongoing dialogue with local and international risk classification agencies and regular review of risk indicators.
- Increased transparency of companies so that solvency can be rapidly recognised, through timely, proactive and efficient mechanisms providing up-to-date and complete information on the state of business in the region and regular meetings with representatives of local and international banks.
- Optimal protection for Endesa Group assets in Latin America by identifying and selecting the best risk hedging and insurance options, mitigating operational risk and protecting human resources.
- Efficient management of financial assets, in line with risk and returns levels that are compatible with the operating and commercial reality in each country.
- Improvements in all financial processes of the companies, by standardising policies and procedures and adapting internal regulations to the legal and regulatory environment in each country, while maintaining regional target standards for quality and reliability of information.

These business principles and the target goals are reflected in the following lines of action:

- Optimise all ENDESA companies operating in the region to equip them with efficient gearing levels. For this purpose, capital reductions will be stepped up and the pay-outs increased at the overcapitalised companies. Further steps will be taken to reduce the volume of debt, maintain the average term of debt and cover and reduce financial costs at undercapitalised companies.
- Maintain investment levels in the Chilean parent companies and solid financial ratios in other subsidiaries.
- Bring the level of US dollar debt in all companies into line with the level of US dollar revenue, in order to minimise exchange rate risk.
- Maintain a high percentage of hedged debt to minimise the effects of possible interest rate hikes.
- Maintain an adequate level of liquidity to be able to meet estimated financial needs, and ensure the necessary flexibility to meet any unexpected contingencies.

03.5.2. Corporate strategy

Corporate streamlining

Since ENDESA began operating in Latin America, it has simplified the corporate structure in order to streamline asset management, obtain synergies wherever possible, and facilitate cash flow to the parent company.

In 2007, in addition to the merger by absorption of the Panamanian companies Compañía Eléctrica Cono Sur and Endesa Chile Internacional, which was finalised in October with retroactive effect to August, the following operations were carried out:

Argentina

Increase in the stake held in Endesa Costanera by acquiring Southern Cone Power Argentina, S.A.

On February 27, 2007, Endesa Chile exercised its preferential right to acquire 100% of Southern Cone Power Argentina, S.A., which holds 5.5% of the Argentinean energy generation company Endesa Costanera. Through this transaction, ENDESA gained a controlling stake of 69.77% in the latter company.

Increased shareholding in Hidroeléctrica El Chocón

On March 8, 2007, Endesa Chile exercised its preferential right to acquire a 2.5% interest in Hidroeléctrica El Chocón, S.A. and a 25% holding in Hidroinvest (Hidroeléctrica El Chocón's investment vehicle) from CMS Generación. Following this operation, ENDESA has a controlling stake of 67.67% in this company.

Chile

Incorporation of GNL Quintero, S.A.

GNL Quintero, S.A. was incorporated on March 9, 2007. The company's statutory activity is the development, financing, design, engineering, supply, construction, implementation, acquisition, operation, maintenance and enlargement of a liquefied natural gas re-gasification terminal, along with other related activities.

The company is owned by Endesa Chile (20%), ENAP (20%), Metrogas (20%) and Inversiones British Gas Chile Ltda (40%).

Incorporation of Central Eólica Canela, S.A.

Following Centinela, S.A.'s decision to exercise its option on a 25% holding in the Canela wind project, Central Eólica Canela, S.A. was incorporated on October 29, 2007. Endesa Eco, a fully-owned subsidiary of Endesa Chile, holds 75% of the new company, while Centinela, S.A. has a 25% interest.

Acquisition of Konecta Chile, S.A.

In the second half of 2007, Synapsis acquired 26% of Konecta Chile, S.A., whose main activity is managing a call centre in Santiago de Chile.

Colombia

Merger of Central Hidroeléctrica de Betania, S.A. into Emgesa, S.A.

The merger by absorption of Central Hidroeléctrica de Betania, S.A. into Emgesa, S.A. was completed on 31 August, 2007.

In November 2007, Endesa Internacional, S.A. and Compañía Eléctrica Cono Sur, S.A. sold, on a prorated basis, shares in Emgesa to Empresa de Energía de Bogotá, S.A. (EEB) to comply with the commitment undertaken to enable EEB to recover the same percentage interest it held prior to the merger.

Brazil

The merger by absorption of Endesa Internacional Energía Ltda, a solely-owned subsidiary of Endesa Internacional, S.A., into Endesa Brasil, S.A. was completed on 12 January, 2007. The only asset of the absorbed company was ownership of 0.95% of shares in Endesa Brasil, S.A. As a result of the merger, Endesa Internacional, S.A. raised its direct interest in Endesa Brasil to 27.71%.

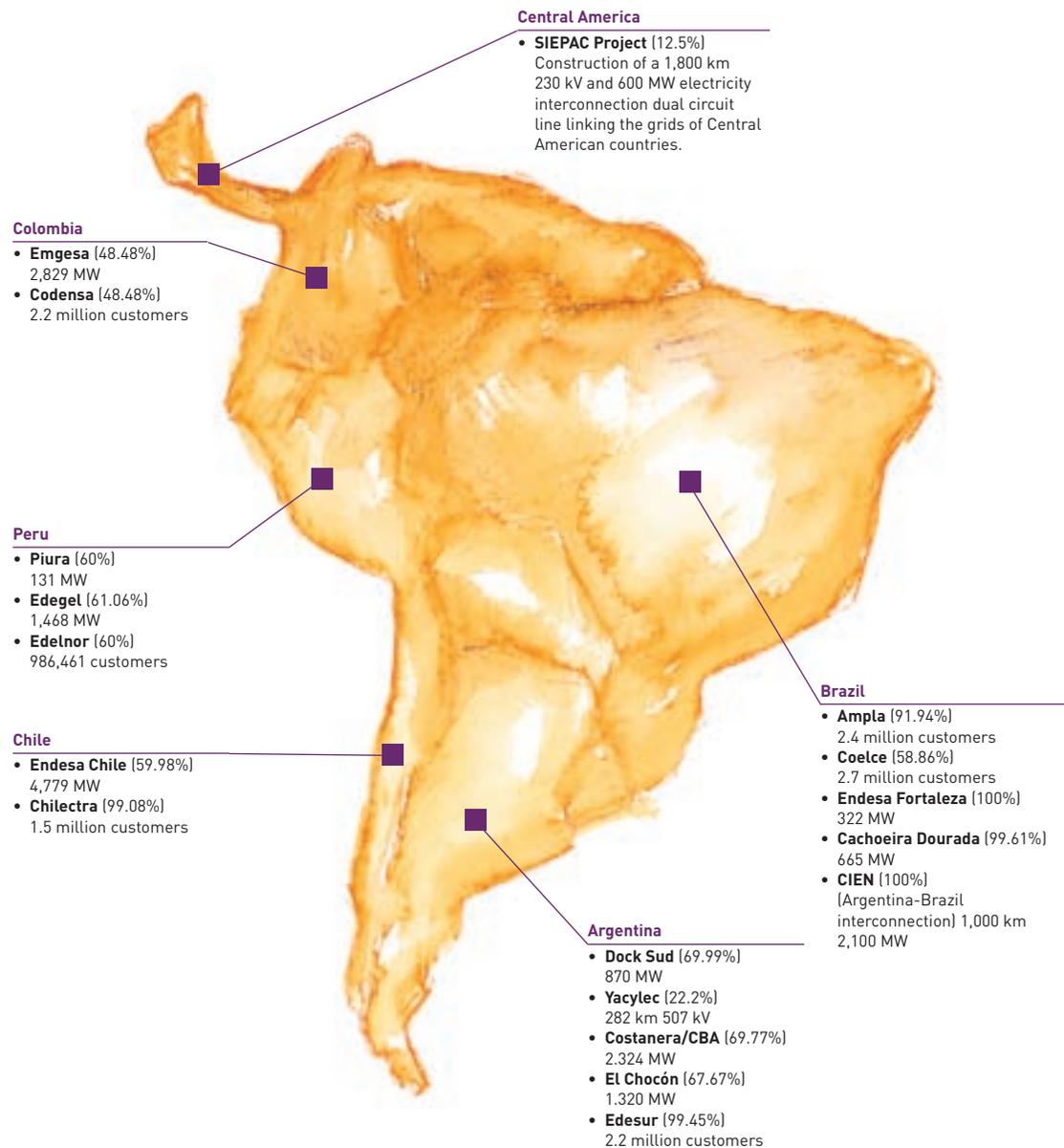
Peru

Partial spin-off of Generalima

The partial spin-off of Generalima was completed on 9 February, 2007, with retroactive effects to 20 December, 2006. As part of this spin-off, Cosapi and Banco de Crédito del Perú divested their interest in Generalima, which is now solely-owned by Endesa Internacional, S.A. The only asset held by Generalima is a 5.62% interest in Edegel.

Subsequently, on 29 March, 2007, the shareholders of Generalima agreed to change the legal status of the company to a closed corporation, in order to simplify the administration thereof.

ENDESA IN LATIN AMERICA



04. SERVICES AND OTHER ACTIVITIES

ENDESA carries out a broad range of services to support the activities of its businesses. This effort is spearheaded by the Corporate Services and Technology Department, which is responsible for corporate procurements, systems and telecommunications, corporate wealth management and technology and innovation. The functions carried out by the Services division in Spain are legally and organisationally carried out through Endesa Servicios, S.L., which owns 100% of Endesa Network Factory and 37.5% of the IT company Sadiel, and Bolonia Real Estate, 100% owned by Endesa, S.A. In Latin America the division operates mainly through Synapsis, a company focused on technological innovation; CAM, a distribution, logistics and global procurement company for electronic goods; the real estate group Inmobiliaria Manso de Velasco; and the engineering company Ingendesa.

04.1. PROCUREMENT

During 2007, ENDESA managed the acquisition of materials, equipment, works and services for a total sum of Euro 5,802 million, an increase of 29% on the previous year. Savings achieved by the procurement department were approximately 5.5%. The main initiatives undertaken during the year are as follows:

04.1.1. Corporate activities

These are business initiatives of a transverse nature which generate synergies. The main ones were:

- Opening of a sales office in Shanghai, China, to start prospecting and contacting suppliers in the Asian market.
- Design of a standardisation process to permit Endesa Group distributors to purchase from a list of certified suppliers.
- Letter of intent with General Electric setting out the general terms of a long-term service agreement for combined cycles with the 9FB gas turbines eventually awarded to the end of 2008.

04.1.3. Business in Spain and Portugal

ENDESA's total purchasing volume in Spain and Portugal amounted to Euros 3,742 million in 2007, up 21% on the previous year. The main contracts during the year include:

- Supply and maintenance at the Besos V, Granadilla II and Ca's Tresorer II combined cycle plants.
- Maintenance of 6FA gas turbines (six years).
- Multi-year agreement (three years) for the supply, transport, assembly and maintenance of wind generators (500 MW).
- Long-term supply contract (three years) for siciline photovoltaic modules (20 MW).
- 108 power transformers with a total accumulated capacity of 4,486 MW.
- Multi-year agreements (three years) for works on and maintenance of substations and high voltage aerial lines.

- Multi-year contracts for supply and assembly of medium voltage primary distribution cells and high voltage GIS equipment from 55 kV to 132 kV.
- Multi-year contracts for the supply and assembly of medium voltage secondary distribution cells and distribution transformers.
- Multi-year contracts (three years) for work on and maintenance of medium and low voltage equipment.

04.1.3. Business in Europe

The total amount of purchases in ENDESA's European business totalled Euro 509 million in Italy and Euro 131 million in France. The Endesa Italy procurement area achieved average savings of 3% on large contracts and 9% on service, revision and maintenance and repair contracts. These contracts include:

- EPC Contract for a 400 MW combined cycle at the Tavazzano plant (Tavazzano 9 group) and the related LTSA. These contracts are subject to approval of construction of the installation.
- LTSA for the Scandale combined cycle plant.
- Repowering of 10 hydroelectric plants in Terni, completing the process launched in 2006.
- New remote control grid and control data transfer service.
- Framework agreement for the maintenance and revision of heat turbines and alternators.

Endesa France's purchasing volume remained in line with that of 2006. The main procurement activities in France relate to the signature of a turnkey contract with Siemens for two Emile Huchet 430 MW combined cycle plants.

04.1.4. Latin American business

The volume of purchases in ENDESA's Latin American business totalled Euros 1,420 million in 2007, up 39% on the previous year, and mainly relate to the following:

- Development of the project to standardise technical specifications for medium and low voltage cables, power transformers, and high and medium voltage switching and sectioning gear in ENDESA's Latin American distribution companies.
- Implementation in Chile of the corporate procurement system (Saga) to further automate and integrate the purchasing and contracting process.
- Application of a new model for managing relations with collaborating companies (Enlace) to improve efficiency and reliability of externalised services

04.2. SYSTEMS AND TELECOMMUNICATIONS

ENDESA's Systems and Telecommunications Department aims to bring maximum value to the Company's businesses by providing them with the necessary systems and telecommunications to operate with an optimal quality/cost ratio. In 2007 this department worked to advance the distribution and supply systems infrastructure, to support emission control systems in power plants and the printing-on-demand service, and to promote R&D&innovation by publicising and supporting initiatives such as the use of RFID in logistical management of high voltage storage. In 2007 the department achieved a high degree of economic efficiency, reducing the budgeted overall cash-out by 16%.

04.2.1. Globalise IT Plan

The main advances in the “Globalise IT” plan in 2007 were as follows:

- ICT Governance Model. A single processes model was defined to standardise operations in all areas and implement best practices. This model is in line with international standards such as SOX, R&D&innovation regulations and the Company’s internal rules. In addition, the global balanced scorecard was defined for the management model.
- Consolidation and off-shoring of back-office work. Progress in this area includes: preparation of the model and bid for the global operations outsourcing contract, the global PCs and radio links contract, adaptation of the Argentina factory software to the Capability Maturity Model Integration (CMMI) (level 3), definition of a corporate SSO, the single external service provider directory and the launch of the global active directory project.
- Globalisation of systems through common core areas for each application. A number of advances were made in the functional area, such as the implementation of a procurement management support system (Saga) in Chile and a viability study of a single global platform for customer relationship management (CRM).

04.2.2. Commercial Systems

Projects completed by the Supply Systems Department in 2007 include the following:

- Implementation of the Diana-RAM Project in the Erz, Sevillana and Gesa markets, providing the metering management and control areas with more efficient tools for processing, managing and controlling field work (Diana) and equipment (RAM).

- Application of Project Air in all regional markets. This tool implements the management process for the CHP/renewable business, replacing the Sire tool.
- Finalisation of Project Evolucionaria, which aimed to prepare a supply systems strategy for 2008-2011. The final phase of this project helped identify and structure supply systems projects in Spain and Portugal for the next three years.

The area undertook the following main projects in 2007:

- Project Gas 2008, to facilitate the transfer of supply management from Endesa Gas to Endesa Energía, which became necessary upon the discontinuation of regulated gas rates and the appearance of the last resort rate in the Spanish gas market.
- 2009 Electricity Programme, which will provide supply systems with the necessary capacity to handle the discontinuation of the regulated electricity rates and the appearance of the last resort rate in the Spanish electricity market.
- BT Remote Management Project, to support remote operations of the low-voltage meters. In 2007 the programme was tested to evaluate the technological solution proposed for meters, communication with meters, and system design.

04.2.3. Internal corporate management

The main projects finalised in 2007 in the internal corporate management systems areas were as follows:

- Implementation of the Taxtrack Project, an information system to efficiently control relevant Spanish tax information.
- Udex Application, a corporate tool for overseeing the process of approving documents for external release.
- Construction and implementation in Chile of the Procurement Management Support Project (Saga), which creates a common

management model to standardise purchasing processes in ENDESA companies worldwide.

- Implementation of the “one-stop shop” for all factory services.

Some of the main projects launched in 2007 in this area are as follows:

- First stage of adapting the accounting and SIE systems to the new Spanish general chart of accounts.
- International roll-out of the Delfos occupational health and safety system.
- Use of wireless RFID technology to monitor and control the physical location of materials in facilities.

04.2.4. Distribution systems

As part of the Globalise IT Plan, the Company analysed the differences between the various distribution systems in place in Latin America to determine the feasibility of implementing a global distribution system. This would establish a common distribution core for over 70% of distribution tasks and lower maintenance costs and future investments. Some of the main projects finalised in 2007 in the distribution systems area are as follows:

- Project Quercus, a system supporting the decision-making process to ensure quality of the electricity supply, through daily monitoring of supply incidents and interruption time.
- Project Pamela, which aims to increase the functions of the Planning Module for analysing the substations grid and mapping vision.

Some of the main projects launched or underway in this area in 2007 are as follows:

- Project Aspec, to implement a new Supervisor, Control and Data Acquisition system (SCADA) in Aragón and the Canary Islands.
- Project Mansubm, to construct a corporate IT tool to manage substation maintenance based on the SAP-PM market solution (SAP Plant Maintenance).
- Project Icono, for operation and advanced control of the distribution network, which is key in the move towards intelligent distribution networks.
- Project Gespro, to cover the complete life cycle of installations. Through efficient information management mechanisms, this project enables the technical control of Endesa Distribution work efforts and the associated costs.
- Project Neos, a new integrated application for the new supplies and network services distribution process.
- Project Pihis, to increase the level of supervision in the electricity grid, which is crucial in the move towards intelligent grids.

04.2.5. Generation systems

The Company analysed the differences between the various power generation systems in place in Latin America to determine the feasibility of implementing a global generation system. This would establish a common core for over 80% of generation tasks and lower maintenance costs and future investments. Some of the main activities and projects finalised in 2007 are as follows:

- Project SIP-CMD, to install the SIP-CMD monitoring and diagnostic system at the Ca's Tresorer and Mahón plants.
- Project Gescombus, to implement the gas module of this fuel management project.
- Project Medas, finalisation of implementation of environmental management control systems in thermal power plants.

The most important projects initiated or underway in 2007 include the following:

- Project Aspec, to upgrade generation systems in the northeast hydroelectric production unit and the Canary Islands and Balearic Islands thermal production units. In conjunction with these projects, Endesa Generación has launched two new control systems in these thermal production units.
- SIP-CMD system, to develop supplementary tools in the Monitoring and Diagnostic Centre in order to gain a better overview of plant operations. The system was fully installed in thermal plants and information was incorporated in nuclear plants.
- Roll-out of the waste management system (Project Resignes) to ensure compliance with environmental commitments regarding waste treatment at generation plants.

04.2.6. Energy management systems

The main projects and activities completed in 2007 in the energy management systems area are as follows:

- Adaptation of the Endesa Group energy information system (Siege) to the market operator and the system operator regulatory change in the OMEL (Spanish market operator) invoice.

- Implementation of a GPRS communications system for meter reading.
- Project MIR (Integrated Reporting Module), using mobile access to aid in decision-making in the general energy management department.

The main projects initiated or underway in this area in 2007 are as follows:

- Project EMI (Energy Management & Information), creating a unified platform providing the Company with the up-to-the-minute, clear and efficient information needed for decision-making in the Energy Management Operations Centre.
- Project Ulysses Fuels, involving migration to a single corporate software system for managing, contracting, monitoring and invoicing fuel consumed in ENDESA's thermal production units.
- Ulysses 3000, involving the migration from local systems to a single corporate system for managing trading risks and operations in the tangible and financial operations carried out in the Endesa Group.

04.2.7. Corporate operations and infrastructure: Telecommunications and remote control

The most relevant projects finalised in 2007 in the telecommunications and remote control area are as follows:

- Remote control of over 1,200 remote medium voltage installations as part of the electricity supply quality technical improvement plan.
- Implementation of telecommunications infrastructure and services for remote control of 25 new substations.

- Use of new fibre transmission equipment developed under Project Crisol to integrate various types of communications (remote control, remote measuring, video surveillance, data, telephone, etc.) into a single platform, thereby reducing costs by 89%.

The most important projects initiated in this area in 2007 are as follows:

- Project Placma, with over 500 integrated services, making it possible to standardise and improve quality parameters in remote control services for dams, distribution centres, wind farms, remote measuring, etc., reducing costs by up to 50%.
- Culmination of phase 2 of the special Alminar (Andalusia), Herpérides (Canary Islands) and Aldebarán (Aragón) plans for the migration to the new remote control standard IEC-1-1 for 65 high voltage substations.
- Migration of over 60 centres to new MPLS services for data transmission through office interconnection grids, which will increase capacity fourfold and reduce costs by over 34%.
- Launch of Project Nomad, with migration of over 300 users to this new service, which integrates all voice communications in a single mobile terminal.

04.2.8. Corporate operations and infrastructure: Information systems

The most significant projects carried out in 2007 in the information systems area were as follows:

- Project Q-Explo, for controlling programming standards and automation of volume and operating tests and monitoring end-to-end response times of the main business applications.

- Project BSM, to monitor the level of service of the main applications.
- Project Virtual PCs, providing the infrastructure to launch virtual work sessions from any internet-connected PC, with the same characteristics and functions as PCs connected to the corporate data network.

Some of the main projects initiated in 2007 include:

- Project Globalisation of Operations. As part of the Globalise IT Plan, this project aims to capture economies of scale and synergies from the overall volume of IT operations.
- Project Altadis, a high availability system to facilitate continuity of operations of the SDE distribution system.

04.2.9. Corporate operations and infrastructures: It security

The most important projects completed in 2007 in the IT security area were as follows:

- Managed Security Service Project, enabling continual monitoring of the security of ENDESA's systems and grids.
- GSD331 Security Policy Compliance Plan, analysing 979 servers and correcting 123,405 cases of deviations from the policy.

Some of the main projects launched during the year are as follows:

- Corporate Single Sign On Project, expanding the current security solution (Accede) to allow secure access to corporate applications.
- Securing of the remote-control systems grid, to increase the level of security of this grid and its systems.

04.3. PROPERTY ASSET MANAGEMENT: BOLONIA REAL ESTATE

Bolonia Real Estate, S.L. directly carries out ENDESA's real estate activity in Spain and delegates Latin American real estate activities to Inmobiliaria Manso de Velasco Ltda.

Through these companies, ENDESA promotes regeneration of industrial areas housing idle electrical installations and promotes the value of its real-estate assets, through transformation of land into buildable areas, management of own or leased buildings, and implementation of development models creating sustainable value in land with high environmental worth. This last objective is carried out through the Endesa Natural Surroundings programme (Endesa Entornos Naturales).

In 2007, ENDESA's real-estate division oversaw total real-estate divestments of Euro 200 million in Spain and Latin America. When taking into account Bolonia Real Estate's investment in one of the land plots with the greatest development potential in order to retain a significant portion of its future value generation capacity, net sales were Euro 128 million.

The largest operation in 2007 related to the partial sale of 156,000 m² of land housing the former Málaga thermal plant at Playa de la Misericordia. As part of this operation, ENDESA created a development company, Nueva Marina Real Estate, S.L., which acquired the land and sold 20% of its capital to Caja Granada and 20% to Compañía Europea de Finanzas, a family-owned Andalusian developer.

With this investment, ENDESA secured holdings in two real-estate developers, namely the aforementioned company Nueva Marina Real Estate, S.L. and Neinver Bolonia, S.L., the owner of 186,000 m² of buildable land along the Palma de Mallorca's eastern coastline, in which it holds a 45% interest. In December 2007, the Mallorca regional parliament authorised Neinver Bolonia to modify the general urban development plan, allowing it to consolidate the buildable land indicated and begin redistribution of the land plots.

In addition, Bolonia Real Estate handled 76 sales operations totalling Euro 80 million, including the sale to Abertis Logística of a 63.3 hectare plot in the Enea Business Park in Santiago de Chile (55% owned by Inmobiliaria Manso de Velasco), and the sale of buildings in the Canary Islands for Euro 22.1 million.

In addition, the land for housing ENDESA's new generation and distribution installations was acquired.

In 2007 the value of ENDESA's real-estate business was established by investment banks analysing and monitoring the Company. In that regard, the reports published by various prestigious entities assigned a specific value of between Euro 1,000 million and Euro 2,000 million to the Bolonia Real Estate activity.

SUSTAINABLE DEVELOPMENT AND THE ENVIRONMENT



For ENDESA, sustainability should be part and parcel of its business operations, helping foster confidence among stakeholders and bringing the Company closer to its medium- and long-term objectives.

ENDESA is a responsible, efficient and competitive company which understands that corporate success is becoming increasingly linked to a business's ability to adapt and respond to the needs of its community.

ENDESA understands the importance of intangible factors that do not necessarily show up on the income statement, such as dependability and quality of supply, employee loyalty, customer satisfaction, trust of public authorities, occupational health and safety, a healthy work/life balance for employees and respect among opinion creators. For ENDESA, sustainability means growing responsibly; that is, integrating social and environmental opportunities in its strategy and management model, nearing its business objectives and maximising value created in the long term in order to build trusting relationships with the communities in which it operates.

ENDESA defines sustainability as the capacity to develop a business model generating economic growth, social progress and greater ecological balance:

- Achieving excellence in its governance and business management practices.
- Remaining at the forefront to respond to challenges facing today's society.
- Obtaining attractive returns to lock in investor confidence, which helps the Company meet its future development and growth targets.

The sustainable development and environmental activities carried out by ENDESA in 2007 are listed below. A more detailed description of these activities can be found in Endesa's 2007 Sustainability Report.

01. A NEW TOOL TO HELP RESPOND TO A NEW REALITY

In 2003 ENDESA published its sustainability policy based on 7 Commitments for Sustainable Development. The policy aims to meet both the expectations of stakeholders and the Company's aspirations to contribute to economic, environmental and community development.

Following approval of the sustainability policy and the 7 Commitments for Sustainable Development, ENDESA prepared its 2003-2007 Strategic Plan for the Environment and Sustainable Development (PEMADS). This plan helped the Company lock in its position as one of the most advanced businesses in its sector in terms of sustainable development.

Significant achievements were reached under the PEMADS plan, which served as a catalyst and coordination point for all the Company's areas and helped boost its commitment to sustainable development.

By the end of 2007, PEMADS 2003-2007 was almost fully implemented. In 2007, as the plan period neared its close, ENDESA

THE ROLE OF ENDESA IN THE SOCIETY





analysed the meaning, implications and new challenges posed by the commitment to sustainable development in the coming years for a company of its characteristics, both through internal reflection and dialogue with its stakeholders.

The 2008-2012 Strategic Sustainability Plan was born from this reflection as a continuation of PEMADS 2003-2007. This new plan is updated and ambitious, and represents an undertaking to invest in assets that generate social confidence and bring the Company closer to its strategic and business objectives and the role it aims to carry out in the community.

ENDESA's 2008-2012 Strategic Sustainability Plan (SSP) is structured as follows:

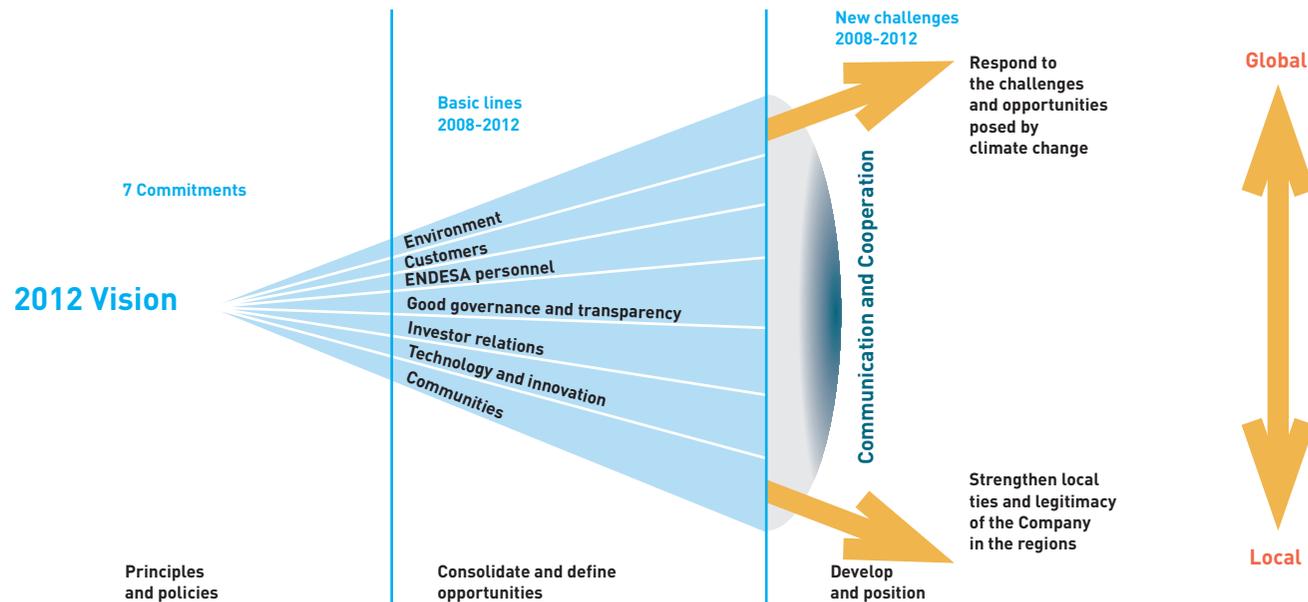
- Basic lines deriving from the seven sustainable development commitments and aiming to systemically identify opportunities for improvement.

- New challenges: critical matters for ENDESA in coming years, such as climate change and creation of ties with local communities.

The 2008-2012 SSP relies on cross-departmental communication and collaboration to help the Company attain its desired market position.

The 2008-2012 SSP will be applied to all the Company's activities and in all the countries in which it operates. Given that creation of ties with local communities is one of ENDESA's main objectives for the coming years, the Company has made special efforts to incorporate regional perspectives into the SSP. These local perspectives will be more clearly applied in country-specific and regional plans.

The 2008-2012 SSP covers a five-year period. Specific actions for each year will be laid out in annual sustainable development action plans. ENDESA will regularly report on its progress in the 2008-2012 SSP in its annual Sustainability Reports and through other channels.



02. EFFORTS TO BRING ENDESA'S PERSPECTIVES AND PRACTICES INTO LINE WITH THE UNITED NATIONS GLOBAL COMPACT

In addition to conscientious preparation of the 2008-2012 Strategic Sustainability Plan, in 2007 the Company made significant efforts to ensure compliance with the principles of the UN Global Compact throughout the entire organisation, based on the view that a project of this type should take into account local realities.

Consequently, the first step was to design a methodology to analyse the risks involved in failing to comply with the principles of the Global Compact (human rights, labour standards, environment and anti-corruption) in Spain, Portugal and Latin America.

Current compliance with these principles in each company was assessed through a number of external standards, such as the UN Human Development Index and methodologies developed by institutions such as Transparency International and the World Resources Institute.

Once the global risk was determined for each country, ENDESA prepared a questionnaire featuring tools recommended by benchmark institutions. This questionnaire aimed to diagnose the situation in each Group company participating in the project. The diagnosis was weighted based on the level of risk perceived in each community in which ENDESA companies operate. ENDESA took into account 25 tools from 17 different institutions in preparing the questionnaire.

By analysing replies to the questionnaire, ENDESA was able to identify procedures and lines of action to outfit the Company and its

subsidiaries with sufficient mechanisms to comply with the Global Compact.

Analysis of results also revealed certain inconsistencies in the response of ENDESA and its subsidiaries to the principles and requirements of the Global Compact. Furthermore, the analysis suggests that the Group's procedures and tools cover environmental and labour risks more than human rights risks and anti-corruption efforts.

Following the study of each country and the practices currently in place for complying with the Global Compact, ENDESA has set a goal for 2008 to design, together with its subsidiaries, initiatives adapted to the risk levels for each country and company to ensure uniform compliance with the Global Compact principles throughout the organisation.

03. OTHER SUSTAINABILITY ACHIEVEMENTS IN 2007

In 2007 ENDESA remained at the head of the Dow Jones Sustainability Indexes (DJSI), which distinguish those companies that occupy a significant place in their respective European or worldwide sectors and implement advanced sustainability practices.

Other sustainability achievements during the year were as follows:

- Launch of the energy efficiency and responsible usage plan to position the Company as the leader in eco-efficiency and contribute to its commitment to reduce CO₂ emissions.
- Participation in a global business agreement to fight climate change. Through this initiative, ENDESA and 150 companies from around the globe called on world leaders to adopt an integral and legally binding agreement to fight global warming, in the framework of the United Nations.
- Registration of ENDESA's first Clean Development Mechanism (CDM) project as part of the United Nations Framework Convention on Climate Change. This project relates to the Chilean Ojos de Agua run-of-river power plant and has been certified by AENOR, the Spanish quality standards association.
- Launch of the GDV-500-PLUS Solar Project, which will help position ENDESA as one of Europe's leading solar technology companies.
- Certification as a family-friendly company by the "Fundación + familia" organisation and the Spanish Ministry of Labour and Social Affairs. This award recognises those companies committed to a balance between the professional, personal and family lives of their employees.
- The 2007 Dupont Sustainable Business prize for ENDESA's Apolo and Delfos projects. This is one of the most prestigious awards in occupational health and safety.
- Signing of the joint declaration of the Global Roundtable on Climate Change, an initiative of Colombia University's Earth Institute proposing industrial measures to create energy systems.
- Chair of the Spanish CO₂ Association, which aims to contribute to a reduction in greenhouse gas emissions.
- Apolo 2007 Awards in occupational health and safety for collaborating companies. This strengthens the Company's public commitment to occupational health and safety of all employees.



- Roll out of a 2007-2008 Climate-Commitment Study in all countries in which ENDESA operates in order ascertain employees' views on key aspects of management, work environment, management style and people management. The results of this study will be used to prepare specific improvement plans.

04. ENVIRONMENT

ENDESA is committed to the environment and operates its business responsibly, efficiently and competitively. The Company attempts to minimise the impact of its activities on the natural environments in which it operates, and focuses its environmental initiatives mainly climate change prevention, implementation of environmental management systems and proper management of spillage, waste, emissions and other effects on the environment.

In 2007 ENDESA's accumulated environmental investments totalled Euro 1,482 million, 19% higher than in the previous year. Accumulated expenses for environmental matters were Euro 109 million, in line with 2006.

ENDESA's environmental investments were mainly earmarked for waste management infrastructures, reduction in the visual impact of its installations, purchase of carbon certificates, environmental improvements in the quality of service and reduction in internal losses on transformation and distribution of electricity. Environmental expenses mainly relate to environmental protection activities, regeneration of areas with high ecological value (dump clean-up, reforestation), environmental studies, implementation of environmental management systems, and management of waste, gas emissions and industrial dumping.

04.1. CLIMATE CHANGE INITIATIVES

As indicated above, in 2003 ENDESA launched PEMADS, its 2003-2007 Strategic Plan for the Environment and Sustainable Development to manage environmental risk factors arising from the Company's activities and characteristics. At the end of 2007, over 95% of the plan had been implemented.

One of the main targets of PEMADS 2003-2007 was to achieve a significant reduction in specific CO₂ emissions. Although the target established in 2003 was to bring 1990 emissions down 35% by 2007, by the end of last year emissions had actually dropped 36.6%, from 695g CO₂/kWh in 1990 to 441g CO₂/kWh in 2007.

The 2008-2012 Strategic Sustainability Plan, which builds on and widens the scope of PEMADS 2003-2007, aims to intensify climate change prevention initiatives through four main lines of action:

- Development of new renewal energies.
- Leadership in new technological developments to capture and store carbon, in technologies lowering CO₂ emissions, and in energy model changes.
- Development of energy efficiency and cogeneration opportunities.
- Fostering Clean Development Mechanisms (CDM).

04.1.1. Renewable energies

In 2007 ENDESA increased power at its renewable energy installations by 871 MW, 638 MW of which was installed in Spain, 215 MW in Europe and 18 MW in Latin America.

ENDESA plans to incorporate a company encompassing all of its renewable energy assets and to integrate this new company with Acciona Energía. These efforts will create a world leader in renewable energies with over 6,700 MW of installed power.

04.1.2. Emissions trading

ENDESA is currently active on the main European wholesale emissions markets (NordPool, Powernext and ECX) and is entered in emission rights registries in Denmark, France and Spain (RENADE) to optimise its emission rights trading strategies.

Under the national allocation plan, ENDESA was assigned 36.9 million tonnes for 2007, which is lower than the emissions actually needed. This shortfall, together with the low energy produced during the year, led ENDESA to use more emission rights than initially assigned. However, ENDESA took advantage of the low prices of CO₂ to buy enough emission rights in the markets in which it operates. In 2007 the Company also subscribed bilateral emissions contracts with other national and international entities.

04.1.3. Clean development mechanisms and joint action projects

In order to meet the needs of the second period of the ETS (2008-2012) the Company participated in a number of international emission-reduction projects. This enabled the Company to comply with a significant part of the obligations acquired by reducing emissions produced in other countries.

Projects underway include the repowering of the Callahuanca hydroelectric plant (Peru), the Ojos de Agua hydroelectric plant (Chile), the Canela wind farm (Chile) and SIEPAC, the Central American interconnection line.

The targets set in the Endesa Climate Initiative (ECI) were actually exceeded during the year. The original aim of the initiative upon its launch in November 2005 was to acquire 15 million tonnes of CO₂ prior to 2012. However, ENDESA now has a portfolio of CDM projects totalling approximately 90 million tonnes.

In addition, ENDESA participates in various carbon funds, such as the Spanish Carbon Fund, the Umbrella Carbon Fund, the Clean Development Carbon Fund, the GG-CAP Fund and the MCCF. The Company's involvement in these funds provides opportunities to purchase carbon credits and to diversify the portfolio and risk. Furthermore, as a member of these funds, ENDESA contributes to the social-economic development of vulnerable communities.

04.1.4. Technologies to combat climate change

ENDESA participates in a number of technological climate change initiatives, including the Energy Wisdom Programme (EWP) organised by Eurelectric, the European electricity industry association. The EWP, a voluntary initiative launched in 2000, embodies the European electricity sector's efforts to improve energy efficiency and reduce greenhouse gases. ENDESA's contribution to EWP includes participation in projects centred on renewable energies, cogeneration and combined cycles, and improvements in energy efficiency, among others.

Following its participation in the 2003-2004 EWP, ENDESA contributed to the 2005-2007 EWP with projects centred on renewable energies, cogeneration and combined cycles, improvements in energy efficiency, fuel change, and electricity transmission and distribution. As a result of its investments in new technologies, from 2005 to 2007 the Company has avoided emitting 15.37 million tonnes of CO₂

in Spain and Portugal, 10.78 million in Europe, and 38.15 million in Latin America.

ENDESA's participation in other similar technological initiatives is described in the chapter on Technology and Innovation. Highlights of this participation include the Company's work with the Spanish Centre for Research on Energy Resources and Consumables (Centro de Investigación de Recursos y Consumos Energéticos, CIRCE) to lead Spain's efforts in the European Zero Emissions Fossil Fuel Power Plants (ZEP) technological platform, which aims to promote future clean carbon generation. ENDESA also plays an active role in a number of European Union CO₂ capture and storage projects, such as Dynamis, Cachet, C3-Capture, Geocapacity and Nanoglowa. In Spain, ENDESA chairs the Spanish CO₂ Association and leads the National Strategic Consortium for Technical Research on CO₂(Consortio Estratégico Nacional para Investigación Técnica sobre de CO₂, CENIT de CO₂), one of the main Spanish R&D efforts in the fight against climate change.

04.1.5. New fuels

Since 2005 ENDESA has participated in the Green Fuel Corporation, which aims to build and operate biodiesel production plants. In 2007 this company began building a biodiesel plant in Extremadura and is carrying out similar projects in Aragón, Castilla y León and Andalusia.

04.2. OTHER ENVIRONMENTAL INITIATIVES

04.2.1. Environmental management systems

In 2007 ENDESA maintained its commitment to implement and certify environmental management systems at its main installations, including power plants, distribution centres, renewable energy installations, and corporate headquarters buildings. At the end of 2007, 90% of energy produced by the Company worldwide was certified under ISO 14001.

In particular, all ENDESA's hydroelectric production in Spain is ISO 14001-certified, as is all energy produced in Italy and all of the Latin American distribution subsidiaries.

In 2007, the Company made significant strides in implementing environmental management systems in the Spanish distribution business. ENDESA aims to have 100% of energy distributed in this market certified under ISO 14001 by the end of 2008.

04.2.2. Air quality

ENDESA closely monitors all its emissions to verify the characteristics and the amounts released. The Company ensures that all emissions meet applicable regulations, implements technologies to minimise emissions, and designs corrective measures for the impacts generated.

In 2007, ENDESA continued its projects to install desulphurisation and denitrification systems at various thermal plants (Compostilla, Los Barrios, Litoral, Alcudia, Monfalcone, Emile Huchet, and Provence) and to apply Abaco technology, which improve efficiency in large combustion installations, at a number of thermal energy plants in Spain.



ENDESA regularly reports its emissions levels to public entities. In 2007, as in previous years, it submitted information to the European EPER registry and the national registry of air pollutants (Corine Aire).

During the year, significant progress was made in joint efforts by the Ministry for the Environment, the Spanish National Association of Manufacturers of Capital Goods (Agrupación de Fabricantes de Bienes de Equipo Eléctrico, Sercobe), the Spanish Electricity Industry Association (UNESA) and Red Eléctrica de España (REE) to prepare a voluntary agreement aimed at avoiding sulfur hexafluoride (SF6) emissions in the entire life cycle of electrical goods, in the period from 2008 to 2012. ENDESA contributed to this initiative through its participation in UNESA.

All of ENDESA's businesses are implementing Regulation (EC) No 2037/2000 of the European Parliament and of the Council of 29 June 2000 on substances that deplete the ozone layer.

In 2007 ENDESA's SO₂ emissions in all countries in which it operates amounted to 3.11 gSO₂/kWh, down 3.1% on 2006. NO_x emissions rose 9.7% to 1.24 gNO_x/kWh, while particle emissions were reduced to 0.09 g/kWh (47.1% improvement).

04.2.3. Waste management and dumping control

ENDESA goes beyond mere compliance with legislation governing hazardous and non-hazardous industrial waste. The Company has mandatory internal regulations for managing and eliminating these wastes at its installations. These guidelines establish the specific criteria and procedures for the necessary treatments, as well as for contracting proper management services.

Endesa Ingeniería's dielectric oil laboratory, opened in 2006, monitors the quality of oils used in ENDESA's transformers by testing PCB levels in the oils. In 2007, the lab analysed 7,089 samples of oil.

ENDESA also continued its efforts to reuse ash and slag generated in its coal burning plants by making these wastes available as a raw material for other industrial uses. In 2007, 2 million tonnes of ashes, 87,397 tonnes of slag, and 1,073 tonnes of gypsum were reused in Spain.

ENDESA's in-house procedures help control and reduce spillage into water systems and improve water quality, mainly through waste water treatment facilities. In 2007 there were no large-scale spillages from any Company installation.

04.2.4. Conserving biodiversity

In 2007, ENDESA continued to carry out its biodiversity conservation plan.

The Company has already restored 2,864 hectares of land, through various years of environmental actions in the areas surrounding its mining operations in Spain. In 2007, 72 hectares were restored, including work in the As Pontes mine area, which was closed in 2007. In 2006, the restoration works in the mining complex dump had been completed, yielding 1,150 hectares of vegetation, 69 kilometres of paths and 55 kilometres of canals.

In 2007 ENDESA persisted in its efforts to restore and beautify land surrounding its hydroelectric installations in Spain, extending the project to a national level. The Company also continued to implement integrated environmental management of large reservoirs. The project to clean up the small lakes in the Aragonese Pyrenees mountain range was extended for a further two years, with a forecast investment of Euro 1.1 million for the period. This project received the Aragón Environment Award in 2007.

Lastly, the Huinay Foundation in Chile has carried out significant work in diversity, through activities leading to the discovery of 40 new marine species in the past three years. The Foundation also participates in the Endesa Natural Surroundings programme, described elsewhere in this report.

05. BOLONIA REAL ESTATE AND SUSTAINABILITY

In 2005 ENDESA incorporated Bolonia Real Estate in order to carry out the Company's real estate activity. Bolonia Real Estate's land management model is in line with ENDESA's sustainability policy.

Bolonia Real Estate's land management initiatives in 2007 were as follows:

- Finalisation of dismantling and demolition of the San Juan de Dios (Palma de Mallorca) thermal plant.
- Dismantling and demolition works in the Son Molinas and Central III (Palma de Mallorca) plants.
- Inauguration of works for the partial liberation of land in the Salt substation and subsequent construction of ENDESA offices in Gerona.

05.1. ENDESA ENTORNOS NATURALES (NATURAL SURROUNDINGS PROGRAMME)

Bolonia Real Estate also promotes the Endesa Entornos Naturales (Endesa Natural Surroundings Programme), which encourages decisive and unique environmental management initiatives. Through this programme, the Company coordinates and implements a number of environmental conservation and protection projects, including advanced biodiversity actions.

Under the Endesa Entornos Naturales (Endesa Natural Surroundings Programme), a number of ENDESA units and companies work to recover areas with great ecological value, restore dumps, maintain water resources and agricultural areas, reforest land, carry out scientific research, and develop low-impact renewable energies.

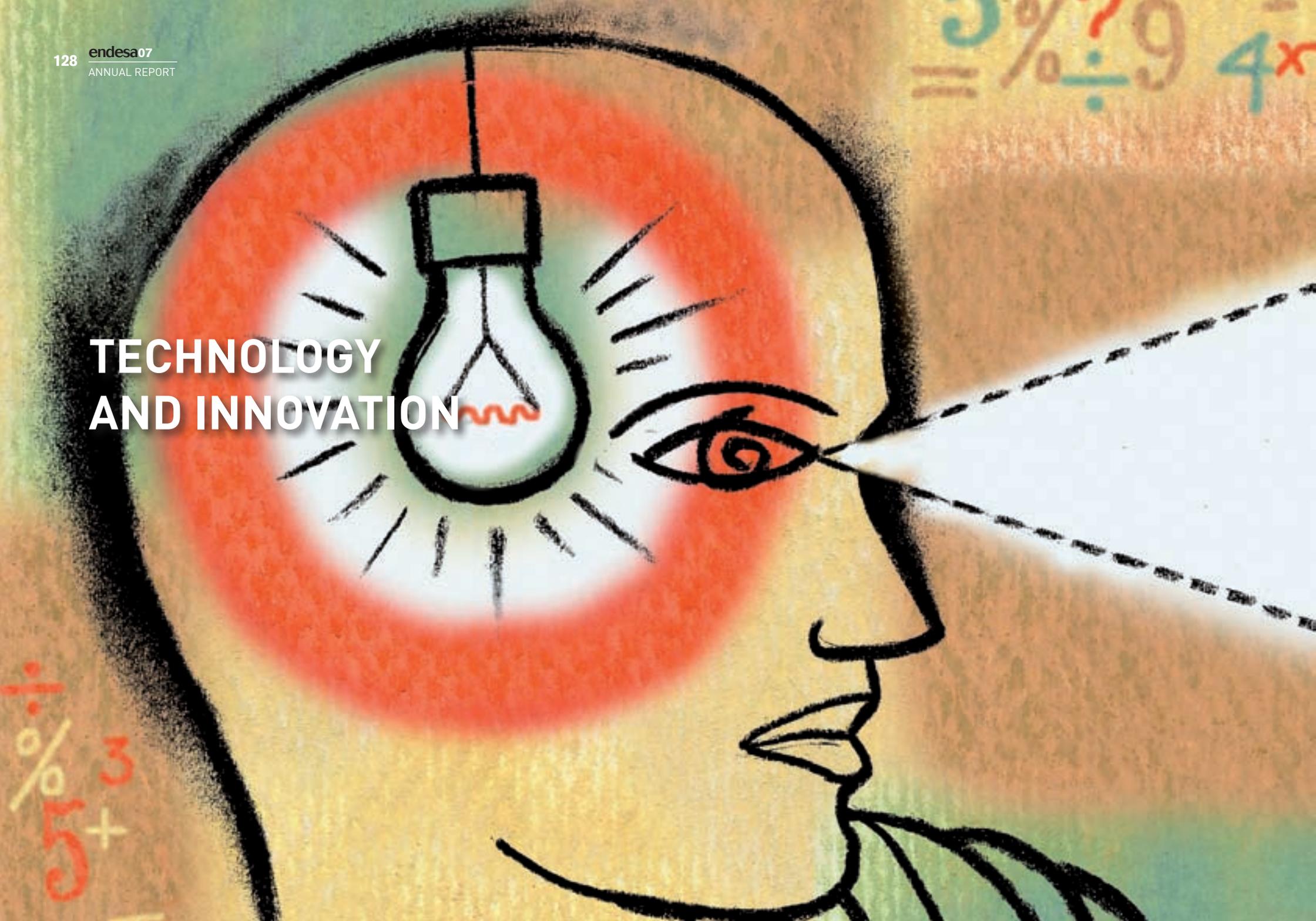
One of the chief activities during 2007 was ENDESA's natural wealth development plan, which analysed the value of and possible improvements to the Company's natural capital. The plan was implemented in over 20 plots (more than 7,000 hectares).

In addition, forest fire prevention plans were designed for all ENDESA plots in forested areas in Andalusia.

Other initiatives carried out as part of the Endesa Entornos Naturales (Endesa Natural Surroundings Programme) were as follows:

- Environmental improvements in the Sineu Lake (Mallorca).
- Habitat improvement and generation of biodiversity in the Bolonia Bay (Cádiz).
- Design of a draft project for sustainable use of the Güejar-Sierra plot (Granada).
- Roundtable on the role of companies in preserving biodiversity.

TECHNOLOGY AND INNOVATION





ENDESA's technology and innovation (T&I) model has been designed in line with the Company's main business objectives, especially in terms of quality, efficiency, sustainability, and customer service.

Since 2004, ENDESA's management model centralises coordination of T&I activities. This model supports, compiles and publicises the activities carried out in these fields by the different business lines. This global and decentralised management model seeks to increase know-how by relying on internal and external agents, and captures value from a wide range of sources.

In 2006 AENOR certified ENDESA's innovation model under the UNE 166002 standard, which ensures the quality and efficiency of integral research, development and innovation management systems by setting requirements for tools, procedures, documents and the relationships between business units. ENDESA is the first Spanish electricity utility to attain this mark of excellence in R&D&I Management.

ENDESA's strategic technological objectives are to define and apply the best sector practices in the Company's current processes, technologies and assets, be the natural market leader in implementing new technologies, and identify growth options for the future. The Company therefore applies a technological plan shaped around three key strategic lines:

- Sustainable generation: clean coal and advanced renewable energies.
- Future grids: intelligent, safe and efficient.
- Eco-efficiency: energy savings, demand management and environmental sustainability.
- Excellence in processes and information technology.

T&I activities carried out by ENDESA in 2007 are summarised below. A more detailed description is provided in the Company's 2007 Sustainability Report.

01. TECHNOLOGY AND INNOVATION ACTIVITIES IN 2007

In 2007 ENDESA's direct and indirect investments in R&D&I totalled Euro 79 million. ENDESA actively involved suppliers and research centres in these efforts, carried out either independently or through leadership in consortiums.

The main T&I activities of the Company's different business areas during the year are as follows:

GENERATION

In the international field, ENDESA and the Spanish Centre for Research on Resources and Energy Consumables (CIRCE) locked in their role as Spanish representatives and leaders on the European Zero Emissions Fossil Fuel Power Plants (ZEP) technology platform. The main objective of this platform is to promote future clean coal generation to facilitate renewal and growth in current thermal generation, implementing zero-emission generation plants in Europe by 2020.

ENDESA is an active member of the Advisory Council to this platform and participates in taskforces on technology, demonstration and implementation, policy and regulation and public communication.

In 2007 the ZEP platform taskforces were restructured and the Flagship Programme was launched. The platform also accepted ENDESA's proposal for a project demonstrating oxy-fuel combustion technology in supercritical liquid layers, capturing over 90% of CO₂ emissions.

In the European Union, ENDESA participates in the Dynamis, Cachet, C3-Capture, Geocapacity and Nanoglowa projects, all of which relate to CO₂ capture and storage.

In Spain, ENDESA chairs the platform and the Spanish CO₂ Association, and leads the Cenit CO₂ project (National Strategic Consortium for Technical CO₂ Research). This consortium, approved in 2006, brings together 13 companies and 16 research centres and operates with a budget of Euro 26 million.

ENDESA's electricity generation research projects also include:

- Development and optimisation of a 5 kW fuel cell.
- Project Abetrap (RFCS), aimed at recovering carbon combustion waste using new sorbents to retain emissions.
- Study of oxy-fuel combustion techniques.
- Project Efialter to increase efficiency of large alternators.
- Medium and long-term hydraulic management model, electricity markets simulator and an internet portal providing hydrometeorological data used in managing hydroelectric supply.
- Creation of various bio-diesel production plants through a stake in Green Fuel Corporación, S.A. ENDESA also researches the use of bio-diesel as an alternative to gasoil and to heavy fuel oil used in internal combustion alternative motors for electricity generation.
- R&D into the application of photovoltaic solar energy in thermal plants and use of high temperature solar energy in electricity generation

- Project GDV-500 to develop direct heat generation systems using high temperature solar energy. ENDESA is a founding partner of the Protermosolar Association, which promotes the technological and industrial development of solar energy in Spain.
- Various projects in hydroelectric plants in Latin America, using new advanced turbine equipment.
- Project CMD, to monitor, process and store variables of the operations of ENDESA's Latin American generation plants.
- New designs of boilers and advanced combustion systems, including the CFB500 project to develop a European supercritical fluids platform; switchover to new types of fuels in various boilers in Spain, improving efficiency and reducing CO₂, SO₂ and NO_x emissions; and new designs for use of different biomass types in Spain and Italy. In addition, in France ENDESA operates Cerchar, a research and development centre specialising in more efficient and less polluting uses of coal.
- Project Novare-Plasmacol to create a pilot plant to reduce pollutants through filtration of non-thermal plasma in gas currents.
- Project Novare-BioH₂ to develop an H₂ capture process by treating urban and vegetable wastes, generating methane and solid by-products for use in agriculture.

ENVIRONMENT AND SUSTAINABILITY

Mention should be made of the progress achieved in the El Hierro (Canary Islands) project, through which ENDESA, in collaboration with the island authorities and the Canary Islands Technological Institute (ITC) aim to ensure that the island's energy supply is provided through a fully renewable hydro/wind output system, which will guarantee full sustainability.

ENDESA is also a member of the European CO₂Net network and a founding partner of the Spanish Hydrogen Association and the Foundation for the Development of New Hydrogen Technologies in Aragón.

Other examples of ENDESA's environmental and sustainable development initiatives are as follows:

- Analysis of the understory near the As Pontes (Galicia) plant in order to obtain the maximum information possible about agents causing damage to forests.
- Research projects on the zebra mussel in order to acquire the necessary knowledge to control this pest.
- Joint evaluation with the CSIC of the application of carbonisation/calcination processes to capture CO₂.
- Activities involving biomass and agroenergy crops, such as Project Biocard, participation in the CO₂ Special Strategic Programme of the Ministry of Education and Science (MEC), and developments for the use of biomass at Spanish coal-fired plants.
- CECA NoDioxCom project to design and develop ongoing monitoring of heavy metals.
- Project Hidráulico for optimised hydrogen production with wind energy and the European Cluster Pilot Project for the integration of RES into European Energy Sectors.

DISTRIBUTION GRIDS

In addition to the distribution grid activities carried out through CIDE (ENDESA innovation circles), mentioned above, in 2007 the Company launched the Cenit Denise project.

This consortium was approved by the board of directors of the Spanish Ministry of Industry's Centre for Industrial Technological Development (CDTI) as part of phase II of the Cenit Programme (National Strategic Consortium for Technical Research). With a budget

of Euro 24 million, this four-year project researches control of distribution grids, primarily in terms of efficient supply and demand management and grid security. The overriding purpose is to establish the framework for an intelligent, safe and efficient electricity distribution grid.

The project is headed by ENDESA and managed by the Endesa Network Factory. Thirteen companies and eight research centres participate in the project.

GRID QUALITY

In 2007 ENDESA led research into new high-capacity conductors for possible inclusion in the grid, the impact of new generation technologies on the distribution grid (solar energy plants, wind energy, fuel cells, mini co-generation, etc), new underwater connection technology designed to enhance quality, automation and reliability of the MV grid. It also researched and tested the use of new polymer materials and developed improvements in earth connections to minimise lightning damage. During the year ENDESA launched the first phase of a quality-enhancing project derived from the ENDESA Novare Awards involving monitoring of substations parameters to perform maintenance based on actual conditions. Lastly, the mobility plan was rolled out to streamline the response to supply problems, and additional automatic features were incorporated into the medium voltage grid.

EFFICIENCY IN DISTRIBUTION

In 2007 the Company continued to design the standardisation, normalisation and accreditation process for equipment, substations, use of new SF₆ and hybrid technologies, 66 kV chambers, and underground high voltage cables, and extended the process to trans-

formers using this technology. In addition, the Company and Power Line Communications (PLC) researched remote management of low voltage metering equipment to coordinate remote management with technological advances in the remote control grids and access to medium voltage remote control. Other efficiency-related initiatives included the continuation of Project Diana (real time functions installed at customers' homes), Project Alma (designed to boost meter reading management to improve quality and communications with suppliers), a system for forecasting non-technical losses and a device for detecting electricity fraud by measuring current differentials.

DISTRIBUTION AND THE ENVIRONMENT

In 2007 ENDESA continued research into the development and application of low loss transformers in the distribution network (the European SEEDT project), a system for identifying and improving MV technical losses and the deployment of measures to minimise the environmental impact of bird contact or perching on conductors or utility poles (dielectric rings and protectors). As a result of this project, efficient transformers were received for installation in the Balearic Islands, the first of their type in Europe. Furthermore, the Company and the Endesa Energy Innovation Network chair at the Polytechnic University of Barcelona carried out several joint research projects and organised the II International Energy Innovation Congress. The Energy Innovation university programme in Seville also began in 2007.

SALES

Projects undertaken in this area are as follows:

- Energy efficiency and demand management: Project Optiges, focusing on determining and testing energy saving potential in SME customers.

- Renewable and/or highly-efficient energy distribution, offering customers real solutions for optimal use of available resources.

ENDESA ENERGY SCHOOL

The Endesa Energy Schools aims to become a centre for excellence, quality and know-how at the forefront of the Company's intangible asset management, fostering innovation, talent management and knowledge within the Company. In 2007 the school mainly focused on excellence in technical knowledge management and collaboration with universities. These activities include:

- Launch of the ENDESAICAI Masters in Electrical Technology in collaboration with the Massachusetts Institute of Technology (MIT).
- Support for a Masters in Renewable Energies • Organisation of internal technical courses and technological workshops.
- Novare Awards Programme for the scientific community and employees.
- ENDESA Emeritus Faculty.
- Grants, university chairs and collaboration with universities.

ENDESA NETWORK FACTORY (ENF)

One of the main functions of the Endesa Network Factory (ENF) is to manage ENDESA's collaboration and technological participation in different technology and innovation consortiums and associations.

In particular, ENF oversees ENDESA's Innovation Circles (CIDE), an initiative bringing together over 40 of ENDESA's global suppliers focused on innovative approaches. The CIDE helps identify technological opportunities and targets, express expectations, and transmit them to suppliers in order to ensure their collaboration in



meeting the technological challenges facing the Company's business and jointly identify new R&D&I projects. In 2007, the CIDE model was extended to ENDESA companies in Latin America and the Company's generation and supply areas in Spain. The CIDE forums work on different technological innovation projects, including the following:

High-voltage lines and cables forum

- High-Capacity Conductor Project, to obtain maximum output from conductors and encourage research into new materials to repower existing circuits through high-capacity conductors.
- Evaluation of the status and estimation of useful life of systems, to promote innovation in technologies for maintaining and estimating residual useful life, for the correct management of assets, through reliable monitoring and/or diagnostic systems.
- HV grid assets management system based on dynamic parameters, to promote research into new online management systems providing the necessary parameters for maximum performance of existing systems.
- Project to shift the public's perception of HV grids, aiming to create a work methodology shaping public opinion on the functions and bases of HV lines.

Substation forum

- Electric substations monitoring, involving monitoring a power transformer and related switch. The MV chamber associated with the transformer will also be monitored. By reading certain selected parameters, equipment performance can be monitored and maintenance actions can be better planned to avoid possible breakdowns.
- Compact substation project, using compact 72 kV chambers of SF6 technology and the confirmation of viability and efficiency.

This type of chamber considerably reduces the amount of HV lines in the substation and improves operation of the installation.

- IEC 61850 Substation. SE Bus project, to study, develop and test the new IEC 61850 electrical substation communications protocol in order to roll out a new substation based on this regulation.

- Application of the RCM maintenance model in electric substations.

Medium- and low-voltage forum

- Connection of electrogen groups in thermal plants, developing a system for connecting generation groups which, with maximum safety, allows the Company to carry out maintenance work on the grid without interrupting service to customers.
- Improvement of LV distribution cables design, without diminishing the advantages of using the current unipolar cables.
- Monitoring and locating interruptions in the MV/LV grid, in real time.
- Grid automation forum
- Fault bypass detection communicated with SCADA, to detect intensities of bypasses in the secondary MV grid and report them to the Control Centre, reducing response time and, consequently, interruption time.
- Remote control with automatic breakers, to obtain a working element to automatically clear breakages detected in a line section in order to recover service along the rest of the line.
- Automated remote control with protection and closer, to provide a working element to automatically clear and reconnect breakages in order to quickly reposition the affected part of the line, maintaining service along the rest of the line.

OTHER TECHNOLOGICAL PLATFORMS IN WHICH ENDESA PARTICIPATES

In Europe, ENDESA participates in Smartgrids, the intelligent-grid platform, as well as in the aforementioned Zero Emissions Fossil Fuel Power Plants platform. In Spain, in addition to involvement with the Spanish CO2 platform, the Company participates in the Futured Platform (future electricity grids), through the Endesa Network Factory, holding the office of technical secretary. ENDESA also participates in the following technological platforms: Fusion, Fission, Industrial Security, Energy Efficiency and Hydrogen and Fuel Cells. Through the Endesa Network Factory, the Company is also involved with the standardisation and regulatory agencies responsible for broadband SC205A/WG10, ETSI PLT and CISPR/I PLC technology and is an active member of the PLC Utilities Alliance (PUA), which brings together seven large European electricity companies. In 2008, ENDESA formed the Innovation Utilities Alliance with EdF, EDP and RWE.

TECHNOLOGICAL APPLICATIONS REFERENCE CENTRE (CREATEC)

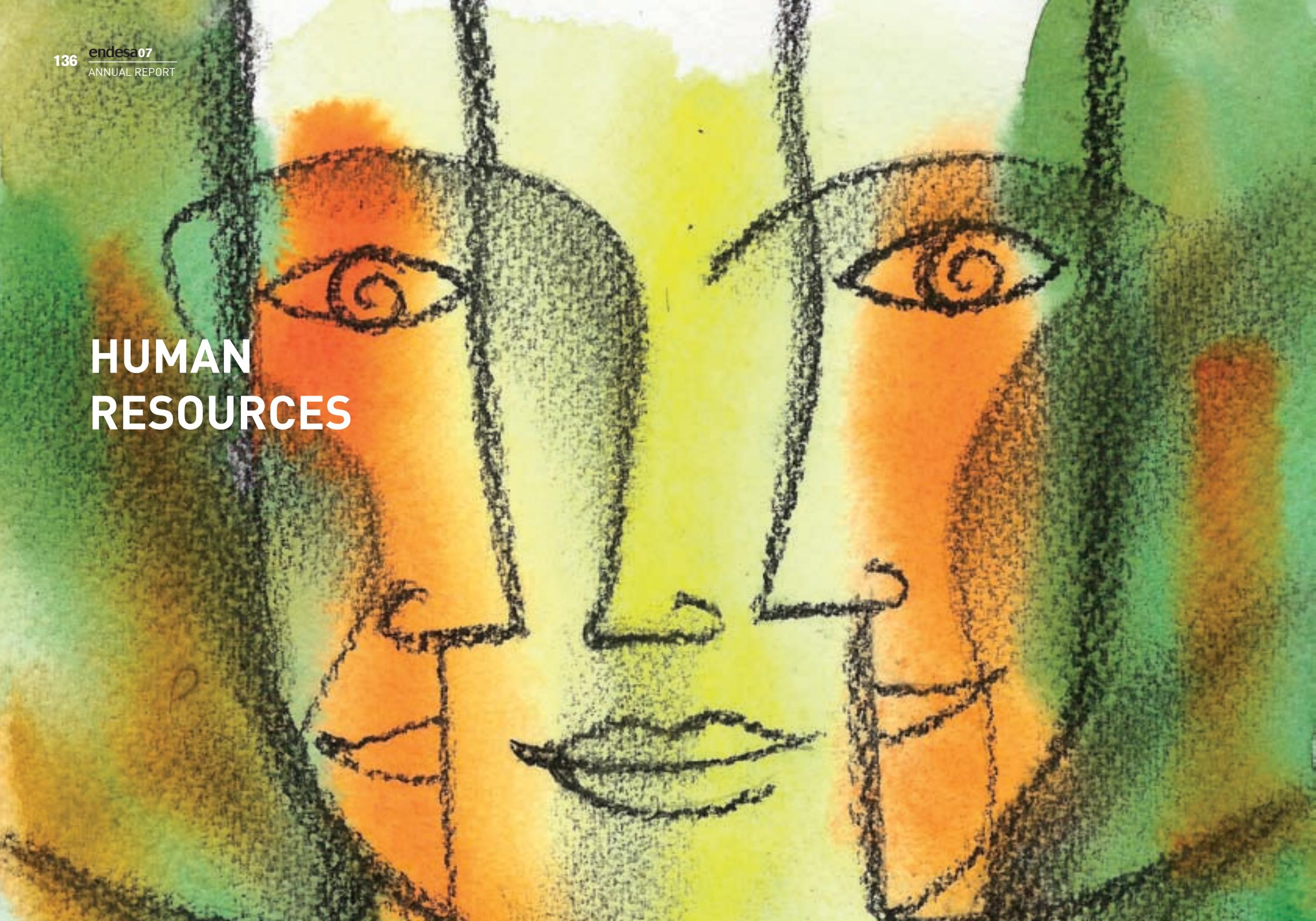
CREATEC aims to research, analyse, evaluate and promote the best technological practices of the ICT industry and directly apply these practices in ENDESA. The centre's initiatives include the Marte and Norte Projects, which aim to migrate the current package switching technology used in the real-time grid for remote control services to a fully IP multi-service grid, minimising costs of this technological evolution. The Proxima Project focuses on developing a compact, reliable and low-cost remote thermal unit solution to cover the remote control needs of the MV grid. CREATEC also carries out various RDI projects using broadband PLC technology in communications equip-

ment for HV and MV grids (the broadband carrier project, funded by the CDTI) and for the LV remote management grid.

ECO-EFFICIENCY AND ENERGY SAVINGS

Technological actions in this area aim to promote energy efficiency and responsible consumption, interacting with global demand sources and fostering sustainable development and demand management. The most significant projects and activities carried out in this area in 2007 include the ENDESA Energy Efficiency Plan, which optimises consumption in the installations themselves; communication and knowledge-sharing initiatives, such as the Household Energy Efficiency Demonstration in Barcelona; creation of an innovation grid with key sector players setting the stage for successful collaborations with third parties and with Latin American business units; and the development of research and innovation components in energy efficiency and active management of demand in projects such as NOVARE OPTIGES and CENIT-DENISE.

HUMAN RESOURCES



ENDESA's corporate values show that the Company considers human resources as one of its most valuable assets.

ENDESA is responsible for ensuring development opportunities for all Company employees, based on merit and professional contributions, and is committed to encouraging their involvement in attaining common goals by sharing information and know-how.

Compliance with these values can be seen in the Company's daily endeavours to promote the optimum management of talent, health and safety, a good life-work balance, diversity, ongoing training, and the design and application of fair and motivating evaluation and compensation systems.

ENDESA's human resource management activities in 2007 are summarised below. A more in-depth description is provided in the Company's 2007 Sustainability Report.

01. WORKFORCE OF ENDESA AND SUBSIDIARIES

ENDESA's total workforce totalled of 27,019 people at the end of 2007, an increase of 0.9% from the previous year. Of the workforce, 18.4% are female employees. ENDESA's workforce in Spain and Portugal business numbered 12,677 at the 2007 year end, up 0.4% on the previous year. The Latin American business staff totalled 12,169 at the end of 2007, up 1.7%, while the European business had 2,147 employees (an increase of 0.8%). Other businesses (Endesa Network Factory and Bolonia Real Estate) had 26 employees, down 36.6%. The growth in the workforce in Latin America is mainly because in 2007 staff of the Túnel El Melón company was included.

02. INTEGRATED TALENT MANAGEMENT MODEL

In 2007 the following policies were approved as part of the integrated talent management model: talent management policy, selection and integration policy, diversity policy and work/life balance policy (professional, family and personal).

In addition, the following projects were carried out:

ATTRACTING AND INCORPORATING TALENT

During the year ENDESA participated in three editions of the Universia Virtual Employment Fair in order to become a reference point in the university segment, strengthen its image as an employer of choice and attract top candidates. During the fair, 3,048 people visited the stand, 489 employment inquiries were received and 792 CVs were submitted through the web page.

In addition, the Company studied its image as an employer in all the countries in which it operates. This study was geared toward university students and post-graduate students in their first jobs.

Employees at the end of	2003	2004	2005	2006	2007	2007/2006 % variation	2007/2003 % variation
Spain and Portugal business (*)	13,651	12,889	12,709	12,625	12,677	+0.4	-7.1
Latin American business (**)	11,796	11,735	12,317	11,962	12,169	+1.7	+3.2
European business	1,143	2,436	2,153	2,130	2,147	+0.8	+87.8
Other businesses (Network Factory and Bolonia Real Estate)	187	93	25	41	26	-36.6	-86.1
Total	26,777	27,153	27,204	26,758	27,019	+1.0	+0.9

Average workforce	2003	2004	2005	2006	2007	2007/2006 % variation	2007/2003 % variation
Spain and Portugal business (*)	13,596	13,659	12,833	12,663	12,666	+0.02	-6.8
Latin American business (**)	11,556	11,703	12,105	12,078	12,111	+0.3	+4.8
European business	1,162	1,523	2,333	2,172	2,172	—	+86.9
Other businesses (Endesa Network Factory and Bolonia Real Estate)	286	100	23	35	32	-8.6	-88.8
Total	26,600	26,985	27,294	26,948	26,981	+0.1	+1.4

(*) The Spain and Portugal business includes Corporation and Services employees (496 and 474 employees, respectively).

(**) In 2007 the Latin American business includes employees from the company Túnel El Melón.

AGE PYRAMID FOR THE SPAIN AND PORTUGAL BUSINESS STAFF

Range	%	Average real workforce (*)
←25	0.4	48
25-29	3.5	445
30-34	10.6	1,344
35-39	11.1	1,412
40-44	16.8	2,138
45-49	25.3	3,213
50-54	22.9	2,912
55-59	8.8	1,117
60-64	0.5	63
→64	0.0	6
Total	100.0	12,698

(*) Includes Corporation, Services and other businesses (Net Factor and Bolonia Real Estate) employees. Does not include information on companies whose workforces are not managed, though they may be consolidated as part of this business.

AGE PYRAMID FOR THE LATIN AMERICAN BUSINESS

Range	%	Average real workforce
←25	4.1	495
25-29	12.4	1,496
30-34	16.3	1,974
35-39	15.6	1,893
40-44	16.7	2,020
45-49	14.4	1,748
50-54	10.1	1,218
55-59	7.0	845
60-64	3.5	422
→64	0.0	0
Total	100.0	12,111

AGE PYRAMID FOR THE EUROPEAN BUSINESS

Range	%	Average real workforce
←25	1.3	28
25-29	7.6	164
30-34	11.7	255
35-39	11.6	251
40-44	22.4	487
45-49	29.0	629
50-54	13.5	293
55-59	2.8	60
60-64	0.2	4
→64	0.0	0
Total	100.0	2,171



EXECUTIVES BY LEVEL AND REGION

	Spain	Europe	Latin America	RDM	Total
Senior Management	28	2	6		36
General sub-directors	16				16
Directors	98	7	52	1	158
Sub-directors	299	6	201	5	511
Total	441	15	259	6	721

REVIEW OF GENERAL/MANAGERIAL COMPETENCIES

ENDESA has a single competencies model for all Group employees in all companies and business units, monitoring 120 technical and functional skills and 10 generic management skills. Through this model, all work positions within the companies are assigned skill requirements and levels in order to objectively evaluate how well employees are matched to their positions. This model also helps establish performance standards in line with the Company's strategic objectives, as well as individual development plans and promotion and mobility plans. In 2007, the skills evaluation was extended to almost 20% of ENDESA's total staff.

SCOPE OF THE PERFORMANCE MANAGEMENT SYSTEM

ENDESA considers that performance management is a system tool for increasing the value of the Company by guiding employees to adopt the objectives of the Company and its specific business targets, and recognising employees for their contributions and merit. This optimises employee development, motivation and commitment. In 2007, the system was extended to Edelnor, Edegel and Eepsa (Peru) and Synapsis (Chile, Peru, Argentina, Colombia and Brazil).

IDENTIFICATION, VALIDATION AND MANAGEMENT OF POTENTIAL SYSTEM

This system, designed in 2006, was furthered in 2007 with the approval of the talent identification and development policy. The aim is to define ENDESA's talent model, its guiding principles and component systems, and to establish application, measurement and follow-up guidelines. The purpose of this model is to manage employees on the basis of standardised and transparent criteria, develop and integrate staff in present and future scenarios, and design promotion plans for critical positions. In addition, ENDESA has defined a singular personnel management model to ensure commitment of staff.

This is of key importance for the organisation due to the high degree of motivation and clear focus toward obtaining results and creating value. The application of this model entailed evaluation of organisational positions, review of selection criteria, design and implementation of individual development plans, definition a new salary policy, incorporation of 199 people to the group and design and execution of a training plan. In 2007, 756 selection processes were carried out for 848 vacancies, part of which were initiated in 2006 and continued in 2007. A total of 156 internships were awarded during the year.

03. EXECUTIVE MANAGEMENT MODEL

This model is a key element to ensuring that management of executives, as key value creation personnel, is in line with the Company's strategy.

Highlights of the application of the model during 2007 were as follows:

- Development of a series of control measures for the executive charter, code of conduct and conflict of interest pacts and/or non

competition agreements, including verification at the Companies Registry of information reported by executives. Where necessary, compliance with established criteria is analyzed through audit procedures.

- Process for unifying legal information and management of executives, establishing business principles and improvement proposals.
- Edition and distribution of the new international assignment policy, approved at the end of 2006, and preparation of the document titled "Operating criteria for application of expat benefits". At December 31, 2007, 85 employees were on international assignments in 15 different countries.
- Training and development plans, including five editions of Block 1 "Personal Leadership", attended by 113 executives, and three editions of Block 2 "Group leadership", attended by 98 executives. Post-graduate activities include approval of nine courses in Europe and eight in Latin America.
- Update and redesign of the executive selection process, carrying out 37 such processes and short-listing 160 candidates.

04. HEALTH AND SAFETY

One of the basic principles of ENDESA's corporate activity and its commitment to sustainable development is the safeguarding of workplace health and safety for the people who work for the Company. Consequently, the Company carries out a wide range of initiatives to excel in this area and become a benchmark in the global electricity sector. In the international workplace climate study carried out in 2007, 79% of ENDESA employees indicated that they were highly satisfied with the Company's occupational health and safety, one of the highest satisfaction ratings in the study.

A significant part of ENDESA's health and safety activities are carried out through Project Apolo, a long-term corporate initiative. This project, which was approved in 2004 and in 2007 received the Dupont award for sustainable impact in business, aims to enhance safety within the Company. The Apolo Project entailed a wide range of activities. As part of the Apolo Latam subproject, ENDESA companies and business in Latin America have launched various initiatives to implement corporate health and safety guidelines.

In addition, the Spain and Portugal business has prepared the 2005-2009 Strategic Occupational Health and Safety Plan (Praelvenio Plan), aimed at meeting the Company's strategic objectives, reducing accidents and helping ENDESA become a Spanish benchmark in health and safety.

OCCUPATIONAL HEALTH AND SAFETY POLICY (OHS)

In 2007 ENDESA designed its occupational health and safety policy. Following approval of this policy by the Company's steering committee, ENDESA's vision and corporate values were redrafted to include explicit references to commitment to OHS.

Under ENDESA's OHS policy, the Company strives to ensure that all employees enjoy similar high standards in occupational health and safety conditions. The Company encourages employees to actively participate in OHS through leadership, foresight, quest for excellence through ongoing improvement, and healthy competition.

SHARED OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT MODELS

In the framework of the occupational health and safety policy, in 2007 the Company created the ENDESA health and safety model, which has been approved by the steering committee. This OHS man-

agement model is flexible and able to integrate international safety standards, such as OHSAS 18001.

OHSAS 18001 certification

At the end of 2007, the OHS management systems of 100% of ENDESA's Latin American generation companies and over 80% of its distribution companies were OHSAS 18001-certified. With respect to the Spain and Portugal business, the Balearic Islands, Canary Islands and central distribution areas were certified, as were the As Pontes, C'as Tresorer, Besós, San Roque, Tarragona and Cristóbal Colón plants.

Delfos project

In 2007, the Delfos information system was implemented in Spain and introduced in Latin America. This OHS management IT platform is applied by all ENDESA companies, although with specific local adaptations taking into account the different health and safety legislations existing in each country.

Occupational health and safety and psychosocial factors

Throughout 2007, Endesa, S.A. and Endesa Servicios, S.L. studied psychosocial risks in the Company, testing 1,290 employees. In addition, the Company implemented action plans to combat work-related stress and muscular-skeletal disorders in all lines of this business. In Latin America, subsidiaries implemented cardiovascular disease prevention programmes and occupational risk initiatives, among other activities.

ENDESA AND OHS

Corporate OHS balanced scorecard

During the year, the Company finalised implementation of impact indices (frequency index, gravity index, absenteeism, and number of fatal accidents) and progress was made in defining and developing certain management or preventative indices in Latin America.

The main indicator developed was the workplace accidents prevention index, which quantifies risk detected through observation and inspection of operating activities. This index was implemented in the Latin American distribution companies, CAM and subsidiaries, and defined for the generation business carried out in that region.

In order to comply with the Spanish Occupational Health and Safety Law, 33 OHS management systems were audited in the different work centres in the Spain and Portugal business. Of the centres audited, 32 received certification. In Latin America, OHS regulations and management systems (OHSAS) were audited in Chile, Brazil, Argentina, Colombia and Peru.

Knowledge management in workplace health and safety

In September 2007, Endesa International management launched a new collaborative OHS web space called Mini Eco OHS.

In order to maximise implementation of the Delfos IT system, the risk evaluation models used in all ENDESA countries are being adapted to the shared standards.

OHS in subcontracted companies

In order to promote good OHS practices in subcontracted companies, in 2007 ENDESA organised the first international Apolo awards, recognising a safety initiative in large construction projects, presented by Salfacorp (Chile); innovation in applying IT systems to OHS, in Consortium Fyrcco (Colombia); and special mention for an initiative to improve processes in distribution operations, presented by Villa Flores Martín (Spain).

In the Spain and Portugal business, over 30,000 subcontractor jobs were reviewed to ensure compliance with OHS regulations. The Company also continued its Subcontractor Alliance Project, applying it to the Canary Islands distribution market by reviewing Group I of the Mequinenza power plant and the works underway by the UOPM in the Canary Islands and the Compostilla thermal plant.

OHS training

In 2007 ENDESA organised international occupational health and safety workshops in order to raise awareness among Company executives and increase their leadership in this area. These workshops entailed over 4,000 training hours. The Spain and Portugal business held five awareness workshops for 472 executives and team managers and a number of prevention and health and safety courses totalling 135,394 training hours. OHS training in Latin America was mainly focused on OHS policy, OHS regulations, OHSAS 18001, accident prevention, emergencies, and first aid, and was especially designed for workers in subcontracted companies and families of ENDESA employees.

TRENDS IN THE MAIN HEALTH AND SAFETY INDICATORS

Global

The frequency index of accidents among ENDESA employees, which measures the number of accidents requiring leave for each million hours worked, stood at 5.05% in 2007, a 22% improvement compared to the previous year.

The gravity index of workplace accidents involving ENDESA employees, which measures the number of days of accident-related leave for each million hours worked, stood at 206.6% (a 16% improvement). A total of 10,195 calendar days were lost due to workplace accidents, approximately 0.2% of total time worked.

Absenteeism for non-work related accidents and common illness, measured as a percentage of work days lost for such causes, remained similar to previous years (2.9%). A total of 192,867 working days were lost for these reasons.

Businesses

In 2007 the accident rate dropped notably in ENDESA's three businesses: the electricity and mining business in Spain (down 23%), the Latin American business (decrease of 14%), and the European business (42% improvement).

Accidents occurring in the mining businesses were also less severe: in the Spanish electricity and mining business, the severity rate dropped 10%, while it was down 21% in Latin America and 43% in Europe.

Absences due to common illnesses and non-work related accidents varied by business area. In the Spanish electricity and mining business, this indicator remained in line with previous years (3.2%). In Latin America, it increased by 37%, although at 2.6% it is the lowest rate in the three businesses. In the European business, the indicator dropped 20% compared to 2006. However, at 2.8%, it remains above the 2004 level.

In 2007, there were nine fatal accidents, all of which involved sub-contracted labourers, compared to 18 in 2006. Of these fatal accidents, seven occurred in Latin America, where 76% of subcontracted employees are located.

ACCIDENT RATE (FREQUENCY)

	2004	2005	2006	2007	% Variation 2007/06
Spain (electricity and mining business)	14.26	11.95	9.80	7.59	-22.6
Europe*	14.25	9.04	13.85	8.04*	-42.0
Latin America	3.80	4.76	3.19	2.75	-13.8
Total	9.27	8.12	6.45	5.05	-21.7

Number of accidents with injury leave, per million hours worked.

* In Europe, figures for Endesa Italy are at 30/9/2007.

SEVERITY RATE

	2004	2005	2006	2007	% Variation 2007/06
Spain (electricity and mining business)	770.0	710.2	451.0	406.1	-10.0
Europe*	820.9	630.1	428.6	245.1*	-42.8
Latin America	79.0	232.1	57.2	45.3	-20.8
Total	429.7	385.9	245.4	206.6	-15.8

Number of days of leave due to workplace accidents, per million hours worked.

* In Europe, figures for Endesa Italy are at 30/9/2007.

		2004	2005	2006	2007
Spain (electricity and mining business)	ENDESA employees	1	0	4	0
	Sub-contracted workers	8	6	4	2
Europe*	ENDESA employees	0	0	0	0*
	Sub-contracted workers	1	0	0	0*
Latin America	ENDESA employees	0	0	0	0
	Sub-contracted workers	4	15	10	7
Total	ENDESA employees	1	0	4	0
	Sub-contracted workers	13	21	14	9

* In Europe, figures for Endesa Italia are at 30/9/2007.

ABSENCES DUE TO COMMON ILLNESS AND NON-WORK RELATED ACCIDENTS

	2004	2005	2006	2007
Spain (electricity and mining business)	3.0	3.2	3.2	3.2
Europe*	2.7	3.6	3.5	2.8*
Latin America	2.2	2.5	1.9	2.6
Total	2.9	3.2	2.9	2.9

Percentage of work days lost due to common illness and non-work related accidents.

* In Europe, data for Endesa Italy is at 30/9/2007.

EMPLOYEES REPRESENTED IN HEALTH AND SAFETY COMMITTEES (%)

Employees	100
Management	100

05. STRATEGIC MANAGEMENT OF EMPLOYEE RELATIONS COLLECTIVE BARGAINING

Throughout 2007, ENDESA continued its long-standing policy of dialogue and collective agreement, in keeping with the Company's policies in respect of freedom of association.

At 31 December, 2007, there were 49 collective bargaining agreements in place at ENDESA companies in its eight most important countries of operation. Of these agreements, 42 were still valid and the other six were being negotiated. These agreements apply to a total of 21,616 employees.

In 2007, collective bargaining agreements affecting 7.5% of ENDESA's workforce were renegotiated.

In Spain, a new negotiation process was undertaken for the III Endesa Group Framework Agreement, following opposition to the II Framework Agreement expiring on December 31, 2007. The new agreement was successfully negotiated in April 2008 and approved by the Negotiations Committee.

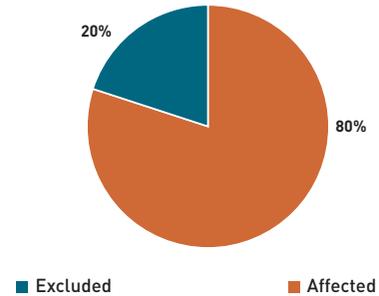
During the year, the Company also signed a framework agreement ensuring labour conditions during corporate restructuring operations in Endesa, S.A. and its electricity subsidiaries, replacing agreements from 1998 and 2002. In addition, the first collective bargaining agreement in Endesa Ingeniería was signed during the year.

COLLECTIVE NEGOTIATIONS IN 2007

	Spain		Latin America		Rest of Europe		Total	
	Collective agreements	Number of affected employees						
Collective agreements	5	11,895	41	7,936	3	1,785	49	21,616
Collective agreements in force	4	11,820	35	5,503	3	1,785	42	19,108
Collective agreements under negotiation	1	75	6	2,433	0	0	7	2,508

Information relates to ENDESA companies in the top eight countries in which the Company operates.

PERCENTAGE OF INDIVIDUALS TO WHICH THE ENDESA COLLECTIVE BARGAINING AGREEMENT APPLIED



In the Latin American business, nine collective labour agreements were signed in Brazil, Chile, Colombia and Peru in 2007. With respect to Italy and France, the three collective bargaining agreements remained in force and no new agreements were signed.

TRADE UNION REPRESENTATION

ENDESA companies in its eight most important countries of operation had 1,054 employee representatives: 711 representatives in Spain, 175 in Latin America, and 168 in the rest of Europe.

Union membership among the Company's workforce in Spain, Latin America, and Italy stood at 51%, 63%, and 73%, respectively.



Membership in international labour federations breaks down as follows: International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) 24%; Union Network International (UNI) 11%; Public Services International (PSI) 6%. In addition, 22% of union members are also members of the ICEM and the ISP, while 37% belong to other organisations.

STRUCTURE OF UNION MEMBERSHIP IN ENDESA (%)

ICEM	24
ICEM AND ISP	22
UNI	11
ISP	6
Other	37

In February 2007 the second general trade union elections were held in Spain following consolidation of the current organisational model. The process affected a total of 11,788 employees working in 616 work centres of 16 different companies. The UGT trade union secured an absolute majority.

DIALOGUE/LABOUR AGREEMENT

In 2007 the number of work hours lost due to strikes in the Spanish business stood at 0.008495% of total hours worked, and mainly related to local issues regarding government plans or programs. Labour agreements and initiatives in 2007 were carried out at ENDESA amid a positive work climate.

MANAGEMENT OF SUBCONTRACTORS

Because of the size and importance of the subcontracted workforce, the health and safety of this group requires a comprehensive and multi-departmental approach. To this end, in 2006 ENDESA drew up a protocol to provide its businesses with guidelines adaptable to each local scenario and to secure relevant management information regarding contracting of works and services. This regulation, called N.020 for Management of Subcontracted Companies, was approved by the steering committee in early 2007.

INTEGRATION OF DISABLED EMPLOYEES

ENDESA is aware that disabled individuals often face difficulties in terms of equal opportunities in the ordinary labour market. The Company is therefore committed to promoting integration of these individuals in the workforce. In order to comply with current legislation in this area, the Company both directly contracts disabled individuals and applies the alternative measures provided for by relevant legislation, such as the exceptional cases applicable to certain companies.

EQUAL OPPORTUNITIES

Spanish Organic Law 3 of March 22, 2007 governing effective gender equality requires companies with over 250 employees to establish an equal opportunity plan comprising measures to achieve equality in treatment and opportunities for both males and females. In order to comply with this legislation, ENDESA first diagnosed the

equal opportunities scenario in its Spanish business. In addition, in the negotiations of the III Framework Collective Bargaining Agreement, approval and implementation of the equal opportunity plan was included as a negotiating point.

CORPORATE INTEGRITY

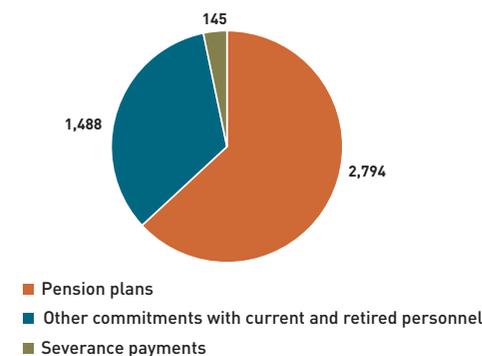
ENDESA's corporate integrity guidelines include the senior management charter, the executives' charter and the employees' code of conduct. These general regulations relate to prohibition of commercial competition and rendering of services in ENDESA companies, conflicts of interest (general collaboration with suppliers, purchasing of ENDESA goods) and exclusive dedication. The Company has created a committee to interpret, apply and monitor the senior management charter and the employees' code of conduct. This committee's main tasks include approving implementing regulations for the executive charter, the employees' code of conduct, and conflict of interests/non-competition agreements.

06. PENSION MANAGEMENT

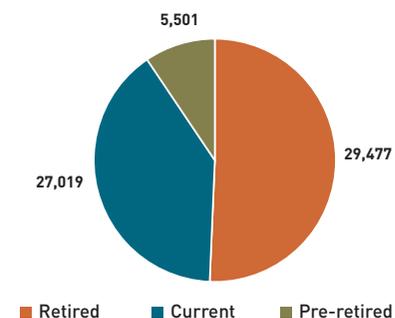
The Endesa Group pension plan, in force since January 1, 2005, brings together the 20 pension plans existing previously in the Group. The plan has 23,442 beneficiaries and pension obligations of Euro 2,359 million. At December 31, 2007, ENDESA had contracted out

its entire pension commitments in those countries where this is mandatory, for a total sum of Euros 4,427 million, of which Euro 2,794 million relate to pension plans, Euro 1,204 million to insurance policy commitments with active and retired employees, and Euro 145 million to severance payments.

EXTERNALISED PENSION COMMITMENTS
AT 31/12/07 (Millions of Euro)



PENSION AND SEVERANCE COMMITMENTS
WITH PERSONNEL AT 31/12/07



07. DEVELOPMENT AND TRAINING POLICIES

GLOBAL TRAINING INITIATIVES

ENDESA's global training initiatives aim to help implement a shared corporate culture. These initiatives particularly target executives and high-potential employees. The main activities in this area in 2007 are as follows:

- Training in development of strategic talent, to develop leadership skills among ENDESA's executive team. During the year, 5,215 training hours were given to over 120 executives.
- Training in cultural change management, offered to 70 executives and high-potential human resources employees (2,250 training hours). In addition, initiatives were designed to strengthen leadership and managerial skills in terms of diversity and work/life balance.
- Training and learning in excellence in occupational health and safety, for executives and senior managers in personnel management
- Training in innovation and technology, entailing courses and conferences on technology for non-experts, such as the aforementioned Masters in Electricity Technology, organised by the Endesa Energy School and the ICAI with the collaboration of Massachusetts Institute of Technology (MIT).

SPECIFIC TRAINING INITIATIVES BY BUSINESS AREAS

Business in Spain and Portugal

In 2007, a total of 37,099 employees participated in training activities in Spain and Portugal, for 494,894 lecture hours (up 20% on the previous year). This includes the following initiatives:

- Generation: the Safety Culture Programme, aimed at installation managers; training for the new As Pontes combined cycle plant and the training programme for nuclear engineering management. A total of 12,392 employees participated in 176,882 training hours.
- Network: training in the implementation of the corporate environmental management system; the programme for managing work in customer residences and meters; and a refresher course in low voltage operation regulations. A total of 18,486 employees attended 178,742 training hours.
- Supply: training for supply channel managers, carried out by the Sales School and driving safety course for supply and sales managers. A total of 2,144 employees received 37,074 hours of training.
- Services: training in Service-Oriented Architecture and the procedures map. A total of 1,473 employees attended over 28,473 training hours.
- Corporate: energy management and business leaders training on the new Spanish general chart of accounts and environmental management in offices. A total of 2,604 employees received 73,813 hours of training.

TRAINING HOURS AND PARTICIPANTS BY SUBJECT AREA SPAIN AND PORTUGAL BUSINESS IN 2007

Subject	Participants	Hours	%	Investment (€)	%
Quality and the environment	4,455	17,083	12	123,472	3
Supply and marketing	1,522	16,974	4	626,323	3
Economic-financial	757	19,185	2	304,392	4
Management and human resources	3,087	71,245	8	2,058,309	14
Languages	1,484	49,202	4	895,220	10
IT	2,123	27,962	6	299,324	6
Other technical areas	312	7,511	1	204,375	2
Health and safety	14,417	135,394	29	1,485,442	27
Technical-distribution	5,713	58,739	15	738,849	12
Technical-production	3,279	91,689	9	1,070,918	19
Total	37,099	494,984	100	7,806,624	100

TRAINING RATIOS 2007

Training hours/employee	42
Training hours/participant	13
External cost/employee (€)	659
Participants/employees	3

- Lastly, specific cross-departmental activities were carried out for all business lines regarding occupational health and safety awareness (271 participants), accident analysis (53 participants), and EOS-risk prevention and health (116 participants). The Company also carried out blended-learning programmes for a total of 126 participants.

ENDESA also created the New Challenges: Excellence in Management Training initiative as part its employee training plan. The initiative was presented eight times for a total of 351 people and 5,616 hours. A total of 1,361 different occupational health and safety training initiatives were carried out during the year, for 14,417 participants and 135,394 hours, up an average of 49% on 2006.

Main activities in the Latin American business

- In Chile, Enersis designed a negotiation workshop as part of its skill-building programme, Chilectra held skill-building events in supply areas as part of the Chilectra Century XXI Project, and Endesa Chile organised five technical “e-learning” events for power plant employees.

DISTRIBUTION OF TRAINING HOURS AND PARTICIPANTS BY SUBJECT AREA LATIN AMERICAN BUSINESS IN 2007

Subject	Participants	Hours	%	Investment (€)	%
Quality and the environment		26,911	2.2	96,989	1.8
Supply and marketing		33,004	2.7	114,398	2.2
Economic-financial		37,015	3.1	217,782	4.1
Management and human resources		445,705	37.0	1,931,257	36.7
Languages		55,942	4.6	303,070	5.8
IT		60,433	5.0	260,859	5.0
Other technical areas		184,977	15.3	1,313,657	24.9
Health and safety		82,257	6.8	279,890	5.3
Technical-distribution		194,138	16.1	308,120	5.9
Technical-production		84,982	7.1	440,098	8.4
Total	26,470*	1,205,365	100.0	5,266,121	100.0

* Investment in training comprises external costs only.

CAM has not submitted any figures for participants. Data is projected on a straight-line basis with respect to results in the rest of Latin America. A breakdown by subject area is not available.

- In Argentina, Edesur carried out an entrepreneurial seminar as part of its Company and Family Programme, an organisational ethics workshop for middle management, and, in the area of generation, a programme on leading high performance teams.
- In Brazil, Ampla implemented a career workshop, designed to build self-management skills among analysts, the first Knowledge Building Meeting, and a programme for management, leadership, and development for OSHAS 18001 auditors. Coelce held a number of talks on occupational safety and correct use of energy. Lastly, a team-building training programme was offered in the generation area.
- In Colombia, Codensa participated in the National Learning Service training programme and carried out activities on motivation, skills evaluation and objectives, creativity and knowledge management, etc. Emgesa offered a cycle of workshops on sustainable development issues and organised an Electricity Seminar for specialists in primary electricity plant teams.
- In Peru, Edelnor held internal training workshops for supply managers, a course on ISO 9001 requirements and a workshop on creativity and innovation.
- In terms of companies with presence in more than one country, CAM offered a training course for professionals in metering and certification management, while Synapsis held courses on ISO 27000 and high-performance team work and Ingendesa coordinated workshops on group management.

08. WORKING CLIMATE AND COMMITMENT

In December 2007 ENDESA carried out a Global Climate/Commitment Study to obtain key information on the following:

- Contribute to defining the Human Resources Strategic Plan
- Guide the people management decision-making process
- Contribute to strengthening employees' commitment to business goals
- Consolidate the key role of leaders and managers in strategically matching employees to business objectives.

A total of 15,011 employees participated in the study (60.7% overall participation).

09. DIVERSITY AND WORK/LIFE BALANCE POLICIES

For ENDESA, managing diversity means valuing, promoting and encouraging differences in thinking, gender, culture, abilities and generations between Company employees as a tool for enrichment, innovation and learning for the organisation and for employees themselves. To this end, the Company carries out diversity initiatives through three strategic axes: cultural, gender and generational. ENDESA's steering committee approved the diversity policy in December 2006.

In 2007 two diversity seminars were held for managers. The Company also designed an online course on diversity management, defined a global diversity balanced scorecard and approved creation of a diversity committee.

ENDESA considers that a proper work/life balance should be part of any business's competitive strategy. The Company therefore promotes a healthy balance between employees' professional, personal and family lives as a tool for attracting and retaining talent, boosting commitment and motivation, and promoting equal opportunities. In December 2006 the ENDESA Steering Committee approved a work/life balance policy. The ENDESA Group has applied a total of 110

measures of the 115 set out in the IFREI Study (IESE Family Responsible Employer Index) on striking a balance between work, family and personal life.

As a result of these and other initiatives, in early 2007 ENDESA was certified as a family-friendly company by the organisation Fundación+familia.

COMMUNITY INITIATIVES





As ENDESA's core business, generation, transmission, distribution and supply of electricity, constitutes a basic service to the community, the Company strives to ensure the best possible standards of safety and quality.

By rendering a basic public service, the Company naturally establishes close relationships with a wide variety of community groups. ENDESA considers that actively assuming the consequences of these relationships, responding to the needs of the communities in which it operates, forming lasting ties with these communities and contributing to their development through a variety of community actions are inseparable from public electricity services and therefore from its business activity.

This has been ENDESA's philosophy since its incorporation and is embodied in the corporate values and commitments to sustainable development the Company has made public. Employees are formally required to comply with these values and commitments, and their performance in this regard is regularly assessed in employee remuneration schemes.

As a result, ENDESA maintains an extensive network of relationships based on collaboration and mutual confidence with groups, entities, organisations and institutional representatives in the communities where its installations are located and where it engages in industrial or supply activities.

The value of relationships built is an important element in the Company's overall value and criteria. The Company shares and encourages this philosophy in its subsidiaries as part of the group's best practices.

A summary of ENDESA's community initiatives in 2007 is provided below. A more detailed description is provided in the Company's 2007 Sustainability Report.

01. CRITERIA FOR INVESTING IN COMMUNITY INITIATIVES

ENDESA applies the following basic criteria in managing its community initiatives:

- The Company's community initiatives must be underpinned by the belief that supplying electricity is a basic public service. ENDESA's foremost commitment to society is therefore to supply electricity in the best possible terms and conditions. Accordingly, the Company's community initiatives must under no circumstances be seen as replacing or reducing the obligations that stem from this commitment.
- ENDESA's community initiatives are closely linked to the nature and characteristics of the Company's day-to-day business operations, with what the Company does best, and with the needs of the main communities with which it has direct relationships.
- Notwithstanding the above, in the case of particularly disadvantaged environments or communities, ENDESA endeavours to cover urgent social needs that cannot be adequately met by other institutions.
- The Company endeavours to perform such initiatives in close partnership with the social representatives of the areas or communities which benefit from them.
- ENDESA is aware that, because of its economic weight and the service it provides, it is among the leading companies in many of the markets where it operates. It therefore places special emphasis on collaboration in unique and emblematic projects in those areas.

- ENDESA provides transparent and systematic information on its community initiatives through various communication channels and in line with general disclosure principles accepted both in Spain and abroad.

Community initiatives stemming from the above criteria are carried out through the corporate centre and the Spanish regional operators, through the different foundations created by ENDESA and its subsidiaries in various countries, and through direct initiatives by subsidiaries. These projects can be classified into four categories: cooperation, education, culture and socio-environmental initiatives.

02. INVESTMENTS IN COMMUNITY INITIATIVES IN 2007

In 2007 ENDESA earmarked Euro 39.2 million for over 600 community projects, programmes and other activities.

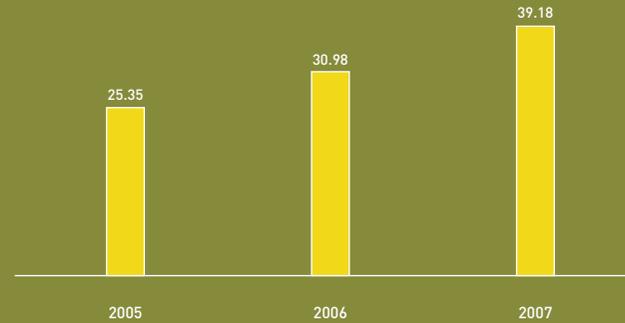
This equals 1.5% of the Company's net profit for the year and is 24.5% higher than the amount invested in 2006.

ENDESA INVESTMENTS IN COMMUNITY AND GENERAL INTEREST INITIATIVES IN 2007 (Thousands of Euro)

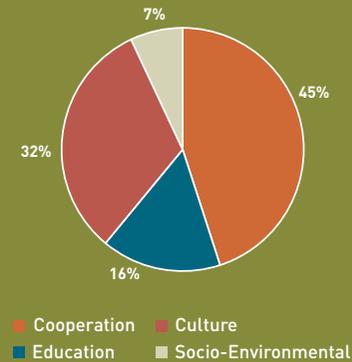
Spain	24,872
Corporate Centre initiatives	15,185
ENDESA Foundation initiatives	6,000
Regional operator initiatives	3,687
Latin America*	14,307
Total	39,179

* Does not include investments in rural electrification programs, as the majority of these programmes are carried out under initiatives implemented by authorities and regulators in the respective countries.

TOTAL INVESTMENTS IN COMMUNITY INITIATIVES (Millions of Euro)

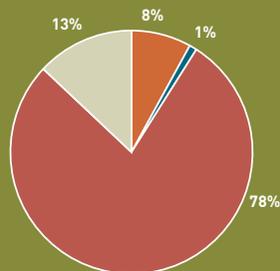


2007 ENDESA'S 2007 COMMUNITY INITIATIVES BY CATEGORY

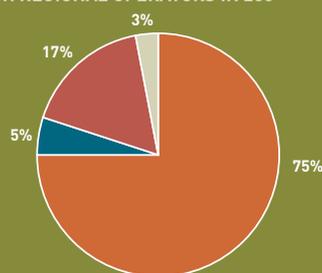




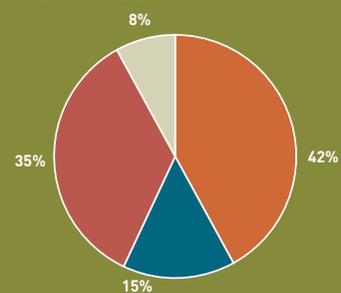
INVESTMENT IN COMMUNITY INITIATIVES FROM ENDESA FOUNDATIONS IN SPAIN IN 2007



INVESTMENT IN COMMUNITY INITIATIVES CARRIED OUT THROUGH THE CORPORATE CENTRE OR ENDESA'S SPANISH REGIONAL OPERATORS IN 2007



TOTAL INVESTMENT IN COMMUNITY INITIATIVES BY ENDESA'S LATIN AMERICAN SUBSIDIARIES IN 2007



Cooperation Culture
Education Socio-environmental

Of the Euro 24.9 million invested in Spain, Euro 6 million was used in programmes operated by the ENDESA Foundation and Euro 18.9 million was channelled directly through the Company. Of this latter amount, Euro 3.7 million was used in programmes carried out by Spanish regional operators, such as Fecea Enpresa (Catalonia), Sevillana Enpresa (Andalusia and Badajoz), Gesa Enpresa (Balearic Islands), Unelco Enpresa (Canary Islands), Erz Enpresa (Aragón), or by some of its largest power plants, such as Compostilla, As Pontes, Andorra, Carboneras, Ascó, Vandellós, etc.

Funds earmarked for community initiatives carried out through Spanish regional operators dropped significantly from 2006 to 2007 given that although all projects were proposed and implemented by the operators, the largest programmes were funded through the corporate centre budget.

ENDESA's Latin American subsidiaries earmarked a total of Euro 14.3 million to community initiatives in 2007.

02.1 COOPERATION

In 2007, 45% of ENDESA's social initiatives related to cooperation programmes in the communities in which it operates.

These activities are designed to respond to the needs of ENDESA's communities. Regional operators and ENDESA subsidiaries have developed mechanisms to identify and select needs and, based on this knowledge, promote the most suitable projects either through own initiatives or by joining in activities proposed by other community representatives.

ENDESA's corporate centre also directly invests in these projects, either due to the high level of funding required by some of these projects or because the effects of the projects will be felt in more than one ENDESA territory.

A significant part of social cooperation projects aim to cover the basic needs of the general community or of a specific group within the community. These activities are carried out both in underdeveloped communities and in more developed communities in which underprivileged or neglected groups or areas exist.

Examples of these initiatives are as follows: collaboration by Edesur (Argentina) in funding 17 youth soup kitchens serving 122,000 children, and its missing children campaign; the "See to Read" programme organised by Eepsa (Peru), which provides ophthalmological attention to 700 illiterate residents with eyesight problems so they can participate in the National Literacy Programme; Edegel's health campaign for families living in rural areas of Peru's central jungle; Edelnor's "Mind Your Health" campaign reaching 15,000 families in northern Lima and Callao; Fecsa Endesa's collaboration with the TV3 telethon for the fight against brain disease; the Chilectra Activa Foundation (Chile) programme to prevent accidents involving children flying kites near electrical lines, which reached 90,000 secondary school students; cooperation by Enersis (Chile) in 40 senior citizens' residences operated by the Las Rosas Foundation and donations to institutions fighting school violence and poverty; Gesa Endesa's support for the Natzaret Foundation for children; the agreement between Sevillana Endesa and Unicef-Andalusia; the social energy programme in Coelce (Brazil); the solar heating programme carried out by Ampla (Brazil) in six towns in its markets and its energy efficiency programme reaching 21,000 households in another five cities.

Furthermore, ENDESA's Latin American subsidiaries such as Edegel, Edelnor, CAM, Codensa, Endesa Geração, and Synapsis carry out or participate in Christmas campaigns for children in low-income families to encourage solidarity in the communities.

ENDESA companies also lend their infrastructures or communications means, such as printed bills, to help promote and publicise community projects and campaigns. Use of the Company's products and services for community development objectives beyond mere electricity supply is known as "responsible products".

This is best exemplified by certain initiatives carried out by Coelce. In 2007 this Brazilian company collected Euro 2.5 million through the addition of a note on printed electricity bills in support of 16 micro-credit institutions. In addition, the company also implemented a programme to promote the selective collection of household waste in Ceará. Under the initiative, the value of waste collected is deducted from electricity bills, thereby providing families with an additional income. In 2007, the 1,200 tonnes of waste and 157,000 glass bottles collected translated into discounts of Euro 60,000 in customers' electricity bills in five communities. Coelce also runs an energy efficiency programme for low-income families entailing installation or modernisation of electricity in homes, as well as substitutions of high-consumption refrigerators and lamps with more efficient appliances. In 2007, over 12,000 customers benefited from the different projects within this programme.

ENDESA and subsidiaries also organise a considerable number of volunteer projects to meet the basic needs of underprivileged communities.

This is the case of the Endesa Solidarios programme in Spain, whereby employees donate to community projects of their choice; donations of clothing, food and medicine by employees of Edelnor, Eepsa and Synapsis (Peru) to over 2,000 families affected by the earthquake in the region of Ica, with a matching corporate donation; the Edelnor Corporate Volunteer Programme (Peru) benefiting 2,600 families; and Ampla's Sharing Programme (Brazil), entailing donations, education initiatives, food, etc., for 4,000 children in 2007 and nearly 20,000 children since the programme was launched in 2004.

ENDESA companies also participate in important projects encouraging social and economic development of communities. These projects include the social assistance plan for the Pehuenches communities carried out by Endesa Chile and the social assistance and community development programme for Pehuenches communities carried out by the Pehuén Foundation (Chile) with 4,000 direct and 14,000 indirect beneficiaries; Edegel's fish factory project for the Los Angeles community, the beekeeping project for the San José de Utcuyacu and Los Ángeles communities, and the sheep-raising project for the Yuracmayo community (Peru); activities organised by Emgesa and Codensa (Colombia) to promote social development benefiting 60,000 people in the El Guavio reservoir area; Codensa's Paneleros de Gualivá project (Colombia); Ampla's project for 29,000 residents of 16 different cities in its market (Brazil); Endesa Chile's community infrastructure development efforts; and ENDESA's sponsorship of the Zaragoza 2008 International Expo as well as sponsorship of the Zaragoza City of Knowledge Foundation by Erz Endesa.

In addition to the above initiatives, various Latin American subsidiaries carry out rural electrification and public lighting projects. For example, Ampla and Coelce collaborate in the Brazilian government's "Light for Everyone" rural electrification programme. In 2007, Ampla invested Reales 5.7 million to bring electricity to 3,000 new customers. In the case of Coelce, electricity was brought to 18,966 low-income customers in the Ceará state. Of the total Euro 56.6 million investment, Euro 14.4 million was subsidised. Edesur also carries out electrification projects for residents in rural areas of the Buenos Aires province.

Significant public lighting initiatives include the Multicanchas lighting project carried out by Chilectra in 33 municipalities in the Chilean metropolitan region since 1994; the public sporting areas lighting project Edelnor operates in low-income areas in northern Lima and Callao, and Emgesa's Christmas lighting project in Colombia.

Lastly, ENDESA's social cooperation efforts include sporting activities and infrastructures, especially those that help integrate and offer healthy leisure alternatives for children and youth, thereby avoiding social risk situations and helping build communities. These actions include the Neuquén Volley project run by Hidroeléctrica El Chocón (Argentina) for 1,000 children; Endesa CIEN's construction of a sports centre in Garruchos to serve 2,500 children and teenagers (Brazil); the Chilectra Cup, which in 2007 brought together 6,000 boys and girls in the towns in which this distribution company operates; and Unelco Endesa's sponsorship of local Canarian wrestling activities.

02.2. EDUCATION

The community initiatives supported by ENDESA and its subsidiaries also extend to educational activities generally carried out under collaboration agreements with a wide range of institutions, from basic learning centres to universities. The initiatives are varied: organisation of courses; promotion of economic, social and technological studies; donation of books and materials to schools; education in efficient and safe use of electricity, etc.

A unique initiative in this field is the Endesa Educa programme in Spain, which promotes the efficient and rational use of electricity and provides teachers with activities related to energy resources. Endesa Educa helps build knowledge and skills in primary and secondary schools, universities, and professional training programmes. In 2007, 555 activities for over 15,000 students were carried out as a part of this programme.

Other relevant educational activities in Spain include Fecsa Endesa's participation in the Energy Week project and in the El Recorregut de l'Energia (Energy Route) competition; numerous scholarships granted each year by the Endesa Foundation; Erz Endesa's scholarships for the Zaragoza University School of Economics, etc.

Initiatives in Latin America include: various educational activities carried out by the Chilectra Activa Foundation in Chile; the “Endesur for children” programme aiding approximately 3,000 children in special education schools in Argentina; Edesur’s Innovar programme in collaboration with the Ministry of Education, Science and Technology, reaching over 5,000 students; Edegel’s Building Successful Schools programme for nine single-teacher schools in the Junin district in Peru, helping students from over 200 families; the interactive “Growing with future generations” responsible energy consumption programme carried out by Endesa Cachoeira Dourada (Brazil) for 4,000 residents; Endesa Chile’s Energy for Education programme, offering various activities to 14,000 students from over 30 centres; Edelnor’s free computer training for more than 3,000 students in low-income schools in northern Lima (Peru) and the consolidation of the Nuevo Pachacútec Higher Technology Institute for electricity studies, for which Edelnor received three awards in 2007; and Edesur’s Mural Painting Programme in substations for local youth (Argentina).

Lastly, both ENDESA’s Spanish regional operators (Fecsa Endesa, Unelco Endesa) and a number of its Latin American subsidiaries (Codensa, Ampla, Endesa CIEN, etc.) carry out programmes to raise awareness of electricity and educate individuals on the efficient and safe use of energy.

02.3. CULTURE

Through their cultural initiatives, ENDESA and its subsidiaries promote and preserve countries’ heritages, maintain fundamental features of local cultures, and support the celebration of festivals and other cultural events.

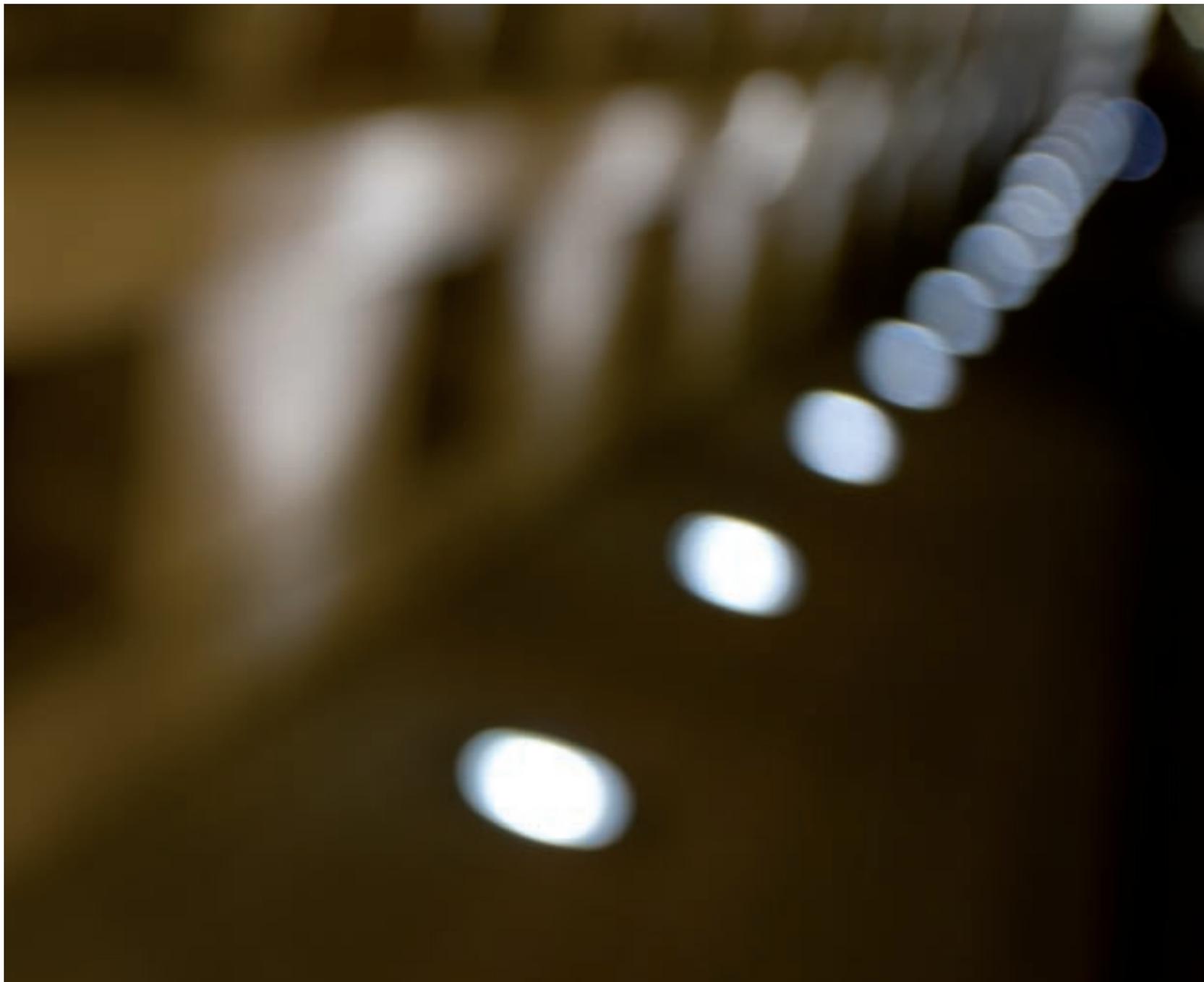
A great deal of the Company’s efforts in this area involve the lighting of historical monuments, both in Spain and Latin America. The

Company has extensive experience in this type of initiatives, enabling it to unlock the value of the communities’ artistic heritage, recover cultural identity, revitalise the community spirit and promote touristic appeal. This activity is closely linked to what ENDESA and its companies do best, electricity.

In 2007 the Endesa Foundation illuminated 23 civil and religious monuments in Spain (the National Library and Archaeology Museum, the Loarre Castle, the La Seu Vella Cathedral in Lérida, the Nuestra Señora de la Asunción church in Calaceite, the Santa María de Albarracín Auditorium, the Palencia provincial palace, the main nave of the Ávila Cathedral, etc.) and held agreements with Episcopal Conferences to illuminate historical monuments in Spain, Peru, Colombia and Chile, as well as with the Moroccan National Electricity Office. The Sevillana Endesa Foundation illuminated a further 23 areas during the year (the Nuestra Señora de la Consolación Sanctuary in Utrera, the botanical garden of the University of Málaga, the Santa María Magdalena church in Olivenza, the Nuestra Señora de la Encarnación church in Jerez de los Caballeros, the Nuestra Señora de la Asunción church in Vallacarrillo, San Julián de Málaga, etc.).

In Latin America, Enersis continued its Southern Hemisphere Church Illumination Project in Chile for eight monuments including the Rancagua Cathedral, the La Merced Basilica and the Santa Cruz parish church on Easter Island. In Peru, Edegel illuminated four monuments, including the Trujillo Cathedral, Eepsa carried out its Let there Be Light programme in Lima and in the Trujillo and Arequipa regions, and Gesa Endesa illuminated the Santa Margalida church in Can Picafort.

Endesa Chile and the Pehuén Foundation worked to promote cultural development of a number of Pehuenche communities. In terms of cultural events, Unelco Endesa sponsored the carnival celebrations in Las Palmas de Gran Canaria and Santa Cruz de Tenerife, as well as various classical music festivals; ENDESA co-



funded programming at the Madrid Royal Theatre and the Liceu de Barcelona Theatre; Fecsa Endesa supported the Catalonia National Theatre and the Catalonia Philharmonic Orchestra; Sevillana Endesa sponsored the Mérida Festival of Classical Theatre; Chilectra funded the Santiago International Book Fair in Chile; Edelnor collaborated in a wide range of activities under the "Proud of Lima" initiative; Emgesa supported various festivals in El Colegio, Yaguará, San Antonio de Tequendama and the El Guavio area (Colombia); Coelce (Brazil) underwrote cinema, jazz and classical music events; Edesur organised painting and photography exhibitions; Endesa Fortaleza renovated the Ceará State Symphony Orchestra building; and Endesa Cachoeira helped organise the Brazilian popular culture festival in Goiás.

02.4. SOCIO-ENVIRONMENTAL INITIATIVES

Initiatives in the socio-environmental area include those aimed at fostering awareness and values connected with conserving natural spaces in communities, protecting endangered species of animals and plants, and reforestation and conserving areas of ecological value.

They do not include activities directly related to the protection of the natural environment, which ENDESA and its subsidiaries carry out in the framework of the daily management of their industrial activities.

Some examples of socio-environmental initiatives carried out in 2007 are as follows: efforts by the Endesa Foundation in Spain to clean up mining basins and lakes in the Aragonese Pyrenees; Erz Endesa's sponsorship of Pirenarium, a thematic park located in the Pyrenees mountains; Unelco Endesa's support for the La Palma Environmental University; Gesa Endesa's sponsorship of the breeding project for the endangered kite bird; sponsorship of the Doñana so-

lar forest and a study on protection of storks by Sevillana Endesa; Edegel's initiatives to prevent forest risks (Peru); the Environmental Educational Programme in waste management by Emgesa (Colombia); the Eco-Ampla Programme carried out in Brazil; the implementation of the Endesa Environmental Area in the Cachoeira Dourada plant, attracting 3,000 visitors, and the study carried out with the Universidad de San Carlos to analyse fish life in the Paranaíba River; organisation of Environment Week by Endesa CIEN (Brazil); Codensa's support for a number of meetings and forums on environmental matters in Colombia; ENDESA's sponsorship of the forum on Global Climate Change Strategies beyond 2012, and a number of other initiatives.

APPENDICES

MAIN ENDESA GROUP COMPANIES. SPAIN AND PORTUGAL

ENDESA GENERACIÓN

Solely-Owned Corporation

Date of incorporation: September 22, 1999

Registered office: Avenida de la Borbolla, 5.
41004 Seville

Corporate Tax ID Number: A 82434697

Endesa Generación was created as a holding vehicle for ENDESA's power generation and mining activities in Spain following the integration of all subsidiaries, as well as those held by Endesa Europe in Portugal and Endesa Cogeneración y Renovables (EcyR). This does not include Gas y Electricidad Generación, S.A.U. and Unión Eléctrica de Canarias Generación, S.A.U., which are solely-owned by Endesa Generación. These subsidiaries may be incorporated within the company at a later date, if deemed appropriate on the basis of the status of generating activity in isolated systems at the time.

Chairman – General Manager

Mr. Manuel Morán Casero

ENDESA RED

Solely-Owned Corporation

Date of incorporation: September 22, 1999

Registered office: Avenida del Paralelo, 51.
08004 Barcelona

Corporate Tax ID Number: A 82434663

The creation of Endesa Red marked the culmination of the integration of ENDESA's regional distribution companies in Spain. The companies grouped under this umbrella include Endesa Distribución Eléctrica, S.L., Endesa Operaciones y Servicios Comerciales, S.L. and Endesa Gas, S.A. Endesa Distribución Eléctrica, S.L. manages ENDESA's activities in the regulated electricity transmission and distribution activities as well as power supply to customers who receive their electricity at the rates set by the Spanish government. Endesa Operaciones y Servicios Comerciales, S.L. provides commercial support to ENDESA's power companies, while Endesa Gas, S.A., brings together ENDESA's holdings in companies operating in the regulated natural gas market. It also has a controlling stake in Endesa Ingeniería. This organisational structure places ENDESA in a better position to take advantage of the close relationships existing between the electricity and gas markets, both of which have been fully open to competition since January 1, 2003.

Chairman – General Manager

José Marín López-Otero

ENDESA ENERGÍA

Solely-Owned Corporation

Date of incorporation: February 3, 1998

Registered office: C/ Ribera del Loira, 60. 28042
Madrid

Corporate Tax ID Number: B 81948077

Endesa Energía supplies energy on the deregulated market, responding to the post-deregulation requirements of the Spanish electricity sector. The company supplies energy and value-added services to customers exercising their right to choose an energy supplier and receive services on the deregulated market. Endesa Energía also supplies energy on the deregulated markets of various other European countries, such as Portugal, France, Italy, Germany, and Belgium.

Chairman – General Manager

Javier Uriarte Monereo

ENDESA SERVICIOS

Solely-Owned Limited Liability Company

Date of incorporation: February 18, 1999

Registered office: C/ Ribera del Loira, 60. 28042 Madrid

Corporate Tax ID Number: B 82265364

Endesa Servicios was created to bring the support services provided by each of ENDESA's holdings together in a single company. Its main activities include rendering of IT and telecommunications services, control and supply of all types of goods and equipment, definition of corporate procurement policies, asset management, and rendering of global advisory and business management services.

Joint administrators

Antonio Pareja Molina

Francisco Ramón Cabezas Navas

ENDESA EUROPE

Solely-Owned Limited Liability Company

Date of incorporation: 21 December, 2000

Registered office: C/ Ribera del Loira, 60. 28042 Madrid

Corporate Tax ID Number: B 82846791

Endesa Europe was created to consolidate the organic growth and development opportunities in European markets, bringing the administration and management of ENDESA holdings in these markets together in a single company.

In 2008 the Group began divesting assets held by Endesa Europe in Italy, France, Poland and Turkey, in compliance with the agreement signed between Acciona, Enel and E.ON on 2 April, 2007.

Chairman – General Manager

Jesús Olmos Clavijo

ENDESA INTERNACIONAL

Solely-Owned Company

Date of incorporation: January 26, 1998

Registered office: C/ Ribera del Loira, 60. 28042 Madrid

Corporate Tax ID Number: A 81932873

Was created to channel ENDESA's presence in the Latin American market through the management of a large number of companies in which ENDESA has controlling interests, namely: Enersis, Endesa Chile and Chilectra (Chile); Edesur, Costanera, El Chocón and Dock Sud (Argentina); Endesa Brazil, Ampla, Cachoeira Dourada, CIEN, Endesa Fortaleza and Coelce (Brazil); Emgesa and Codensa (Colombia); and Edegel, Edelnor and Empresa Eléctrica de Piura (Peru).

Chairman – General Manager

Pedro Larrea Paguaga

ENDESA DESARROLLO

Sociedad de Responsabilidad Limitada

Unipersonal

Fecha de constitución: 21 de diciembre de 2000

Domicilio social: C/ Ribera del Loira, 60. 28042 Madrid

N.I.F.: B 82846767

Endesa Desarrollo tiene como principal objeto social la administración y gestión de valores representativos de entidades no residentes. En este sentido, es titular de las participaciones sociales en compañías que, siendo anteriormente propiedad de Endesa Europa, S.L., no serán vendidos a E.ON por no hallarse incluidos en el acuerdo alcanzado el 2 de abril de 2007 entre esta empresa, Acciona y Enel.

Concretamente, a 31 de diciembre de 2007, Endesa Desarrollo es titular del 50,01 por ciento de la compañía griega Endesa Hellas, S.A. y del 32 por ciento del capital social de la marroquí Energie Electricque de Tahaddart, S.A.

Presidente y Director General

D. Jesús Olmos Clavijo

ENDESA IN THE SPANISH ELECTRICITY MARKET

ENDESA distributes electricity in the Spanish market through the following organisational structure.

ERZ ENDESA

Chairman*

Amado Franco Lahoz

General Manager**

Jaime Gros Bañeres

FECSA ENDESA

Chairman*

Antón Costas Comesaña

General Manager**

José María Rovira Vilanova

(*) Chairs ENDESA's Advisory Board in the region.
 (**) ENDESA General Manager for this region.

GESA ENDESA

Chairman*

Bartolomé Reus Beltrán

General Manager**

Andreu Rotger Amengual

SEVILLANA ENDESA

Chairman*

Jaime Ybarra Lloset

General Manager**

José Antonio Martínez Fernández

UNELCO ENDESA

Presidente*

D. José María Plans Gómez

Director General**

Pablo Casado Reboiro

ENDESA'S COMPANIES IN EUROPE

ITALY

ENDESA ITALIA

Chairman

Jesús Olmos Clavijo

Director and General Manager

Joaquín Galindo Vélez

FRANCE

ENDESA FRANCE

Chairman

André Sainjon

Director and General Manager

Antonio Haya Segovia¹

ENDESA POLSKA

Chairman

Celia Ordóñez Gómez

General Manager

Wojciech Tabis

¹ Replaced Alberto Martín Rivals in February 2008.

ENDESA'S COMPANIES IN LATIN AMERICA

CHILE

ENERSIS

Chairman

Pablo Yrarrázaval Valdés

General Manager

Ignacio Antofañanzas Alvear

ENDESA CHILE

Chairman

Mario Valcarce Durán

General Manager

Rafael Mateo Alcalá

CHILECTRA

Chairman

Jorge Rosenblut Ratinoff

General Manager

Rafael López Rueda

ARGENTINA

EDESUR

Chairman

Joao Ferreira Bezerra de Souza (Petrobrás)

General Manager

José María Hidalgo Martín-Mateos

COSTANERA

Chairman

Rafael Mateo Alcalá

General Manager

José Miguel Granged Bruñen

CHOCÓN

Chairman

Rafael Mateo Alcalá

General Manager

Fernando Claudio Antognazza Moreno

DOCK SUD

Chairman

Vito Camporeale S. (YPF)

General Manager

Roberto José Fagan Pecollio

CEMSA

Chairman

José María Hidalgo Martín-Mateos

General Manager

Juan Carlos Blanco Couce

BRAZIL

ENDESA BRASIL

Chairman

Mario Fernando de Melo Santos

General Manager

Marcelo Andrés Llévènes Rebolledo

AMPLA

Chairman

Mario Fernando de Melo Santos

General Manager

Cristián Fierro Montes

COELCE

Chairman

Mario Fernando de Melo Santos

General Manager

Abel Alves Rochinha

CACHOEIRA DOURADA

Chairman

Francisco Javier Bugallo Sánchez

General Manager

Francisco Javier Bugallo Sánchez

CIEN

Chairman

José María Hidalgo Martín-Mateos

General Manager

Francisco Javier Bugallo Sánchez

ENDESA FORTALEZA

Chairman

Francisco Javier Bugallo Sánchez

General Manager

Manuel Herrera Vargas

COLOMBIA

CODENSA

Chairman

José Antonio Vargas Lleras

General Manager

Cristian Herrera Fernández

EMGESA

Chairman

José Antonio Vargas Lleras

General Manager

Lucio Rubio Díaz

PERU

EDELNOR

Chairman

Reynaldo Llosa Barber
(Banco de Crédito del Perú)

General Manager

Ignacio Blanco Fernández

EDEGEL

Chairman

Rafael Mateo Alcalá

General Manager

Carlos Alberto Luna Cabrera

PIURA

Chairman

Ignacio Blanco Fernández

General Manager

Manuel Vicente Cieza Paredes

Key Financial Data

Financial data for 2004, 2005, 2006 and 2007 has been prepared under International Financial Reporting Standards (IFRS), whilst Spanish Generally Accepted Accounting Principles (GAAP) was used for previous years.

BALANCE SHEET (Millions of Euro)	2003	2004	2005	2006	2007***
TOTAL ASSETS	46,047	47,182	55,365	54,088	58,047
Business in Spain and Portugal	23,246	24,878	30,204	30,254	32,454
Business in Latin America	14,993	14,284	17,136	16,595	17,489
Business in Europe	5,217	6,198	6,837	7,239	8,104
Other Businesses	2,591	1,822	1,188	—	—
FIXED ASSETS	26,962	28,910	32,313	33,714	30,142
Business in Spain and Portugal	15,381	16,657	18,176	19,758	19,725
Business in Latin America	8,575	8,715	10,565	10,084	10,320
Business in Europe	2,605	3,532	3,572	3,872	97
Other Businesses	401	6	—	—	—
NET ASSETS OF THE PARENT COMPANY	8,801	8,728	11,590	11,291	11,989
Business in Spain and Portugal	4,767	4,819	5,918	5,936	6,045
Business in Latin America	2,308	2,341	3,164	3,022	3,367
Business in Europe	1,496	1,667	1,979	2,333	2,577
Other Businesses	230	[99]	529	—	—
MINORITY SHAREHOLDERS' EQUITY	4,945	3,831**	4,737	4,645	5,141
Business in Spain and Portugal	1,604*	116	119	44	51
Business in Latin America	2,935	3,077	3,763	3,642	3,907
Business in Europe	355	638	855	959	1,183
Other businesses	51	—	—	—	—
FINANCIAL DEBT	17,250	18,698**	18,281	19,840	21,412
Business in Spain and Portugal	6,429	9,586	11,461	12,548	14,071
Business in Latin America	6,560	5,350	6,109	5,618	5,519
Business in Europe	2,437	2,123	1,286	1,674	1,822
Other Businesses	1,824	1,639	[575]	—	—

* Includes the Euro 1,500 million in preferred notes issued in March 2003.

** Data as at 01/01/05

*** Ex-breakdown of discontinued activities.

KEY INCOME STATEMENT LINES

(Millions of Euro)

	2003	2004	2005	2006	2007*
OPERATING REVENUES	16,644	13,665	18,229	20,580	21,931
Business in Spain and Portugal	10,797	6,719	9,274	10,090	10,437
Business in Latin America	3,623	4,357	5,232	6,079	7,128
Business in Europe	2,037	2,576	3,720	4,411	4,366
Other Businesses	187	13	3	—	—
EBIT	3,144	2,846	4,244	5,239	5,596
Business in Spain and Portugal	1,780	1,432	2,264	2,705	2,718
Business in Latin America	1,071	1,054	1,376	1,688	1,991
Business in Europe	268	370	618	846	887
Other Businesses	25	(10)	(14)	—	—
INCOME AFTER TAX AND MINORITIES	1,312	1,253	3,182	2,969	2,675
Business in Spain and Portugal	1,207	888	1,358	1,843	1,785
Business in Latin America	84	127	262	462	471
Business in Europe	52	169	425	493	419
Other Businesses	(31)	69	1,137	171	—
EBITDA	4,750	4,521	6,020	7,139	7,485
Business in Spain and Portugal	2,824	2,472	3,266	3,835	3,830
Business in Latin America	1,484	1,522	1,878	2,188	2,534
Business in Europe	384	535	887	1,116	1,121
Other Businesses	58	(8)	(11)	—	—

* Ex-breakdown of discontinued activities.

KEY ECONOMIC FLOWS

(Millions of Euro)

	2003	2004	2005	2006	2007***
CASH FLOW FROM OPERATIONS	3,815	3,418	4,209	4,643	5,258
Business in Spain and Portugal	2,019	1,978	2,669	2,721	2,639
Business in Latin America	1,391	942	1,180	1,218	1,798
Business in Europe	352	511	586	704	821
Other Businesses	53	(13)	(226)	—	—
TOTAL INVESTMENTS	2,482	3,449	3,640	4,336	4,746
Business in Spain and Portugal	1,437	2,030	2,660	2,921	3,079
Business in Latin America	505	522	670	952	1,047
Business in Europe	382	448	308	463	620
Other Businesses	158	449	2	—	—
DIVIDENDS PAID	744	782	2,541	1,736	1,621**

PER SHARE DATA (Euro)

	2003	2004	2005	2006	2007***
Earnings	1.24	1.19	3.01	2.80	2.53
Dividend	0.70	0.74	2.40	1.64	1.53**
Cash flow	3.60	3.25	4.00	4.40	4.97
Shareholders' Equity	8.31	8.11	10.95	10.66	11.32
Total shareholder remuneration (in %)	42.90	18.00	32.80	72.10	6.90**
P/E (Price/Earnings Ratio (times))	12.31	14.53	7.38	12.80	14.37

DATA PER AMERICAN DEPOSITARY

RECEIPT (ADR) (USD)**

	2003	2004	2005	2006	2007
Earnings	1.57	1.61	3.56	3.69	3.72
Dividend	0.80	1.00	2.84	2.16	2.25**

* At the exchange rate at end of each year.

** Submitted to the 2008 General Shareholders' Meeting. Payment of interim dividend pending.

*** Ex-breakdown of discontinued activities.

Key Operating Data

Financial data for 2004, 2005, 2006 and 2007 has been prepared under International Financial Reporting Standards (IFRS), whilst Spanish Generally Accepted Accounting Principles (GAAP) was used for 2003.

	2003	2004	2005	2006	2007
Workforce	26,777	27,153	27,204	26,758	27,019
Spain and Portugal	13,651	12,889	12,709	12,625	12,677
Latin America	11,796	11,735	12,317	11,962	12,169
Europe	1,143	2,436	2,153	2,130	2,147
Otros negocios	187	93	25	41	26
Capacity (MW)	41,836	45,850	45,908	47,113	49,187
Spain and Portugal	22,643	22,503	22,416	23,021	24,490
Hydroelectric	5,367	5,368	5,379	5,362	5,363
Conventional thermal	12,598	12,884	12,632	13,089	14,100
Nuclear	3,637	3,393	3,397	3,397	3,397
Cogeneration and renewables*	1,041	858	1,007	1,173	1,630
Latin America	13,333	14,053	14,095	14,317	14,707
Europe	5,860	9,294	9,397	9,775	9,990
Output (GWh)**	158,081	175,838	185,264	186,411	183,946
Spain and Portugal	93,734	95,679	93,625	88,808	91,058
Hydroelectric	11,548	10,310	7,479	7,571	7,149
Conventional thermal	52,947	58,029	61,006	54,372	58,126
Nuclear	27,697	25,567	23,020	24,389	22,906
Cogeneration and renewables*	1,541	1,773	2,120	2,476	2,877
Latin America	46,480	55,106	57,890	62,028	59,512
Europe	17,867	25,053	33,749	35,575	33,396
Sales (GWh)	163,640	181,217	203,335	220,299	227,502
Spain and Portugal	92,996	96,731	100,868	109,412	113,375
Regulated market	67,701	65,762	64,095	71,599	72,746
Deregulated market***	25,295	30,969	36,773	37,813	40,629
Latin America	49,526	52,314	55,246	58,281	61,610
Europe	21,118	32,172	47,221	52,606	52,517
Customers (thousands)	20,960	21,463	21,936	22,701	23,454
Spain and Portugal	10,478	10,577	10,714	11,120	11,481
Regulated market****	10,416	10,023	9,716	10,042	10,326
Deregulated market	62	554	998	1,078	1,155
Latin America	10,482	10,886	11,222	11,581	11,973
Europe	—	—	—	—	—

* Data consolidated by ENDESA.

** Output for hydroelectric, conventional thermal and nuclear plants in Spain is measured according to the busbar cost.

*** To coincide with economic data for this business we include sales made by Endesa Energia in European countries outside of Spain and Portugal.

**** Tariff customers. Does not include toll customers.

ENDESA's generation assets in Spain at 31/12/2007 (Ordinary Regime) MW b.a.

	Location	Type of fuel	No. of Groups	Total capacity (MW)	% ENDESA	ENDESA'S CAPACITY (MW)
MAINLAND CONVENTIONAL						
THERMAL PLANTS						
Coal						
Compostilla	Cubillos del Sil-León	H-A	4	1,199.6	100.0	1,199.6
Anllares	Anllares-León	H-A	1	365.2	33.3	121.7
As Pontes	As Pontes-La Coruña	BrL	4	1,468.5	100.0	1,468.5
Teruel	Andorra-Teruel	BL	3	1,101.4	100.0	1,101.4
Litoral	Carboneras-Almería	IC	2	1,158.9	100.0	1,158.9
Los Barrios	Los Barrios-Cádiz	IC	1	567.5	100.0	567.5
Total Coal			15	5,861.1		5,617.6
Fuel-Gas Convencional						
Foix	Cubelles-Barcelona	F-NG	1	520.0	100.0	520.0
San Adrián 1 and 3	San Adrián-Barcelona	F-NG	2	700.0	100.0	700.0
Cristóbal Colón	Huelva	F-NG	2	308.0	100.0	308.0
CCGTS						
San Roque 2	San Roque-Cádiz	CCGT	1	408.3	100.0	408.3
Besós 3	Besós-Barcelona	CCGT	1	419.3	100.0	419.3
Tarragona 1	Tarragona	CCGT	1	395.0	100.0	395.0
Colón 4	Huelva	CCGT	1	397.8	100.0	397.8
As Pontes	As Pontes-La Coruña	CCGT	1	816.0	100.0	816.0
Total Fuel-Gas			10	3,964.4		3,964.4
TOTAL CONVENTIONAL THERMAL			25	9,825.5		9,582.0
Nuclear						
Ascó I	Ascó-Tarragona	N	1	1,032.5	100.0	1,032.5
Ascó II	Ascó-Tarragona	N	1	1,027.2	85.0	873.1
Vandellós II	Vandellós-Tarragona	N	1	1,087.1	72.0	782.7
Garoña*	Stª Mª Garoña-Burgos	N	1	466.0	50.0	233.0
Almaraz I	Almaraz-Cáceres	N	1	981.6	36.0	353.4
Almaraz II	Almaraz-Cáceres	N	1	987.9	36.0	355.7
Trillo*	Trillo-Guadalajara	N	1	1,067.5	1.0	10.7
TOTAL NUCLEAR**			7	5,116.3		3,397.3

	Location	Type of fuel	No. of Groups	Total capacity (MW)	% ENDESA	ENDESA'S CAPACITY (MW)	
HIDROELECTRIC							
Conventional hydroelectric							
	Unidad de Producción Hidráulica Noroeste	H	31	727.6	100.0	727.6	
Unidad de Producción Hidráulica Ebro-Pirineos							
	Unidad Territorial Pont de Suert	H	51	709.2	100.0	709.2	
	Unidad Territorial Zaragoza	H	64	586.0	100.0	586.0	
	Unidad Territorial Lleida	H	64	1,246.3	100.0	1,246.3	
Unidad de Producción Hidráulica Sur							
	Unidad Territorial Córdoba	H	48	391.1	100.0	391.1	
	Unidad Territorial Antequera	H	52	292.4	100.0	292.4	
Punping plants							
	Moralets	H	3	221.4	100.0	221.4	
	Sallente y Montamara	H	6	534.0	100.0	534.0	
	Ip y Urdiceto	H	3	84.0	100.0	84.0	
	Tajo de la Encantada y Guillena	H	7	570.0	100.0	570.0	
TOTAL HIDROELECTRIC				5,362.0		5,362.0	
TOTAL MAINLAND				20,303.7		18,341.3	
NON MAINLAND SYSTEMS							
BALEARIC ISLANDS							
Coal							
	Alcudia	Mallorca	CI	4	510.0	100.0	510.0
Fuel-Gas							
	Alcudia	Mallorca	G	2	75.0	100.0	75.0
	Son Reus	Mallorca	G	11	612.8	100.0	612.8
	Ca's Tresorer	Mallorca	G	3	238.7	100.0	238.7
	Mahón	Menorca	F-G	6	168.4	100.0	168.4
	Ibiza	Ibiza	F-G	17	274.3	100.0	274.3
	Formentera	Formentera	G	1	14.0	100.0	14.0
Total Balearic Islands				1,893.2		1,893.2	
CANARY ISLANDS							
Fuel-Gas							

	Location	Type of fuel	No. of Groups	Total capacity (MW)	% ENDESA	ENDESA'S CAPACITY (MW)
Jinámar	Gran Canaria	F-G	13	415.6	100.0	415.6
Barranco de Tirajana	Gran Canaria	F-G	9	612.1	100.0	612.1
Candelaria	Tenerife	F-G	10	288.2	100.0	288.2
Guía de Isora	Tenerife	G	1	48.6	100.0	48.6
Granadilla	Tenerife	F-G	9	513.6	100.0	513.6
Arona	Tenerife	G	2	48.6	100.0	48.6
Punta Grande	Lanzarote	D-G	12	212.5	100.0	212.5
Las Salinas	Fuerteventura	D-G	12	186.6	100.0	186.6
El Palmar	La Gomera	D	10	22.9	100.0	22.9
Llanos Blancos	El Hierro	D	9	12.7	100.0	12.7
Los Guinchos	La Palma	D-G	11	107.7	100.0	107.7
Hidroeléctrica	La Palma	H	1	0.8	100.0	0.8
Total Canary Islands				2,470.0		2,470.0
CEUTA & MELILLA						
Ceuta	Ceuta	F-D	7	71.0	100.0	71.0
Melilla	Melilla	F-G	19	84.1	100.0	84.1
Total Ceuta & Melilla				155.1		155.1
TOTAL MAINLAND AND NON MAINLAND				4,518.3		4,518.3
TOTAL ENDESA PLANTS IN SPAIN				24,822.0		22,859.6

* Garoña and Trillo plants capacity are not consolidated under IFRS.

** Does not include capacity from the Garoña and Trillo plants as these are not consolidated under IFRS - see (*) above.

Fuel:

H-A (hard coal-anthracite), BrL (brown lignite), BL (black lignite), IC (imported coal), F (fuel oil), G (gasoil), NG (natural gas), CCGT (combined cycle-gas turbine), D (diesel), N (nuclear), H (hydroelectric).

ENDESA's generation assets in Europe and North Africa at 31/12/2007

(Does not include the Iberian market)

Plant	Country	Type	Installed capacity at 31/12/2007 [MW]*
Tavazzano	Italy	Thermal	1.840
Monfalcone	Italy	Thermal	976
Núcleo de Terni	Italy	Hydroelectric	530
Ostiglia	Italy	Thermal	1.530
Fiume Santo	Italy	Thermal	1.040
Núcleo de Cotronei	Italy	Hydroelectric	369
Trapani	Italy	Thermal	170
Núcleo de Catanzaro	Italy	Hydroelectric	115
Parque Eólico de Florinas	Italy	Wind	20
Parque Eólico de Vizzini	Italy	Wind	24
Parque eólico de Trapani	Italy	Wind	32
Parco Eólico de Iardino	Italy	Wind	14
Parque eólico de Monte Cute	Italy	Wind	44
Parque eólico de Poggi Alti	Italy	Wind	20
Parque eólico de Marco Aurelio Severino	Italy	Wind	44
Parque eólico de Serra Pelata	Italy	Wind	42
Parque eólico de Piano di Corda	Italy	Wind	6
Centro Energía Teverola	Italy	Thermal	170
Centro Energía Ferrara	Italy	Thermal	170
Emile Huchet 4	France	Thermal	125
Emile Huchet 5	France	Thermal	343
Emile Huchet 6	France	Thermal	618
Hornaing 3	France	Thermal	253
Provence 5 (Gardanne)	France	Thermal	618
Lucy 3	France	Thermal	270
Soprolif (Gardanne)	France	Thermal	250
Parque eólico de Lehaucourt	France	Wind	10
Bialystock**	Polano	Cogeneration	330
Altek**	Turkey	Hydroelectric	40
	Turkey	Combined cycle	80
Sidirokastro	Greece	Wind	17
Tahaddart	Morocco	Combined cycle	384

* The total installed capacity of each plant is allocated.

** As a result of ENDESA's holding in Snet

ENDESA's generation assets in Latin America at 31/12/2007

Plant	Country	Installed capacity					Wind	Stake held by Endesa Internacional	Capacity equivalent to the stake [MW]
		31/12/07 (MW)	Hydro	Fuel / Gas	Coal	Combined Cycle			
Los Molles	Chile	18.0	18.0				36.36%	6.5	
Rapel	Chile	377.0	377.0				36.36%	137.1	
Sauzal	Chile	76.8	76.8				36.36%	27.9	
Sauzalito	Chile	12.0	12.0				36.36%	4.4	
Cipreses	Chile	106.0	106.0				36.36%	38.5	
Isla	Chile	68.0	68.0				36.36%	24.7	
Pehuenche	Chile	570.0	570.0				33.69%	192.0	
Curillinque	Chile	89.0	89.0				33.69%	30.0	
Loma Alta	Chile	40.0	40.0				33.69%	13.5	
Abanico	Chile	136.0	136.0				36.36%	49.4	
El Toro	Chile	450.0	450.0				36.36%	163.6	
Antuco	Chile	320.0	320.0				36.36%	116.4	
Pangue	Chile	467.0	467.0				39.55%	184.7	
Ralco	Chile	690.0	690.0				36.36%	250.9	
Tarapacá tg	Chile	24.0		24.0			36.36%	8.7	
Tarapacá coal	Chile	158.0			158.0		36.36%	57.4	
Atacama*	Chile	780.6				780.6	18.18%	141.9	
Tal Tal	Chile	244.9		244.9			36.36%	89.0	
Diego De Almagro	Chile	46.8		46.8			36.36%	17.0	
Huasco (gas turbine)	Chile	64.2		64.2			36.36%	23.3	
Huasco (steam turbine)	Chile	16.0			16.0		36.36%	5.8	
San Isidro	Chile	379.0				379.0	36.36%	137.8	
San Isidro II	Chile	248.3				248.3	36.36%	90.3	
Bocamina	Chile	128.0			128.0		36.36%	46.5	
Palmucho	Chile	32.0	32.0				36.36%	11.6	
Canela	Chile	18.2					18.2	27.27%	4.9
Total Chile		4,779.1	3,451.8	379.9	302.0	627.3	18.2	—	1,857.6
Costanera (steam turbine)	Argentina	1,138.1		1,138.1				25.36%	288.6
Costanera (C.C.)	Argentina	859.0				859.0		25.36%	217.8
CBA	Argentina	327.0				327.0		25.36%	82.9
Dock Sud (C.C.)	Argentina	797.5				797.5		39.99%	318.9
Dock Sud (Open cycle)	Argentina	72.0		72.0				39.99%	28.8

Plant	Country	Installed capacity 31/12/07 (MW)	Hydro	Fuel / Gas	Coal	Combined Cycle	Wind	Stake held by Endesa Internacional	Capacity equivalent to the stake (MW)
El Chocón	Argentina	1,200.0	1,200.0					23.77%	285.2
Arroyito	Argentina	120.0	120.0					23.77%	28.5
Total Argentina		4,513.6	1,320.0	1,210.1	—	1,983.5	—	—	1,250.87
Cachoeira Dourada	Brazil	665.2	665.2					60.95%	405.4
Fortaleza	Brazil	321.6				321.6		61.19%	196.8
Total Brazil		986.8	665.2	—	—	321.6	—	—	602.2
El Guavio	Colombia	1,213.0	1,213.0					34.57%	419.3
Charquito-Limonar-Tinta-Tequendama	Colombia	76.6	76.6					34.57%	26.5
La Junca	Colombia	19.5	19.5					34.57%	6.7
Cadena Pagua (Guaca y Paraiso)	Colombia	601.2	601.2					34.57%	207.8
Termostiza	Colombia	235.5			235.5			34.57%	81.4
Betania	Colombia	540.9	540.9					34.57%	187.0
Cartagena	Colombia	142.0		142.0				34.57%	
Total Colombia		2,828.7	2,451.2	142.0	235.5	—	—	—	928.8
Ventanilla	Peru	492.7		492.7				17.64%	86.9
Piura (Malacas)	Peru	130.7		130.7				48.00%	62.7
Huinco	Peru	247.3	247.3					17.64%	43.6
Matucana	Peru	128.6	128.6					17.64%	22.7
Callahuanca	Peru	80.4	80.4					17.64%	14.2
Moyopampa	Peru	64.7	64.7					17.64%	11.4
Huampaní	Peru	30.2	30.2					17.64%	5.3
Santa Rosa	Peru	230.5		230.5				17.64%	40.7
Yanango	Peru	42.6	42.6					17.64%	7.5
Chimay	Peru	150.9	150.9					17.64%	26.6
Total Peru		1,598.7	744.8	854.0	—	—	—	—	321.7
		14,706.9	8,633.0	2,586.0	537.5	2,932.4	18.2	—	4,961.17

* Excluding installed capacity at Atacama as this plant is not consolidated.

SIGNIFICANT EVENTS FOR 2007 AND THE FIRST QUARTER OF 2008

2007

10 January

Acciona notifies the CNMV that its total stake in ENDESA is 23.03%.

11 January

ENDESA signs an agreement with the Italian authorities to undertake joint energy initiatives in Sardinia.

26 January

The acceptance period for E.ON's takeover bid for 100% of ENDESA commences.

27 January

ENDESA signs an agreement with Bionatur, Spanish leader in biological cultures to supply power to greenhouses located close to combined cycle plants.

30 January

Ergosud, S.p.A, a 50/50 joint venture between Endesa Europa and ASM Brescia, has taken out a 15-year facility of up to Euro 500 million to finance the construction of the combined cycle Scandale plant in Calabria.

31 January

ENDESA acquires two wind farms in Italy as part of an agreement signed with Gamesa: Piano di Corda (52 MW) and Serra Pelata (58 MW), both in Calabria. ENDESA signs an RDI cooperation agreement with Boeing Research Technologies.

1 February

Gas Natural withdraws its takeover bid for 100% of ENDESA.

5 February

New tariffs are applied in Argentina, prompting Edesur to raise its tariffs.

19 February

ENDESA and Elecnor form a 50/50 joint venture company called Consorcio Eólico Marino Cabo de Trafalgar to develop wind projects in Spain. The Denise Project for network intelligence and control, and which is headed by ENDESA, receives approval from Cenit.

20 February

ENDESA signs the Joint Declaration promoted by the Global Round Table on Climate Change with a further 90 companies and organisations worldwide. Fitch upgrades its local credit risk rating for Edesur (Argentina) from BBB to A-.

21 February

Snet signs a turnkey contract to build the Cernon wind farm (17.5 MW).

27 February

Enel acquires a 9.993% stake in ENDESA. ENDESA exercises its pre-emptive acquisition rights for 5.5% of Costanera (Argentina).

5 March

ENDESA signs an agreement with International Power to build an 830 MW combined cycle plant next to the Pego plant (Portugal).

8 March

ENDESA exercises its pre-emptive acquisition rights for 17.2% of Chocón (Argentina).

9 March

GNL Quintero, S.A., is set up to build and operate an LNG regasification terminal in the V Region of Chile. Shareholders include Endesa Chile (with a 20% stake), Metrogas, Enap and British Gas.

12 March

Enel confirms that the total number of ENDESA shares it holds via equity swaps is 14.98%, taking its direct and indirect stake in the Company to 24.973%.

14 March

Snet's first wind farm comes into operation at Lehaucourt. 20 March The 24 MW Vizzini wind farm comes on stream in Italy.

28 March

Endesa Europa signs a strategic alliance agreement with Mytilineos Holding, S.A. to operate in the Greek market via a joint venture in which ENDESA holds a 50.01% share.

2 April

ENDESA and the Andalusia Regional Government sign an agreement to develop photovoltaic plants.

10 April

E.ON withdraws its takeover bid as it only obtained approval from 6.01% of the shareholders and did not renounce the condition that its offer be accepted by at least 50.01% of ENDESA's capital.

12 April

ENDESA and Iberdrola agree to carry out five joint energy auctions in the Spanish wholesale market.

19 April

ENDESA completes the environmental management certification in accordance with ISO 14001 for all its hydroelectric plants in Spain.

23 April

The open cycle at the San Isidro II plant in Chile comes on stream with a maximum installed capacity of 248 MW.

8 May

ENDESA and the Spanish automobile dealers association (FOCONAUTO) sign an agreement to promote the use of photovoltaic energy.

14 May

The 32 MW Trapani wind farm in Sicily (Italy) comes on stream.

18 May

The Bialystock plant in Poland pays out its first dividend.

13 June

AENOR certifies the first clean development mechanism project registered by ENDESA with the UN for the Ojos de Agua hydroelectric plant in Chile. ENDESA and Iberdrola hold Spain's first energy capacity emissions auction (VPPs) in Spain.

20 June

Fernando d'Ornellas Silva and Borja Prado Eulate are appointed directors at the General Shareholders' Meeting.

30 June

Endesa Chile exercises its pre-emptive acquisition rights for 50% of CMS in GasAtacama (Chile). It also signs a sale and purchase agreement for this stake with Southern Cross (transaction carried out on 1 August).

3 July

Standard & Poor's upgrades Enersis and Endesa Chile's credit ratings from BBB- to BBB with a stable outlook. Fitch Ratings and Feller Rate also upgrade their local ratings for both subsidiaries from A+ to AA-, respectively.

4 July

The 20 MW Poggi Alti wind farm comes into operation in the region of Tuscany (Italy).

26 July

ENDESA acquires the Alcamo wind farm in Sicily (Italy) with installed capacity of 30 MW.

30 July

ENDESA's power plant in Provence (France) obtains the ISO 14001 certification for the next three years.

31 August

Colombian utilities Emgesa and Betania merge. The newco will become the country's leading electricity generator.

12 September

ENDESA secures the international bid to become advisor to the National Electricity Office of Morocco (ONE) in the creation of its trading business, ONE-Trading.

5 October

The Spanish Securities Market Commission (CNMV) announces the outcome of the takeover bid launched by Acciona, S.A. and Enel Energy Europe for ENDESA.

11 October

The photovoltaic solar farm in El Ejido (Almeria), with an installed capacity of 700 kW, is connected to the grid.

15 October

The third group remodelled to burn imported coal at the As Pontes plant (La Coruña) is connected to the grid.

18 October

ENDESA's Board of Directors adopts the necessary agreements for its restructuring following Acciona and Enel's successful takeover bid.

25 October

ENDESA receives authorisation to build two 430 MW CCGTs in the Lacq region of France.

31 October

COES (the Peruvian system operator) approves new capacity for the Ventanilla I CCGT of 493 MW, an increase of 36 MW.

15 November

Endesa Internacional and Endesa Chile sell 3.67% of Emgesa to EEB.

19 November

The 32 MW Palmucho hydroelectric plant in Chile is connected to the country's grid (SIC). Commercial operations begin on 28 November.

28 November

The first stone of the two new CCGTs at the Emile Huchet plant in France is laid. The plant will have installed capacity of 430 MW.

6 December

The Canela wind farm is opened, the first to contribute energy to the Chilean grid (SIC). It has 11 turbines with total installed capacity of 18 MW. The Argentine government passes a resolution recognising a 9.75% increase in DCV (distribution cumulative value) backdated to 1 May 2007.

7 December

ENDESA takes part in a global business agreement to combat climate change along with 150 other companies. ENDESA ceases trading on the NYSE.

2008

(FIRST QUARTER)

4 January

The re-powering of the Callahuanca plant in Peru obtains certification from the UN Convention on Climate Change to obtain ERCs, in recognition of its contribution to cutting greenhouse gases.

11 January

Edegel (Peru) signs a turnkey agreement with Siemens Power Generation, Inc. to enlarge the Santa Rosa thermal plant by 189 MW. 16 January ENDESA takes over the presidency of SIEPAC, the electricity interconnection between the six Central American countries.

21 January

The San Isidro II power plant comes on stream with a fuel oil combined cycle, totalling 353 MW of installed capacity.

22 January

ENDESA opens a representative office in Shanghai (China).

23 January

ENDESA inaugurates its first two wind farms in the Valencia region, the Alto Palancia I and II wind farms with combined capacity of 74 MW.

11 February

Peru's Minister of Energy and Mines approves a study into the environmental impact of the enlargement of the Santa Rosa thermal power plant.

14 February

The first towers, of some 5,000, which make up the electricity interconnection system in six countries in Central America, are inaugurated in the Nicaragua-Costa Rica section. ENDESA unveils the main points of its Strategic Plan. Endesa France buys 55% of Soprolif, owner of a circulating fluid bed plant with installed capacity of 250 MW at the Gardanne site (France), from EdF. It already held 45%.

18 February

ENDESA begins selling electricity to large customers in the Netherlands.

19 February

ENDESA and HUNOSA sign an agreement to promote wind power in Asturias.

3 March

ENDESA signs an agreement with Saipem of Italy for the construction of the offshore regasification plant at Livorno, in Tuscany (Italy).

4 March

ENDESA offers e-billing services to all its customers. 11 March ENDESA is awarded a licence to sell gas in Portugal.

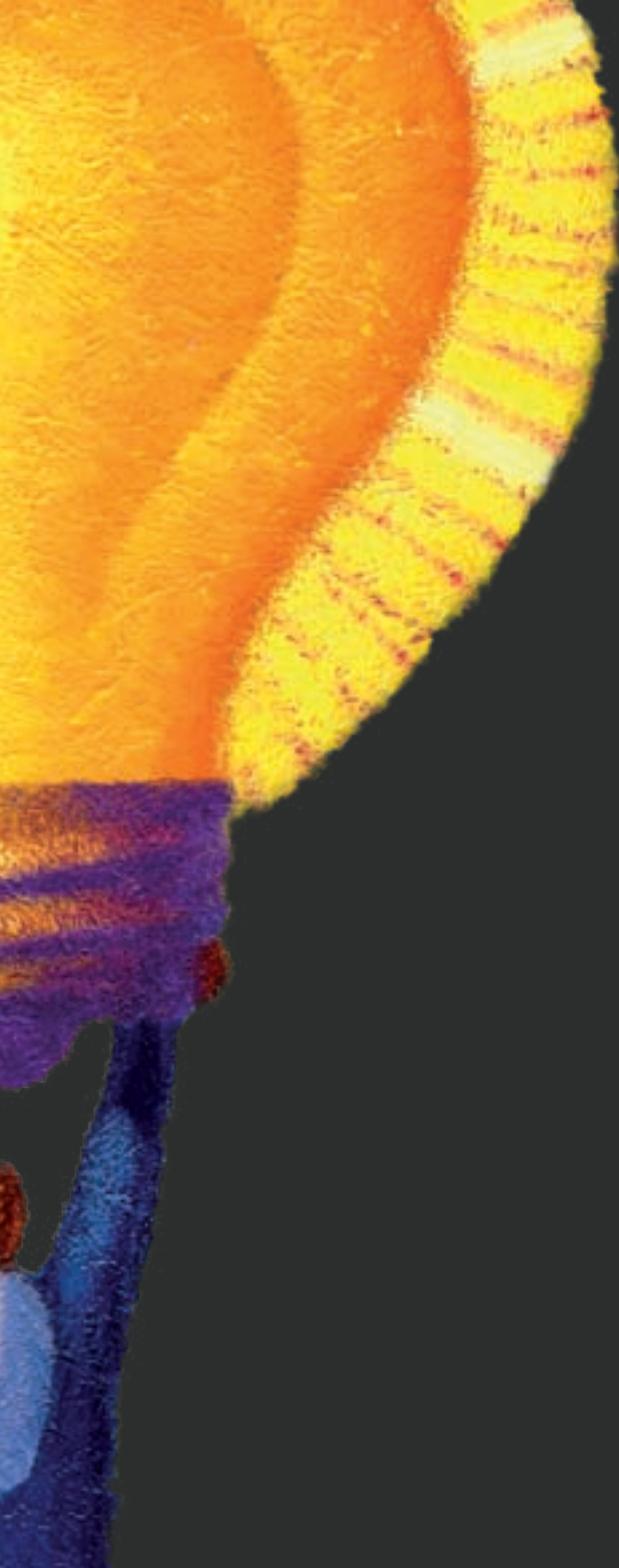
18 March

The open cycle of the Manuel Belgrano thermal power plant in Argentina, in which ENDESA is a shareholder and operator, comes on stream. By mid-April it had reached an output of some 550 MW of the forecast 800 MW.

27 March

Publication of the value of the assets which ENDESA is to dispose of (Euro 11,500 million) following the agreement signed on 2 April 2007 by Acciona, Enel and E.ON. E.ON accepts this valuation the following day.





VISION

- ENDESA is an energy sector operator and provider of associated services, focused on electricity.
- A responsible, efficient and competitive multinational company, committed to health, safety and environment.
- A company ready to compete at global level.

MISSION

- To maximise the value of its shareholders investments.
- To serve its markets and exceed its customers' expectations.
- To contribute to the development of its employees.

VALUES

- **People:** We work to ensure development opportunities for all Company employees, based on merit and the professional contribution made.
- **Health and Safety:** We are firmly committed to occupational health and safety, promoting a culture of risk prevention.
- **Team work:** We encourage involvement towards achieving a common goal, sharing information and knowledge.
- **Ethical conduct:** We encourage professionalism, moral integrity, loyalty and respect to others.
- **Customer focus:** The focus of ENDESA's efforts is to boost customer satisfaction by providing competitive, high-quality solutions.
- **Innovation:** We strive constantly to improve and find innovative solutions to meet the maximum profitability criteria.
- **Focused on results:** Our activities are aimed at achieving the objectives of the business project and profitability for our shareholders, endeavouring to exceed expectations.
- **Community and the environment:** We have made a social and cultural commitment to the Community and adapt our business strategies to preserve the environment.

Edit: Dirección General de Comunicación

Design: Dirección General de Comunicación

Layout: Cromotex

Printing: TF Artes Gráficas

Legal Deposit: M-24432-2008



RIBERA DEL LOIRA 60 28042 MADRID | TEL 912131000 | www.endesa.es

