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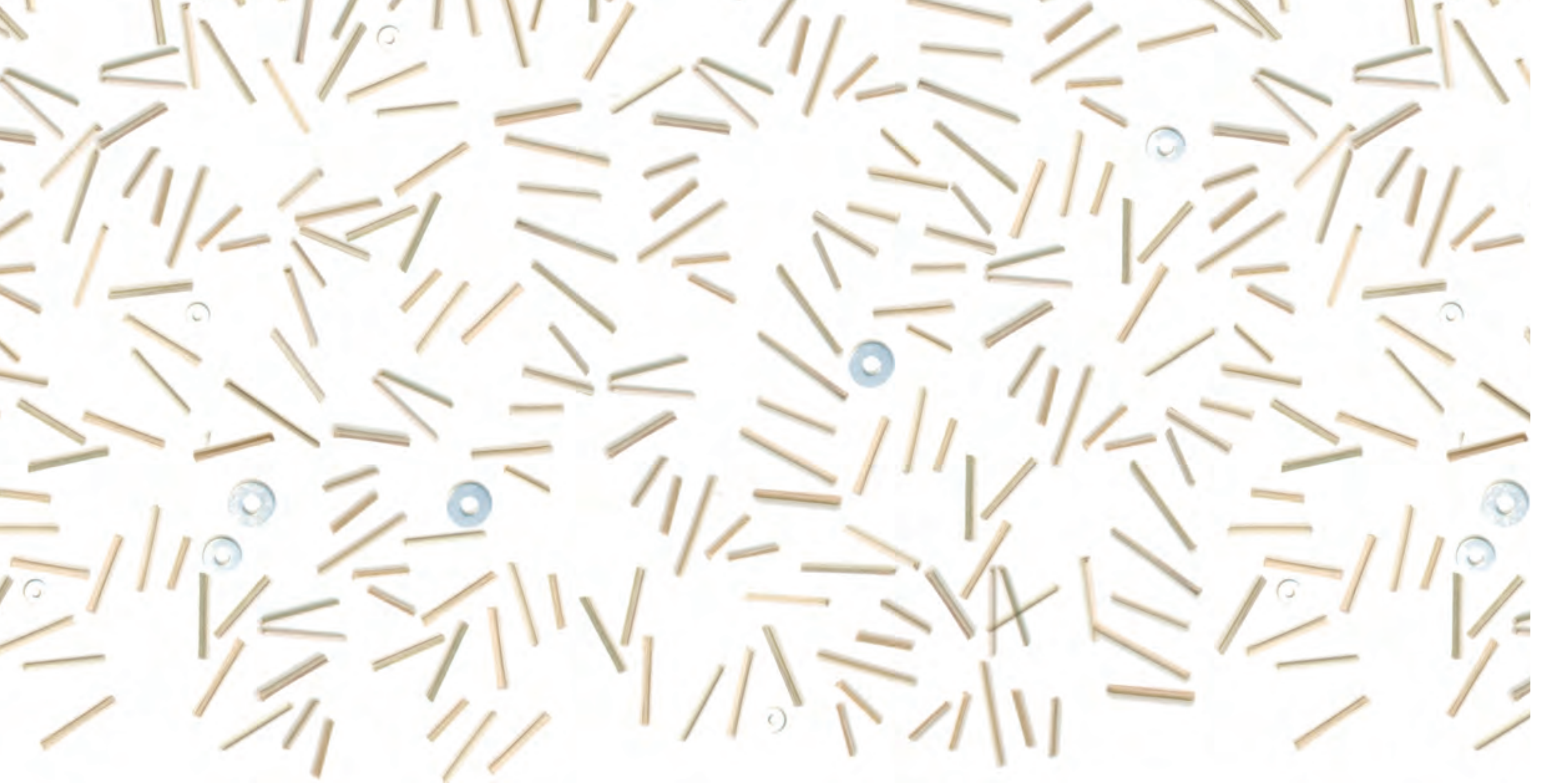

[Endesa, S.A. and Subsidiaries]

ENDESA, S.A.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL
STATEMENTS FOR
THE YEAR ENDED
31 DECEMBER 2008

[Contents]

[Endesa, S.A. and Subsidiaries]

AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 AND CONSOLIDATED DIRECTORS' REPORT

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Endesa, S.A.:

1. We have audited the consolidated financial statements of Endesa, S.A. (the Parent) and Subsidiaries (the Group) comprising the consolidated balance sheet at 31 December 2008 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the financial statements of certain investees whose assets and sales represented 14% and 13%, respectively, of the related consolidated figures at 31 December 2008. The financial statements of these investees were audited by other auditors and our opinion as expressed in this report on the consolidated financial statements of Endesa, S.A. and Subsidiaries is based, with respect to these investees, solely on the reports of the other auditors.

2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the figures for 2008 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense and notes to the consolidated financial statements, the figures for 2007. Our opinion refers only to the consolidated financial statements for 2008. On 27 March 2008, we issued our auditors' report on the 2007 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, based on our audit and on the reports of the other auditors mentioned in paragraph 1 above, the accompanying consolidated financial statements for 2008 present fairly, in all material respects, the consolidated equity and consolidated financial position of Endesa, S.A. and Subsidiaries at 31 December 2008 and the consolidated results of their operations, the changes in the consolidated statement of recognised income and expense and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that used in the preparation of the figures for the preceding year, which are presented for comparison purposes.

4. The accompanying consolidated directors' report for 2008 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2008. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Endesa, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Jorge Izquierdo Mazón
23 February 2009

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

Millions of euros

	31/12/2008	31/12/2007
ASSETS		
NON-CURRENT ASSETS	**43,253**	**39,997**
Property, plant and equipment (Note 5)	31,528	30,595
Investment property (Note 6)	47	55
Intangible assets (Note 7)	1,183	519
Goodwill (Note 8)	2,053	2,291
Investments accounted for using the equity method (Note 9)	196	291
Non-current financial assets (Note 10)	6,088	4,059
Deferred tax assets (Note 21)	2,158	2,187
CURRENT ASSETS	**15,293**	**18,525**
Inventories (Note 11)	1,092	839
Trade and other receivables (Note 12)	6,628	6,668
Current financial assets	188	138
Cash and cash equivalents (Note 13)	4,787	1,059
Non-current assets classified as held for sale and discontinued operations (Note 28)	2,598	9,821
TOTAL ASSETS	**58,546**	**58,522**
EQUITY AND LIABILITIES		
EQUITY (Note 14)	**20,764**	**17,130**
Of the Parent	17,082	11,989
Of minority interests	3,682	5,141
NON-CURRENT LIABILITIES	**26,936**	**29,981**
Deferred income (Note 15)	3,398	2,868
Long-term provisions (Note 16)	3,957	4,000
Bank borrowings and other financial liabilities (Note 17)	17,486	21,145
Other non-current payables	637	512
Deferred tax liabilities (Note 21)	1,458	1,456
CURRENT LIABILITIES	**10,846**	**11,411**
Bank borrowings and other financial liabilities (Note 17)	1,381	892
Current trade and other payables (Note 20)	8,535	6,966
Liabilities associated with non-current assets classified as held for sale and discontinued operations (Note 28)	930	3,553
TOTAL EQUITY AND LIABILITIES	**58,546**	**58,522**

The accompanying Notes 1 to 34 are an integral part of the consolidated balance sheets at 31 December 2008 and 2007.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of euros

	2008	2007
REVENUE (Note 22)	**22,836**	**18,073**
Sales	21,728	17,481
Other operating income	1,108	592
PROCUREMENTS AND SERVICES	**12,516**	**8,515**
Power purchased	5,231	3,532
Cost of fuel consumed	4,152	3,128
Transmission expenses	1,034	893
Other variable procurements and services	2,099	962
CONTRIBUTION MARGIN	**10,320**	**9,558**
Work on non-current assets	214	201
Staff costs (Note 23)	1,693	1,593
Other fixed operating expenses (Note 24)	1,946	1,798
GROSS PROFIT FROM OPERATIONS	**6,895**	**6,368**
Depreciation and amortisation charge (Notes 5, 7 and 25)	1,661	1,749
PROFIT FROM OPERATIONS	**5,234**	**4,619**
FINANCIAL LOSS (Note 26)	**(1,009)**	**(927)**
Net finance costs	(1,016)	(881)
Net exchange differences	7	(46)
Result of companies accounted for using the equity method (Note 9)	51	43
Income from other investments	10	9
Gains on asset disposals (Note 27)	22	151
PROFIT BEFORE TAX	**4,308**	**3,895**
Income tax (Note 21)	1,082	985
POST-TAX PROFIT OF CONTINUING OPERATIONS	**3,226**	**2,910**
POST-TAX PROFIT OF DISCONTINUED OPERATIONS (Note 28)	**4,884**	**573**
PROFIT FOR THE YEAR	**8,110**	**3,483**
Parent	7,169	2,675
Minority interests	941	808
BASIC NET EARNINGS PER SHARE OF CONTINUING OPERATIONS (in euros)	**2.25**	**2.12**
DILUTED NET EARNINGS PER SHARE OF CONTINUING OPERATIONS (in euros)	**2.25**	**2.12**
BASIC NET EARNINGS PER SHARE (in euros)	**6.77**	**2.53**
DILUTED NET EARNINGS PER SHARE (in euros)	**6.77**	**2.53**

The accompanying Notes 1 to 34 are an integral part of the consolidated income statements for 2008 and 2007.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of euros

	2008			2007		
	Of the Parent	Of minority interests	Total	Of the Parent	Of minority interests	Total
NET PROFIT RECOGNISED DIRECTLY IN EQUITY	(985)	(678)	(1,663)	56	23	79
In retained earnings (Note 14)	(123)	(15)	(138)	72	(3)	69
Actuarial losses and gains on pension schemes (Note 16)	(167)	(22)	(189)	103	(3)	100
Tax effect	44	7	51	(31)	—	(31)
In asset and liability revaluation reserves (Note 14)	(168)	(188)	(356)	45	35	80
Available—for—sale financial assets (Note 10)	(11)	—	(11)	(57)	—	(57)
Change in fair value	(11)	—	(11)	18	—	18
Amount taken to income	—	—	—	(75)	—	(75)
Cash flow hedges (Note 14)	(208)	(251)	(459)	112	42	154
Amount taken to income	(162)	(284)	(446)	116	42	158
Other changes	(46)	33	(13)	(4)	—	(4)
Tax effect	51	63	114	(10)	(7)	(17)
In translation differences (Note 14)	(694)	(475)	(1,169)	(61)	(9)	(70)
Gross translation differences	(694)	(475)	(1,169)	(61)	(9)	(70)
Change in translation differences	(685)	(472)	(1,157)	(55)	(5)	(60)
Reduction due to disposal of companies	(9)	(3)	(12)	(6)	(4)	(10)
Tax effect	—	—	—	—	—	—
PROFIT FOR THE YEAR	7,169	941	8,110	2,675	808	3,483
TOTAL INCOME AND EXPENSE RECOGNISED IN THE YEAR	6,184	263	6,447	2,731	831	3,562

The accompanying Notes 1 to 34 are an integral part of the consolidated statements of recognised income and expense for 2008 and 2007.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

		Millions of euros
	2008	**2007**
Gross profit before tax and minority interests	9,369	4,732
Depreciation and amortisation charge	1,669	2,000
Income from asset disposals	(4,570)	(147)
Income tax (1)	(949)	(840)
Provisions paid	(402)	(417)
Other results not giving rise to cash flows	97	(11)
Total cash flows from operating activities	5,214	5,317
Change in income tax payable (1)	542	375
Change in operating current assets/liabilities	(427)	(1,108)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**5,329**	**4,584**
Investments in property, plant and equipment and intangible assets	(4,157)	(3,905)
Other investments	(3,132)	(891)
Income from disposal of investments	10,215	535
Cash flows arising from changes in the scope of consolidation	(266)	—
Grants and other deferred income	506	410
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**3,166**	**(3,851)**
Non-current bank borrowing drawdowns	1,784	3,050
Non-current bank borrowings and other financial liabilities repaid	(2,697)	(1,327)
Net cash flows from current bank borrowings and other financial liabilities	(1.822)	346
Dividends of the Parent paid	(1,621)	(2,041)
Payments to minority interests	(468)	(520)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(4,824)**	**(492)**
TOTAL NET CASH FLOWS	**3,671**	**241**
Effect of foreign exchange rate changes on cash and cash equivalents	(87)	(11)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,584**	**230**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,249**	**1,019**
Cash on hand and at banks	436	323
Other cash equivalents	813	696
CASH AND CASH EQUIVALENTS AT END OF YEAR	**4,833**	**1,249**
Cash on hand and at banks	3,421	436
Other cash equivalents	1,412	813

(1) The income tax paid is the aggregate of "Income Tax" and "Change in Income Tax Payable", which amounted to EUR 407 million in 2008 (2007: EUR 465 million).

The accompanying Notes 1 to 34 are an integral part of the consolidated cash flow statements for 2008 and 2007.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2008 AND 2007

1. GROUP ACTIVITIES AND FINANCIAL STATEMENTS

Endesa, S.A. ("the Parent" or "the Company") and its subsidiaries compose the Endesa Group ("Endesa" or "the Group"). Endesa, S.A.'s registered office and headquarters are in Madrid, at calle Ribera del Loira, 60.

The Company was incorporated as a Spanish "Sociedad Anónima" in 1944 under the name of Empresa Nacional de Electricidad, S.A. and it changed its corporate name to Endesa, S.A. pursuant to a resolution adopted by the shareholders at the Annual General Meeting on 25 June 1997.

Endesa's company object is to carry on activities in the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or complementary to the business activities composing the Group's object, and the management of the corporate Group comprising investments in other companies. The Group may carry on the business activities composing its company object in Spain and abroad directly or through its investments in other companies.

The Endesa Group's consolidated financial statements for 2007 were approved by the shareholders at the Annual General Meeting on 30 June 2008.

The Endesa Group's 2008 consolidated financial statements and the 2008 financial statements of each of the Group companies, which were used as the basis for the preparation of these consolidated financial statements, have mostly not yet been approved by the shareholders at the respective Annual General Meetings. However, the directors consider that these financial statements will be approved without any changes.

These consolidated financial statements are presented in millions of euros (unless expressly stated otherwise) because the euro is the functional currency of the principal economic area in which the Endesa Group operates. Foreign operations are accounted for in accordance with the accounting policies established in Notes 2.4 and 3-n.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. BASIS OF PRESENTATION

The consolidated financial statements for 2008 of the Endesa Group were prepared by the directors, at the Board of Directors Meeting held on 20 February 2009, in accordance with the International Financial Reporting Standards ("IFRSs") adopted by the European Union at the consolidated balance sheet date, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

These financial statements present fairly the Group's equity and financial position at 31 December 2008 and 2007, and the results of its operations, the changes in the statement of recognised income and expense and the cash flows at the Group in the years then ended.

The consolidated financial statements for 2008 and 2007 of the Endesa Group were prepared on the basis of the accounting records kept by the Company and by the other Group companies. Each company prepares its financial statements in accordance with the accounting principles and standards in force in the country in which it operates and, therefore, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with IFRSs.

In 2008 the Group chose to apply early IFRS 23, Borrowing Costs, adopted by the European Union in conformity with Regulation (EC) no. 1260/2008, of 17 December 2008 (see Note 3-a); the amendment to IFRS 2, Share-based Payment, adopted by the European Union in conformity with Regulation (EC) no. 1261/2008, of 17 December 2008; and IFRIC 13, Customer Loyalty Programmes, adopted by the European Union in conformity with Regulation (EC) no. 1262/2008, of 17 December 2008, although none of them had any effect on the consolidated financial statements.

In 2007 the Group chose to apply early IFRIC 11, IFRS 2-Group and Treasury Share Transactions, adopted by the European Union in conformity with Regulation (EC) no. 611/2007 of 1 June 2007, which did not have any effect on the consolidated financial statements, and IFRS 8, Operating Segments, adopted by the European Union in conformity with Regulation (EC) no. 1358/2007, of 21 November 2007 (see Note 29).

In 2008 Endesa changed the method used to recognise investments over which it exercises joint control with other shareholders. Until 31 December 2007, these investments were accounted for using the equity method and, since1 January 2008, they have been proportionately consolidated. The consolidated balance sheet at 31 December 2007, and the consolidated income statement, consolidated statement of recognised income and expense and the consolidated cash flow statement for 2007, which are presented for comparison purposes, include the companies over which Endesa exercises joint control proportionately consolidated, although this change has not had a material impact.

Except as indicated in the foregoing paragraph, in 2008 the Group applied the same accounting policies and measurement bases as in the 2007 consolidated financial statements.

2.2. RESPONSIBILITY FOR THE INFORMATION AND USE OF ESTIMATES

The information in these consolidated financial statements is the responsibility of the Group's directors, who expressly state that all the principles and methods provided for in IFRSs have been applied.

In preparing the accompanying consolidated financial statements certain estimates were made by the senior executives of the Group in order to quantify some of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets and goodwill to ascertain whether there are any impairment losses thereon (see Note 3-e).
- The assumptions used in the actuarial calculation of the pension liabilities and obligations and collective redundancy procedures (see Note 16).
- The useful life of the property, plant and equipment and intangible assets (see Notes 3-a and 3-d).
- The assumptions used in measuring the fair value of the financial instruments (see Notes 3-g and 19).
- The power supplied to customers not read by meters.
- Certain electricity system aggregates, including those corresponding to other utilities such as output, customer billings, power consumed, incentives for the distribution activity, etc. that make it possible to estimate the overall settlements in the electricity system and that must be included in the definitive settlements –not yet issued at the date of preparation of these consolidated financial statements– which could affect the asset, liability, income and expense balances related to the electricity industry and, in particular, to the shortfall in revenue from regulated activities in Spain.
- The interpretation of certain legislation concerning the regulation of the electricity industry the definitive economic effects of which will be ultimately determined by the decisions taken by the agencies competent for the settlement thereof, since certain of said decisions had not yet been taken at the date of preparation of these consolidated financial statements (see Note 4.1.).

- The probability of the occurrence and the amount of liabilities which are uncertain as to their amount or contingent liabilities (see Note 3-m).
- The future facility closure and land restoration costs (see Notes 3-a and 16.3.).
- The results for tax purposes of the various Group companies that will be reported to the tax authorities in the future that served as the basis for recognising the various income tax-related balances in the accompanying consolidated financial statements (see Note 3-o).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements.

2.3. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Subsidiaries are defined as companies over which the Parent controls half or more of the voting power of the investee or, even if this percentage is lower, when it has the power to govern the financial and operating policies thereof.

Jointly controlled entities are defined as companies at which the situation described in the foregoing paragraph exists as a result of an agreement with other shareholders, thereby giving rise to joint control.

The section entitled "Endesa Group Companies", included as Appendix I to these notes to the consolidated financial statements, lists the Group's subsidiaries and jointly controlled entities.

2.3.1. CHANGES IN THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation in 2008 and 2007 are detailed in Appendix III to these notes to the consolidated financial statements.

Most of the companies included in the scope of consolidation in 2008 and 2007 which are detailed in Appendix III correspond to the inclusions of assets at Endesa Hellas pursuant to the agreement entered into by Endesa and the Mytilineos Group. As a result of this transaction, assets and liabilities amounting to EUR 28 million and EUR 9 million, respectively, were included in the Group in 2008 (2007: EUR 329 million and EUR 65 million, respectively), which gave rise to goodwill of EUR 29 million (2007: EUR 49 million).

The economic aggregates of the other companies included in the scope of consolidation in the two years are not material.

The exclusion of companies from the scope of consolidation relates mainly to the sale in 2008 of Endesa Europa to the E.On Group, which is explained in Note 28.

The economic aggregates of the other companies excluded from the scope of consolidation in the two years are not material.

Except in the case of the sale of Endesa Europa, had these changes in the scope of consolidation been made at the beginning of 2008 and 2007, the changes in the main aggregates in the consolidated income statement and the consolidated balance sheet would not have been material in relation to the consolidated financial statements.

2.3.2. Companies fully consolidated although the percentage of ownership is below 50%

Although the Endesa Group has an ownership interest of less than 50% in Compañía Distribuidora y Comercializadora de Energía, S.A. ("Codensa") and Empresa Generadora de Energía Eléctrica, S.A. ("Emgesa"), they are deemed to be subsidiaries, since the Group directly or indirectly, by virtue of shareholders' agreements, or as a result of the shareholder structure and composition and classes of the shares, exercises control over these companies.

2.3.3. Companies not fully consolidated although the percentage of ownership is over 50%

Although the Endesa Group has an ownership interest of over 50% in Centrales Hidroeléctricas de Aysén, S.A. ("Aysén") and Asociación Nuclear Ascó-Vandellós II, A.I.E., they are considered to be jointly controlled entities because the Group, by virtue of agreements among the shareholders, exercises joint control over these companies.

2.4. BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

The subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making the adjustments and eliminations relating to intra-Group transactions.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or until the effective date of disposal, as appropriate.

The operations of the Parent and of the consolidated subsidiaries are consolidated in accordance with the following basic principles:

1. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition of the subsidiary over the fair value of its assets and liabilities, including contingent liabilities, in proportion to the Parent's ownership interest, is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of the assets and liabilities is credited to the consolidated income statement.
2. The interest of minority shareholders in the equity and results of the fully consolidated subsidiaries is presented under "Equity - Of Minority Interests" in the consolidated balance sheet and under "Profit for the Year - Minority Interests" in the consolidated income statement, respectively.
3. The financial statements of foreign companies with a functional currency other than the euro are translated to euros as follows:
   a. Assets and liabilities are translated to euros at the exchange rates prevailing on the date of the consolidated financial statements.
   b. Income and expense items are translated at the average exchange rates for the year.
   c. Equity is translated at the historical exchange rates prevailing at the date of acquisition (or at the average exchange rates in the year it was generated, in the case of both accumulated earnings and the contributions made), as appropriate.

   Exchange differences arising on translation of the financial statements are recognised, net of the related tax effect, under "Equity - Translation Differences" (see Note 14).

   The translation differences arising prior to 1 January 2004 were transferred to reserves because on the first-time application of IFRSs, the Company applied the exception provided for the conversion of financial statements prepared in accordance with Spanish GAAP to IFRSs.
4. All the balances and transactions between fully consolidated companies, or the related portion in the case of proportionately consolidated companies, were eliminated on consolidation.

3. ACCOUNTING POLICIES

The principal accounting policies used in preparing the accompanying consolidated financial statements were as follows:

A) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less any accumulated depreciation and any recognised impairment losses. In addition to the price paid for the acquisition of each item, cost also includes, where appropriate, the following items:

1. Borrowing costs incurred during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, such as, for example, electricity generating and distribution facilities. The interest rate used is that corresponding to specific-purpose financing or, in the absence thereof, the average financing rate of the company making the investment. The average financing rate depends mainly on the geographical area concerned and ranges from 4.13% to 10.07%. EUR 107 million were capitalised in this connection in 2008 (2007: EUR 167 million).
2. Staff costs relating directly to construction in progress. The amounts capitalised in this connection are recognised in the consolidated income statement as an expense under "Staff Costs" and as income under "Work on Non-Current Assets". EUR 214 million were capitalised in this connection in 2008 (2007: EUR 201 million).
3. The future costs that the Group will have to incur in respect of the closure of its facilities are capitalised to the cost of the asset, at present value, and the related provision is recognised. The Group reviews each year its estimate of these future costs, increasing or decreasing the value of the asset in question based on the results of this estimate. In the case of nuclear plants, this provision includes the amount that the Group estimates that it will have to incur until, pursuant to Royal Decree 1349/2003, of 31 October, and Law 24/2005, of 18 November, the public radioactive waste management entity Enresa ("Enresa") assumes responsibility for the decommissioning of these plants.

The acquisition cost of assets acquired before 31 December 2003 includes, where appropriate, the asset revaluations permitted in the various countries to adjust the value of the property, plant and equipment for the effect of inflation until that date.

Items of property, plant and equipment in the course of construction are transferred to property, plant and equipment in use once the trial period has ended, when they are ready for their intended use, from which time they start to be depreciated.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are accounted for as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement for the year in which they are incurred.

The indivisible assets owned jointly by the Group with other owners (joint property entities) are recognised in proportion to the Group's ownership interest in those assets.

Based on the results of the impairment test described in Note 3-e, the Company's directors consider that the carrying amount of the assets does not exceed their recoverable amount.

The property, plant and equipment, less, where appropriate, their residual value, are depreciated on a straight-line basis over the years of estimated useful life of the assets, which constitute the period over which the companies expect to use them. The useful life is reviewed periodically.

The periods of useful life used for asset depreciation are as follows:

	Years of estimated useful life
Generating facilities:	
Hydroelectric power plants	
Civil engineering work	65
Electromechanical equipment	35
Coal-fired/fuel-oil power plants	25-40
Nuclear power plants	40
Combined cycle plants	10-25
Renewable energy plants	20-35
Transmission and distribution facilities:	
High-voltage network	20-40
Low- and medium-voltage network	20-40
Measuring and remote control equipment	10-35
Other facilities	4-25

Nuclear power plants have an estimated useful life of 40 years. These power plants require administrative authorisation in order to operate. The operating permits granted to these plants at the date of preparation of these consolidated financial statements do not cover the full estimated useful life, since the permits are generally granted for 30 years, which is shorter than the useful life of the facilities, and the permits are not renewed until they are close to expiry. The Group's directors consider that these permits will be renewed to cover at least the 40 years -estimated on the basis of existing precedents- of operations of the power plants.

Pursuant to Law 29/1985, of 2 August, partially amended by Law 46/1999, of 13 December, all the Spanish hydroelectric power plants, whose total carrying amounts are shown in Note 5, are subject to the temporary administrative concession regime. Under the terms and conditions of these administrative concessions, at the end of the established concession periods, the aforementioned facilities will revert to State ownership in good working order. The deadlines for reversion of these facilities have been extended from 2011 to 2067.

In relation to the administrative concessions held by the Endesa Group's electric utilities in Latin America, following is a detail of the period to expiry of the concessions that do not have an indefinite term:

Company	Country	Concession term	Period until expiry
Edesur (Distribution)	Argentina	95 years	79 years
Hidroeléctrica El Chocón (Generation)	Argentina	30 years	14 years
Transportadora de Energía (Transmission)	Argentina	85 years	79 years
Compañía de Transmisión Mercosur (Transmission)	Argentina	87 years	79 years
Ampla Energía (Distribution)	Brazil	30 years	18 years
Coelce (Distribution)	Brazil	30 years	20 years
CDSA (Generation)	Brazil	30 years	19 years
CGTF (Generation)	Brazil	30 years	23 years
Cien (Transmission)	Brazil	20 years	12 years
Cien (Transmission)	Brazil	20 years	14 years

The gains or losses arising on the disposal or retirement of property, plant and equipment are allocated to profit or loss and are calculated as the difference between the proceeds from the sale and the carrying amount of the assets.

B) INVESTMENT PROPERTY

"Investment Property" relates to properties that are not expected to be recovered in the ordinary course of the Group's business activities.

Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

The market value of the investment property is detailed in Note 6 and was calculated at 31 December 2007 based on the best estimates of Company management at that date and at 31 December 2008 using external independent valuations.

Investment property, excluding land, is depreciated on a straight-line basis over the years of useful life of the related assets.

C) GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities, including contingent liabilities, of a subsidiary at the date of acquisition.

The assets and liabilities acquired are measured provisionally at the date on which control is acquired, and the resulting value is reviewed in a maximum period of one year from the date of acquisition. Until the fair value of the assets and liabilities has been definitively determined, the difference between the cost of acquisition and the carrying amount of the company acquired is recognised provisionally as goodwill.

If goodwill is definitively determined in the financial statements for the year following the acquisition of the ownership interest, the previous year's financial statements that are presented for comparison purposes are amended to include the value of the assets and liabilities acquired and the definitive goodwill from the date of acquisition of said interest.

Goodwill arising in the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the company acquired and is translated to euros at the exchange rate prevailing at the balance sheet date.

Goodwill acquired on or after 1 January 2004, is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2003, in accordance with Spanish GAAP. Goodwill is not amortised, but rather at the end of each reporting period it is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down (see Note 3-e).

Where the Group acquires an additional ownership interest in a company that was already controlled and fully consolidated, the difference between the amount paid for the acquisition of the additional percentage and the balance of "Equity – Of Minority Interests" which is derecognised as a result of the acquisition is recognised as goodwill. Where the Group sells an ownership interest in a company over which it exercises control and subsequent to the sale control is maintained and, therefore, it is fully consolidated, the difference between the proceeds from the sale and the balance of "Equity – Of Minority Interests" which must be derecognised as a result of the sale is recognised in profit or loss.

D) INTANGIBLE ASSETS

Intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful lives, which in most cases is estimated to be five years. Intangible assets with indefinite useful lives are not amortised.

The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are described in Note 3-e.

The European Group companies that make CO_2 emissions in their electricity generation activity must deliver in the first few months of the subsequent year CO_2 emission rights equal to the volume of emissions made during the preceding year. The Group recognises CO_2 emission rights as non-amortisable intangible assets. Emission rights are initially recognised at cost of acquisition, and the related impairment loss is recognised subsequently if market value is lower than cost. The cost of acquisition of rights granted at zero cost under the related national allocation plans is taken to be the market price prevailing when they are received, and an item of deferred income is recognised for the same amount. If an impairment loss has to be recognised to reduce the cost of these rights to their market value, the amount of the impairment loss is deducted from the balance of deferred income.

The Group recognises as intangible assets in the consolidated balance sheet the costs incurred in projects at the development phase, provided that the technical viability and economic profitability of the projects are reasonably assured.

Research expenditure is recognised as an expense in the consolidated income statement. This expenditure in the accompanying 2008 consolidated income statement amounts to EUR 51 million (2007: 41 million).

E) ASSET IMPAIRMENT

During the year, and principally at year-end, it is determined whether there is any indication that an asset might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the identifiable asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, which is considered to be the smallest identifiable group of assets that generates independent cash inflows.

Irrespective of the foregoing, in the case of cash-generating units to which goodwill or intangible assets with indefinite useful lives have been allocated, the recoverability analysis is performed systematically at the end of each year.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is taken to be the present value of the estimated future cash flows. In calculating the recoverable amount of property, plant and equipment, goodwill and intangible assets, the Group used the value in use approach in practically all cases.

In assessing value in use, the Group prepares the projections of future pre-tax cash flows on the basis of the most recent available budgets. These budgets include the best estimates of Group management of the income and costs of the cash-generating units using industry projections, past experience and future expectations.

These projections cover the coming five years, and the flows for future years are estimated by applying reasonable growth rates of between 0% and 7% that in no case are increasing or exceed the average long-term growth rates in the industry or country in question.

These flows are discounted at a given pre-tax rate in order to calculate their present value. This rate reflects the cost of capital of the business and the geographical area in which it is carried on. In order to calculate it, the current time value of money and the risk premiums generally used by analysts for the business and the geographical area are taken into account. The discount rates applied in 2008 and 2007 fall within the flowing ranges:

	2008		2007	
	Minimum	Maximum	Minimum	Maximum
Spain and Portugal	6.64%	7.52%	6.55%	7.66%
Latin America	8.02%	12.85%	8.01%	10.70%
Rest of Europe	7.86%	9.41%	6.94%	8.76%

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to "Depreciation and Amortisation Charge" in the consolidated income statement.

Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset with a credit to income, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

In order to determine whether impairment of financial assets should be recognised, the following procedure is applied:

- If the financial assets are of a trading nature, the Group companies have defined a policy of generally recognising an impairment loss on the basis of the age of the past-due balance, except in exceptional cases where it is advisable to carry out a specific collectability analysis, as could be the case of past-due amounts receivable from public agencies.
- In the case of receivables of a financial nature, the need to recognise impairment losses is determined by way of a specific case-by-case analysis although, at the date of preparation of these consolidated financial statements, there were no past-due financial assets of a material amount that were not of a trading nature.

F) LEASES

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. All other leases are classified as operating leases.

Finance leases in which the Group acts as the lessee are recognised at the beginning of the lease term, recognising an asset on the basis of its nature and a liability for the same amount, equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequently, the minimum lease payments are divided into finance charge and debt reduction components. The finance charge is recognised as an expense and is allocated to income over the lease term so as to obtain a constant interest rate each year applicable to the balance of the outstanding lease payments. The asset is depreciated in the same way as the other similar depreciable assets if there is reasonable certainty that the lessee will acquire title to the asset at the end of the lease term. If no such certainty exists, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless some other systematic basis of allocation is more representative.

G) FINANCIAL INSTRUMENTS

g.1. Financial assets other than derivatives

The Group classifies its non-current and current financial assets, excluding investments accounted for using the equity method (see Note 9) and assets classified as held for sale (see Note 28), in four categories:

- *Loans and receivables:* these items are measured at amortised cost, which is basically the initial market value, minus principal repayments, plus the accrued interest receivable calculated using the effective interest method.
- *Held-to-maturity investments:* financial assets that the Endesa Group has the positive intention and ability to hold to the date of maturity, which are measured at amortised cost as defined in the foregoing paragraph. At 31 December 2008 and 2007, the Group did not have any material investments of this nature.
- *Financial assets classified as at fair value through profit and loss:* these include held-for-trading financial assets and financial assets designated as such on initial recognition, which are managed and assessed using the fair value option. They are recognised in the consolidated balance sheet at fair value and changes in fair value are recognised in the consolidated income statement.
- *Available-for-sale financial assets:* financial assets designated specifically as available for sale or those that do not fall into any of the aforementioned three categories, which relate substantially in full to equity investments (see Note 10). These assets are recognised in the consolidated balance sheet at fair value when fair value can be

determined reliably. Since it is usually not possible to determine reliably the fair value of investments in companies that are not publicly listed, when this is the case, such investments are measured at acquisition cost or at a lower amount if there is evidence of impairment. Changes in fair value, net of the related tax effect, are recognised with a charge or credit, as appropriate, to "Equity - Unrealised Asset and Liability Revaluation Reserve" (see Note 14) until these assets are disposed of, at which time the cumulative balance of this account relating to those assets is recognised in full in the consolidated income statement. If fair value is lower than acquisition cost and there is objective evidence that the asset has suffered an impairment loss that cannot be considered reversible, the difference is recognised directly in the consolidated income statement.

Purchases and sales of financial assets are recognised using the trade date method.

g.2. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheet includes cash on hand, demand deposits and other short-tem highly liquid investments that are readily realisable in cash and are subject to an insignificant risk of changes in value.

g.3. Financial liabilities other than derivatives

Financial liabilities are generally recognised at the amount received, net of the transaction costs incurred. In subsequent periods, these obligations are measured at amortised cost using the effective interest method.

In specific cases where liabilities are the underlying of a fair value hedge, they are measured, exceptionally, at fair value for the portion of the hedged risk.

To calculate the fair value of the liabilities, for the purpose of their recognition and for the disclosure of the information on their fair value included in Note 17.4, fair value has been divided into liabilities bearing interest at a fixed rate ("fixed-rate debt") and liabilities bearing interest at floating rates ("floating-rate debt"). Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term. Floating-rate debt is that issued at a floating interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. All these liabilities are measured by discounting the expected future flows by the market interest rate curve, depending on the payment currency.

g.4. Derivative financial instruments and hedge accounting

The derivatives held by the Group relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or commodity price risk (electricity, fuel, CO_2 emission rights and CERs), the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are measured at their fair value at the consolidated balance sheet date. Financial derivatives and commodity derivatives are recognised under "Financial Assets" and "Trade and Other Receivables", respectively, if their value is positive. If negative, they are recognised under "Bank Borrowings and Other Financial Liabilities" and "Trade and Other Payables", respectively.

The changes in fair value are recognised in the consolidated income statement, unless the derivative has been designated as a hedging instrument and all the conditions established by IFRSs for hedge accounting are met including, inter alia, that the hedge is highly effective, in which case it is recognised as follows:

- *Fair value hedges:* the portion of the underlying for which the risk is being hedged is measured at fair value, as is the related hedging instrument, and changes in the fair values of both items are recognised in the consolidated income statement, netting off the effects under the same heading in the consolidated income statement.

- *Cash flow hedges:* changes in the fair value of the derivatives, in respect of the effective portion of the hedges, are recognised under "Equity - Unrealised Asset and Liability Revaluation Reserve". The cumulative gain or loss recognised in this account is transferred to the consolidated income statement to the extent that the underlying has an impact on the consolidated income statement in relation to the hedged risk, netting off the effects under the same heading in the consolidated income statement. Gains or losses on the ineffective portion of the hedges are recognised directly in the consolidated income statement.
- *Hedges of a net investment in a foreign operation:* changes in fair value are recognised, in respect of the effective portion of these hedges, net of the related tax effect, as "Translation Differences" in equity (see Note 14), and are transferred to the consolidated income statement when the hedged investment is disposed of.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in a range of between 80% and 125%.

The Group has entered into commodities purchase and sale forward contracts, mainly for electricity, fuel and CO_2 emission rights. In general, these contracts are measured in the consolidated balance sheet at their year-end market value, and any changes in value are recognised in the consolidated income statement, except when all the conditions set forth below arise:

- The sole purpose of the contract is for own use, which is understood to be, in the case of contracts for the purchase of fuel or CO_2 emission rights, the use thereof in the generation of electricity; in the case of contracts for the purchase of electricity or gas for retail, the sale thereof to end customers; and in the case of contracts for the sale of electricity, the placement of own production.
- The Group's projections evidence that the purpose of these contracts is own use.
- The historical experience of the contracts demonstrates that they have been employed for own use, except in those infrequent cases where another use has been necessary as a result of exceptional circumstances or associated with logistics management beyond the control or projections of the Group.
- The contract does not envisage settlement in cash, nor has there been a practice of settling similar contracts in cash in the past.

The Company assesses the existence of embedded derivatives in contracts and financial instruments in order to determine whether their characteristics and risks are closely related to those of the host contract, provided that together they are not being recognised at fair value. Where the characteristics and risks are not closely related, they are recognised as separate contracts with any changes in value recognised in the consolidated income statement.

Pursuant to Royal Decree 1634/2006, of 29 December, Endesa as a dominant operator in the Spanish electricity industry is obliged to organise (VPP) auctions of power purchase options up to a given hourly capacity, exercisable throughout a pre-determined delivery or exercise period which in some cases have been issued for settlement through physical delivery and others will be settled financially (see Note 4.1.). These options are recognised as derivatives in the accompanying consolidated financial statements in accordance with the general accounting policies discussed previously.

However, the Group considers these options to be sale contracts for power of own use and, therefore, does not recognise the changes in fair value in the accompanying consolidated financial statements, but rather recognises the premiums collected as an advance on the selling price when the following circumstances concur:

- They are obligatorily settled through physical delivery.
- The exercise price provides substantial assurance that the option will ultimately be exercised.
- The historical experience of options of this type is that in all cases they have been exercised on maturity, and

- They may be delivered using own production.

The fair value of the derivative financial instruments is calculated as follows:

- Derivatives quoted on an organised market, at market price at year-end.
- The Group measures derivatives not traded on an organised market by discounting the expected cash flows and using generally accepted option valuation models based on spot and futures market conditions at the end of each year.

H) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in companies over which the Group has a significant influence are accounted for using the equity method In general, significant influence is presumed to exist when the Group has an ownership interest of over 20%.

The equity method consists of recognising the investment in the consolidated balance sheet at the Group's share of net assets of the investee, adjusted, if appropriate, by the effect of transactions with the Group, plus the unrealised gains relating to the goodwill paid on acquisition of the company.

If the resulting amount were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to restore the company's equity position, in which case the related provision for contingencies and charges is recognised.

Dividends received from these companies are deducted from the value of the investment, and the results of these companies that correspond to Endesa on the basis of its percentage of ownership are recognised under "Result of Companies Accounted for Using the Equity Method" in the consolidated income statement.

I) INVENTORIES

Inventories are stated at the lower of weighted average acquisition cost and net realisable value.

The cost of nuclear fuel consumed is recognised in the consolidated income statement on the basis of the amount burned during the year.

J) NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies as "Non-Current Assets Classified as Held for Sale" property, plant and equipment, intangible assets or investments under "Investments Accounted for Using the Equity Method" and disposal groups (groups of assets which will be disposed of together with their directly associated liabilities) for which at the date of the consolidated balance sheet active measures had been initiated to sell them and the sale is expected to have been completed within twelve months from that date.

The Group classifies as "Discontinued Operations" the business lines that were sold or disposed of by other means or which meet the criteria to be classified as held for sale, including, where applicable, assets which, together with the business line, form part of the same plan of sale. Also classified as "Discontinued Operations" are the companies acquired exclusively with a view to resale.

These assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets ceases from the time they are classified as "Non-Current Assets Classified as Held for Sale".

The non-current assets held for sale and the components of the disposal groups classified as held for sale are presented in the accompanying consolidated balance sheet as follows: the assets as a single line item called "Non-Current Assets

Classified as Held for Sale and Discontinued Operations" and the liabilities also as a single line item called "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations".

The profit after tax of discontinued operations is presented as a single line item in the consolidated income statement as "After-Tax-Profit of Discontinued Operations".

K) TREASURY SHARES

Treasury shares are deducted from "Equity" in the consolidated balance sheet and are measured at acquisition cost.

The gains or losses obtained by the companies on the disposal of these treasury shares are recognised under "Retained Earnings" in the consolidated balance sheet.

At 31 December 2008, no treasury shares were held and in 2007 and 2008 no transactions involving treasury shares were carried out.

I) DEFERRED INCOME

The Group receives legally established compensation for the amounts paid for the construction or acquisition of certain facilities or, in some cases, is assigned the facilities directly in accordance with current legislation.

These amounts are recorded as deferred income on the liability side of the consolidated balance sheet and are recognised in the consolidated income statement under "Other Operating Income" over the years of useful life of the asset, thereby offsetting the related depreciation charge.

In the case of the assignment of facilities, both the asset and the deferred income are recognised at the fair value of the asset on the date of the assignment.

The same treatment is given to the CO_2 emission rights granted at zero cost under the national allocation plan ("NAP") for emission rights approved by each country.

These rights are initially recognised as an intangible asset and an item of deferred income at their market value when the rights are received, and they are reduced by the same amount as the intangible asset if the market value of the rights drops with respect to the value at which they were recognised at the date on which they were received. The deferred income relating to the emission rights granted at zero cost that will be used to cover emissions made during the year is allocated to "Other Operating Income" in the consolidated income statement, while the cost of consuming the rights is recognised as indicated in Note 3-m.3.

M) PROVISIONS

The present obligations at the consolidated balance sheet date arising from past events which could give rise to a probable loss for the Group which is uncertain as to its amount and timing are recognised as provisions in the consolidated balance sheet at the present value of the most probable amount that it is considered the Group will have to disburse to settle the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the consolidated financial statements on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year.

The obligations reflected in the consolidated balance sheet in respect of provisions for pensions and similar obligations and for labour force restructuring costs arise as a result of collective or individual agreements with the Group's employees which provide for the Company's obligation to supplement the public social security system benefits in the event of retirement, permanent disability, death or termination of the employment relationship as a result of an agreement between the parties.

m.1. Provisions for pensions and similar obligations

Most of the Group companies have pension obligations to their employees, which vary on the basis of the Group company at which they arose. These obligations, which combine defined benefits and defined contributions, are basically formalised in pension plans or insurance policies, except as regards certain benefits in kind, mainly electricity supply obligations, which, due to their nature, have not been externalised and are covered by the related in-house provisions.

For the defined benefit plans, the companies recognise the expenditure relating to these obligations on an accrual basis over the working life of the employees by performing at the consolidated balance sheet date the appropriate actuarial studies calculated using the projected unit credit method. The past service costs relating to changes in benefits are recognised immediately with a charge to income as the benefits become vested.

The defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising in the measurement of both the plan liabilities and the plan assets are recognised directly under "Equity - Retained Earnings".

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under "Long-Term Provisions" on the liability side of the consolidated balance sheet and any negative difference is recognised under "Non-Current Financial Assets - Loans and Receivables" on the asset side of the consolidated balance sheet, provided that such negative difference is recoverable by the Group, usually through a reduction in future contributions.

Contributions to defined contribution plans are recognised as an expense in the consolidated income statement as the employees provide their services.

The post-employment plans that have been fully insured and in which, therefore, the Group has transferred the risk in full are considered to be defined contribution plans and, accordingly, as with such plans, no asset or liability balances are recognised in this connection in the consolidated balance sheet.

m.2. Provisions for labour force restructuring costs

The Group recognises termination benefits when there is an individual or collective agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for the Group in exchange for a termination benefit. If a mutual agreement is required, a provision is only recorded in situations in which the Group has decided to give its consent to the termination of the employees when this has been requested by them. In all cases in which these provisions are recognised the employees have an expectation that these early retirements will take place.

The Group has labour force reduction plans in progress, mainly in Spain, under the related collective redundancy procedures approved by the government, which guarantee that benefits will be received throughout the pre-retirement period.

The Endesa Group recognises the full amount of the expenditure relating to these plans when the obligation arises by performing the appropriate actuarial studies to calculate the actuarial obligation at year-end. The actuarial gains and losses disclosed each year are recognised in the consolidated income statement for that year.

m.3. Provision for the cost of CO_2 emission rights

The European Group companies that make CO_2 emissions in their electricity generation activity must deliver in the first few months of the subsequent year CO_2 emission rights equal to the volume of emissions made during the preceding year.

The obligation to deliver emission rights for the CO_2 emissions made during the year is recognised as a short-term provision under "Current Trade and Other Payables" in the consolidated balance sheet, and the related cost was classified under “Other Variable Procurements and Services” in the consolidated income statement. This obligation is measured at the same amount as that at which the CO_2 emission rights to be delivered to cover this obligation are recognised under “Intangible Assets” in the consolidated balance sheet (see Notes 3-d and 3-l).

If at the consolidated balance sheet date the Group does not hold all the CO_2 emission rights required to cover the emissions made, the cost and the provision for this portion is recognised on the basis of the best estimate of the price that the Group will have to pay to acquire them. When a more appropriate estimate does not exist, the estimated acquisition price for the rights not held by the Group is the market price at the consolidated balance sheet date.

N) TRANSLATION OF FOREIGN CURRENCY BALANCES

Transactions in currencies other than the functional currency of each company are recognised in the functional currency by applying the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the balances translated at the exchange rate prevailing at the date of the transaction and the balances translated at the exchange rate prevailing at the date of collection or payment are recorded as finance income or finance costs in the consolidated income statement.

Also, balances receivable or payable at 31 December each year denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to euros at the year-end exchange rates. The resulting translation differences are recognised as finance costs or finance income in the consolidated income statement.

The Group’s policy is to hedge a portion of the income of the Latin American companies that is directly linked to the performance of the US dollar against foreign currency risk through the obtainment of financing in US dollars. Since these transactions constitute cash flow hedges, the exchange differences arising on the debt in US dollars are recognised, net of the related tax effect, under “Equity - Unrealised Asset and Liability Revaluation Reserve”, and are allocated to the consolidated income statement over the period in which the hedged cash flows will arise, which has been estimated to be ten years.

Ñ) CURRENT/NON-CURRENT CLASSIFICATION

In the accompanying consolidated balance sheet, balances due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

Liabilities due within 12 months but whose long-term refinancing is assured at the Company’s discretion, through existing unconditional long-term credit facilities, are classified as non-current liabilities. At 31 December 2008 and 2007, these balances amounted to EUR 4,448 million and EUR 3,470 million, respectively.

O) INCOME TAX

The current income tax expense is calculated by aggregating the current tax of the various companies arising from the application of the tax rate to the taxable profit for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities and tax loss and tax credit carryforwards. Differences between the carrying amount of the assets and liabilities and their tax bases give rise to deferred tax assets and liabilities, which are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Income tax and changes in deferred tax assets and liabilities not arising from business combinations are recognised in the consolidated income statement or in equity accounts in the consolidated balance sheet depending on where the profits or losses giving rise to them have been recognised.

Changes arising from business combinations that are not recognised on the acquisition of the controlling interest because their recovery is not assured are recognised by reducing, where appropriate, the carrying amount of goodwill recognised when the business combination was accounted for or, if no such goodwill exists, using the aforementioned method.

Deferred and other tax assets are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which the related temporary differences can be recovered or against which the related tax assets can be utilised.

Deferred tax liabilities are recognised for all temporary differences, unless the temporary difference arises from the initial recognition of goodwill or is associated with investments in subsidiaries, associates and jointly controlled entities at which the Group can control the timing of the reversal thereof and it is probable that the difference will not reverse in the foreseeable future.

Tax credits arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until they have effectively been realised, or unless they relate to specific tax incentives, in which case they are recognised as grants.

The deferred tax assets and liabilities recognised are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the aforementioned analyses.

On 28 November 2006, the Law on personal income tax and partially amending the Corporation Tax, Non-Resident Income Tax and Wealth Tax Laws was approved in Spain. The new Corporation Tax Law established that the standard tax rate would be 32.5% for tax periods beginning on or after 1 January 2007 and 30% for tax periods beginning on or after 1 January 2008, as compared with the rate of 35% in force until 31 December 2006. The effect of this change in the tax rate on the deferred tax balances recognised in the consolidated balance sheet was recognised in the consolidated financial statements for 2006.

Royal Decree-Law 2/2008 on measures to boost economic activity and Law 4/2008 eliminating wealth tax were approved on 21 April and 23 December 2008, respectively, thereby generalising the system of monthly VAT refunds and introducing other changes to tax legislation. The objective of the two laws includes, inter alia, adapting corporation tax legislation to Royal Decree 1514/2007, of 16 November, approving the Spanish National Chart of Accounts.

On 27 December 2006, Law 1111 and Tax Reform Decree 01/03/07 modifying the tax statute relating to the taxes administered by the Colombian Directorate of National Taxes and Customs were approved in Colombia. This legislation reduced the income tax rate to 34% in 2007 and to 33% for 2008 onwards. As in the case of Spain, the effect of this change in the tax rate on the deferred taxes recognised in the consolidated balance sheet was recognised in the financial statements for 2006.

On 25 September 2008, Law 3697 establishing a progressive reduction in the income tax rate was approved in Greece. The tax rate, which is currently 25%, will decrease to 24% in 2010 and will continue to decrease by 1% in successive years until it stands at 20% in 2014. In 2008 a net charge of EUR 4 million was recognised under "Income Tax" in the accompanying consolidated income statement in relation to the effect of the change in tax rate from 25% to 20% on the deferred taxes recognised at the Group companies located in Greece.

P) REVENUE AND EXPENSE RECOGNITION

Revenue and expenses are recognised on an accrual basis.

Revenue is recognised when the gross inflow of economic benefits arising in the course of the Group's ordinary activities in the year occurs, provided that this inflow of economic benefits results in an increase in equity that is not related to contributions from equity participants and that these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable arising therefrom.

Revenue associated with the rendering of services is only recognised if it can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

The Group excludes from the revenue figure gross inflows of economic benefits received by it when it acts as an agent or commission agent on behalf of third parties, and only recognises as revenue economic benefits received for its own account.

When goods or services are exchanged or swapped for goods or services which are of a similar nature, the exchange is not regarded as a transaction which generates revenue.

The Group records for the net amount non-financial asset purchase or sale contracts settled for the net amount of cash or through some other financial instrument. Contracts entered into and maintained for the purpose of receiving or delivering these non-financial assets are recognised on the basis of the contractual terms of the purchase, sale or usage requirements expected by the entity.

Interest income is recognised by reference to the effective interest rate applicable to the principal outstanding over the related repayment period.

Q) EARNINGS PER SHARE

Basic net earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group.

The basic earnings per share of continuing and discontinued operations are calculated by dividing profit after tax of the continuing and discontinued operations, respectively, minus the portion corresponding to minority interests, by the weighted average number of ordinary shares of the Parent outstanding during the year, excluding the average number of shares of the Parent held by the Group.

The Group did not perform any potentially dilutive transactions of any kind leading to diluted earnings per share that differ from the basic earnings per share.

R) DIVIDENDS

Dividends are recognised as a reduction of equity when approved by the competent body, which is usually the Board of Directors in the case of interim dividends and the Annual General Meeting in the case of final dividends.

S) CASH FLOW STATEMENT

The cash flow statement reflects the changes in cash that took place in the year in relation to both continuing and discontinued operations, calculated using the indirect method. The following terms are used in the consolidated cash flow statements with the meanings specified:

- *Cash flows:* inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months and which are highly liquid and subject to an insignificant risk of changes in value.
- *Operating activities:* the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- *Investing activities:* the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- *Financing activities:* activities that result in changes in the size and composition of equity and borrowings.

4. INDUSTRY REGULATION AND FUNCTIONING OF THE ELECTRICITY SYSTEM

4.1. SPAIN

General issues

The electricity industry in Spain is basically regulated in Electricity Industry Law 54/1997, of 27 November ("the Electricity Industry Law"), which was amended by Law 17/2007, of 4 July. The main features of this Law and subsequent implementing regulations are as follows:

- Electricity is generated on a free-market basis.
- Transmission, distribution and the system's economic and technical management continue to be regulated activities, and their remuneration is established annually.
- All consumers of electricity are eligible customers and, therefore, they can choose whether to acquire their power in the liberalised market.
- Integral tariffs and access fees are the same throughout Spain. The latest amendment of the Electricity Industry Law establishes the elimination of the integral tariff system and establishes the last resort tariffs, which from 2011 will apply only to electricity consumers with a contracted capacity of less than 50 kW. Supplies under the tariff system, which until now have been made by the distributors, will be eliminated, and all consumers will be supplied by resellers. Last resort suppliers will foreseeably commence on 1 July 2009, although at the date of preparation of these consolidated financial statements the regulations governing such supplies had not yet been approved.

Production market

Power purchase and sale transactions may be carried out through the bidding system managed by Operador del Mercado Ibérico de Electricidad - Polo Español, S.A. ("Omel") or through bilateral contracts.

Also, Royal Decree 1634/2006, of 29 December, establishes that the dominant operators, including Endesa, will organise virtual power plant (VPP) auctions, consisting of the sale by auction of power purchase options up to a given hourly capacity, which may be exercised throughout a pre-determined delivery period.

The positions arising from these auctions at 31 December 2008 and 2007 are as follows:

	31 December 2008			
	Exercise period (MW)			
	One-quarter 2009	Two-quarter 2009	Three-quarter 2009	Four-quarter 2009
Exercise through physical delivery:				
Base load	243	96	—	—
Peak load	30	20	—	—
Exercise for cash:				
Base load	540	290	290	—
Peak load	70	55	55	—

	31 December 2007			
	Exercise period (MW)			
	One-quarter 2008	Two-quarter 2008	Three-quarter 2008	Four-quarter 2008
Exercise through physical delivery:				
Base load	643	309	199	177
Peak load	60	50	25	15
Exercise for cash:				
Base load	—	—	—	—
Peak load	—	—	—	—

Ministry of Industry, Tourism and Trade Order ITC/400/2007, of 26 February, regulates the bilateral electricity purchase agreements entered into by the distributors for mainland supplies under the tariff system. These agreements are the result of a bidding mechanism through which the distributors make forward purchases of a portion of their demand through base load and modulated load products.

Non-mainland and island electricity systems

Article 12 of the Electricity Industry Law establishes that the activities involved in the supply of electricity carried on in the Balearic and Canary Islands and Ceuta and Melilla will be subject to specific regulations which will address the special nature of their geographical location. In this regard, Royal Decree 1747/2003, of 19 December, which regulates the island and non-mainland electricity systems, was passed on 19 December 2003, and the Ministerial Orders implementing that Royal Decree were approved on 30 March 2006.

The main element of the island and non-mainland regulatory system is that electricity production is remunerated under the regulated tariff system, unlike on mainland Spain, while the other activities (distribution, transmission and retailing) are regulated in a similar manner to those in mainland Spain.

The remuneration of non-mainland production has been established so as to cover the costs of this activity and provide a return on capital invested. To attain the level of remuneration established, the non-mainland producers receive the corresponding compensation payments from the Spanish electricity system through the earnings of the entire system.

The Resolution of the Directorate-General of Energy Policy and Mines approved on 2 October 2007 definitively determined the amount of the revision of the specific costs earmarked for remunerating the non-mainland and island systems for 2001-2005. The application of this Resolution means that at 31 December 2008 Endesa had a collection right of EUR 781 million relating to the remuneration of non-mainland production for 2001-2005. EUR 578 million of this amount are recognised under "Non-Current Financial Assets - Loans and Receivables" in the consolidated balance sheet (see Note 10.1.) and the remaining EUR 203 million are recognised under "Trade and Other Receivables" (see Note 12). Pursuant to Royal Decree 1432/2002, of 27 December, Ministry of Economy Order ECO/2714/2003, of 25 September, and Ministry of Industry, Tourism and Trade Order ITC/3860/2007, of 28 December, the shortfall for 2001 and 2002, together with the related interest, will be recovered on a straight-line basis until 2010 and the remainder will be recovered over 15 years beginning in 2007.

Using the methodology established by the Ministerial Orders implementing Royal Decree 1747/2003, of 27 November, the Company made its best estimate of the compensation receivable for the extra non-mainland production costs for 2006, 2007 and 2008 for the purpose of recognising the related income, since at the date of preparation of these consolidated financial statements the definitive settlements had not been published. The estimated amount of EUR 1,323 million is recognised under "Non-Current Financial Assets - Loans and Receivables" in the consolidated balance sheet (see Note 10.1.).

Shortfall in revenue from regulated activities

Under Royal Decree-Law 5/2005, of 11 March, if the regulated revenue of the electricity system was not sufficient to cover the costs of the regulated activities, this tariff shortfall had to be financed by the utilities indicated in the Royal Decree-Law on the basis of the percentages established therein, of which 44.16% correspond to Endesa as Parent of the Group.

The amounts financed together with the related interest will be recovered through the annual payments included in the electricity tariffs in the coming years or, as the case may be, through the proceeds from the auctions of the acknowledged ex ante shortfall in revenue.

2006 SHORTFALL

The quantification of production revenue and of the shortfall in revenue from regulated activities in 2006 was affected by the provisions of Royal Decree-Law 3/2006, of 24 February, which approved, inter alia, the following measures aimed at reducing the shortfall in revenue from regulated activities:

- From 3 March 2006, the electricity sale and purchase bids presented simultaneously by players belonging to the same corporate group in the daily and intra-daily electricity production markets were treated in the same way as bilateral physical contracts settled at a price which, provisionally, was established at EUR 42.35/MWh. Subsequently, Royal Decree 871/2007, of 29 June, which adjusted the electricity tariffs from 1 July 2007, established the definitive price at EUR 49.23/MWh.
- Production revenue had to be reduced to take into account the effect of the internalisation in the setting of the wholesale market prices by the greenhouse gas emission rights granted at zero cost under the Allocation Plan for 2006-2007 that are associated with that revenue.

In relation to the latter, Ministry of Industry, Tourism and Trade Order ITC/3315/2007, of 15 November, established the procedure for calculating for 2006 the reduction in the remuneration of electricity production by the amount equal to the value of the greenhouse gas emission rights granted at zero cost.

As a result of the application of the legislation implemented in 2007 to definitively settle these matters, the Group recognised reduced revenue in 2007 amounting to EUR 151 million to cover the difference between the estimate made in the consolidated financial statements for that year and the revenue that arose as a result of the regulations issued at a later date.

Endesa filed an application for judicial review at the National Appellate Court against the aforementioned Ministry of Industry, Tourism and Trade Order ITC/3315/2007, and also appealed to a higher administrative body against the Resolution of the Spanish National Energy Commission ("CNE"), establishing the activities to be excluded, as established in application of the aforementioned Order.

The recovery of the 2006 shortfall in revenue was recognised in Royal Decree 1634/2006, of 29 December, and the tariffs established from 2007 onwards include the corresponding annual payments plus the related interest.

2007 SHORTFALL

In relation to the shortfall in revenue from regulated activities for 2007, the legislation regulating the electricity system acknowledged ex-ante a shortfall of EUR 1,500 million.

On 12 June 2008, the CNE organised a bidding process for the collection rights relating to the shortfall acknowledged ex-ante in which EUR 1,300 million were awarded, which were used to cover the 2007 shortfall, after deducting the annual payments received to recover said shortfall which were included in the electricity tariffs, and the remaining amount was used to partially reduce the 2008 shortfall.

2008 SHORTFALL

The legislation regulating the electricity system acknowledged ex-ante a shortfall of EUR 3,900 million. On 30 September 2008, an auction was held to allocate collection rights, although it was abandoned by the CNE, due to the situation in the financial markets.

At 31 December 2008, the amounts yet to be recovered of the shortfall of the aforementioned years financed by Endesa amount to EUR 3,034 million (31 December 2007: EUR 1,558 million). These amounts are recognised under "Non-Current Financial Assets - Loans and Receivables" and "Trade and Other Receivables" in the consolidated balance sheet, on the basis of whether it is estimated that the amounts will be recovered at long or short term, respectively (see Notes 10.1. and 12).

In recent months the Company, together with the other utilities in the industry, have been holding meetings with representatives of the Ministry of Industry, Trade and Tourism to analyse, inter alia, the structural situation of the shortfall in revenue of the Spanish electricity system and the possible measures that could be adopted to achieve a balance in the system. At the date of preparation of these consolidated financial statements no new regulations had been issued in this connection.

The Company considers that, on the basis of the discussions held, no matter has arisen that should be disclosed in the accompanying consolidated financial statements.

Royal Decree-Law 11/2007

Under Royal Decree-Law 11/2007, of 7 December, the higher revenue obtained from the grant of emission rights at zero cost under the National Allocation Plan for 2008-2012 will be deducted from the remuneration of the production activity. This deduction will only be applicable to the owners of mainland facilities under the ordinary regime and will apply to all types of trading. At the date of preparation of these consolidated financial statements, Royal Decree-Law 11/2007, of 7 December, had not yet been implemented and, therefore, Endesa calculated the deduction using the same methods as those provided for in the aforementioned Ministry of Industry, Tourism and Trade Order ITC/3315/2007.

2009 electricity tariff

Ministry of Industry, Tourism and Trade Order ITC/3801/2008, of 26 December, established an average increase in the low-voltage integral tariffs of 3.4% and an average increase in access fees of 39%.

Also, the G.4 integral tariffs for large consumers and the D tariff for small distributors have been eliminated, although the low-voltage integral tariffs will remain in place until the commencement of last resort supplies.

Distribution

Royal Decree 222/2008, of 15 February, introduced a new remuneration regime for electricity distribution, the main elements of which are as follows:

- Four-year regulatory periods, the first being 2009-2012, during which there will be stability.
- Basic or reference remuneration determined on a case-by-case basis for each company, which takes into account the investment, O&M and other costs required to operate.
- Regulatory tools applicable to the reporting information obtained from the companies (network reference model and regulatory cost accounting) whereby the regulator will determine the changes in remuneration on the basis of the projected investments.
- Incentives to enhance electricity supply service quality and reduce losses.

Last resort tariff for the gas system

On 1 July 2008, last-resort supply in the natural gas industry commenced. The last resort tariff ("LRT") was introduced by Law 12/2007, of 2 July, amending the Oil and Gas Industry Law (Law 34/1998), in order to bring it into line with the provisions of Directive 2003/55.

As established by the Law, the last resort tariff is a maximum price that will include the cost of raw materials, access fees, retailing costs and the costs of security of supply. The last resort tariff is available to consumers connected to a network with a pressure of less than 4 bar who consume less than 3 GWh per year.

Royal Decree 1068/2007, of 27 July, established the resellers that may engage in last resort supply, namely, Endesa Energía, Gas Natural Servicios, Iberdrola, Naturgas Energía Comercializadora and Unión Fenosa Comercial.

Order 2309/2007, of 27 July, established the mechanism for transferring the regulated market customers (or tariff customers) to last resort supply. By virtue of this Order, from 1 July 2008 onwards, the consumers supplied by a distributor that had not selected a reseller began to be supplied by the last resort reseller belonging to the corporate group of the distributor.

2008-2012 Spanish National Allocation Plan for greenhouse gas emission rights (NAP)

The 2008-2012 National Allocation Plan for greenhouse gas emission rights was approved through Royal Decree 1402/2007, of 29 October, which amends Royal Decree 1370/2006, of 24 November. The NAP:

- Establishes the total volume of rights to be allocated to the sectors and facilities to which Law 1/2005, of 9 March, applies, including the electricity industry.
- Defines and describes the methodologies for distributing these industry rights in order to obtain the individual allocations for each facility.
- Declares and sets a cap on the use of carbon credits obtained from projects based on the flexible mechanisms of the Kyoto Protocol.

The emission rights are allocated individually to the facilities included in the 2008-2012 NAP by means of Ministry of the Presidency Order PRE/3420/2007, of 14 November.

The 2008-2012 NAP allocates average allowances of 146 million tons of CO_2 per year, to which are added 6.3 million tons per year of CO_2 in reserve (4.3% of the annual allocation), giving a total of 152.3 million tons of emission rights per year. This allocation is 16% lower than that of the 2005-2007 NAP and almost 20% lower than the 2005 emissions. For the electricity industry, an average joint allocation of 54.4 million tons per year is established for 2008-2012, with the possibility of using credits originating from projects associated with the flexible mechanisms of the Kyoto Protocol, of up to 42% of the industry's total allocation (in the case of each facility, 42% of its individual allocation).

An annual average of 24.3 tons of CO_2 has been allocated to Endesa, 38% less than the average allocation for 2005-2007. By applying the 42% allowance, Endesa's facilities could use up to 10 million tons per year of credits obtained from emission reduction projects.

4.2. LATIN AMERICA

The legislation of the Latin American countries in which the Group operates differs from one country to another. The main features of each of the businesses are as follows.

Generation

In general, they are liberalised markets in which private-sector players take investment decisions freely based on the authorities' guidelines. The exception is Brazil, where the new generating capacity needs are identified by the Ministry, and the related investments are made through a system of energy bids made by the players.

In all the countries there is a centralised dispatching system based on variable production costs which seek to optimise the available production resources. These variable costs determine the marginal generation price, except in Colombia, where dispatching is based on bids tendered by the players.

However, the governments of Argentina and Peru are currently intervening to a lesser or greater degree in price formation in these regulated tariff markets. Argentina since the economic crisis of 2002 and Peru as a result of the recent emergency legislation brought into effect in 2008, which defines an ideal marginal cost, considering that the current restrictions in the gas and electricity transmission systems do not exist.

In Brazil, the purchase price is based on the average prices in the bids for existing power and new power. However, the prices in the private contracts between companies that are still in force will remain unchanged during the term of the contracts.

Chile and Peru changed their legislation to allow the submission of bids for power on the basis of distributors' requirements. In 2008 these two countries approved legislation on non-conventional renewable energies that establish similar generation commitments for these energy sources.

Distribution

In the five countries in which the Group operates, the selling price to customers is based on the price at which electricity is purchased from producers plus a component associated with the aggregate distribution price. Periodically, the regulator sets this price through distribution tariff revision processes. Accordingly, distribution is an essentially regulated activity.

In Argentina, the authorities approved tariff increases in the remuneration of Edesur, which in 2008 represented an increase of close to 18% in the aggregate distribution price ("ADP"). These increases are the first to be applied to residential customers since 2000, a year in which a tariff freeze was announced, and only applied to residential consumers of more than 650 kWh bimonthly (24% of the total). In addition to these ADP increases, the Argentine government has also displayed tardiness in reflecting adjustments for inflation. The integral tariff under the Edesur concession contract has yet to be revised.

In Colombia, the purchase price is negotiated directly with the producers. However, the price charged to the end customer depends on how efficiently each distributor purchases energy with respect to the other purchases made on the market.

Chile and Peru changed their legislation to allow the submission of bids for power on the basis of distributors' requirements.

In January 2009 the Decree regulating subtransmission in Chile was published. Since the date of its publication Chilectr's ADP has been lower and the remuneration of this activity has been adjusted to the regulated tariff established for the industry.

The minimum supply thresholds at which electricity can be freely contracted in each country are as follows:

Country	Minimum MW
Argentina	0.03
Brazil	3.0
Chile	0.5
Colombia	0.1
Peru	1.0

Integration and concentration limits

In general, the legislation in force defends free competition and defines criteria for preventing certain levels of economic concentration and/or market practices from damaging this competition.

In principle, companies can engage in different activities (generation, distribution, retailing) provided that there is an appropriate degree of unbundling for both accounting and corporate law purposes. However, it is in the transmission business in which the greatest restrictions are generally imposed, due mainly to its nature and to the need to guarantee adequate access to all players. In Argentina and Colombia there are specific restrictions on producers or distributors being majority shareholders of transmission companies.

Additionally, in Colombia companies formed after 1994 may not be vertically integrated. Producers may not have ownership interests exceeding 25% in distributors, and vice versa. In Peru companies with a share of over 5% in a given business require authorisation from the regulator to acquire a holding in a company operating in a different business.

As regards concentration in a given business, in Argentina and Chile there are no specific limits on vertical or horizontal integration. In Peru integration is subject to authorisation, 5% in the case of vertical integration and 15% in the case of horizontal integration. In Colombia, in the generation and retailing businesses companies may not have a market share of more than 25%. Lastly in the case of Brazil, since 2007 there have been no restrictions on the integration of generation. In distribution there are limits on concentration, both nationally and at electricity subsystem level. At national level concentration is confined to 20% for both generation and distribution; at electricity subsystem level the limits are 35% in the North and North East subsystems, and 25% in the South, South-East and Central-West subsystems.

The legislation in force establishes that the regulator must authorise combinations or mergers between players in the same business segment.

System access

In all countries, access rights and the related fee or access price are regulated by the relevant authority.

5. PROPERTY, PLANT AND EQUIPMENT

The detail of the balance of "Property, Plant and Equipment" at 31 December 2008 and 2007 and of the changes therein is as follows:

31 December 2008

Millions of euros

Property, plant and equipment in use	Cost	Accumulated depreciation	Carrying amount	Property, plant and equipment in the course of construction	Total property, plant and equipment
Land and buildings	1,077	(549)	528	104	632
Electricity generating facilities:	29,764	(16,850)	12,914	2,154	15,068
Hydroelectric power plants	9,555	(4,696)	4,859	148	5,007
Coal-fired/fuel-oil power plants	8,242	(5,741)	2,501	816	3,317
Nuclear power plants	8,624	(5,729)	2,895	202	3,097
Combined cycle plants	3,227	(658)	2,569	954	3,523
Renewable energy plants	116	(26)	90	34	124
Transmission and distribution facilities:	22,982	(9,286)	13,696	1,713	15,409
High-voltage	2,493	(980)	1,513	329	1,842
Low- and medium-voltage	17,945	(6,955)	10,990	1,141	12,131
Measuring and remote control equipment	1,907	(1,137)	770	94	864
Other fixtures	637	(214)	423	149	572
Other items of property, plant and equipment	1,124	(872)	252	167	419
TOTAL	**54,947**	**(27,557)**	**27,390**	**4,138**	**31,528**

31 December 2007

Millions of euros

Property, plant and equipment in use	Cost	Accumulated depreciation	Carrying amount	Property, plant and equipment in the course of construction	Total property, plant and equipment
Land and buildings	1,113	(574)	539	26	565
Electricity generating facilities:	29,578	(16,471)	13,107	1,778	14,885
Hydroelectric power plants	10,213	(4,872)	5,341	135	5,476
Coal-fired/fuel-oil power plants	7,822	(5,409)	2,413	645	3,058
Nuclear power plants	8,552	(5,561)	2,991	129	3,120
Combined cycle plants	2,905	(611)	2,294	850	3,144
Renewable energy plants	86	(18)	68	19	87
Transmission and distribution facilities:	21,977	(8,914)	13,063	1,691	14,754
High-voltage	2,554	(989)	1,565	351	1,916
Low- and medium-voltage	17,108	(6,700)	10,408	1,146	11,554
Measuring and remote control equipment	1,827	(1,044)	783	119	902
Other fixtures	488	(181)	307	75	382
Other items of property, plant and equipment	1,156	(890)	266	125	391
TOTAL	**53,824**	**(26,849)**	**26,975**	**3,620**	**30,595**

Millions of euros

Property, plant and equipment in use	Balance at 31/12/2007	Inclusion/ Exclusion of companies	Additions	Disposals	Transfers and other	Translation differences	Balance at 31/12/2008
Land and buildings	1,113	—	1	(37)	40	(40)	1,077
Electricity generating facilities:	29,578	22	124	(109)	1,072	(923)	29,764
Hydroelectric power plants	10,213	—	—	(15)	94	(737)	9,555
Coal-fired/fuel-oil power plants	7,822	—	56	(86)	512	(62)	8,242
Nuclear power plants	8,552	—	32	(9)	49	—	8,624
Combined cycle plants	2,905	—	33	1	407	(119)	3,227
Renewable energy plants	86	22	3	—	10	(5)	116
Transmission and distribution facilities:	21,977	—	6	(139)	1,960	(822)	22,982
High-voltage	2,554	—	2	(5)	198	(256)	2,493
Low- and medium-voltage	17,108	—	4	(120)	1,412	(459)	17,945
Measuring and remote control equipment	1,827	—	—	(14)	185	(91)	1,907
Other fixtures	488	—	—	—	165	(16)	637
Other items of property, plant and equipment	1,156	—	18	(14)	14	(50)	1,124
TOTAL	53,824	22	149	(299)	3,086	(1,835)	54,947

Millions of euros

Property, plant and equipment in the course of construction	Balance at 31/12/2007	Inclusion/ Exclusion of companies	Additions	Disposals	Transfers and other	Translation differences	Balance at 31/12/2008
Land and buildings	26	—	95	—	(15)	(2)	104
Electricity generating facilities:	1,778	—	1,328	(1)	(912)	(39)	2,154
Hydroelectric power plants	135	—	101	—	(73)	(15)	148
Coal-fired/fuel-oil power plants	645	—	434	—	(257)	(6)	816
Nuclear power plants	129	—	106	—	(33)	—	202
Combined cycle plants	850	—	656	—	(535)	(17)	954
Renewable energy plants	19	—	31	(1)	(14)	(1)	34
Transmission and distribution facilities:	1,691	—	1,889	(6)	(1,782)	(79)	1,713
High-voltage	351	—	188	(4)	(188)	(18)	329
Low- and medium-voltage	1,146	—	1,439	—	(1,397)	(47)	1,141
Measuring and remote control equipment	119	—	114	—	(130)	(9)	94
Other fixtures	75	—	148	(2)	(67)	(5)	149
Other items of property, plant and equipment	125	—	50	—	—	(8)	167
TOTAL	3,620	—	3,362	(7)	(2,709)	(128)	4,138

Millions of euros

Accumulated depreciation	Balance at 31/12/2007	Inclusion/ Exclusion of companies	Charge for the year (*)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2008
Land and buildings	(574)	—	(19)	38	—	6	(549)
Electricity generating facilities:	(16,471)	(2)	(750)	112	(169)	430	(16,850)
Hydroelectric power plants	(4,872)	—	(211)	16	6	365	(4,696)
Coal-fired/fuel-oil power plants	(5,409)	—	(202)	88	(252)	34	(5,741)
Nuclear power plants	(5,561)	—	(176)	8	—	—	(5,729)
Combined cycle plants	(611)	—	(154)	—	77	30	(658)
Renewable energy plants	(18)	(2)	(7)	—	—	1	(26)
Transmission and distribution facilities:	(8,914)	—	(748)	113	(50)	313	(9,286)
High-voltage	(989)	—	(103)	3	(2)	111	(980)
Low- and medium-voltage	(6,700)	—	(504)	78	9	162	(6,955)
Measuring and remote control equipment	(1,044)	—	(114)	32	(42)	31	(1,137)
Other fixtures	(181)	—	(27)	—	(15)	9	(214)
Other items of property, plant and equipment	(890)	—	(34)	12	8	32	(872)
TOTAL	(26,849)	(2)	(1,551)	275	(211)	781	(27,557)

(*) Also, in 2008 impairment losses amounting to EUR 4 million were reversed.

Millions of euros

Property, plant and equipment in use	Balance at 31/12/2006	Inclusion/ Exclusion of companies	Additions	Disposals	Transfers and other	Translation differences	Balance at 31/12/2007
Land and buildings	2,400	—	13	(20)	(1,286)	6	1,113
Electricity generating facilities:	37,015	21	243	(173)	(7,246)	(282)	29,578
Hydroelectric power plants	11,278	—	5	(10)	(856)	(204)	10,213
Coal-fired/fuel-oil power plants	12,776	—	109	(120)	(4,921)	(22)	7,822
Nuclear power plants	8,507	—	24	(20)	41	—	8,552
Combined cycle plants	3,373	—	74	(14)	(472)	(56)	2,905
Renewable energy plants	1,081	21	31	(9)	(1,038)	—	86
Transmission and distribution facilities:	20,112	—	3	(140)	2,046	(44)	21,977
High-voltage	2,411	—		(3)	158	(12)	2,554
Low- and medium-voltage	15,612	—	2	(101)	1,641	(46)	17,108
Measuring and remote control Equipment	1,676	—	—	(35)	172	14	1,827
Other fixtures	413	—	1	(1)	75	—	488
Other items of property, plant and equipment	1,562	—	12	(42)	(371)	(5)	1,156
TOTAL	61,089	21	271	(375)	(6,857)	(325)	53,824

Millions of euros

Property, plant and equipment in the course of construction	Balance at 31/12/2006	Inclusion/ Exclusion of companies	Additions	Disposals	Transfers and other	Translation differences	Balance at 31/12/2007
Land and buildings	22	—	30	—	(26)	—	26
Electricity generating facilities:	2,320	18	2,085	(10)	(2,628)	(7)	1,778
Hydroelectric power plants	163	—	128	(2)	(152)	(2)	135
Coal-fired/fuel-oil power plants	656	—	621	—	(631)	(1)	645
Nuclear power plants	103	—	80	—	(54)	—	129
Combined cycle plants	648	—	645	—	(439)	(4)	850
Renewable energy plants	750	18	611	(8)	(1,352)	—	19
Transmission and distribution facilities:	1,661	—	1,853	(6)	(1,830)	13	1,691
High-voltage	271	—	190	(2)	(110)	2	351
Low- and medium-voltage	1,182	—	1,435	(1)	(1,485)	15	1,146
Measuring and remote control equipment	128	—	138	—	(148)	1	119
Other fixtures	80	—	90	(3)	(87)	(5)	75
Other items of property, plant and equipment	123	—	79	(3)	(78)	4	125
TOTAL	4,126	18	4,047	(19)	(4,562)	10	3,620

Millions of euros

Accumulated depreciation	Balance at 31/12/2006	Inclusion/ Exclusion of companies	Charge for the year (*)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2007
Land and buildings	(1,211)	—	(28)	5	661	(1)	(574)
Electricity generating facilities:	(20,290)	(1)	(1,095)	128	4,654	133	(16,471)
Hydroelectric power plants	(5,173)	—	(243)	7	447	90	(4,872)
Coal-fired/fuel-oil power plants	(8,827)	—	(342)	101	3,637	22	(5,409)
Nuclear power plants	(5,386)	—	(187)	12	—	—	(5,561)
Combined cycle plants	(463)	—	(262)	6	87	21	(611)
Renewable energy plants	(441)	(1)	(61)	2	483	—	(18)
Transmission and distribution facilities:	(8,337)	—	(679)	110	(39)	31	(8,914)
High-voltage	(912)	—	(84)	1	4	2	(989)
Low- and medium-voltage	(6,332)	—	(484)	80	10	26	(6,700)
Measuring and remote control equipment	(931)	—	(93)	28	(50)	2	(1,044)
Other fixtures	(162)	—	(18)	1	(3)	1	(181)
Other items of property, plant and equipment	(1,088)	—	(48)	41	196	9	(890)
TOTAL	(30,926)	(1)	(1,850)	284	5,472	172	(26,849)

(*) Also, in 2007 impairment losses amounting to EUR 70 million were recognised.

The changes in 2007 under "Transfers and Other" include the transfer to "Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the items of property, plant and equipment which at 31 December 2007 were considered to be assets held for sale (see Note 3-j).

The detail of the investments in property, plant and equipment, without considering those in investment property, made in 2008 and 2007 in the various geographical areas and businesses in which the Group operates is as follows:

	Millions of euros			
	2008			
	Generation	Distribution and transmission	Other	Total
Spain and Portugal	1,012	1,296	74	2,382
Latin America	361	599	89	1,049
Other	79	—	—	79
TOTAL	**1,452**	**1,895**	**163**	**3,510**

	Millions of euros			
	2007			
	Generation	Distribution and transmission	Other	Total
Spain and Portugal	1,488	1,314	79	2,881
Latin America	295	539	32	866
Other	545	3	23	571
TOTAL	**2,328**	**1,856**	**134**	**4,318**

The investments in property, plant and equipment in the electricity generation business include the advances made in the new capacity programme. In Spain they include, inter alia, the construction and development of wind farms, the commencement of the construction work on the Besós 5, Electas, Ca's Tresorer and Granadilla 2 combined cycle plants and the commencement of the installation of gas turbines in Ibiza, Mahón and Ceuta and of a diesel unit in Ceuta.

Of particular note in Latin America is the progress made in the construction of the San Isidro II combined cycle plant, the preparation of the second unit of the Termocartagena plant and the commencement of the construction of the Bocamina II coal-fired facility and of the TG Quintero open cycle gas-fired plant.

The investments in distribution relate to network extensions and expenditure aimed at optimising the functioning thereof in order to improve the efficiency and quality of the service provided.

At 31 December 2008 and 2007, property, plant and equipment included EUR 211 million and EUR 177 million, respectively, relating to the carrying amount of assets held under finance leases.

The detail of the present value of the future payments under these leases at 31 December 2008 is as follows:

Year	Millions of euros
2009	17
2010	21
2011	20
2012 and subsequent years	143

The detail of the present value of the future payments under these leases at 31 December 2007 is as follows:

Year	Millions of euros
2008	17
2009	15
2010	18
2011 and subsequent years	111

The consolidated income statements for 2008 and 2007 include EUR 82 million and EUR 107 million, respectively, relating to payments under operating leases in those years for property, plant and equipment in use.

The detail at 31 December 2008 of the future payments under those leases is as follows:

Year	Millions of euros
2009	45
2010	41
2011	39
2012 and subsequent years	88

The detail at 31 December 2007 of the future payments under those leases is as follows:

Year	Millions of euros
2008	58
2009	56
2010	48
2011 and subsequent years	117

At 31 December 2008 and 2007, the Group had property, plant and equipment purchase commitments amounting to EUR 1,873 million and EUR 3,126 million, respectively.

The amount of fully depreciated property, plant and equipment in use at 31 December 2008 and 2007 was not material.

At 31 December 2008, the property, plant and equipment securing financing from third parties amounted to EUR 598 million (31 December 2007: EUR 766 million).

Endesa and its subsidiaries have taken out insurance policies to cover the possible risks to which their property, plant and equipment are subject and the claims that might be filed against them for carrying on their business activities. These policies are considered to adequately cover the related risks. The loss of profit that might arise as a result of outages at the facilities is also covered. In 2008 indemnity payments totalling EUR 20 million were received from insurance companies for claims and losses (2007: EUR 38 million).

Gas Atacama, a company in which the Group has an ownership interest of 50% and which is proportionately consolidated, has, among other assets, a combined cycle electricity production plant in the north of Chile. Since Gas Atacama cannot import natural gas from neighbouring countries, it has had to generate electricity using alternative fuels the cost of which increased considerably towards the end of 2007 due to the increase in oil prices. As a result of this situation, the company filed certain statements of claim for the purpose of terminating early the agreement entered into with the distributor EMEL. On 25 January 2008, the arbitral award was handed down on this request and the early termination of the aforementioned agreement was rejected. This situation significantly reduced the recoverable amount of the aforementioned plant and, therefore, in 2007 impairment losses were recognised amounting to EUR 74 million.

The environmental information is included in the directors’ report.

6. INVESTMENT PROPERTY

The detail of "Investment Property" and of the changes therein in 2008 and 2007 is as follows:

Millions of euros

	Balance at 31/12/2007	Investments	Transfer of properties	Reduction due to disposal	Translation differences	Other	Balance at 31/12/2008
Properties in Spain	17	2	—	—	—	1	20
Properties in Latin America	38	9	—	(9)	(12)	1	27
TOTAL	**55**	**11**	**—**	**(9)**	**(12)**	**2**	**47**

Millions of euros

	Balance at 31/12/2006	Investments	Transfer of properties	Reduction due to disposal	Translation differences	Other	Balance at 31/12/2007
Properties in Spain	32	—	(11)	(4)	—	—	17
Properties in Latin America	49	9	—	(20)	(2)	2	38
TOTAL	**81**	**9**	**(11)**	**(24)**	**(2)**	**2**	**55**

The market value of the investment property at 31 December 2008, based on external valuations, was EUR 205 million. At 31 December 2007, the estimated value of these properties, based on the internal valuations performed, was EUR 363 million.

The selling price of the properties disposed of in 2008 amounted to EUR 13 million (2007: EUR 56 million).

The direct expenses relating to investment property recognised in the consolidated income statements for 2008 and 2007 are not material.

The Group has taken out insurance policies to cover the possible risks to which its investment property is subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

7. INTANGIBLE ASSETS

The detail of "Intangible Assets" and of the changes therein in 2008 and 2007 is as follows:

Millions of euros

	Balance at 31/12/2007	Inclusion/ Exclusion of companies	Additions	Amortisation (1)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2008
CO_2 emission rights and CERs	9	—	562	(28)	(39)	64	—	568
Computer software	263	—	109	(52)	(1)	3	1	323
Other	247	—	67	(7)	—	8	(23)	292
TOTAL	**519**	**—**	**738**	**(87)**	**(40)**	**75**	**(22)**	**1,183**

(1) Including impairment losses amounting EUR 28 million.

Millions of euros

	Balance at 31/12/2006	Inclusion/ Exclusion of companies (2)	Additions	Amortisation (3)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2007
CO_2 emission rights and CERs	463	—	119	(111)	(439)	(23)	—	9
Computer software	242	—	92	(68)	(2)	(1)	—	263
Connection points (4)	72	—	—	—	—	(72)	—	—
Other	61	137	27	—	(13)	36	(1)	247
TOTAL	**838**	**137**	**238**	**(179)**	**(454)**	**(60)**	**(1)**	**519**

(2) See Note 8.
(3 Including impairment losses amounting to EUR 111 million.
(4) See Note 7.2.

The changes in 2007 under "Transfers and Other" include the transfer to "Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the intangible asset items which at 31 December 2007 were considered to be held for sale (see Note 3-j).

On the basis of the estimates and projections available to the Group's directors, the forecasted cash flows attributable to the intangible assets will make it possible to recover the carrying amount of these assets recognised at 31 December 2008.

7.1. CO_2 EMISSION RIGHTS AND CERS

The amount recognised for CO_2 emission rights and CERs at 31 December 2008 includes EUR 420 million relating to rights granted at zero cost under the national allocation plans of each of the European countries in which the Group operates. As a result of the low market price of the emission rights at 31 December 2007, the rights granted at zero cost under the national allocation plans are presented in the consolidated balance sheet at that date with a zero value.

The detail of the emission rights allocated to the Group at zero cost for 2008 and 2007, excluding those relating to discontinued operations, is as follows:

Millions of tons

	2008	2007
Spain	27	38
Portugal	3	4
TOTAL	**30**	**42**

The emission rights used by the Endesa Group in 2008, excluding those relating to discontinued operations, amounted to 38 million tonnes (2007: 48 million tonnes).

At 31 December 2008, the provision for the rights to be delivered to cover these emissions presented on the liability side of the consolidated balance sheet amounted to EUR 518 million (31 December 2007: EUR 0 million). Of the EUR 518 million at 31 December 2008, EUR 420 million covered the emission rights received under the national allocation plans and EUR 98 million to the rights purchased.

At 31 December 2008, the commitments to acquire CO_2 emission rights and CERs in the future totalled EUR 744 million (31 December 2007: EUR 700 million), if all the projects are successfully completed.

7.2. CONNECTION POINTS

As a result of the acquisition of Finerge in 2005 and the valuation of this company's assets and liabilities in 2006, it was disclosed that there are intangible assets amounting to EUR 72 million relating to permits received by the company from the Portuguese state prior to its inclusion in the Group for the installation of wind farms, i.e. the so-called "connection points".

Connection points are considered to be intangible assets with indefinite useful lives since the connection point concessions do not expire and the Company considers that, in the present circumstances, it will continue to use them indefinitely and, therefore, they are not amortised.

At 31 December 2008 and 2007, the "connection points" were recognised under "Non-Current Assets Classified as Held for Sale and Discontinued Operations" on the asset side of the consolidated balance sheet.

8. GOODWILL

The detail, by cash-generating unit (or group of units) to which it is allocated, of goodwill and of the changes therein in 2008 and 2007 is as follows:

Millions of euros

	Balance at 31/12/2007	Additions	Disposals	Transfers and other	Translation differences	Balance at 31/12/2008
Subsidiaries in Chile	1,894	—	—	—	(352)	1,542
Coelce	164	—	—	—	(32)	132
Ampla	118	—	—	—	(22)	96
Edegel	—	97	—	—	(10)	87
Endesa Hellas	49	29	—	—	—	78
Edelnor	—	48	—	—	(5)	43
Chocón	20	—	—	—	(2)	18
Asin Carbono	—	14	—	—	—	14
Other	46	—	—	—	(3)	43
TOTAL	**2,291**	**188**	**—**	**—**	**(426)**	**2,053**

Millions of euros

	Balance at 31/12/2006	Additions	Disposals	Transfers and other	Translation differences	Balance at 31/12/2007
Subsidiaries in Chile	1,988	—	—	—	(94)	1,894
Coelce	152	—	—	—	12	164
Ampla	109	—	—	—	9	118
Endesa Hellas	—	49	—	—	—	49
Chocón	—	21	—	—	(1)	20
Endesa Italia	1,387	—	—	(1,387)	—	—
Snet	201	—	—	(201)	—	—
Teverola	34	—	—	(34)	—	—
Ferrara	27	—	—	(27)	—	—
Other	88	6	—	(46)	(2)	46
TOTAL	**3,986**	**76**	**—**	**(1,695)**	**(76)**	**2,291**

The changes in 2007 under "Transfers and Other" include the transfer to "Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the goodwill which at 31 December 2007 had been allocated to cash generating units comprising assets classified as held for sale (see Note 3-j).

The additions to goodwill corresponding to Edegel and Edelnor arose as a result of the acquisition of minority interests in these companies, which were already being fully consolidated (see Note 14.2.).

In 2008 and 2007 control was acquired over certain Endesa Hellas Group companies. The valuation of the assets and liabilities acquired gave rise to goodwill amounting to EUR 29 million as a result of the business combinations in 2008 (2007: EUR 49 million). The assets and liabilities were measured in the 2008 and 2007 balance sheets as follows:

	Millions of euros	
	2008	2007
Property, plant and equipment	22	20
Intangible assets	—	137
Other assets	6	172
Minority interests	(11)	(143)
Non-current liabilities	(8)	(48)
Current liabilities	(1)	(17)
Total net value of assets and liabilities	8	121
Acquisition price	37	170
Goodwill	**29**	**49**

The valuation of the assets and liabilities of Teverola and Ferrara required to calculate the related goodwill was completed in 2007. After this definitive allocation, the goodwill relating to Teverola and Ferrara amounted to EUR 34 million and EUR 27 million, respectively. The assets and liabilities of Teverola and Ferrara were measured as follows:

	Millions of euros	
	Teverola	Ferrara
Property, plant and equipment	49	68
Intangible assets	—	—
Other assets	22	39
Minority interests	(17)	(6)
Non-current liabilities	(11)	(77)
Current liabilities	(20)	(16)
Total net value of assets and liabilities	23	8
Acquisition price	57	35
Goodwill	**34**	**27**

According to the estimates and projections available to the Group's directors, the projected cash flows attributable to the cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the carrying amount of each item of goodwill recognised at 31 December 2008.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND JOINTLY CONTROLLED ENTITIES

9.1. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The detail of the main Group investees accounted for using the equity method and of the changes therein in 2008 and 2007 is as follows:

Millions of euros

	Balance at 31/12/2007	Inclusion/ Exclusion of companies	Additions	Disposals	Result of companies accounted for using the equity method	Dividends	Translation differences	Transfers and other	Balance at 31/12/2008
GNL Quintero	2	—	22	—	—	—	4	—	28
Elcogas	18	—	—	—	3	—	—	(1)	20
Tecnatom	10	—	—	—	2	—	—	—	12
Sadiel	7	—	—	—	2	(1)	—	—	8
Other	254	6	18	(4)	30	(14)	—	(162)	128
TOTAL	**291**	**6**	**40**	**(4)**	**37**	**(15)**	**4**	**(163)**	**196**

Millions of euros

	Balance at 31/12/2006	Inclusion/ Exclusion of companies	Additions	Disposals	Result of companies accounted for using the equity method	Dividends	Translation differences	Transfers and other	Balance at 31/12/2007
Elcogas	8	—	—	—	(1)	—	—	11	18
Tecnatom	2	—	—	—	8	—	—	—	10
Sadiel	1	—	—	—	7	(1)	—	—	7
GNL Quintero	—	—	3	—	—	—	(1)	—	2
Other	338	—	20	—	35	(18)	6	(127)	254
TOTAL	**349**	**—**	**23**	**—**	**49**	**(19)**	**5**	**(116)**	**291**

The changes in 2007 under "Transfers and Other" include the transfer to "Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the investments accounted for using the equity method which at 31 December 2007 were considered to be assets held for sale (see Note 3-j).

Following is information at 31 December 2008 and 2007 from the financial statements of the main companies over which the Group exercises significant influence:

31 December 2008

Millions of euros

	% of ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Elcogas	40.87%	200	175	—	310	163	97
Tecnatom	45%	36	42	20	29	81	27

	31 December 2007						
		Millions of euros					
	% of ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Elcogas	40.87%	239	106	21	291	126	104
Tecnatom	45%	35	33	17	24	74	23

The economic and financial aggregates of the other companies over which the Endesa Group exercises significant influence are not material.

A complete list of the investees over which the Group exercises significant influence is included in Appendix II to these notes to the consolidated financial statements.

9.2. JOINTLY CONTROLLED ENTITIES

The following tables include information at 31 December 2008 and 2007 from the financial statements of the principal companies over which the Group holds joint control which was used in the consolidation process:

	31 December 2008						
		Millions of euros					
	% of ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor	50%	170	184	110	94	232	122
Tejo Energía	38.9%	694	224	550	123	244	206
Pegop	50%	—	6	—	2	—	(6)
Carbopego	50%	—	10	—	14	146	144
Gas Atacama	50%	892	320	518	190	1.180	1.060
A.I.E. Ascó Vandellós	85.4%	95	163	131	133	5	212

	31 December 2007						
		Millions of euros					
	% of ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor	50%	178	116	106	42	126	122
Tejo Energía	38.9%	668	159	545	46	193	165
Pegop	50%	—	6	—	2	18	12
Carbopego	50%	—	10	—	—	68	66
Gas Atacama	50%	292	105	12	310	360	505
A.I.E. Ascó Vandellós	85.4%	122	131	143	90	218	210

The economic and financial aggregates of the other companies over which the Endesa Group exercises joint control are not material.

10. NON-CURRENT FINANCIAL ASSETS

The detail of "Non-Current Financial Assets" in the accompanying consolidated balance sheet and of the changes therein in 2008 and 2007 is as follows:

							Millions of euros
	Balance at 31/12/2007	Additions or charge for the year	Disposals or reductions	Valuation adjustment against equity (*)	Translation differences	Transfers and other	Balance at 31/12/2008
Loans and receivables	3,730	2,325	(114)	(125)	(50)	97	5,863
Available-for-sale investments	220	35	(16)	(3)	(4)	(12)	220
Derivative financial instruments	144	18	(82)	—	—	(42)	38
Impairment losses	(35)	(5)	3	—	—	4	(33)
TOTAL	4,059	2,373	(209)	(128)	(54)	47	6,088

(*) Classified under "Equity - Unrealised Asset and Liability Revaluation Reserve" or "Equity - Of Minority Interests", as appropriate.

							Millions of euros
	Balance at 31/12/2006	Additions or charge for the year	Disposals or reductions	Valuation adjustment against equity (*)	Translation differences	Transfers and other	Balance at 31/12/2007
Loans and receivables	3,884	703	(511)	74	(16)	(404)	3,730
Available-for-sale investments	332	11	(104)	18	(2)	(35)	220
Derivative financial instruments	311	5	(191)	19	—	—	144
Impairment losses	(42)	(2)	8	—	—	1	(35)
TOTAL	4,485	717	(798)	111	(18)	(438)	4,059

(*) Classified under "Equity - Unrealised Asset and Liability Revaluation Reserve" or "Equity - Of Minority Interests", as appropriate.

The changes in 2007 under "Transfers and Other" include the transfer to "Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the financial assets which at 31 December 2007 were considered to be assets held for sale (see Note 3-j).

10.1. LOANS AND RECEIVABLES

The detail of "Loans and Receivables" at 31 December 2008 and 2007 is as follows:

		Millions of euros
	Balance at 31/12/2008	Balance at 31/12/2007
Financing of the shortfall in revenue from regulated activities in Spain (Note 4.1.)	2,807	907
Compensation payments for extra non-mainland production costs (Note 4.1.)	1,901	1,656
Guarantees and deposits	470	537
Loans to associates and jointly controlled entities	74	119
Loans to employees	51	52
Other loans	560	459
TOTAL	5,863	3,730

The fair value of these assets approximates their carrying amount.

The detail, by maturity, at 31 December 2008 and 2007, of the non-current and current loans to associates is as follows:

Millions of euros

		Current maturity	Non-current maturities					
	Balance at 31/12/2008	2009	2010	2011	2012	2013	Subsequent years	Total
Euro loans	34	18	10	—	—	—	6	16
Foreign currency loans	58	—	58	—	—	—	—	58
TOTAL	**92**	**18**	**68**	**—**	**—**	**—**	**6**	**74**

Millions of euros

		Current maturity	Non-current maturities					
	Balance at 31/12/2007	2008	2009	2010	2011	2012	Subsequent years	Total
Euro loans	130	11	9	48	15	31	16	119
Foreign currency loans	130	130	—	—	—	—	—	—
TOTAL	**260**	**141**	**9**	**48**	**15**	**31**	**16**	**119**

These loans earned average interest at 7.31% and 4.80% in 2008 and 2007, respectively.

10.2. AVAILABLE-FOR-SALE INVESTMENTS

This heading includes the Group's investment in Red Eléctrica de España, S.A. ("Red Eléctrica"), which was carried at EUR 49 million at 31 December 2008 (31 December 2007: EUR 58 million), of which EUR 40 million are classified under "Equity - Unrealised Asset and Liability Revaluation Reserve" (31 December 2007: EUR 49 million) (see Note 14).

In 2007 Endesa sold 2,705,400 shares of Red Eléctrica representing 2% of its share capital. The selling price amounted to EUR 96 million and entailed the recognition of a gross gain amounting to EUR 78 million under "Income from Asset Disposals" in the consolidated income statement for 2007 (see Note 27). As a result of this disposal, Endesa now holds an ownership interest of 1% in the share capital of this company, thereby complying with the limits established by current legislation.

10.3. CLASSIFICATION OF FINANCIAL ASSETS BY NATURE AND CATEGORY

The detail, by nature and category, of this heading in the consolidated balance sheets at 31 December 2008 and 2007 is as follows:

	Millions of euros					
	31 December 2008					
	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives
Equity instruments	—	—	212	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	—	—	—	—	—	38
Other financial assets	—	—	—	5,722	—	—
Non-current maturities	**—**	**—**	**212**	**5,722**	**—**	**38**
Equity instruments	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	33	—	—	—	—	6
Other financial assets	—	—	—	149	—	—
Current maturity	**33**	**—**	**—**	**149**	**—**	**6**
TOTAL	**33**	**—**	**212**	**5,871**	**—**	**44**

	Millions of euros					
	31 December 2007					
	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives
Equity instruments	—	—	210	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	25	—	—	—	—	119
Other financial assets	—	—	—	3,586	—	—
Non-current maturities	**25**	**—**	**210**	**3,586**	**—**	**119**
Equity instruments	—	—	105	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—
Other financial assets	—	—	—	33	—	—
Current maturity	**—**	**—**	**105**	**33**	**—**	**—**
TOTAL	**25**	**—**	**315**	**3,619**	**—**	**119**

10.4. FINANCIAL INVESTMENT COMMITMENTS

At 31 December 2008, the Group had entered into agreements that included commitments to make financial investments amounting to EUR 460 million, of which EUR 440 million correspond to the acquisition of Endesa Ireland in January 2009 (see Note 33).

11. INVENTORIES

The detail of "Inventories" at 31 December 2008 and 2007 is as follows:

		Millions of euros
	31 December 2008	31 December 2007
Fuel stocks:	814	668
Nuclear fuel	293	247
Other	521	421
Other inventories	297	190
Valuation adjustment	(19)	(19)
TOTAL	**1,092**	**839**

At 31 December 2008 and 2007 the Group had not pledged material amounts of inventories as security for the repayment of debts.

The fuel stock purchase commitments at 31 December 2007 amounted to EUR 25,209 million. The commitments existing at the date of preparation of these consolidated financial statements amounted to EUR 23,456 million, applying the forward prices at the reporting date to the terms and conditions established in the agreements. A portion of these commitments relates to natural gas purchase agreements with "take or pay" clauses. The Company's directors consider that the Group will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this connection.

12. TRADE AND OTHER RECEIVABLES

The detail of "Trade and Other Receivables" at 31 December 2008 and 2007 is as follows:

		Millions of euros
Trade and other receivables	**31 December 2008**	**31 December 2007**
Trade receivables for sales	3,782	3,642
Shortfall in revenue from regulated activities (Note 4.1.)	227	651
Compensation payments for extra non-mainland production costs (Note 4.1.)	203	172
Tax assets:	620	678
Income tax	342	322
Other taxes	278	356
Other receivables	2,109	1,864
Valuation adjustment	(313)	(339)
TOTAL	**6,628**	**6,668**

Except for the amounts receivable arising from the shortfall in revenue from regulated activities and the compensation payments for extra non-mainland production costs that earn interest, the other balances included under this heading generally do not earn interest.

The average customer collection periods were 31 days in 2008 and 32 days in 2007 and, therefore, the fair value of trade and other receivables approximates their carrying amount. There are no significant restrictions on the availability of collection rights of this nature.

No one customer has balances with the Group that are significant with respect to the Group's total sales or accounts receivable.

There are no significant past-due financial assets for which impairment losses have not been recognised.

The amount of the valuation adjustment relates substantially in full to trade receivables for sales of electricity.

13. CASH AND CASH EQUIVALENTS

The detail of "Cash and Cash Equivalents" at 31 December 2008 and 2007 is as follows:

	Millions of euros	
	31 December 2008	31 December 2007
Cash on hand and at banks	3,400	359
Other cash equivalents	1,387	700
TOTAL	**4,787**	**1,059**

In general, cash at banks earns interest at a rate similar to the market rate in the case of deposits at one day. Short-term deposits mature within three months and earn market interest rates for deposits of this nature. There are no restrictions of a material amount as to the availability of cash.

14. EQUITY

The detail of the Group's equity at 31 December 2008 and 2007 and of the changes therein is as follows:

	Share capital	Share premium	Legal reserve	Revaluation reserve	Restricted reserves	Translation differences	Unrealised asset and liability revaluation reserve	Retained earnings	Interim dividend	Total equity of the Parent	Equity of minority interests	Total equity
Balance at 31/12/2006	**1,271**	**1,376**	**285**	**1,714**	**170**	**327**	**114**	**6,563**	**(529)**	**11,291**	**4,645**	**15,936**
Distribution of profit	—	—	—	—	—	—	—	(1,737)	529	(1,208)	(514)	(1,722)
Income and expenses recognised in equity	—	—	—	—	—	(61)	45	72	—	56	23	79
Profit for the year	—	—	—	—	—	—	—	2,675	—	2,675	808	3,483
Interim dividend	—	—	—	—	—	—	—	—	(529)	(529)	—	(529)
Inclusion/Exclusion of companies	—	—	—	—	—	—	—	—	—	—	160	160
Other payments to shareholders	—	—	—	—	—	—	—	(296)	—	(296)	(18)	(314)
Corporate restructuring	—	—	—	—	—	—	—	—	—	—	37	37
Balance at 31/12/2007	**1,271**	**1,376**	**285**	**1,714**	**170**	**266**	**159**	**7,277**	**(529)**	**11,989**	**5,141**	**17,130**

	Share capital	Share premium	Legal reserve	Revaluation reserve	Restricted reserves	Translation differences	Unrealised asset and liability revaluation reserve	Retained earnings	Interim dividend	Total equity of the Parent	Equity of minority interests	Total equity
Distribution of profit	—	—	—	—	—	—	—	(1,620)	529	(1,091)	(486)	(1,577)
Income and expenses recognised in equity	—	—	—	—	—	(694)	(168)	(123)	—	(985)	(678)	(1,663)
Profit for the year	—	—	—	—	—	—	—	7,169	—	7,169	941	8,110
Interim dividend	—	—	—	—	—	—	—	—	—	—	—	—
Inclusion/Exclusion of companies	—	—	—	—	—	—	—	—	—	—	(1,083)	(1,083)
Other payments to shareholders	—	—	—	—	—	—	—	—	—	—	9	9
Corporate restructuring	—	—	—	—	—	—	—	—	—	—	(162)	(162)
Balance at 31/12/2008	**1,271**	**1,376**	**285**	**1,714**	**170**	**(428)**	**(9)**	**12,703**	—	**17,082**	**3,682**	**20,764**

14.1. EQUITY - OF THE PARENT

14.1.1. Share capital

At 31 December 2008, the share capital of Endesa, S.A. amounted to EUR 1,270,502,540.40 and was represented by 1,058,752,117 fully subscribed and paid shares of EUR 1.2 par value each, all of which are listed on the Spanish Stock Exchanges. There were no changes in 2008 or 2007. Endesa, S.A.'s shares are also traded on the Santiago de Chile Offshore Stock Exchange.

In 2007 the Company ceased to be listed on the New York Stock Exchange.

On 26 March 2007, Acciona, S.A. ("Acciona") and Enel, S.p.A. ("Enel") entered into an agreement to launch a joint takeover bid for all the shares representing the share capital of Endesa and to obtain the joint management of the Company, under the terms and conditions stipulated in the aforementioned agreement.

At 31 December 2007, Enel held 67.053% of the share capital of Endesa and Acciona 25.01% and, therefore, the two companies between them hold 92.063% of the share capital of Endesa, which enables them to implement the joint management agreement over Endesa entered into by the two companies on 26 March 2007, which was notified to the Spanish National Securities Market Commission ("CNMV") on 2 April 2007. At 31 December 2008, these percentages of ownership had not changed.

At the date of preparation of these consolidated financial statements, Acciona and Enel had announced the early sale to Enel by Acciona of the shares of Endesa owned by the latter, subject to certain conditions precedent, which will lead, once the shares have been transferred, to the termination of the Endesa Share Agreement entered into by Acciona and Enel on 26 March 2007.

14.1.2. Share premium

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

14.1.3. Legal reserve

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The Group's Parent has recorded the legal reserve in full.

14.1.4. Revaluation reserve

The balance of "Revaluation Reserves" arose as a result of the revaluation made pursuant to Royal Decree-Law 7/1996, of 7 June.

The aforementioned balance can be used, free of tax, to offset future accounting losses and to increase share capital, or be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

14.1.5. Unrealised asset and liability revaluation reserve

The detail of the changes in this reserve arising from the valuation adjustments made to available-for-sale assets, to derivatives and to financing transactions designated as cash flow hedges and of the amounts allocated to income is as follows:

Millions of euros

	31/12/2006	Change in fair value	Amount taken to income	31/12/2007	Change in fair value	Amount taken to income	31/12/2008
Available-for-sale financial assets	108	18	(75)	51	(11)	—	40
Cash flow hedges	45	(4)	116	157	(46)	(162)	(51)
Tax effect	(39)	(7)	(3)	(49)	55	(4)	2
TOTAL	**114**	**7**	**38**	**159**	**(2)**	**(166)**	**(9)**

The balance of the unrealised asset and liability revaluation reserve at 31 December 2007 relating to discontinued operations amounted to EUR 20 million.

14.1.6. Translation differences

The detail, by company, of translation differences net of taxes in the consolidated balance sheets at 31 December 2008 and 2007 is as follows:

	Millions of euros	
	Translation differences	
	31 December 2008	31 December 2007
Codensa	52	80
Emgesa	34	60
Cachoeira Dourada	9	51
Cien	3	18
Central Generadora Fortaleza	1	26
Bialystok	—	9
Investluz/Coelce	(3)	46
Ampla	(11)	61
Pehuenche	(15)	3
Chilectra	(23)	(13)
Edesur	(29)	(25)
Endesa Chile	(38)	(9)
Enersis	(96)	(87)
Other subsidiaries in Chile	(286)	44
Other	(26)	2
TOTAL	**(428)**	**266**

14.1.7. Dividend

The 2007 interim dividend approved by the Board of Directors of Endesa, S.A. on 19 December 2007 amounts to EUR 0.5 gross per share, giving a total amount of EUR 529 million, which was deducted from the Parent's equity at 31 December 2007. Also, the shareholders at the Annual General Meeting held on 30 June 2008 resolved to pay a total dividend for 2007 of EUR 1.531 gross per share, giving a total of EUR 1,621 million.

In 2007 the Company paid two premiums for attendance of the Annual General Meeting of EUR 0.15 per share each, which represented a total disbursement to the shareholders of EUR 296 million.

14.1.8. Management of capital

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy makes it possible to make creating value for the shareholder compatible with access to financial markets at a competitive cost in order to cover both debt refinancing needs and investment plan financing needs not covered by the funds generated by the business, retained after paying the dividends to the shareholders.

The Group's directors consider that evidence of fulfilment of the capital management targets set is provided by the maintenance of the long-term rating of A and a gearing ratio not exceeding 140%, taken to be the result of dividing net financial debt by equity.

At 31 December 2008 and 2007, the Group was achieving both parameters, as shown below:

	Long-term rating	
	31 December 2008	31 December 2007
Fitch	A	A
Moody´s	A3	A3
Standard & Poor's	A-	A-

	Gearing ratio	
	Millions of euros	
	31 December 2008	31 December 2007
Net financial debt:	**14,003**	**20,834**
Bank borrowings and other financial liabilities	17,486	21,145
Bank borrowings and other financial liabilities	1,381	892
Cash and cash equivalents	4,787	1,059
Derivatives recognised as financial assets (Note 10)	(77)	(144)
Equity:	**20,764**	**17,130**
Of the Parent	17,082	11,989
Of minority interests	3,682	5,141
Gearing ratio	**67.4%**	**121.6%**

Also, as explained in Note 14.1.9., in conformity with the conditions imposed by the CNE in its resolution of 4 July 2007, authorising Acciona and Enel to acquire holdings in the share capital of Endesa, Acciona and Enel must maintain Endesa duly capitalised at all times.

For these purposes, the Endesa Group must maintain a debt service ratio in terms of net financial debt/EBITDA of less than 5.25 for three years from the acquisition of control of Endesa.

At 31 December 2008 and 2007, the Group was meeting this requirement.

14.1.9. Restrictions on the distribution of funds by subsidiaries

Certain Group companies have clauses in their financing contracts that have to be met in order to be able to distribute profits to shareholders. At 31 December 2008 and 2007, the assets of the companies subject to these restrictions amounted to EUR 471 million and EUR 441 million, respectively.

In certain cases, Endesa is subject to the prior administrative authorisation system of the CNE provided by Additional Provision Eleven, Three. 1.14 of Oil and Gas Industry Law 34/1998, of 7 October.

The new wording of the aforementioned Additional Provision Eleven was established by Royal Decree-Law 4/2006, of 24 February, modifying function 14 of the CNE. This function establishes that the CNE is responsible for authorising the acquisition of ownership activities in entities formed under the Spanish Commercial Code by companies engaging in regulated activities. The new wording provided by Royal Decree-Law 4/2006, of 24 February, broadens this function to encompass also:

- Companies that engage in activities that are subject to administrative control which implies a special discipline relationship (nuclear power plants, coal-fired plants of particular significance for the consumption of Spanish coal, island and non-mainland electricity systems, natural gas storage or natural gas transmission through international gas pipelines with Spain as the end destination).
- Any player that wishes to acquire an ownership interest of 10% or more, or an ownership interest that provides significant influence, in a company that, itself or through other companies in its group, engages in any of the aforementioned activities.
- The direct acquisition of the assets required to carry on those activities.

Authorisation may be rejected for any of the following reasons:

- The existence of direct or indirect significant risks or adverse effects on the aforementioned activities.
- Protection of the general interest in the energy industry and, in particular, the guarantee that the industry policy objectives will be adequately safeguarded. Strategic assets are identified: basic gas system, international gas pipelines, transmission facilities, island and non-mainland electricity systems, nuclear power plants and coal-fired plants of particular significance for the consumption of Spanish coal.
- Inability to adequately carry on the activities covered by this function due to the performance by the acquiring party or the acquired party of other activities of a different type.
- Any other public security issue and, in particular, security and quality of supply, or involving safeguards against a risk of insufficient investment in, or maintenance of, infrastructures.

It is established that these rules will apply to transactions pending execution at the date on which they come into force, unless authorisation has already been obtained pursuant to function 14.

Notwithstanding the foregoing, the European Commission decided to take Spain to the Court of Justice of the European Communities because it considers that these new powers of the CNE constitute unjustified restrictions on the free movement of capital and the freedom of establishment that infringe the provisions of the EC Treaty (Articles 56 and 43, respectively).

By virtue of the application of the aforementioned legislation, the CNE in its resolution of 4 July 2007, whereby Acciona and Enel were authorised to acquire a holding in the share capital of Endesa in accordance with the terms and conditions set forth in the Ministry of Industry, Trade and Tourism Resolution of 19 October 2007, established, inter alia, the following conditions:

1. Acciona and Enel will preserve Endesa's status as an autonomous company, with full operating responsibility in the fulfilment of its business plan and, as the Parent of its Group, maintaining its brand, its registered office, its Board of Directors and its effective centre of management and decision-taking in Spain.
2. Acciona and Enel must maintain Endesa duly capitalised at all times. For these purposes, the Endesa Group must maintain a debt service ratio in terms of net financial debt/EBITDA of less than 5.25 for three years from the acquisition of control of Endesa. Acciona and Enel must report quarterly to the CNE on the changes in the aforementioned ratio (see Note 14.1.8.).
3. Acciona and Enel will assume and make, through the control exercised by them over Endesa, all the investments in gas and electricity regulated activities, in relation to both transmission and distribution, envisaged in: (1) the latest investment plans announced by the Company for the period 2007-2011 listed in this Resolution; (2) the Planning document of the gas and electricity industries: "Development of the transmission networks 2002-2012", approved by the Council of Ministers and submitted to the Spanish Parliament; and (3) the CNE's Framework Report on electricity and natural gas demand and the coverage thereof.
   This obligation is understood to exist without prejudice to any possible duly supported adaptation of Endesa's investment plans to the regulatory conditions in the terms foreseen in the relevant legislation.
   During the period 2007-2011, the Endesa companies that engage in regulated activities may only distribute dividends when the funds generated by them (defined as cash flow or the sum of the net profit for the year and the depreciation and amortisation charge) are sufficient to meet both their investment obligations and their total of its financial liability repayment obligations projected for the year in question.
4. For a period of five years from the acquisition of Endesa, Acciona and Enel will ensure that the aggregate annual consumption of each power plant owned by Endesa, that currently consumes Spanish coal, does not fall below the aggregate annual consumption of these facilities envisaged in the 2006-2012 National Mining Plan, insofar as the current conditions and circumstances prevail.

5. Acciona and Enel will preserve, for a period of five years from the acquisition of Endesa, the Endesa Group entities currently managing the transmission, distribution and generation assets of the island and non-mainland electricity systems.

On the grounds that Spain had not complied with the Decision of 5 December 2007, whereby the aforementioned conditions were considered to be contrary to Community legislation, on 31 January 2008, the Commission resolved to initiate infringement proceedings against Spain pursuant to Article 226 of the EC Treaty. The Judgement of the Court of the European Communities of 17 July 2008, on this case, declares: *"… that, by adopting the first indent of the second paragraph of the single article of the fourteenth function of the National Energy Commission provided for in Supplementary Provision No 11, part 3, point 1 of Law 34/1998 of 7 October 1998 on the hydrocarbon sector (Ley 34/1998, del sector de hidrocarburos), as amended by Royal Decree-Law 4/2006 of 24 February 2006 (Real Decreto-Ley 4/2006), in order to make the acquisition of certain shareholdings in undertakings which carry on certain regulated activities in the energy sector and the acquisition of the assets necessary to carry on such activities subject to the prior approval of the National Energy Commission, the Kingdom of Spain has failed to fulfil its obligations under Articles 43 EC and 56 EC".*

The CNE commented in this connection, once the aforementioned judgement had become known, without prejudice to the obligation of the competent Spanish public authorities to proceed –in fulfilment of the aforementioned judgement, which declared the incompatibility with European Community Law of the second paragraph of the fourteenth function- to formally repeal (or, at least, amend) the aforementioned paragraph, that the CNE is obliged, should the paragraph not be repealed (or amended), not to apply it in the future.

14.2. EQUITY - OF MINORITY INTERESTS

The main changes in this heading as a result of transactions performed in 2008 and 2007 are explained below.

The acquisition of a controlling interest in Endesa Hellas meant that an additional EUR 11 million and EUR 143 million were recognised under "Equity: Of Minority Interests" in 2008 and 2007, respectively.

In 2008 the sale to E.On of Endesa Europa reduced this heading by EUR 1,069 million in relation to the interest of minority shareholders in the subsidiaries of Endesa Europa.

Also in 2008, as a result of the acquisition of control over Endesa by Acciona and Enel, in application of Peruvian legislation, the Endesa Group acquired through the respective takeover processes an additional 23.78% of the share capital of Edegel for EUR 228 million and 24% of Edelnor for EUR 96 million. These acquisitions reduced "Equity: Of Minority Interests" by EUR 162 million.

In the case of the takeover bid for 24% of Empresa Eléctrica de Piura, in December 2008 the definitive price was established and, therefore, the value of the 24% of the share capital of this company would amount to approximately EUR 26 million. The Company is currently assessing the various alternatives under Peruvian stock market legislation in relation to the shareholding in the aforementioned company.

15. DEFERRED INCOME

The changes in 2008 and 2007 in "Deferred Income" in the accompanying consolidated balance sheets were as follows:

			Millions of euros
	Grants and fixed charges for connection	Emission rights (Notes 7 and 22)	Total
Balance at 31/12/2006:	2,443	10	2,453
Inclusion/Exclusion of companies	4	—	4
Additions	660	1	661
Amount taken to income	(122)	(2)	(124)
Translation differences	9	—	9
Other	(134)	(1)	(135)
Balance at 31/12/2007:	2,860	8	2,868
Inclusion/Exclusion of companies	3	—	3
Additions	716	445	1,161
Amount taken to income	(86)	(430)	(516)
Translation differences	(59)	—	(59)
Other	(48)	(11)	(59)
Balance at 31/12/2008	**3,386**	**12**	**3,398**

16. LONG-TERM PROVISIONS

The detail of "Long-Term Provisions" in the consolidated balance sheets at 31 December 2008 and 2007 is as follows:

		Millions of euros
	31 December 2008	31 December 2007
Provisions for pensions and similar obligations	730	665
Provisions for labour force restructuring costs	1,506	1,904
Other provisions	1,721	1,431
TOTAL	**3,957**	**4,000**

16.1. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The Group's employees in Spain included under the Framework Agreement dated 25 October 2000 are participants in the Endesa Group Employee Pension Plan. Most of the employees participate in defined contribution plans for retirement and defined benefit plans for disability and death of serving employees, as coverage for which the appropriate insurance policies have been taken out.

However, there are two large groups of employees (of a closed number in that no new employees can be included) who are not included in the general system described above: These groups are:

- Electricity employees of the former Endesa: defined benefit pensions for retirement, disability and death, for both present and former employees. The predetermined nature of the benefits for retirement and their full coverage eliminate in full any risk relating thereto. The other benefits are also guaranteed through insurance contracts.

Therefore, except as regards the death of retired employees, the monitoring required for this system does not differ significantly from that required for the mixed plans described above.

- Fecsa/Enher/HidroEmpordá employees: defined-benefit pension plan with annual salary increase rate tied to the increase in the CPI. This plan is treated exactly in the same way as a defined benefit system.

Also, there are certain benefit obligations to employees during their retirement, relating mainly to electricity supplies. These obligations have not been externalised and are covered by the related in-house provisions.

Outside Spain, there are defined benefit pension obligations mainly in Brazil.

The assumptions used in calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2008 and 2007 were as follows:

	Spain		Other countries	
	2008	2007	2008	2007
Interest rate	4.4%	4.5%	6.5% / 12.9%	4.5% / 12.1%
Mortality tables	GRM/F 95	GRM/F 95	AT83-ISS1980-89	AT83-ISS1980-89
Expected rate of return on plan assets	3.6%	4.5%	10.2% / 12.1%	10.2% / 13.7%
Salary increase	2.3%	2.3%	3.0% / 7.6%	2.0% / 6.1%

Set forth below is information on the actuarial liabilities for the defined benefit obligations at 31 December 2008 and 2007 and on the changes therein in the two years:

	Millions of euros	
	2008	2007
Beginning actuarial liability	**2,052**	**2,044**
Finance costs	112	121
Current service costs	25	17
Benefits paid in the period	(118)	(101)
Other changes	14	15
Actuarial (gains) losses	29	(60)
Translation differences	(130)	16
Changes in the scope of consolidation	(75)	—
Ending actuarial liability	**1,909**	**2,052**

Of the total ending actuarial liability at 31 December 2008, 74% related to defined benefit obligations in Spain (31 December 2007: 65%), 19% to obligations in Brazil (31 December 2007: 25%), and the other 10% to obligations in the other countries (31 December 2007: 10%).

The changes in the market value of plan assets in 2008 and 2007 were as follows:

	Millions of euros	
	2008	2007
Beginning market value	**1,399**	**1,278**
Expected return	76	86
Contributions for the year	35	46
Payments	(85)	(71)
Actuarial losses or gains	(160)	40
Translation differences	(89)	20
Ending market value	**1,176**	**1,399**

Of the total market value of the plan assets at 31 December 2008, 75% related to assets in Spain (31 December 2007: 70%) and 25% related to assets in Brazil (31 December 2007: 30%).

The main categories of defined benefit plan assets, as a percentage of total assets, in 2008 and 2007 were as follows:

	Porcentaje (%)	
	2008	2007
Shares	29	25
Fixed-income assets	66	69
Investment property and other	5	6
TOTAL	100	100

The defined benefit plan assets include shares of Endesa Group companies amounting to EUR 6 million at 31 December 2008 (31 December 2007: EUR 11 million), transferable accounts receivable from the Group arising from the Rebalancing Plans approved by the Directorate-General of Insurance amounting to EUR 88 million (31 December 2007: EUR 157 million) and properties used by the Group's subsidiaries in Brazil amounting to EUR 1 million (31 December 2007: EUR 11 million).

The expected return on the plan assets was estimated taking into account the projections relating to the principal fixed-income and equity securities markets, and assuming that the various asset categories would continue to represent similar percentages of the total plan assets to those of the preceding year. The actual return in 2008 was -8% in Spain and -1% in the other countries (2007: 4.7% in Spain and 19.1% in the other countries).

The detail of the balance included in the accompanying consolidated balance sheet as a result of the difference between the actuarial liability relating to defined benefit obligations and the market value of the plan assets is as follows:

	Millions of euros	
	2008	2007
Actuarial liability	1,909	2,052
Plan assets	1,176	1,399
Difference	733	653

At 31 December 2007, the difference between the value of the actuarial liability and the value of the plan assets was recognised under the following consolidated balance sheet headings: EUR 730 million (31 December 2007: EUR 665 million) under the balance sheet liability heading "Long-Term Provisions – Provisions for Pensions and Similar Obligations", EUR 4 million (31 December 2007: EUR 111 million) under the balance sheet asset heading "Non-Current Financial Assets - Loans and Receivables", EUR 7 million (31 December 2007: EUR 22 million) under the balance sheet liability heading "Current Trade and Other Payables" and EUR 0 million (31 December 2007: EUR 77 million) under "Liabilities Associated with Non-Current Assets Held for Sale and Discontinued Operations".

The detail of the balance included in the consolidated income statement in relation to defined benefit pension obligations is as follows:

	Millions of euros	
	2008	2007
Current cost	(20)	(10)
Finance costs	(112)	(121)
Expected return on plan assets	76	86
TOTAL	(56)	(45)

The current cost allocated to the consolidated income statement does not include EUR 5 million in 2008 and EUR 7 million in 2007 of the current cost relating to pre-retired employees which had previously been recognised as a provision under "Provision for Labour Force Restructuring Costs" and which were transferred during the year to pension obligations.

Based on the best estimate available, the projected contributions to defined benefit plans in 2009 will amount to approximately EUR 73 million.

At 31 December 2008, the sensitivity of the value of the actuarial liability for labour force restructuring plans to interest rate fluctuations of 100 basis points amounts to EUR 212 million (31 December 2007: EUR 195 million) in the case of an increase in rates and to EUR 263 million (31 December 2007: EUR 232 million) in the case of a drop in rates.

Contributions to defined contribution plans are recognised directly under "Staff Costs" in the consolidated income statement. EUR 72 million and EUR 59 million were recognised in this connection in 2008 and 2007, respectively. Also, EUR 40 million and EUR 52 million were contributed in 2008 and 2007, respectively, which had previously been included under "Provisions for Labour Force Restructuring Costs".

16.2. PROVISIONS FOR LABOUR FORCE RESTRUCTURING COSTS

The obligations reflected in the consolidated balance sheet in respect of provisions for labour force restructuring costs arise as a result of collective or individual agreements with the Group's employees which provide for the Company's obligation to supplement the public social security system benefits in the event of termination of the employment relationship as a result of an agreement between the parties.

The changes in "Provisions for Labour Force Restructuring Costs" on the liability side of the accompanying consolidated balance sheet in 2008 and 2007 were as follows:

	Millions of euros	
	2008	**2007**
Beginning balance	**1,904**	**2,094**
Period provisions charged to income for the year:		
Operating expenses	51	109
Financial loss	110	13
Amounts used:		
Payments	(264)	(283)
Transfers and other	(295)	(29)
Ending balance	**1,506**	**1,904**

Also, "Current Trade and Other Payables" in the consolidated balance sheet at 31 December 2008 includes EUR 295 million relating to provisions for labour force restructuring costs which will foreseeably be paid in 2009.

These liabilities relate substantially in full to the collective redundancy procedures undertaken by the Group companies in Spain.

At 31 December 2008, there were basically three types of procedure in progress:

1. Collective redundancy procedures approved by the former companies before the corporate restructuring in 1999. The term in which the employees may opt to adhere to these collective redundancy procedures has elapsed and, therefore, the obligation relates substantially in full to employees who have left the Company. The group considered in the valuation includes 3,164 employees (31 December 2007: 3,585 employees).

2. Voluntary redundancy plans approved in 2000.
   The Plan affects employees with at least ten years of service acknowledged at the group of companies affected at 31 December 2005.
   Employees aged 50 or more at 31 December 2005 are entitled to opt for inclusion in a pre-retirement plan at the age of 60, of which they may avail themselves between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.
   For the Plan to apply to employees younger than 50 at 31 December 2005, a written request from the employee and the acceptance thereof by the company are required.
   The conditions applicable to employees who have not yet reached 50 years of age affected by the voluntary plan approved in 2000 consist of a termination benefit of 45 days' salary per year of service plus an additional amount of 1 or 2 annual salary payments on the basis of the age of the employee in question at 31 December 2005.
   In February 2006 the Directorate-General of Employment modified the initial Resolution of this Plan so that the terminating effect thereof for both employees older and younger than 50 years of age could arise after 31 December 2005.
   The total number of employees considered in this connection is 4,223, of whom 1,665 are currently in a situation of pre-retirement (31 December 2007: 4,468 and 1,759 employees, respectively).

3. Mining Plans for 2006-2012.
   The employees are entitled to opt for inclusion in the Plans on reaching 52 years of age (physically or equivalent) in 2006-2012, provided that at that date they have at least three years of service and eight years in a position with a reducing coefficient. Employees can be included in the Plans by mutual agreement between the employee and the company.
   The total number of employees considered in this connection is 902, of whom 334 are currently in a situation of pre-retirement (31 December 2007: 799 and 170 employees, respectively).
   The economic conditions applicable to the employees who have availed themselves of these early retirement procedures are basically as follows:
   a. The company will pay the employees from the date of termination of their contract and until the first date on which retirement can be taken after the unemployment benefits have come to an end and, at the very latest, until the ex-employees in question, reaching retirement age, vest the right, a termination benefit in periodic payments based on their last annual salary payment, which is updatable on the basis of the annual increase in the CPI.
   b. The unemployment benefits received, as well as any other amounts of official benefits for pre-retirement received prior to the date of definitive retirement, are deducted from the resulting amounts.

The assumptions used for the actuarial calculation of the obligations arising under these collective redundancy procedures are as follows:

	2008	2007
Interest rate	4.4%	4.5%
Annual CPI growth	2.3%	2.3%
Mortality tables	GRM/F 95	GRM/F 95

At 31 December 2008, the sensitivity of the value of the actuarial liability for labour force restructuring plans to interest rate fluctuations of 100 basis points amounts to EUR 71 million (31 December 2007: EUR 79 million) in the case of an increase in rates and to EUR 77 million (31 December 2007: EUR 86 million) in the case of a drop in rates.

3.3. OTHER PROVISIONS

The detail of the balance of "Other Provisions" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2008 and 2007 is as follows:

Millions of euros

	Provisions for litigation, termination benefits, etc.	Provisions for facility closure costs	Total
Balance at 31/12/2007	**1,090**	**341**	**1,431**
Net provisions charged to income for the year:	350	18	368
Operating expenses	161	4	165
Finance costs	48	14	62
Other expenses	141	—	141
Period provisions charged to non-current assets	2	21	23
Payments	(37)	(28)	(65)
Translation differences	(58)	—	(58)
Transfers and other	22	—	22
Balance at 31/12/2008	**1,369**	**352**	**1,721**

Millions of euros

	Provisions for litigation, termination benefits, etc.	Provisions for facility closure costs	Total
Balance at 31/12/2006	**1,287**	**395**	**1,682**
Net provisions with a charge to income for the year:	33	17	50
Operating expenses	(39)	1	(38)
Finance costs	23	16	39
Other expenses	49	—	49
Period provisions charged to non-current assets	11	(2)	9
Payments	(72)	(11)	(83)
Translation differences	14	—	14
Transfers and other	(183)	(58)	(241)
Balance at 31/12/2007	**1,090**	**341**	**1,431**

The changes in 2007 in "Transfers and Other" relate to the transfer to "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the provisions that at 31 December 2007 were associated with assets classified as held for sale (see Note 3-j.)

Litigation and arbitration

At the date of preparation of these consolidated financial statements, the main lawsuits or arbitration proceedings involving the Group companies were as follows:

- In 2002 EdF International ("EdF") filed a request for arbitration at the International Court of Arbitration of the International Chamber of Commerce against Endesa Internacional, S.A. (now Endesa Latinoamérica, S.A.), Repsol YPF, S.A. and YPF, S.A. seeking an order against Endesa Latinoamérica, S.A. to pay EdF USD 256 million plus interest, and against the Repsol YPF Group to pay USD 69 million plus interest. Endesa Latinoamérica, S.A., Repsol YPF, S.A.

and YPF, S.A. filed an answer and a counterclaim seeking an order for EdF to pay Endesa Latinoamérica USD 58 million and YPF, S.A. USD 14 million. This dispute arose from the sale to the French EdF Group of the investments of YPF, S.A. and Endesa Latinoamérica, S.A. in the Argentine companies Easa and Edenor.

On 22 October 2007 the Court handed down its arbitral award. In short, the arbitral award, partially upheld both the defence and the counterclaim. As a result of the arbitral award, Endesa Latinoamérica, S.A. was ordered to pay EdF USD 100 million as net debt, plus interest, although neither party was ordered to pay costs. All parties -claimant and co-defendants- filed appeals for the partial annulment of this arbitral award.

In April 2008 Endesa Latinoamérica, S.A. and YPF, S.A. obtained a judgment from the Argentine ordinary justice system (National Commercial Appellate Court) that suspended the effects of the arbitral award because the appeal was unfounded and, accordingly, impeded EdF from enforcing the arbitral award.

- There are three court proceedings in progress for an amount of over EUR 2 million against Endesa Distribución Eléctrica which will probably give rise to the obligation to settle various claims (damages resulting from forest fires in Cataluña), for an aggregate amount of EUR 44 million. Also, a EUR 10 million penalty was imposed against this company following the disciplinary proceedings initiated by the Cataluña Autonomous Community Government for the incidents in supply that occurred in Barcelona on 23 July 2007. An appeal was filed against this penalty, seeking that it be suspended.
- On 18 September 2008, Endesa Generación, S.A. was notified of the Resolution handed down by the Directorate-General of Energy Policy and Mines of the Ministry of Industry, Tourism and Trade of 12 September, which approved initiating disciplinary proceedings, as the operator responsible for the Ascó I nuclear plant, related to the escape of radioactive particles at this plant. Charges relate to six possible infringements (four serious and two minor) against the provisions of Nuclear Power Law 25/1964, of 29 April, which it is considered could give rise to a combined penalty ranging from EUR 9 million to EUR 23 million.
- On 8 May 2008, a decision was handed down on the cassation appeal filed by Endesa at the Supreme Court against a judgment of the National Appellate Court rendering null and void the Order of 29 October 2002 regulating the costs of transition to competition (CTCs) for 2001, handed down in appeal for judicial review no. 825/2002 filed by Iberdrola. The Supreme Court dismissed Endesa's cassation appeal against the judgment of the National Appellate Court. It was considered that enforcement of the judgment should not have a significant economic impact on the Company.
- Endesa appeared as co-defendant in the appeal for judicial review filed by Iberdrola against Ministry of Industry, Tourism and Trade Order ITC/914/2006, of 30 March, establishing the method for calculating the supply guarantee remuneration for the generating facilities operating under the ordinary regime of producers in the island and non-mainland electricity systems (see Note 4.1.).
- The CNE initiated disciplinary proceedings against Endesa Generación, S.A. for alleged practices contrary to electricity production market rules for having halted production from 12 to 17 November 2008. The fine could amount to EUR 6 million.
- As a result of the adverse report issued by the Spanish State Auditing Agency on certain grants received by Encasur, S.A., the Chairman of the Institute for the Restructuring of the Coal Mining Industry and Alternative Development of Mining Areas initiated proceedings to recover approximately EUR 37 million relating to 1998, 1999 and 2000, against which pleadings were filed.
- With regard to Property Tax, in 2008 and effective that same year, the tax authorities performed new appraisals of assets classified as "Property with Special Features" ("Bices") (power plants and ports owned mainly by Endesa Generación, S.A.). Endesa Generación, S.A. appealed against these appraisals and the settlements arising therefrom. At the date of these consolidated financial statements, the settlements received against which an appeal was made amounted to EUR 33 million, although the disputed amount is EUR 15 million.
- ENDESA's Brazilian subsidiary Ampla Energía e Servicios, S.A. ("Ampla") won a claim filed against the Brazilian government arguing that Ampla did not have to pay contributions for the financing of the social security system

("Cofins"). This tax is levied on revenue from sales of electricity. The Court upheld the previous judgment and declared it final. In 1997 the Brazilian government filed an "Ação Rescisória", a special proceeding for reviewing final judgments. The disputed amount is approximately EUR 155 million.

- In 2005 the Brazilian tax authorities notified Ampla of a tax assessment for EUR 169 million which was appealed. The authorities consider that the special tax regime, under which interest received by subscribers of a Fixed Rate Notes issue made by Ampla in 1998 is exempt from tax in Brazil, is not applicable. On 6 December 2007, Ampla won an appeal at second instance in the administrative jurisdiction and, now, the Brazilian tax authorities may file a special appeal at the Consejo Superior de Recursos Fiscales (Upper Council of Tax Appeals).
- In 2006 the Brazilian tax authorities questioned the tariff classification and the tax rate under which Endesa Fortaleza was taxed on the importation of certain items. The contingency, which involves assets subject to the tax on importation and to the tax on industrialised projects, amounts to approximately EUR 38 million. The procedure is currently being disputed at first instance in the administrative jurisdiction. Although Endesa Fortaleza won an appeal at first instance in the administrative jurisdiction, the Brazilian tax authorities could appeal against the decision at second instance.
- Public Emergency and Regime Reform Law 25561, enacted by the Argentine authorities on 6 January 2002, rendered void certain terms of the concession agreement of the subsidiary Edesur. Law 25561 also required public service concession agreements to be renegotiated within a reasonable period of time in order to bring them into line with the new situation.

  The failure to renegotiate the agreement prompted the Chilean corporate shareholders of Edesur, subsidiaries of Endesa, to file a request for arbitration in 2004 pursuant to the Treaty on the Promotion and Protection of Chilean and Argentinean Investments with the International Center for the Settlement of Investment Disputes ("ICSID"). The arbitration to defend the lawful rights of the shareholders of Edesur was being held in abeyance at the date of preparation of these consolidated financial statements. On 15 February 2006, the parties involved in the arbitration signed an agreement which was finally approved by the Argentine parliament and ratified by the Argentine government. The agreement stipulates the terms and conditions on which Edesur will be able to pursue its electricity distribution activities in the future. On 28 March 2006, at the request of the parties, the Center stayed the proceedings for one year. Again at the request of the two parties, on 1 August 2007, the Center resolved to extend the stay until February 2008. At the end of this period, and given the circumstances, the claimant companies requested an extension of the stay to November 2008. In December 2008 Enersis, Chilectra and Endesa Chile again requested an extension of the stay of proceedings until 30 June 2009, following receipt of the Court's decision to grant the aforementioned stay of proceedings until 19 June 2009. Given that, to date, the Court has not handed down a judgment in this respect, the arbitration is currently still being held in abeyance.
- On 30 July 2007, at Madrid Commercial Court number 3, Iberdrola claimed purported damage and losses from Endesa suffered as a result of the suspension of the takeover bid for Endesa of Gas Natural and of the agreement between Gas Natural and Iberdrola to share out the assets of Endesa agreed to by the Court. The damage and losses for which compensation is claimed amount to EUR 144 million, substantially all of which corresponds to nonpecuniary losses for damage to the reputation, good name and prestige of Iberdrola as a result of the order of protective measures.

The directors of Endesa consider that the provisions recognised in the accompanying consolidated balance sheet cover adequately the risks relating to litigation, arbitration proceedings and other procedures described in this Note and, accordingly, they do not expect any liabilities additional to those recognised to arise.

In view of the nature of the risks covered by these provisions, it is not possible to determine a reasonable schedule for the related payments, if any.

17. BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES

17.1. CURRENT AND NON-CURRENT BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES

The detail of the current and non-current "Bank Borrowings and Other Financial Liabilities" at 31 December 2008 and 2007 is as follows:

Millions of euros

	31 December 2008		31 December 2007	
	Current maturity	Non-current maturities	Current maturity	Non-current maturities
Preference shares	—	1.451	—	1.441
Debt instruments and other held-for-trading liabilities	616	10,111	418	11,871
Bank borrowings	655	5,333	356	7,122
Other financial liabilities	110	591	118	711
TOTAL	**1,381**	**17,486**	**892**	**21,145**

The detail, by currency and maturity, of the Group's financial liabilities is as follows:

Millions of euros

		Current maturity	Non-current maturities					
	Balance at 31/12/2008	2009	2010	2011	2012	2013	Subsequent years	Totalnon-current
Euro	10,498	24	886	1,098	4,203	1,025	3,262	10,474
US dollar	4,598	764	318	269	1,717	334	1,196	3,834
Chilean peso/ UF	525	17	8	8	12	9	471	508
Brazilian real	886	194	113	217	213	129	20	692
Colombian peso	1,023	221	107	192	108	51	344	802
Peruvian new sol	562	129	61	81	89	56	146	433
Other	775	32	31	21	636	5	50	743
TOTAL	**18,867**	**1,381**	**1,524**	**1,886**	**6,978**	**1,609**	**5,489**	**17,486**

Millions of euros

		Current maturity	Non-current maturities					
	Balance at 31/12/2007	2008	2009	2010	2011	2012	Subsequent years	Total non-current
Euro	14,695	13	2,083	314	1,123	7,382	3,780	14,682
US dollar	3,341	391	1,124	126	206	125	1,369	2,950
Chilean peso/ UF	568	9	4	9	9	15	522	559
Brazilian real	1,169	200	126	233	241	248	121	969
Colombian peso	991	112	124	77	202	113	363	879
Peruvian new sol	497	156	85	36	42	72	106	341
Other	776	11	9	20	14	722	—	765
TOTAL	**22,037**	**892**	**3,555**	**815**	**1,837**	**8,677**	**6,261**	**21,145**

The detail, by currency, of these liabilities, taking into account the effect of derivatives on this classification, is as follows:

	Millions of euros	
	31 December 2008	31 December 2007
Euro	12,978	16,132
US dollar	2,333	2,201
Chilean peso	1,116	1,091
Brazilian real	982	1,227
Colombian peso	1,020	992
Peruvian new sol	304	320
Other	134	74
TOTAL	**18,867**	**22,037**

In 2008 and 2007 the financial liabilities bore average interest at 6.37% and 5.93%, respectively.

17.2. PREFERENCE SHARES

In March 2003 Endesa Capital Finance LLC carried out an issue of preference shares totalling EUR 1,500 million with the following features:

- *Dividend:* variable tied to three-month Euribor with a minimum APR of 4% and a maximum APR of 7% in the first ten years, and tied to Euribor plus an APR of 3.75% from the eleventh year onwards. The dividend will be payable quarterly.
- *Term:* perpetual, although the issuer may retire the shares early from the eleventh year onwards for their par value.
- *Guarantee:* subordinated guarantee from Endesa, S.A.
- *Return:* the payment of dividends will be preferred and non-cumulative and conditional on the obtainment of a consolidated profit or on the payment of dividends on the ordinary shares of Endesa, S.A.

17.3. HEDGING DEBT

Of the Group's debt in US dollars, at 31 December 2008, EUR 1,920 million relate to future cash flow hedges on the Group's income from operations in Latin America tied to the US dollar (see Note 3-n). At 31 December 2007, this item amounted to EUR 1,721 million.

The changes in 2008 and 2007 in "Equity - Asset and Liability Revaluation Reserves" as a result of exchange differences on this debt were as follows:

	Millions of euros	
	2008	2007
Balance of asset and liability revaluation reserves at beginning of year	**109**	**71**
Exchange differences recognised in equity	(110)	44
Allocation of exchange differences to income	(25)	(6)
Other	—	—
Balance of asset and liability revaluation reserves at end of year	**(26)**	**109**

17.4. OTHER MATTERS

At 31 December 2008 and 2007, the Group companies had undrawn credit facilities totalling EUR 8,092 million and EUR 5,570 million, respectively. These facilities are securing the refinancing of the short-term debt presented under "Non-Current Liabilities - Bank Borrowings and Other Financial Liabilities" in the accompanying consolidated balance sheet (see Note 3-ñ). The amount of these credit facilities, together with the current assets, sufficiently covers the Group's short-term payment obligations.

Certain Group companies' financial liabilities contain the covenants that are habitual in contracts of this nature.

Endesa, S.A., International Endesa, B.V. and Endesa Capital, S.A., which represent most of the debt to third parties of the Group companies in Spain, do not have in their financing contracts any covenants involving financial ratios that could lead to breach of contract and give rise to the early termination of the contracts.

As regards clauses relating to credit rating, at 31 December 2008, Endesa S.A. had arranged financial transactions amounting to EUR 603 million that might require additional guarantees or renegotiation in the event of a drop in the credit rating. At 31 December 2007, this item amounted to EUR 684 million.

Most of the contracts governing indebtedness to third parties of the companies consolidated with Endesa's renewable energies subsidiary, ECyR, and of certain Latin American subsidiaries include standard project finance clauses relating to the achievement of certain financial ratios that have to be met in order to be able to distribute profits to shareholders. Also, they require that all the assets assigned to the projects be pledged to the creditors. The outstanding balance of the debt to third parties that includes clauses of this nature amounted to EUR 930 million at 31 December 2008 (31 December 2007: EUR 322 million).

The contracts governing a portion of the financial liabilities of Enersis and Endesa Chile contain cross default clauses in relation to some of their subsidiaries whereby if one of the subsidiaries were to default, under certain circumstances, on its payment obligations or other commitments, for amounts that individually amount to USD 30 million in some cases and USD 50 million in others, this situation could lead to the early maturity of a significant part of the debt of Enersis and Endesa Chile. The contracts governing the debt of Endesa, S.A., International Endesa B.V. and Endesa Capital, S.A. do not include any cross default clauses in relation to the debt of the Enersis Group.

At 31 December 2008 and 2007, neither Endesa, S.A. nor any of its major subsidiaries were failing to comply with their financial or other obligations in such a way as might give rise to the early maturity of their financial liabilities.

The Group's directors consider that the existence of these clauses will not change the current/non-current classification in the accompanying consolidated balance sheet.

The fair value of the Group's gross financial liabilities at 31 December 2008 and 2007 was EUR 19,677 million and EUR 22,529 million, respectively.

17.5. CLASSIFICATION OF FINANCIAL LIABILITIES BY NATURE AND CATEGORY

The detail of "Financial Liabilities", by nature and category, in the consolidated balance sheets at 31 December 2008 and 2007 is as follows:

Millions of euros

31 December 2008	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	Accounts payable	Hedging derivatives
Bank borrowings	—	108	5,163	—
Debt instruments and other held-for-trading liabilities	—	1,778	9,476	—
Derivatives	—	—	—	370
Other financial liabilities	—	—	591	—
Non-current financial liabilities	**—**	**1,886**	**15,230**	**370**
Bank borrowings	—	11	620	—
Debt instruments and other held-for-trading liabilities	—	—	525	—
Derivatives	12	—	—	105
Other financial liabilities	—	—	108	—
Current financial liabilities	**12**	**11**	**1,253**	**105**
TOTAL	**12**	**1,897**	**16,483**	**475**

Millions of euros

31 December 2007	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	Accounts payable	Hedging derivatives
Bank borrowings	—	56	7,035	—
Debt instruments and other held-for-trading liabilities	—	1,995	10,958	—
Derivatives	57	—	—	332
Other financial liabilities	—	—	712	—
Non-current financial liabilities	**57**	**2,051**	**18,705**	**332**
Bank borrowings	—	—	429	—
Debt instruments and other held-for-trading liabilities	—	—	413	—
Derivatives	—	—	—	14
Other financial liabilities	—	—	36	—
Current financial liabilities	**—**	**—**	**878**	**14**
TOTAL	**57**	**2,051**	**19,583**	**346**

18. RISK MANAGEMENT POLICY

The Endesa Group is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and supervision systems.

The main principles defined by the Endesa Group for its risk management policy are as follows:

- Comply with the principles of good corporate governance.
- Comply strictly with all Endesa's rules.

- Each business and corporate area defines:
  i. The markets and product lines in which it can operate on the basis of having sufficient know-how and capabilities to ensure effective risk management.
  ii. Criteria concerning counterparties.
  iii. The authorised operators.
- The businesses and corporate areas establish for each market in which they operate the level of risk that they are prepared to assume on a basis that is consistent with the strategy defined.
- The limits of the businesses and corporate areas are approved by their respective Risk Committees or, should they not have one, by the Endesa Risk Committee.
- All the businesses and corporate areas must conduct their business within the limits approved in each case.
- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that the transactions are performed in the markets in accordance with the policies, principles and procedures of Endesa.

18.1. INTEREST RATE RISK

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing interest at a floating rate.

The objective of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced income statement volatility.

Based on the Endesa Group's estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks.

The detail of the interest rate risk structure, distinguishing between risk tied to fixed and protected interest rates and risk tied to floating interest rates and taking into account the derivatives arranged, is as follows:

	Net position (millions of euros)	
	31 December 2008	31 December 2007
Fixed interest rate	9,777	9,956
Protected interest rate (*)	1,673	1,721
Floating interest rate	2,553	9,157
TOTAL	**14,003**	**20,834**

(*) Floating interest rate transactions with an interest rate cap.

The reference interest rates for the borrowings arranged by the Endesa Group companies are mainly Euribor and US dollar Libor. In the case of the Latin American currencies, the borrowings are generally tied to the local indexes customarily used in the banking industry.

18.2. FOREIGN CURRENCY RISK

The foreign currency risk relates mainly to the following transactions:

- Debt denominated in foreign currencies arranged by the Group companies.
- Payments to be made in international markets in order to purchase fuel stocks.
- Income in Latin America tied to the performance of the US dollar.

Also, the net assets relating to net investments in foreign operations with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign operations on consolidation.

In order to mitigate the foreign currency risk, the Endesa Group arranged, inter alia, currency swaps, foreign currency hedges and foreign currency options. The Group also attempts to achieve a balance between the cash collections and payments relating to its assets and liabilities denominated in foreign currencies.

18.3. COMMODITY PRICE RISK

The Endesa Group is exposed to the risk of fluctuations in commodity prices, including CO_2 emission rights and CERs, largely through:

- Purchases of fuel stocks in the electricity generation process.
- Power purchase and sale transactions made in domestic and international markets.

Exposure to this risk is managed at long term through the diversification of contracts, management of the procurements portfolio by tying it to indexes that perform in a similar or comparable way to end electricity prices (generation) or selling prices (retailing), and through contractual periodic renegotiation clauses, the aim of which is to maintain the economic equilibrium of procurements.

At short and medium term, fluctuations in the prices of procurements are managed through specific hedging transactions, generally using derivatives.

18.4. LIQUIDITY RISK

The Group's liquidity policy consists of the arrangement of committed long-term credit facilities and current financial assets for an amount sufficient to cater for the projected needs for a given period based on the status and expectations of the debt and capital markets.

At 31 December 2008, the Group had liquidity of EUR 12,879 million, EUR 4,787 million in cash and cash equivalents and EUR 8,092 million in unconditionally drawable credit lines. At 31 December 2007, the Group had liquidity of EUR 6,629 million, EUR 1,059 million in cash and cash equivalents and EUR 5,570 million in unconditionally drawable credit lines.

The liquidity position at 31 December 2008 is largely due to the funds obtained from the sale of assets to E.On (see Note 28) and will cover the payment of the 2008 interim dividend amounting to EUR 6,243 million approved by the Board of Directors on 20 February 2009.

18.5. CREDIT RISK

Given the current economic situation, the Group monitors credit risk very strictly.

Historically, credit risk on trade receivables is minimal since the period for making collections from customers is short and, in accordance with the applicable regulations, their supply may be cut off due to non-payment before they accumulate very significant amounts on an individual basis.

With regard to credit risk on assets of a financial nature, the Group's risk policies are as follows:

- Cash placements are made with renowned entities in the European Union with a credit rating higher than that of Endesa and in highly liquid products. 83.9% of cash balances are placed with entities with a credit rating of AA- or higher and all other transactions are with entities with a credit rating of A+. The Group's subsidiaries place their cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading entities in the markets in which the subsidiaries operate.

- Derivatives are arranged with highly solvent entities and, accordingly, more than 90% of the transactions are performed with entities with a credit rating of A or higher.
- The credit risk associated with commodities included within the scope of IAS 39 is also limited. At the end of 2008 and taking as the base market values:
  i. More than 80% of the transactions are performed with entities with a credit rating of A- or higher, or an equivalent internal rating calculated in accordance with best market practices.
  ii. No one counterparty accounted for more than 20% of the total credit risk relating to financial instruments.

Given the current economic and financial situation, Endesa takes certain additional precautions, including:

- An analysis of the risk associated with each counterparty when there is no external credit rating.
- Guarantees are requested when deemed appropriate.
- Guarantees are requested when arranging transactions with new customers.
- Customer accounts receivables are monitored exhaustively.

18.6. RISK MEASUREMENT

The Endesa Group measures the Value at Risk of its debt and derivative positions in order to guarantee that the risk assumed by the Company remains consistent with the risk exposure defined by management, thereby reducing the volatility of the consolidated income statement.

The portfolio of positions included for the purpose of the current Value at Risk calculations is made up of:

- Debt and financial derivatives.
- Energy derivatives.

The Value at Risk calculated represents the possible decline in value of the portfolio of positions described above in a time period of one day with a confidence level of 95%. For this purpose, a study has been performed of the volatility of the risk variables that affect the value of the portfolio of positions, including:

- Euribor.
- US dollar Libor.
- In the case of borrowings in Latin American currencies, the local indexes customarily used in the banking industry.
- The exchange rates of the various currencies included in the calculation.
- Commodity prices (electricity, fuel and CO_2).

The calculation of the Value at Risk is based on the generation of possible future scenarios (one day ahead) of the spot and forward market values of the risk variables using Monte Carlo methodologies. The number of scenarios generated ensures fulfilment of the convergence criteria of the simulation. For the simulation of the future price scenarios the matrix of volatilities and correlations among the various risk variables calculated on the basis of the historical record of logarithmic price returns was used.

Once the price scenarios have been generated, the fair value of the portfolio is calculated with each of the scenarios, obtaining a distribution of possible one day ahead values. One-day Value at Risk with a confidence level of 95% is calculated as the percentile of 5% of the possible increases in the fair value of the portfolio at one day. This format coincides with that with which the Value at Risk of energy trading portfolios is reported.

The various debt and derivative positions included in the calculation were measured on a basis consistent with the methodology used to calculate the Capital at Risk reported to management.

Taking into account the aforementioned assumptions, the Value at Risk of the positions discussed above broken down by business and type of position is as follows:

Millions of euros

	31 December 2008				31 December 2007			
	Spain and Portugal	Latin America	Other	Total	Spain and Portugal	Latin America	Other	Total
Financial positions:	55	27	1	76	18	36	1	33
Interest rate	51	28	1	68	16	35	1	42
Foreign currency	11	2	1	9	2	9	1	8
Investment portfolio	1	—	—	1	1	—	—	1
Energy derivatives	4	—	1	6	3	—	5	8
TOTAL	59	27	2	82	21	36	6	41

The Value at Risk positions changed in 2008 and 2007 on the basis of the maturity/arrangement of transactions as the years progressed.

19. DERIVATIVE FINANCIAL INSTRUMENTS

Endesa, applying the risk management policy described above, uses mainly interest rate, foreign currency and commodity price hedging derivatives.

The Company classifies its hedges as follows:

- *Cash flow hedges*: which hedge the cash flows on the hedged underlying.
- *Fair value hedges:* which hedge the fair value of the hedged underlying.
- *Hedges of net investments in foreign operations:* which hedge the effect of the changes in exchange rates on investments in Group companies with a functional currency other than the euro. At 31 December 2008 and 2007, the Group had not arranged any hedges of this type.
- *Other hedges:* hedges which, because they do not meet the requirements established by IFRSs, cannot be classified as hedges for accounting purposes.

The detail of the balances at 31 December 2008 and 2007 reflecting the valuation of the derivative financial instruments at those dates is as follows:

Millions of euros

	31 December 2008		31 December 2007	
	Assets	Liabilities	Assets	Liabilities
Interest rate hedges:	33	102	117	17
Cash flow hedges	13	69	104	8
Fair value hedges	20	33	13	9
Foreign currency hedges:	14	374	2	424
Cash flow hedges	—	304	2	400
Fair value hedges	14	70	—	24
Derivatives not designated as hedging instruments	30	11	25	1
Commodity price derivatives	567	607	231	238
TOTAL	644	1,094	375	680

The detail, by maturity, of the notional and/or contractual amounts of the derivatives outstanding at the Group and of their fair value at 31 December 2008 and 2007 is as follows:

	31 December 2008							
	Millions of euros							
		Notional amount						
Derivatives	Fair value	2009	2010	2011	2012	2013	Subsequent years	Total
FINANCIAL DERIVATIVES	(410)	3,088	512	300	2,666	2,421	1,039	10,026
Interest rate hedges:	(69)	1,051	415	181	1,848	2,419	158	6,072
Cash flow hedges	(56)	684	89	166	1,848	2,419	75	5,281
Swaps	(54)	605	60	66	1,848	919	75	3,573
Options	(2)	79	29	100	—	1,500	—	1,708
Fair value hedges	(13)	367	326	15	—	—	83	791
Swaps	(13)	367	326	15	—	—	83	791
Foreign currency hedges:	(360)	332	7	44	818	2	806	2,009
Cash flow hedges	(304)	6	—	—	624	—	537	1,167
Swaps	(303)	—	—	—	624	—	537	1,161
Futures	(1)	6	—	—	—	—	—	6
Fair value hedges	(56)	326	7	44	194	2	269	842
Swaps	(56)	326	7	44	194	2	269	842
Derivatives not designated as hedging instruments:	19	1,705	90	75	—	—	75	1,945
Swaps	19	1,705	90	75	—	—	75	1,945
COMMODITY PRICE DERIVATIVES	(40)	7,863	1,168	518	124	39	—	9,712
Foreign currency hedges:	35	1,986	364	158	78	39	—	2,625
Designated as hedges	27	1,406	226	121	52	26	—	1,831
Swaps	23	282	—	—	—	—	—	282
Futures	4	1,124	226	121	52	26	—	1,549
Not designated as hedges	8	580	138	37	26	13	—	794
Futures	5	472	138	37	26	13	—	686
Other	3	108	—	—	—	—	—	108
Commodity price derivatives:	(75)	5,877	804	360	46	—	—	7,087
Designated as hedges	(10)	5,403	787	344	46	—	—	6,580
Swaps	(43)	1,482	301	148	8	—	—	1,939
Other	33	3,921	486	196	38	—	—	4,641
Fuel	(30)	75	14	16	—	—	—	105
Swaps	(30)	75	14	16	—	—	—	105
Electricity	(35)	399	3	—	—	—	—	402
Swaps	(35)	399	3	—	—	—	—	402
TOTAL	(450)	10,951	1,680	818	2,790	2,460	1,039	19,738

Derivatives	Fair value	2008	2009	2010	2011	2012	Subsequent years	Total
	31 December 2007 – Millions of euros	Notional amount						
FINANCIAL DERIVATIVES	(298)	585	2,579	314	285	2,655	3,509	9,927
Interest rate hedges:	100	285	701	215	164	1,836	2,567	5,768
Cash flow hedges	96	259	170	75	149	1,836	2,484	4,973
Swaps	91	191	95	48	49	1,836	984	3,203
Options	5	68	75	27	100	—	1,500	1,770
Fair value hedges	4	26	531	140	15	—	83	795
Swaps	4	26	531	140	15	—	83	795
Foreign currency hedges:	(422)	268	173	9	46	819	867	2,182
Cash flow hedges	(398)	219	—	—	—	624	595	1,438
Swaps	(398)	219	—	—	—	624	595	1,438
Fair value hedges	(24)	49	173	9	46	195	272	744
Swaps	(24)	49	173	9	46	195	272	744
Derivatives not designated as hedging instruments:	24	32	1,705	90	75	—	75	1,977
Interest rate	25	30	1,705	90	75	—	75	1,975
Swaps	25	30	1,705	90	75	—	75	1,975
Foreign currency	—1	2	—	—	—	—	—	2
Swaps	—1	2	—	—	—	—	—	2
COMMODITY PRICE DERIVATIVES	(7)	2,582	745	327	135	79	38	3,907
Foreign currency hedges:	(42)	1,467	490	284	104	74	38	2,458
Designated as hedges	(42)	631	121	124	24	24	13	938
Swaps	—	—	—	—	—	—	—	—
Futures	(42)	629	121	124	24	24	13	936
Other	—	2	—	—	—	—	—	2
Speculative	—	836	369	160	80	50	25	1,520
Options	(6)	24	100	—	—	—	—	124
Futures	6	812	269	160	80	50	25	1,396
Commodity price derivatives:	35	1,115	255	43	31	5	—	1,449
Designated as hedges	(11)	234	35	—	—	—	—	269
Fuel	9	101	—	—	—	—	—	101
Swaps	—	—	—	—	—	—	—	—
Other	9	101	—	—	—	—	—	101
Electricity	(20)	133	35	—	—	—	—	168
Swaps	—	—	—	—	—	—	—	—
Other	(20)	133	35	—	—	—	—	168
Speculative	46	881	220	43	31	5	—	1,180
Swaps	46	22	16	4	4	—	—	46
Other	—	859	204	39	27	5	—	1,134
TOTAL	(305)	3,167	3,324	641	420	2,734	3,547	13,833

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the Group, since these amounts only constitute the basis on which the derivative settlement calculations were made.

With regard to cash flow hedges, the ineffective portion of the hedge recognised in the consolidated income statement amounted to a loss of EUR 2 million in 2008 and a gain of EUR 2 million in 2007.

The amounts relating to the derivatives and hedged items of fair value hedges and recognised in the consolidated income statement were as follows:

Millions of euros

	2008		2007	
	Income	Expenses	Income	Expenses
Hedged items	—	72	—	150
Derivatives	90	—	153	—
TOTAL	**90**	**72**	**153**	**150**

20. TRADE AND OTHER PAYABLES

The detail of "Trade and Other Payables" at 31 December 2008 and 2007 is as follows:

Millions of euros

	31 December 2008	31 December 2007
Trade payables	6,029	4,467
Tax liabilities:	1,151	882
Income tax	770	485
Other taxes	381	397
Other payables	1,355	1,617
TOTAL	**8,535**	**6,966**

The average supplier payment periods were 82 days in 2008 and 81 days in 2007 and, therefore, the fair value of trade and other payables approximates their carrying amount.

21. TAX MATTERS

ENDESA, S.A. heads a Group that files consolidated corporation tax returns in Spain. The Consolidated Tax Group includes Endesa, S.A., as the Parent, and, as subsidiaries, the Spanish companies that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups.

At 31 December 2008, the Consolidated Tax Group comprised 79 companies (31 December 2007: 81 companies), of which the most significant were Endesa, S.A., Endesa Generación, S.A., Gas y Electricidad Generación, S.A.U. ("Gesa Generación"), Unión Eléctrica de Canarias Generación ("Unelco Generación"), Endesa Red, S.A., Endesa Distribución Eléctrica, S.L., Endesa Operaciones y Servicios Comerciales, S.L., Endesa Energía, S.A., Endesa Internacional, S.A. and Endesa Financiación Filiales, S.A.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

Set forth below are the reconciliation of the income tax resulting from the application of the standard tax rate in force in Spain to the profit before tax and the income tax expense recognised in the consolidated income statement and the reconciliation of this expense to the net income tax payable for 2008 and 2007:

	Millions of euros	
	2008	2007
Profit before tax	4,308	3,895
Pre-tax profit of discontinued operations	5,061	837
Permanent differences	(4,455)	(429)
Adjusted profit	4,914	4,303
Tax rate (%)	30.0	32.5
Adjusted profit multiplied by tax rate	1,474	1,398
Effect of applying different tax rates	(76)	(14)
Tax credits taken to profit or loss	(139)	(135)
Income tax expense in the consolidated income statement	1,259	1,249
Tax recognised directly in equity in the year	(165)	48
Total income tax expense	1,094	1,297
Changes in deferred taxes in the year	(213)	(464)
Net income tax payable	881	833

The income tax expense recognised in the consolidated income statement for 2008 amounted to EUR 1,082 million (2007: EUR 985 million). EUR 177 million relating to discontinued operations must be added to the amount for 2008 (2007: EUR 264 million).

EUR 786 million of the net tax payable for 2008 relate to the amounts payable by companies composing the Group at 31 December 2008 and the remaining EUR 95 million relate to the tax payable by the companies that formed part of the Group in 2008 in relation to the portion of the profit of these companies included under "Post-Tax Profit of Discontinued Operations" in the accompanying consolidated income statement.

The deferred taxes arose in 2008 and 2007 as a result of the following:

	Millions of euros	
Deferred tax assets:	2008	2007
Depreciation and amortisation charge	119	122
Provisions for pensions and collective redundancy procedures	1,051	1,069
Other provisions	295	365
Tax losses	118	251
Tax credit carryforwards	42	43
Other	533	337
TOTAL	**2,158**	**2,187**

	Millions of euros	
Deferred tax liabilities:	2008	2007
Accelerated depreciation of assets for tax purposes	979	1,000
Other	479	456
TOTAL	**1,458**	**1,456**

The changes in 2008 and 2007 in "Deferred Tax Assets" and "Deferred Tax Liabilities" in the consolidated balance sheets were are as follows:

				Millions of euros
	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
Beginning balance	**2,187**	**2,678**	**1,456**	**1,661**
Inclusion/Exclusion of companies	—	—	(3)	37
Additions	530	629	294	345
Disposals	(539)	(845)	(231)	(103)
Translation differences	(122)	2	(92)	(29)
Transfers and other	102	(277)	34	(455)
Ending balance	**2,158**	**2,187**	**1,458**	**1,456**

The changes in 2008 in "Transfers and Other" include the transfer to "Non-Current Assets Classified as Held for Sale and Discontinued Operations" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations" of the deferred tax assets and liabilities, respectively, that at 31 December 2008 were associated with assets or liabilities held for sale (see Note 3-j).

The recovery of the deferred tax assets depends on the obtainment of sufficient taxable profits in the future. The Group's directors consider that the projected taxable profits of the various Group companies amply cover the amounts required to recover these assets.

The detail at 31 December 2008 and 2007 of the prior years' tax losses available for offset against future profits and the last years for offset are as follows:

	Millions of euros
Year	31 December 2008
2009	5
2010	6
2011	6
Subsequent years	900

	Millions of euros
Year	31 December 2007
2008	—
2009	5
2010	6
Subsequent years	1,565

The Endesa Group has not recognised the deferred tax liabilities relating to undistributed profits of subsidiaries over which the control that it exercises enables it to decide on the timing of the reversal thereof and therefore, for which it is considered that these deferred tax liabilities will probably not reverse in the near future. At 31 December 2008 and 2007, the total amount of these unrecognised temporary differences was not material.

The Group companies in Spain have all years since 2005 open for review by the tax authorities for the main taxes to which they are subject, except for income tax, for which all years since 2002 are open for review. For the Group companies in the rest of Europe and Latin America, the open years are, in general, the last six years in Greece, the last five years in Argentina, Brazil, Chile and Peru, the last four years in Portugal and the last three years in Colombia.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the Group's directors consider that the liabilities that could arise in this connection would not have a material effect on the Group's future earnings.

22. REVENUE

22.1. SALES

The detail of "Sales" in the consolidated income statements for 2008 and 2007 is as follows:

	Millions of euros	
	2008	2007
Power sales	17,059	15,097
Services	4,669	2,384
TOTAL	**21,728**	**17,481**

22.2. OTHER OPERATING INCOME

The detail of "Other Operating Income" in 2008 and 2007 is as follows:

	Millions of euros	
	2008	2007
CO_2 emission rights	438	27
Grants transferred to profit or loss	69	108
Other current operating income	601	457
TOTAL	**1,108**	**592**

23. STAFF COSTS

The detail of "Staff Costs" in the consolidated income statements for 2008 and 2007 is as follows:

	Millions of euros	
	2008	2007
Wages and salaries	1,186	1,102
Contributions to pension plans	97	55
Other employee benefit costs	305	296
Other non-recurrent staff costs	105	140
TOTAL	**1,693**	**1,593**

24. OTHER FIXED OPERATING EXPENSES

"Other Fixed Operating Expenses" in the accompanying consolidated income statements, amounting to EUR 1,946 million in 2008 (2007: EUR 1,798 million), includes mainly operating and maintenance expenses, outside professional services, outsourced services and taxes other than income tax incurred by the Group.

25. DEPRECIATION AND AMORTISATION CHARGE

The detail of "Depreciation and Amortisation Charge" in the consolidated income statements for 2008 and 2007 is as follows:

	Millions of euros	
	2008	2007
Depreciation and amortisation charge	1,610	1,604
Impairment losses	51	145
TOTAL	**1,661**	**1,749**

26. FINANCIAL LOSS

The detail of "Financial Loss" in the accompanying consolidated income statements is as follows:

	Millions of euros	
	2008	2007
Finance income	**536**	**480**
Cash and cash equivalents	219	89
Income from other financial assets	123	164
Other finance income	194	227
Finance costs	**(1,552)**	**(1,361)**
Debt	(1,242)	(1,021)
Provisions	(207)	(84)
Other finance costs	(103)	(256)
Exchange differences	**7**	**(46)**
Gains	378	174
Losses	(371)	(220)
Financial loss	**(1,009)**	**(927)**

27. GAINS ON ASSET DISPOSALS

The detail of "Gains on Asset Disposals" in the accompanying consolidated income statements is as follows:

	Millions of euros	
	2008	2007
Equity investments:	—	114
REE (Note 10.2)	—	78
Nueva Marina	—	36
Investment property and other assets, net	22	37
TOTAL	**22**	**151**

28. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As a result of the joint takeover of Endesa by Acciona and Enel, Endesa assumed the following obligations previously agreed on between the two controlling shareholders or by them with third parties:

- The contribution by Acciona and Endesa of their renewable energy generating assets to a jointly controlled entity in which Acciona will have an ownership interest of at least 51%.
- The sale to E.On AG of the following assets:
  - Endesa Europa's assets in Italy, France, Poland and Turkey.
  - Certain assets located in Spain, consisting of rights for ten years on a nuclear power capacity of 450 MW based on a power supply agreement and on three fossil-fuel plants with a combined installed capacity of approximately 1,475 MW.

The agreement of 2 April 2007 between Acciona and Enel on the one hand and E.On on the other was implemented on 26 June 2008 through the transfer by the Endesa Group to certain E.On Group companies of all the shares of Endesa Europa, S.L., with the exclusion of the trading business and assets not located in Italy, France, Poland and Turkey and, in Spain, the Los Barrios plant (a coal-fired facility with an installed capacity of 567.5 MW) and the Tarragona plant (a combined cycle plant with an installed capacity of 395 MW).

With regard to the transfer of rights to acquire nuclear power capacity of 450 MW, also envisaged in the agreement of 2 April 2007, E.On, in the exercise of its contractual prerogative, expressed its desire not to acquire these rights.

The selling price, based on the appraisal performed by the investment banks designated by the parties involved, was EUR 769 million for the two Spanish plants and EUR 7,126 million for the shares of Endesa Europa. The price of the shares of Endesa Europa is subject to possible adjustments arising from changes in the debt of the companies included in the sale in the period from 31 May 2008 to 25 June 2008.

Together with the shares of Endesa Europa, the acquirer was also transferred the net intra-group debt position of Endesa Europa and its investees with Endesa Financiación Filiales, amounting to EUR 1,159 million.

As a result of this transaction, Endesa derecognised from the consolidated balance sheet EUR 8,795 million of assets classified under "Non-Current Assets Classified as Held for Sale and Discontinued Operations" and EUR 3,360 million of liabilities classified under "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations", and recognised a pre-tax gain of EUR 4,564 million under "Post-Tax Profit of Discontinued Operations" in the 2008 consolidated income statement.

The balance of "Post-Tax Profit of Discontinued Operations" in the 2008 and 2007 consolidated income statements relates in full to the assets sold to E.On and, accordingly, the profit after tax arising from these assets in 2008, including the gain on the sale, amounted to EUR 4,884 million.

In addition to the sale of Endesa Europa and the Tarragona and Los Barrios fossil fuel plants, Endesa entered into an undertaking with E.On in relation to the sale of Unit II of the Los Barrios plant, which is at the design stage, and of Los Barrios Port, whereby the parties undertake to perform this purchase and sale transaction at the price established in an appraisal performed by independent third parties. This transaction is subject to obtainment of the related administrative authorisations, in particular that of the competition authorities and that of the competent port authority.

Furthermore, at 31 December 2008, both Acciona and Endesa continued to complete the formalities required for the contribution of the renewable energy assets to a jointly controlled entity. However, given the agreement entered into on 20 February 2009 between Acciona, Enel and Endesa (see Note 33), at the date of preparation of these consolidated financial statements, this contribution was not expected to be made.

The assets and liabilities that were to be contributed are included under "Non-Current Assets Classified as Held for Sale and Discontinued Operations" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations", respectively, in the consolidated balance sheets at 31 December 2008 and 2007, since at 31 December 2008 these assets were expected to be contributed.

The detail, by nature, of "Post-Tax Profit of Discontinued Operations" in the accompanying 2008 and 2007 consolidated income statements and of "Non-Current Assets Classified as Held for Sale and Discontinued Operations" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations" in the consolidated balance sheets at 31 December 2008 and 2007, together with a breakdown thereof by segment, are as follows:

Millions of euros

	2008			2007		
	Total	Spain and Portugal	Europe	Total	Spain and Portugal	Europe
REVENUE	2,021	161	1,860	4,358	323	4,035
Sales	1,841	140	1,701	4,230	322	3,908
Other operating income	180	21	159	128	1	127
PROCUREMENTS AND SERVICES	1,461	113	1,348	2,798	197	2,601
Power purchased	238	—	238	1,037	—	1,037
Cost of fuel consumed	912	80	832	1,507	173	1,334
Transmission expenses	52	3	49	183	21	162
Other variable procurements and services	259	30	229	71	3	68
CONTRIBUTION MARGIN	560	48	512	1,560	126	1,434
Work on non-current assets	4	—	4	7	—	7
Staff costs	80	4	76	173	14	159
Other fixed operating expenses	80	7	73	221	25	196
GROSS PROFIT FROM OPERATIONS	404	37	367	1,173	87	1,086
Depreciation and amortisation charge	8	—	8	251	17	234
PROFIT FROM OPERATIONS	396	37	359	922	70	852
FINANCIAL PROFIT/(LOSS)	98	(3)	101	(86)	(4)	(82)
Net finance costs	86	(3)	89	(88)	(6)	(82)
Exchange differences	12	—	12	2	2	—
Result of companies accounted for using the equity method	3	—	3	5	—	5
Income from other investments	—	—	—	—	—	—
Gains/(Losses) on asset disposals	4,564	336	4,228	(4)		(4)
PROFIT BEFORE TAX	5,061	370	4,691	837	66	771
Income tax	177	26	151	264	19	245
POST-TAX PROFIT OF DISCONTINUED OPERATIONS	4,884	344	4,540	573	47	526

	Millions of euros					
	31 December 2008			31 December 2007		
	Total	Spain and Portugal	Europe	Total	Spain and Portugal	Europe
ASSETS						
Non-current assets	2,411	2,411	—	8,412	2,171	6,241
Property, plant and equipment	2,002	2,002	—	5,978	1,880	4,098
Investment property	—	—	—	—	—	—
Intangible assets	101	101	—	126	95	31
Goodwill	119	119	—	1,721	44	1,677
Non-current financial assets	48	48	—	97	27	70
Investments accounted for using the equity method	131	131	—	199	104	95
Deferred tax assets	10	10	—	291	21	270
Current assets	187	187	—	1,409	166	1,243
Inventories	5	5	—	246	27	219
Trade and other receivables	56	56	—	811	52	759
Current financial assets	2	2	—	4	1	3
Current tax assets	78	78	—	158	63	95
Cash and cash equivalents	46	46	—	190	23	167
TOTAL ASSETS	2,598	2,598	—	9,821	2,337	7,484
LIABILITIES						
Non-current liabilities	630	630	—	2,008	295	1,713
Deferred income	13	13	—	101	11	90
Long-term provisions	25	25	—	280	39	241
Bank borrowings and other financial liabilities	498	498	—	799	177	622
Other non-current payables	14	14	—	403	14	389
Deferred tax liabilities	80	80	—	425	54	371
Current liabilities	300	300	—	1,545	511	1,034
Bank borrowings and other financial liabilities	22	22	—	194	43	151
Current trade and other payables	263	263	—	1,263	461	802
Current tax liabilities	15	15	—	88	7	81
TOTAL LIABILITIES	930	930	—	3,553	806	2,747

The cash flows from discontinued operations in 2008 and 2007 were as follows:

	Millions of euros	
	2008	2007
Net cash flows from operating activities	112	651
Net cash flows used in investing activities	8,779	(615)
Net cash flows from financing activities	42	78

In 2008 the basic earnings per share of the discontinued operations amounted to EUR 4.53 (2007: EUR 0.41).

29. SEGMENT REPORTING

BASIS OF SEGMENTATION

In carrying on its business activities, the Group's organisation is articulated on the basis of giving priority to its core business, consisting of the generation, transmission, distribution and retailing of electricity, gas and the provision of related services, and establishes three major lines of business, each based on a geographical area:

- Spain and Portugal, which are managed as an integrated market.
- Latin America
- Rest of the world

Although within each geographical segment the Group considers there to be a single vertically integrated activity, for the purpose of endowing the segments in Spain and Portugal and Latin America with greater transparency, Generation and Distribution are treated as secondary segments, and the retailing activity associated therewith is included in each of them. In the case of the "Rest of the world", the Group only has a presence in the Generation activity and in the Retailing activity associated therewith.

Since the corporate organisation of the Group basically coincides with that of the businesses and, therefore, of the segments, the basis of allocation established in the segment reporting presented below is based on the financial information of the companies making up each segment.

Millions of euros

	2008				2007			
	Spain and Portugal	Latam	Rest of the world	Total	Spain and Portugal	Latam	Rest of the world	Total
REVENUE	13,489	8,354	993	22,836	10,273	7,308	492	18,073
Sales	12,632	8,092	1,004	21,728	9,871	7,118	492	17,481
Other operating income	857	262	(11)	1,108	402	190	—	592
PROCUREMENTS AND SERVICES	7,188	4,358	970	12,516	4,229	3,836	450	8,515
Power purchased	2,044	2,203	984	5,231	1,032	2,081	419	3,532
Cost of fuel consumed	3,058	1,105	(11)	4,152	2,206	891	31	3,128
Transmission expenses	623	411	—	1,034	517	376	—	893
Other variable procurements and services	1,463	639	(3)	2,099	474	488	—	962
CONTRIBUTION MARGIN	6,301	3,996	23	10,320	6,044	3,472	42	9,558
Work on non-current assets	172	42	—	214	172	29	—	201
Staff costs	1,230	452	11	1,693	1,187	405	1	1,593
Other fixed operating expenses	1,313	618	15	1,946	1,239	555	4	1,798
GROSS PROFIT/(LOSS) FROM OPERATIONS	3,930	2,968	(3)	6,895	3,790	2,541	37	6,368
Depreciation and amortisation charge (*)	1,096	560	5	1,661	1,127	622	—	1,749
PROFIT/(LOSS) FROM OPERATIONS	2,834	2,408	(8)	5,234	2,663	1,919	37	4,619
FINANCIAL PROFIT/(LOSS)	(442)	(557)	(10)	(1,009)	(451)	(477)	2	(927)
Net finance costs	(488)	(518)	(10)	(1,016)	(417)	(465)	2	(881)
Exchange differences	46	(39)	—	7	(34)	(12)	—	(46)
Result of companies accounted for using the equity method	49	2	—	51	35	2	6	43
Income from other investments	2	8	—	10	7	1	—	8
Gains on asset disposals	10	12	—	22	101	50	—	151
PROFIT/(LOSS) BEFORE TAX	2,453	1,873	(18)	4,308	2,355	1,495	45	3,895
Income tax	562	530	(10)	1,082	605	367	13	985
POST-TAX PROFIT/(LOSS) OF CONTINUING OPERATIONS	1,891	1,343	(8)	3,226	1,750	1,128	32	2,910
POST-TAX PROFIT OF DISCONTINUED OPERATIONS	344	—	4,540	4,884	47	—	526	573
PROFIT FOR THE YEAR	2,235	1,343	4,532	8,110	1,797	1,128	558	3,483
Parent	2,217	506	4,446	7,169	1,785	471	419	2,675
Minority interests	18	837	86	941	12	657	139	808

(*) In 2008 and 2007 impairment losses amounting to EUR 51 million and EUR 145 million, respectively, were recognised.

Millions of euros

	31 December 2008				31 December 2007			
	Spain and Portugal	Latam	Rest of the world	Total	Spain and Portugal	Latam	Rest of the world	Total
ASSETS								
Non-current assets	**29,521**	**13,164**	**568**	**43,253**	**25,511**	**14,170**	**316**	**39,997**
Property, plant and equipment	21,537	9,801	190	31,528	20,035	10,463	97	30,595
Investment property	20	27	—	47	17	38	—	55
Intangible assets	904	107	172	1,183	289	93	137	519
Goodwill	33	1,942	78	2,053	20	2,222	49	2,291
Non-current financial assets	5,448	519	121	6,088	3,558	500	1	4,059
Investments accounted for using the equity method	154	39	3	196	187	72	32	291
Deferred tax assets	1,425	729	4	2,158	1,405	782	—	2,187
Current assets	**11,131**	**3,714**	**448**	**15,293**	**7,242**	**3,420**	**7,863**	**18,525**
Inventories	981	111	—	1,092	689	150	—	839
Trade and other receivables	4,083	1,569	356	6,008	3,975	1,760	255	5,990
Current financial assets	182	—	6	188	42	96	—	138
Current tax assets	79	502	39	620	94	571	13	678
Cash and cash equivalents	3,208	1,532	47	4,787	105	843	111	1,059
Non-current assets classified as held for sale	2,598	—	—	2,598	2,337	—	7,484	9,821
TOTAL ASSETS	**40,652**	**16,878**	**1,016**	**58,546**	**32,753**	**17,590**	**8,179**	**58,522**
EQUITY AND LIABILITIES								
Equity	**14,401**	**6,239**	**124**	**20,764**	**6,096**	**7,274**	**3,760**	**17,130**
Of the Parent	14,333	2,757	(8)	17,082	6,045	3,367	2,577	11,989
Of minority interests	68	3,482	132	3,682	51	3,907	1,183	5,141
Non-current liabilities	**19,169**	**7,260**	**507**	**26,936**	**21,169**	**7,411**	**1,401**	**29,981**
Deferred income	3,184	207	7	3,398	2,663	201	4	2,868
Long-term provisions	3,398	556	3	3,957	3,350	649	1	4,000
Bank borrowings and other financial liabilities	11,670	5,453	363	17,486	14,312	5,477	1,356	21,145
Other non-current payables	445	82	110	637	430	82	—	512
Deferred tax liabilities	472	962	24	1,458	414	1,002	40	1,456
Current liabilities	**7,082**	**3,379**	**385**	**10,846**	**5,488**	**2,905**	**3,018**	**11,411**
Bank borrowings and other financial liabilities	—	1,350	31	1,381	(47)	937	2	892
Current trade and other payables	5,529	1,508	347	7,384	4,280	1,536	268	6,084
Liabilities associated with non-current assets classified as held for sale	930	—	—	930	806	—	2,747	3,553
Current tax liabilities	623	521	7	1,151	449	432	1	882
TOTAL EQUITY AND LIABILITIES	**40,652**	**16,878**	**1,016**	**58,546**	**32,753**	**17,590**	**8,179**	**58,522**

Millions of euros

	2008				2007			
	Spain and Portugal	Latam	Rest of the world	Total	Spain and Portugal	Latam	Rest of the world	Total
Gross profit before tax and minority interests	2,804	1,873	4,692	9,369	2,421	1,495	816	4,732
Depreciation and amortisation charge	1,096	560	13	1,669	1,144	622	234	2,000
Gains/(losses) on asset disposals	(330)	(12)	(4,228)	(4,570)	(101)	(50)	4	(147)
Income tax	(444)	(403)	(102)	(949)	(457)	(220)	(163)	(840)
Provisions paid	(334)	(67)	(1)	(402)	(328)	(77)	(12)	(417)
Other results not giving rise to cash flows	215	14	(132)	97	5	31	(47)	(11)
Total cash flows from operating activities	**3,007**	**1,965**	**242**	**5,214**	**2,684**	**1,801**	**832**	**5,317**
Change in income tax payable	252	201	89	542	601	(127)	(99)	375
Change in operating current assets/liabilities	(296)	107	(238)	(427)	(562)	(389)	(157)	(1,108)
Net cash flows from operating activities	**2,963**	**2,273**	**93**	**5,329**	**2,723**	**1,285**	**576**	**4,584**
Investments in property, plant and equipment and intangible assets	(2,881)	(1,011)	(265)	(4,157)	(2,612)	(826)	(467)	(3,905)
Disposals of property, plant and equipment and intangible assets	899	20	9	928	89	27	17	133
Investments in Group companies	(89)	(324)	(40)	(453)	(8)	(46)	(45)	(99)
Disposals of investments in Group companies	8,285	—	—	8,285	40	—	—	40
Other investments	(2,426)	(69)	(184)	(2,679)	(566)	(217)	(9)	(792)
Income from disposal of investments	805	90	107	1,002	271	67	24	362
Cash flows due to changes in the scope of consolidation	—	—	(266)	(266)	—	—	—	—
Grants and other deferred income	503	1	2	506	398	1	11	410
Net cash flows from (used in) investing activities	**5,096**	**(1,293)**	**(637)**	**3,166**	**(2,388)**	**(994)**	**(469)**	**(3,851)**
Non-current bank borrowing drawdowns	176	1,316	292	1,784	1,648	972	430	3,050
Non-current bank borrowings and other financial liabilities repaid	(2,414)	(290)	7	(2,697)	(823)	(353)	(151)	(1,327)
Net cash flows from current bank borrowings and other financial liabilities	(1,485)	(434)	97	(1,822)	639	(277)	(16)	346
Dividends of the Parent paid	(1,210)	(376)	(35)	(1,621)	(1,889)	—	(152)	(2,041)
Payments to minority interests	—	(420)	(48)	(468)	(2)	(446)	(72)	(520)
Net cash flows from (used in) financing activities	**(4,933)**	**(204)**	**313**	**(4,824)**	**(427)**	**(104)**	**39**	**(492)**
Total net cash flows	**3,126**	**776**	**(231)**	**3,671**	**(92)**	**187**	**146**	**241**
Effect of foreign exchange rate changes on cash and cash equivalents	—	(87)	—	(87)	—	(11)	—	(11)
Net increase/decrease in cash and cash equivalents	**3,126**	**689**	**(231)**	**3,584**	**(92)**	**176**	**146**	**230**
Cash and cash equivalents at beginning of year	**128**	**843**	**278**	**1,249**	**220**	**667**	**132**	**1,019**
Cash on hand and at banks	82	187	168	436	160	134	28	323
Other cash equivalents	46	656	110	813	60	533	104	696
Cash and cash equivalents at end of year	**3,254**	**1,532**	**47**	**4,833**	**128**	**843**	**278**	**1,249**
Cash on hand and at banks	3,156	228	37	3,421	82	187	168	436
Other cash equivalents	98	1,304	10	1,412	46	656	110	813

	Electricity business in Spain and Portugal							
	Millions of euros							
	2008				**2007**			
	Generation	**Distribution**	**Corporate activities and adjustments**	**Total**	**Generation**	**Distribution**	**Corporate activities and adjustments**	**Total**
REVENUE	11,477	2,803	(791)	13,489	8,566	2,412	(705)	10,273
Sales	10,760	2,649	(777)	12,632	8,286	2,274	(689)	9,871
Other operating income	717	154	(14)	857	280	138	(16)	402
PROCUREMENTS AND SERVICES	7,688	403	(903)	7,188	4,767	158	(696)	4,229
Power purchased	2,296	5	(257)	2,044	1,180	3	(151)	1,032
Cost of fuel consumed	3,058	—	—	3,058	2,206	—	—	2,206
Transmission expenses	1,182	—	(559)	623	992	—	(475)	517
Other variable procurements and services	1,152	398	(87)	1,463	389	155	(70)	474
CONTRIBUTION MARGIN	3,789	2,400	112	6,301	3,799	2,254	(9)	6,044
Work on non-current assets	9	128	35	172	13	133	26	172
Staff costs	470	506	254	1,230	476	500	211	1,187
Other fixed operating expenses	813	570	(70)	1,313	784	536	(81)	1,239
GROSS PROFIT/(LOSS) FROM OPERATIONS	2,515	1,452	(37)	3,930	2,552	1,351	(113)	3,790
Depreciation and amortisation charge (*)	566	501	29	1,096	639	461	27	1,127
PROFIT/(LOSS) FROM OPERATIONS	1,949	951	(66)	2,834	1,913	890	(140)	2,663
FINANCIAL PROFIT/(LOSS)	(321)	(289)	168	(442)	(123)	(195)	(133)	(451)
Net finance costs	(347)	(289)	148	(488)	(117)	(195)	(105)	(417)
Exchange differences	26	—	20	46	(6)	—	(28)	(34)
Result of companies accounted for using the equity method	26	3	20	49	20	8	7	35
Income from other investments	(3)	—	5	2	6	(1)	2	7
Gains/(Losses) on asset disposals	1	5	4	10	100	12	(11)	101
PROFIT/(LOSS) BEFORE TAX	1,652	670	131	2,453	1,916	714	(275)	2,355
Income tax	438	155	(31)	562	489	182	(66)	605
POST-TAX PROFIT/(LOSS) OF CONTINUING OPERATIONS	1,214	515	162	1,891	1,427	532	(209)	1,750
POST-TAX PROFIT OF DISCONTINUED OPERATIONS	320	—	24	344	39	—	8	47
PROFIT/(LOSS) FOR THE YEAR	1,534	515	186	2,235	1,466	532	(201)	1,797
Parent	1,521	510	186	2,217	1,460	526	(201)	1,785
Minority interests	13	5	—	18	6	6	—	12

(*) In 2008 and 2007 impairment losses amounting to EUR 51 million and EUR 71 million, respectively, were recognised.

	Electricity business in Spain and Portugal							
	Millions of euros							
	31 December 2008				31 December 2007			
	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
ASSETS								
Non-current assets	13,228	12,726	3,567	29,521	11,895	11,851	1,765	25,511
Property, plant and equipment	9,631	11,427	479	21,537	9,114	10,446	475	20,035
Investment property	—	5	15	20	—	5	12	17
Intangible assets	647	180	77	904	70	154	65	289
Goodwill	19	—	14	33	20	—	—	20
Non-current financial assets	2,252	435	2,761	5,448	1,974	490	1,094	3,558
Investments accounted for using the equity method	95	44	15	154	97	70	20	187
Deferred tax assets	584	635	206	1,425	620	686	99	1,405
Current assets	6,359	2,034	2,738	11,131	5,264	1,562	416	7,242
Inventories	847	135	(1)	981	657	32	—	689
Trade and other receivables	2,335	1,722	26	4,083	2,119	1,437	513	4,069
Current financial assets	108	15	59	182	15	8	19	42
Current tax assets	132	78	(131)	79	26	76	(102)	
Cash and cash equivalents	331	84	2,793	3,208	82	9	14	105
Non-current assets classified as held for sale	2,606	—	(8)	2,598	2,365	—	(28)	2,337
TOTAL ASSETS	19,587	14,760	6,305	40,652	17,159	13,413	2,181	32,753
EQUITY AND LIABILITIES								
Equity	4,696	2,645	7,060	14,401	4,430	2,225	(559)	6,096
Of the Parent	4,657	2,620	7,056	14,333	4,403	2,205	(563)	6,045
Of minority interests	39	25	4	68	27	20	4	51
Non-current liabilities	8,640	9,699	830	19,169	8,268	9,222	3,679	21,169
Deferred income	79	3,191	(86)	3,184	90	2,627	(54)	2,663
Long-term provisions	1,454	1,381	563	3,398	1,494	1,499	357	3,350
Bank borrowings and other financial liabilities	6,754	4,675	241	11,670	6,413	4,654	3,245	14,312
Other non-current payables	94	363	(12)	445	55	343	32	430
Deferred tax liabilities	259	89	124	472	216	99	99	414
Current liabilities	6,251	2,416	(1,585)	7,082	4,461	1,966	(939)	5,488
Bank borrowings and other financial liabilities	55	129	(184)	—	15	140	(202)	(47)
Current trade and other payables	4,792	2,064	(1,327)	5,529	3,614	1,644	(529)	4,729
Liabilities associated with non-current assets classified as held for sale	933	—	(3)	930	806	—	—	806
Current tax liabilities	471	223	(71)	623	26	182	(208)	—
TOTAL EQUITY AND LIABILITIES	19,587	14,760	6,305	40,652	17,159	13,413	2,181	32,753

Electricity business in Latin America

Millions of euros

	2008				2007			
	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
REVENUE	3,946	4,942	(534)	8,354	3,560	4,343	(595)	7,308
Sales	3,928	4,720	(556)	8,092	3,544	4,180	(606)	7,118
Other operating income	18	222	22	262	16	163	11	190
PROCUREMENTS AND SERVICES	1,974	2,961	(577)	4,358	1,964	2,506	(634)	3,836
Power purchased	484	2,393	(674)	2,203	694	2,035	(648)	2,081
Cost of fuel consumed	1,105	—	—	1,105	891	—	—	891
Transmission expenses	277	159	(25)	411	292	125	(41)	376
Other variable procurements and services	108	409	122	639	87	346	55	488
CONTRIBUTION MARGIN	1,972	1,981	43	3,996	1,596	1,837	39	3,472
Work on non-current assets	—	42	—	42	—	29	—	29
Staff costs	102	263	87	452	93	227	85	405
Other fixed operating expenses	158	446	14	618	140	402	13	555
GROSS PROFIT/(LOSS) FROM OPERATIONS	1,712	1,314	(58)	2,968	1,363	1,237	(59)	2,541
Depreciation and amortisation charge (*)	303	249	8	560	372	242	8	622
PROFIT/(LOSS) FROM OPERATIONS	1,409	1,065	(66)	2,408	991	995	(67)	1,919
FINANCIAL LOSS	(314)	(197)	(46)	(557)	(296)	(76)	(105)	(477)
Net finance costs	(279)	(159)	(80)	(518)	(296)	(90)	(79)	(465)
Exchange differences	(35)	(38)	34	(39)	—	14	(26)	(12)
Result of companies accounted for using the equity method	—	—	2	2	2	—	—	2
Income from other investments	1	—	7	8	(1)	—	2	1
Gains/(Losses) on asset disposals	(1)	4	9	12	—	—	50	50
PROFIT/(LOSS) BEFORE TAX	1,095	872	(94)	1,873	696	919	(120)	1,495
Income tax	244	213	73	530	141	268	(42)	367
POST-TAX PROFIT/(LOSS) OF CONTINUING OPERATIONS	851	659	(167)	1,343	555	651	(78)	1,128
POST-TAX PROFIT OF DISCONTINUED OPERATIONS	—	—	—	—	—	—	—	—
PROFIT/(LOSS) FOR THE YEAR	851	659	(167)	1,343	555	651	(78)	1,128
Parent	672	603	(769)	506	400	548	(477)	471
Minority interests	179	56	602	837	155	103	399	657

(*) In 2008 and 2007 impairment losses amounting to EUR 0 million and EUR 74 million, respectively, were recognised.

	Electricity business in Latin America							
	Millions of euros							
	31 December 2008				31 December 2007			
	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
ASSETS								
Non-current assets	6,790	4,894	1,480	13,164	7,042	5,393	1,735	14,170
Property, plant and equipment	5,834	3,945	22	9,801	6,302	4,136	25	10,463
Investment property	—	—	27	27	—	—	38	38
Intangible assets	41	62	4	107	22	65	6	93
Goodwill	269	304	1,369	1,942	138	319	1,765	2,222
Non-current financial assets	288	189	42	519	240	397	(137)	500
Investments accounted for using the equity method	37	—	2	39	70	—	2	72
Deferred tax assets	321	394	14	729	270	476	36	782
Current assets	1,981	1,617	116	3,714	1,583	1,651	186	3,420
Inventories	57	29	25	111	78	37	35	150
Trade and other receivables	708	1,046	(185)	1,569	830	1,028	(98)	1,760
Current financial assets	—	5	(5)	—	63	2	31	96
Current tax assets	226	185	91	502	241	211	119	571
Cash and cash equivalents	990	352	190	1,532	371	373	99	843
Non-current assets classified as held for sale	—	—	—	—	—	—	—	—
TOTAL ASSETS	8,771	6,511	1,596	16,878	8,625	7,044	1,921	17,590
EQUITY AND LIABILITIES								
Equity	3,273	2,623	343	6,239	3,482	2,686	1,106	7,274
Of the Parent	2,209	2,386	(1,838)	2,757	2,202	2,445	(1,280)	3,367
Of minority interests	1,064	237	2,181	3,482	1,280	241	2,386	3,907
Non-current liabilities	3,540	2,399	1,321	7,260	3,548	2,804	1,059	7,411
Deferred income	7	200	—	207	3	197	1	201
Long-term provisions	86	340	130	556	93	421	135	649
Bank borrowings and other financial liabilities	2,838	1,533	1,082	5,453	2,809	1,818	850	5,477
Other non-current payables	62	55	(35)	82	66	57	(41)	82
Deferred tax liabilities	547	271	144	962	577	311	114	1,002
Current liabilities	1,958	1,489	(68)	3,379	1,595	1,554	(244)	2,905
Bank borrowings and other financial liabilities	858	426	66	1,350	603	431	(97)	937
Current trade and other payables	860	819	(171)	1,508	802	905	(171)	1,536
Liabilities associated with non-current assets classified as held for sale	—	—	—	—	—	—	—	—
Current tax liabilities	240	244	37	521	190	218	24	432
TOTAL EQUITY AND LIABILITIES	8,771	6,511	1,596	16,878	8,625	7,044	1,921	17,590

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties, form part of the Company's normal business activities (in terms of their purpose and terms and conditions) and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

For the purposes of the information included in this Note, in 2007 Acciona, Enel and Caja Madrid (up to 30 September 2007) were considered to be significant shareholders and in 2008 Acciona and Enel were considered to be significant shareholders.

30.1. EXPENSES, INCOME AND OTHER TRANSACTIONS

The noteworthy transactions carried out in 2008 and 2007 with related parties, all of which were performed on an arm's length basis, were as follows:

30.1.1. Expenses and income

					Thousands of euros
					2008
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Finance costs	—	—	—	—	—
Management or cooperation agreements	—	221	—	—	221
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	—	—	—	—	—
Purchase of finished goods and work in progress	25,498	—	—	—	25,498
Valuation adjustments for uncollectible or doubtful debts	—	—	—	—	—
Losses on derecognition or disposal of assets	—	—	—	—	—
Other expenses	55,388	—	—	—	55,388
EXPENSES	**80,886**	**221**	**—**	**—**	**81,107**
Finance income	—	44	—	—	44
Management or cooperation agreements	—	—	—	—	—
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services	21	—	—	—	21
Sale of finished goods and work in progress	62,010	—	—	—	62,010
Gains on derecognition or disposal of assets	—	—	—	—	—
Other income	29,724	—	—	—	29,724
INCOME	**91,755**	**44**	**—**	**—**	**91,799**

	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
	Thousands of euros 2007				
Finance costs	41,900	—	—	—	41,900
Management or cooperation agreements	—	—	—	—	—
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	38,763	—	—	—	38,763
Purchase of finished goods and work in progress	41,074	—	—	—	41,074
Valuation adjustments for uncollectible or doubtful debts	—	—	—	—	—
Losses on derecognition or disposal of assets	—	—	—	—	—
Other expenses	—	—	—	—	—
EXPENSES	**121,737**	**—**	**—**	**—**	**121,737**
Finance income	36,007	69	—	—	36,076
Management or cooperation agreements	60,000	—	—	—	60,000
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services	83,871	—	—	—	83,871
Sale of finished goods and work in progress	175,046	—	—	—	175,046
Gains on derecognition or disposal of assets	—	—	—	—	—
Other income	2,818	—	—	—	2,818
INCOME	**357,742**	**69**	**—**	**—**	**357,811**

30.1.2. Other transactions

	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
	Thousands of euros 2008				
Purchase of property, plant and equipment, intangible assets or other assets	28,878	—	—	—	28,878
Financing agreements (lender)	—	—	—	—	—
Finance leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	—	—	—	—	—
Financing agreements (borrower)	—	2,544	—	—	2,544
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	466	—	—	466
Guarantees provided	—	—	—	—	—
Guarantees received	—	34,753	—	—	34,753
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other distributed profit	1,492,294	—	—	—	1,492,294
Other transactions	4,372	—	—	—	4,372

Thousands of euros					
	2007				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets or other assets	63,712	—	—	—	63,712
Financing agreements (lender)	—	—	—	—	—
Finance leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	—	—	—	—	—
Financing agreements (borrower)	—	3,010	—	—	3,010
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	1,874	—	—	1,874
Guarantees provided	—	—	—	—	—
Guarantees received	81,910	38,998	—	—	120,908
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other distributed profit	1,012,798	1	—	—	1,012,799
Other transactions	—	—	—	—	—

30.2. ASSOCIATES AND JOINT VENTURES

The transactions with associates and jointly controlled entities relate mainly to loans granted, the balance of which at 31 December 2008 amounted to EUR 92 million (31 December 2007: EUR 260 million) (see Note 10) and to guarantees provided amounting to EUR 641 million at the same date (31 December 2007: EUR 192 million).

At 31 December 2008, the main loan transactions related to the Gas Atacama Group (EUR 58 million) and Tirme (EUR 9 million). The main guarantees provided related to Elcogas (EUR 116 million), PEVSA (EUR 332 million) and Prorener (EUR 74 million).

At 31 December 2007, the main loan transactions related to the Gas Atacama Group (EUR 65 million) and Tirme (EUR 9 million). The main guarantees provided related to Elcogas (EUR 113 million), PEVSA (EUR 40 million) and Prorener (EUR 27 million).

30.3. PENSION PLANS

At 31 December 2008 and 2007, the amounts payable to the Endesa Group Pension Plan in Spain as a result of the Rebalancing Plans approved by the Directorate-General of Insurance totalled EUR 103 million and EUR 157 million, respectively, and are recognised under "Bank Borrowings and Other Financial Liabilities" in the accompanying consolidated balance sheets.

30.4. DIRECTORS AND SENIOR EXECUTIVES

30.4.1. Remuneration of directors

Article 40 of the corporate bylaws states that "the remuneration of the directors comprises the following items: a fixed monthly emolument and a share in the profits. The overall annual remuneration for all the directors in connection with the aforementioned items shall be one per mil of the profits of the consolidated Group, as approved at the Annual General Meeting, although the Board of Directors may reduce this percentage in the years that it sees fit. All without prejudice to the provisions of Article 40.3 in connection with attendance fees.

The Board of Directors shall distribute the aforementioned amount between the items indicated above and among the directors in the form, time and proportion freely decided by it.

The members of the Board of Directors shall also receive fees for attending each session of the Company's managing bodies and their committees. The amount of such attendance fee shall not exceed the amount that, pursuant to the foregoing, is determined as the fixed monthly emolument. The Board of Directors may, within that limit, establish the amount of the attendance fees.

The remuneration provided for in the preceding paragraphs, derived from membership of the Board of Directors, shall be compatible with such other professional or employment-related income as might correspond to the directors for any other executive or advisory functions that they might discharge for the Company other than the supervisory and collective decision-making functions discharged by virtue of their capacity as directors, which shall be subject to the legal regime applicable to them.

In accordance with Article 130 of the Spanish Companies Law, the remuneration relating to profit-sharing shall only be received by the directors after the requisite appropriations to the legal and bylaw reserves have been made and after a minimum dividend of 4% has been declared for the shareholders."

Therefore, the members of the Board of Directors of Endesa, S.A. received remuneration in their capacity as Company directors and for their membership, in certain cases, of Boards of Directors of subsidiaries, and the members of the Board of Directors who also discharge executive functions received their remuneration in this connection.

In 2008 the fixed monthly emolument for each director was EUR 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to EUR 2,003.37 gross each.

In 2007 the fixed monthly emolument for each director was EUR 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to EUR 2,003.37 gross each.

The detail of the remuneration received by the members of the Board of Directors is as follows:

	Fixed remuneration (euros)			
	2008		2007	
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
José Manuel Entrecanales Domecq (2)	48,081	1,364,158	12,020	267,827
Andrea Brentán (2) (7)	48,081	—	12,020	—
Rafael Miranda Robredo	48,081	1,227,742	48,081	1,174,873
Carmen Becerril Martínez (2)	48,081	—	12,020	—
Fernando d'Ornellas Silva (1)	48,081	—	28,047	—
Luigi Ferraris (2) (7)	48,081	—	12,020	—
Claudio Machetti (2) (7)	48,081	—	12,020	—
Valentín Montoya Moya (2)	48,081	—	12,020	—
Esteban Morrás Andrés (2)	48,081	473,421	12,020	75,506
Borja Prado Eulate (1)	48,081	—	28,047	—
Manuel Pizarro Moreno (4)	—	—	40,067	1,044,331
Alberto Alonso Ureba (3)	—	—	24,040	—
Miguel Blesa de la Parra (4)	—	—	40,067	—
José María Fernández Cuevas (3)	—	—	24,040	—
José Manuel Fernández Norniella (3)	—	—	24,040	—
Rafael González-Gallarza Morales (3)	—	—	24,040	—
Francisco Núñez Boluda (5)	—	—	—	—
Juan Ramón Quintás Seoane (4) (6)	—	—	—	—
Francisco Javier Ramos Gascón (4)	—	—	40,067	—
Alberto Recarte García-Andrade (4)	—	—	40,067	—
Manuel Ríos Navarro (3)	—	—	24,040	—
Juan Rosell Lastortras (4)	—	—	40,067	—
José Serna Masiá (4)	—	—	40,067	—
SUBTOTAL	**480,810**	**3,065,321**	**548,916**	**2.562.537**
TOTAL	**3,546,131**		**3,111,453**	

(1) Member of the Board of Directors since 20 June 2007.
(2) Member of the Board of Directors since 18 October 2007 and, accordingly, the remuneration in 2007 relates only to the last quarter.
(3) Ceased to be a member of the Board of Directors on 20 June 2007.
(4) Ceased to be a member of the Board of Directors on 18 October 2007.
(5) Ceased to be a member of the Board of Directors on 25 February 2006.
(6) Waives entitlement to remuneration other than attendance fees and similar.
(7) The remuneration earned by these directors is paid directly to Enel, S.p.A. pursuant to its internal regulations.

	Variable remuneration (euros)			
	2008		2007	
	Profit-sharing	Remuneration	Profit-sharing	Remuneration
José Manuel Entrecanales Domecq (3)	43,389	827,144	—	—
Andrea Brentán (3) (9)	43,389	—	—	—
Rafael Miranda Robredo (1)	173,557	1,320,537	104,510	1,419,091
Carmen Becerril Martínez (3)	43,389	—	—	—
Fernando d'Ornellas Silva (2)	101,242	—	—	—
Luigi Ferraris (3) (9)	43,389	—	—	—
Claudio Machetti (3) (9)	43,389	—	—	—
Valentín Montoya Moya (3)	43,389	—	—	—
Esteban Morrás Andrés (3)	43,389	253,309	—	—
Borja Prado Eulate (2)	101,242	—	—	—
Manuel Pizarro Moreno (5) (10)	144,631	—	104,510	2,512,954
Alberto Alonso Ureba (4)	86,779	—	104,510	—
Miguel Blesa de la Parra (5) (8)	—	—	—	—
José María Fernández Cuevas (4)	86,779	—	104,510	—
José Manuel Fernández Norniella (4)	86,779	—	104,510	—
Rafael González-Gallarza Morales (4)	86,779	—	104,510	—
Francisco Núñez Boluda (6)	—	—	17,686	—
Juan Ramón Quintás Seoane (5) (7)	—	—	—	—
Francisco Javier Ramos Gascón (5)	144,631	—	104,510	—
Alberto Recarte García-Andrade (5)	144,631	—	104,510	—
Manuel Ríos Navarro (4)	86,779	—	104,510	—
Juan Rosell Lastortras (5)	144,631	—	104,510	—
José Serna Masiá (5)	144,631	—	104,510	—
SUBTOTAL	**1,836,814**	**2,400,990**	**1,167,296**	**3.932.045**
TOTAL	**4,237,804**		**5,099,341**	

(1) The total variable remuneration of Rafael Miranda Robredo amounted to EUR 1,472,145 in 2007 and EUR 1,389,729 in 2008, although EUR 53,054 and EUR 69,192, respectively, of "attendance fees of other companies" were discounted from these amounts.
(2) Member of the Board of Directors since 20 June 2007.
(3) Member of the Board of Directors since 18 October 2007.
(4) Ceased to be a member of the Board of Directors on 20 June 2007.
(5) Ceased to be a member of the Board of Directors on 18 October 2007.
(6) Ceased to be a member of the Board of Directors on 25 February 2006.
(7) Waives entitlement to remuneration other than attendance fees and similar.
(8) Waives entitlement to remuneration other than the fixed emolument, attendance fees and similar.
(9) The remuneration earned by these directors is paid directly to Enel, S.p.A. pursuant to its internal regulations.
(10) The detail of Manuel Pizarro Moreno's variable remuneration includes the amounts earned in this connection in 2006 and a proportion of the amount for 2007, since Manuel Pizarro Moreno ceased to be a director on 18 October 2007.

	Attendance fees (euros)			
	2008		2007	
	Endesa	Other companies	Endesa	Other companies
José Manuel Entrecanales Domecq (2)	26,044	—	6,010	—
Andrea Brentán (2) (6)	106,179	—	16,027	—
Rafael Miranda Robredo	40,067	125,363	130,219	147,473
Carmen Becerril Martínez (2)	84,142	—	12,020	—
Fernando d'Ornellas Silva (1)	46,078	23,392	52,088	—
Luigi Ferraris (2) (6)	74,125	—	10,017	—
Claudio Machetti (2) (6)	54,091	—	4,007	—
Valentín Montoya Moya (2)	92,155	—	8,013	—
Esteban Morrás Andrés (2)	74,125	—	10,017	—
Borja Prado Eulate (1)	54,091	22,377	48,081	—
Manuel Pizarro Moreno (4)	—	—	122,206	
Alberto Alonso Ureba (3)	—	—	80,135	—
Miguel Blesa de la Parra (4)	—	—	114,192	—
José María Fernández Cuevas (3)	—	—	92,155	12,020
José Manuel Fernández Norniella (3)	—	—	86,145	57,116
Rafael González-Gallarza Morales (3)	—	—	42,071	20,034
Francisco Núñez Boluda (5)	—	—	—	—
Juan Ramón Quintás Seoane (4)	—	—	38,064	—
Francisco Javier Ramos Gascón (4)	—	—	82,138	54,091
Alberto Recarte García-Andrade (4)	—	—	60,101	54,091
Manuel Ríos Navarro (3)	—	—	42,071	20,034
Juan Rosell Lastortras (4)	—	—	38,064	15,000
José Serna Masiá (4)	—	—	66,111	54,091
TOTAL	**651,097**	**171,132**	**1,159,952**	**433,950**

(1) Member of the Board of Directors since 20 June 2007.
(2) Member of the Board of Directors since 18 October 2007.
(3) Ceased to be a member of the Board of Directors on 20 June 2007.
(4) Ceased to be a member of the Board of Directors on 18 October 2007.
(5) Ceased to be a member of the Board of Directors on 25 Februray 2006.
(6) The remuneration earned by these directors is paid directly to Enel, S.p.A. pursuant to its internal regulations.

	Other remuneration (euros)	
	2008	**2007**
Manuel Pizarro Moreno (*)	—	14,100,777
Rafael Miranda Robredo	29,795	28,114
Esteban Morrás Andrés	7,214	778
TOTAL	**37,009**	**14,129,669**

(*) "Other Remuneration" in 2007 includes the amount of the contractual termination payment to Mr Pizarro, who ceased to be a director on 18 October 2007.

	Advances and loans (euros)	
	2008	**2007**
Rafael Miranda Robredo	242,577	292,577

These advances and loans were granted before the approval of the Sarbanes-Oxley Act in July 2002, and the terms and conditions thereof have not changed since that date.

	Pension funds and plans: Contributions (euros)	
	2008	**2007**
José Manuel Entrecanales Domecq	268,218	53,309
Rafael Miranda Robredo (1)	94,358	87,473
Esteban Morrás Andrés	93,619	13,636
Manuel Pizarro Moreno	—	451,543

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. With regard to future pensions, since the total premiums in this connection were paid in prior years, the 2008 financial statements include only changes arising from valuation adjustments.

	Life insurance premiums (euros)	
	2008	**2007**
José Manuel Entrecanales Domecq	125,422	—
Rafael Miranda Robredo	12,149	—
Esteban Morrás Andrés	31,845	9,787
Manuel Pizarro Moreno	—	136,152
Directors	22,525	108,071

GUARANTEES PROVIDED BY THE COMPANY TO DIRECTORS

As regards remuneration, the Company has provided guarantees for the Chief Executive Officer amounting to EUR 11,433,036 in 2008 (2007: EUR 12,226,001) to cater for accruals of future remuneration rights, i.e. early retirement rights, as in the case of the other employees of the same age and with the same length of service.

30.4.2. Remuneration of senior executives

REMUNERATION OF SENIOR EXECUTIVES IN 2008 AND 2007

Identification of the senior executives who are not executive directors, and total remuneration earned by them in the year:

Senior executives

Name	Position
Francisco Borja Acha Besga	General Manager - Legal Counsel
Alfonso Arias Cañete (2)	General Manager - Nuclear Power
José Damián Bogas Gálvez	General Manager for Spain and Portugal
Paolo Bondi	Assistant Economic and Financial General Manager
Francesco Buresti	General Manager - Purchasing
Pío Cabanillas Alonso	General Manager - Communications
Pablo Casado Rebóiro	Regional General Manager for the Canary Islands
M.ª Isabel Fernández Lozano	Assistant General Manager - Services
Amado Franco Lahoz	Chairman of the Advisory Board of Erz-Endesa Aragón
Juan Gallardo Cruces	Economic and Financial General Manager
Jaime Gros Bañeres	Regional General Manager for Aragón
José Antonio Gutiérrez Pérez	General Manager of Erz-Endesa Aragón
Pedro Larrea Paguaga	General Manager for Latin America
Héctor López Vilaseco	General Manager
José Luis Marín López Otero	General Manager of Endesa Red
Alberto Martín Rivals (1)	Director / General Manager of Endesa France
José A. Martínez Fernández (1)	General Manager of Sevillana-Endesa Andalucía and Extremadura
Germán Medina Carrillo	General Manager - Human Resources
Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
Rafael Montes Caracuel (2)	Assistant General Manager - Human Resources
Manuel Morán Casero	General Manager - Generation
Jesús Olmos Clavijo (1)	General Manager - Corporate Development
Antonio Pareja Molina	General Manager - Services
José Luis Puche Castillejo	General Manager - Audit
Álvaro Quiralte Abelló	General Manager - Energy Management
Bartolomé Reus Beltrán	Chairman of the Advisory Board of Gesa-Endesa Balearic Islands
Félix Rivas Anoro (2)	Assistant General Manager - Purchasing, Planning and Resources
Jorge Rosemblut Ratinoff	Chairman of Chilectra
Andreu Rotger Amengual (2)	Regional General Manager for the Balearic Islands
José María Rovira Vilanova	General Manager of Fecsa-Endesa Cataluña
Javier Uriarte Monereo	General Manager - Retailing
Mario Valcarce Durán	Director and Chairman of Endesa Chile
Jaime Ybarra Llosent	Chairman of the Advisory Board of Sevillana Endesa Andalucía and Extremadura
Pablo Yrarrazabal Valdés	Chairman of Enersis
Rafael López Rueda	General Manager of Chilectra
Joaquín Galindo Vélez	General Manager
Ignacio Antoñanzas Alvear	General Manager of Enersis
Rafael Mateo Alcalá	General Manager of Endesa Chile
Antón Costas Comesaña	Chairman of the Advisory Board of Fecsa-Endesa Cataluña

(1) Left the Company in 2008.
(2) Joined the Company in 2008.

The detail of the remuneration relating to each of the persons in the foregoing table is as follows:

	Remuneration (euros)			
	At the Company		Due to membership of boards of directors of Group companies	
	2008	2007	2008	2007
Fixed remuneration	11,794,754	11,221,768	—	—
Variable remuneration (1)	8,745,588	9,759,694	—	—
Attendance fees	—	—	259,094	493,449
Bylaw-stipulated directors' emoluments	—	—	—	—
Share options and other financial instruments	—	—	—	—
Other (2)	7,257,123	9,331,689	—	—
TOTAL	**27,797,465**	**30,313,151**	**259,094**	**493,449**

(1) The detail of the variable remuneration paid to senior executives includes the amounts earned in this connection in 2007 and a proportion of the amount for 2008 for all the senior executives who left the Company in 2008.
(2) This amount includes the contractual termination payments received by the senior executives who left the Company as a result of the change of control.

	Other benefits (euros)			
	At the company		Due to membership of boards of directors of Group companies	
	2008	2007	2008	2007
Advances	1,137,673	1,199,626	—	—
Loans	1,163,712	1,517,437	—	—
Pension funds and plans: contributions	2,359,680	2,279,465	—	—
Pension funds and plans: obligations assumed	—	—	—	—
Life insurance premiums	772,560	683,598	—	—

GUARANTEES PROVIDED BY THE COMPANY TO SENIOR EXECUTIVES

As regards remuneration, the Company provided guarantees for senior executives entitled to them totalling EUR 23,320,541 in 2008 (2007: EUR 26,772,215) to cater for future accruals of future remuneration rights, i.e. early retirement rights, as in the case of the other employees of the same age and with the same length of service.

30.4.3. Guarantee clauses: directors and senior executives

GUARANTEE CLAUSES FOR CASES OF TERMINATION OR CHANGES OF CONTROL

These clauses are the same in all the contracts of the executive directors and senior executives of the Company and of its Group and, as can be observed from the reports requested by the Company, they are in line with standard practice in the market (*). They were approved by the Board of Directors following the report of the Appointments and Remuneration Committee and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

The regime for these clauses is as follows:

(*) To approximate market conditions, in the case of three of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service, for certain cases in which the executive leaves the Company's employ.

Termination of the employment relationship:

- By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is rendered devoid of content, or in the event of a change of control or any of the other cases of remunerated termination provided for in Royal Decree 1382/1985, of 1 August.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his or her duties: no entitlement to termination benefit.

These conditions are alternatives to those derived from changes to the pre-existing employment relationship or the termination thereof due to pre-retirement for the CEO and senior executives.

Post-contractual non-competition clause:

In the vast majority of the related contracts, senior executives are required not to engage in a business activity in competition with Endesa for a period of two years; as consideration, the executive is entitled to an amount equal to one annual fixed remuneration payment.

At 31 December 2008, 33 executive directors and senior executives had guarantee clauses in their employment contracts.

30.4.4. Other disclosures concerning the Board of Directors

In order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Endesa, S.A. in which the members of the Board of Directors own equity interests, and of the functions, if any, that they discharge thereat:

At 31 December 2008

Name of director	Employer Identification Number of the company in question	Name of the company in question	% of ownership	Position
José Manuel Entrecanales Domecq	A08001851	Acciona, S.A.	0.01165	Chairman
Carmen Becerril Martínez	A08001851	Acciona, S.A.	0.00077	GM - Corporate Resources and Investor Relations
Andrea Brentán	00811720580	Enel, S.p.A.	—	Manager - Spain, Portugal and Latin America
Luigi Ferraris	00811720580	Enel, S.p.A.	0.00004	Manager - Accounting, Planning and Control
Claudio Machetti	00811720580	Enel, S.p.A.	—	Financial Manager
Rafael Miranda Robredo	A 28294726	Enagás, S.A.	0.00055	None
Valentín Montoya Moya	A08001851	Acciona, S.A.	0.00198	Director & Economic and Financial General Manager
Esteban Morrás Andrés	A08001851	Acciona, S.A.	0.01237	Director
Borja Prado Eulate	A28004885	ACS, S.A.	0.00060	None

At 31 December 2007

Name of director	Employer Identification Number of the company in question	Name of the company in question	% of ownership	Position
José Manuel Entrecanales Domecq	A08001851	Acciona, S.A.	0.01165	Chairman
Carmen Becerril Martínez	A08001851	Acciona, S.A.	0.00077	GM - Strategic Analysis, R&D
Andrea Brentán	00811720580	Enel, S.p.A.	—	Manager - Spain, Portugal and Latin America
Luigi Ferraris	00811720580	Enel, S.p.A.	—	CFO, Executive Vice President - Accounting, Planning and Control
Claudio Machetti	00811720580	Enel, S.p.A.	—	CFO, Executive Vice President - Finance
Rafael Miranda Robredo	A 28294726	Enagás, S.A.	0.00055	None
Valentín Montoya Moya	A08001851	Acciona, S.A.	0.00133	Director & Economic and Financial General Manager
Esteban Morrás Andrés	A08001851	Acciona, S.A.	0.00542	Director
Borja Prado Eulate	A28004885	ACS, S.A.	0.00060	None

In 2008 there were cases of conflicts of interest involving the directors. The directors affected by this conflict situation did not attend the related Board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of Endesa by its Board of Directors.

Distribution by gender: at 31 December 2008, the Board of Directors of Endesa, S.A. was made up of one woman and nine men. At 31 December 2007, the Board of Directors of Endesa, S.A. was made up of one woman and nine men.

30.4.5. Share-based payment plans

To date, Endesa has not established any share-based payment or share option plans and, accordingly, neither the members of the Board of Directors nor the senior executives have received any remuneration in this connection.

31. GUARANTEE COMMITMENTS TO THIRD PARTIES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER OBLIGATIONS

Under current legislation in Spain and pursuant to Spanish Electricity Industry Law 54/1997, the Group is insured against third-party liability claims for nuclear accidents arising from the operation of nuclear plants up to EUR 700 million. Any loss or damage in excess of this amount would be governed by the international conventions entered into by the Spanish State. The nuclear power plants are also insured against damage to their installations and machinery breakdowns, with maximum coverage of EUR 700 million for each power plant.

At 31 December 2008 and 2007, the Group's liquid financial assets pledged as security for liabilities or contingent liabilities amounted to EUR 128 million and EUR 119 million, respectively. Also, at 31 December 2008, future collections amounting to EUR 21 million had been pledged (31 December 2007: EUR 45 million).

At 31 December 2008 and 2007, items of property, plant and equipment amounting to EUR 584 million and EUR 766 million, respectively, were securing fulfilment of the Group's obligations.

At 31 December 2008, the Group had future electricity purchase commitments amounting to EUR 41,876 million (31 December 2007: EUR 30,536 million).

At 31 December 2008, the Endesa Group had provided guarantees to third parties in connection with its business activities totalling EUR 641 million (31 December 2007: EUR 192 million) (see Note 30.2).

During the takeover bid of Gas Natural SDG, S.A. for all the shares of Endesa, S.A., which it withdrew on 1 February 2007, and as a result of the injunctive relief granted by the Supreme Court and by Commercial Court no. 3 of Madrid, Endesa had to provide a bond for the damage and loss, if any, that the injunctive relief might cause for the companies affected by it. To date, only the EUR 1,000 million bond provided to Madrid Commercial Court no. 3 remains outstanding, although it should be noted that neither the bond nor its amount determine or imply the existence or amount of the possible liability that might arise from injunctive relief.

32. OTHER DISCLOSURES

32.1. FEES PAID TO AUDITORS

The detail of the fees for the services provided in 2008 and 2007 by the auditors of the financial statements of the various Group companies is as follows:

				Thousands of euros
	2008		2007	
	Principal auditor	Other auditors of subsidiaries	Principal auditor	Other auditors of subsidiaries
Audit of financial statements	9,233	2,028	11,438	2,500
Audits other than of the financial statements and other audit-related services	1,158	411	2,763	311
Other non-audit services	1,132	298	2,567	844
TOTAL	**11,523**	**2,737**	**16,768**	**3,655**

32.2. HEADCOUNT

The detail, by business, professional category and gender, of the year-end and average headcount of the Endesa Group in 2008 and 2007 is as follows:

						Year-end headcount
	31 December 2008			31 December 2007		
	Men	Women	Total	Men	Women	Total
Electricity business in Spain and Portugal	11,246	2,344	13,590	11,279	2,348	13,627
Electricity business in Latin America	10,243	2,653	12,896	10,187	2,069	12,256
Electricity business in the rest of Europe	84	17	101	1,832	322	2,154
TOTAL	**21,573**	**5,014**	**26,587**	**23,298**	**4,739**	**28,037**

						Year-end headcount
	31 December 2008			31 December 2007		
	Men	Women	Total	Men	Women	Total
Executives	719	78	797	700	79	779
University graduates	5,412	1,207	6,619	5,715	1,132	6,847
Further education college graduates	5,373	1,039	6,412	5,572	963	6,535
Middle management	5,546	1,383	6,929	5,753	1,282	7,035
Clerical staff and manual workers	4,523	1,307	5,830	5,558	1,283	6,841
TOTAL	**21,573**	**5,014**	**26,587**	**23,298**	**4,739**	**28,037**

	Average headcount					
			2008			2007
	Men	Women	Total	Men	Women	Total
Electricity business in Spain and Portugal	11,315	2,357	13,672	11,335	2,286	13,621
Electricity business in Latin America	10,091	2,608	12,699	10,140	2,058	12,198
Electricity business in the rest of Europe	1,204	6	1,210	1,853	326	2,179
TOTAL	22,610	4,971	27,581	23,328	4,670	27,998

	Average headcount					
			2008			2007
	Men	Women	Total	Men	Women	Total
Executives	753	77	830	712	81	793
University graduates	5,671	1,196	6,867	5,605	1,080	6,685
Further education college graduates	5,631	1,030	6,661	5,453	937	6,390
Middle management	5,821	1,371	7,192	5,697	1,283	6,980
Clerical staff and manual workers	4,734	1,297	6,031	5,861	1,289	7,150
TOTAL	22,610	4,971	27,581	23,328	4,670	27,998

33. EVENTS AFTER THE BALANCE SHEET DATE

In January 2009 Endesa acquired all the shares of Endesa Ireland from ESB for EUR 440 million. The company, which owns four plants with a total installed capacity of 1,068 MW, does not have any debt and, accordingly, the value of the assets approximates the value of the company.

On 20 February 2009, within the framework of the sale of Endesa shares by Acciona to Enel (see Note 14), Endesa agreed to sell to Acciona, which undertook to purchase, certain of Endesa's wind and hydroelectric generating assets for a total price of EUR 2,890 million, which may be adjusted on the basis of certain parameters such as any net financial debt that is transferred together with the assets, possible gains on disposal of the assets in a subsequent transaction or changes to their classification in the regulatory regime. The assets included in the transaction represent an installed capacity of 1,248 MW of wind generation and 856 MW of hydroelectric generation, of which 174 MW relate to the special regime and are located in Spain and Portugal. The carrying amount of the assets to which this agreement refers in the accompanying consolidated balance sheet at 31 December 2008 is EUR 1,525 million. This amount does not include the goodwill, if any, that might be allocated to these assets.

The aforementioned agreement also provides for the negotiation of a framework contract to supply Acciona turbines to Endesa for a volume of up to 400 MW on an arm's length basis.

On 20 February 2009, the Board of Directors resolved to distribute an interim dividend out of 2008 profit of EUR 5.897 gross per share, which represents a total payout of EUR 6,243 million. This amount coincides with the total amount of the dividend out of 2008 profit that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting.

34. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

APPENDIX I: COMPANIES COMPOSING THE ENDESA GROUP

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
AERODIS, S.A.	—	—	100.00	65.00	ENNERY (FRANCE)	CONSTRUCTION AND OPERATION OF WIND FARMS	DELOITTE
AGUAS SANTIAGO PONIENTE, S.A.	78.88	33.35	78.88	33.35	SANTIAGO DE CHILE (CHILE)	HEALTH SERVICES	DELOITTE
AGUILÓN 20, S.A.	50.99	50.99	50.99	50.99	ZARAGOZA (SPAIN)	STUDY, INSTALLATION AND OPERATION OF FACILITIES USING WIND POWER.	—
AIOLIKH SIDROKASTROY, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI ANDROU TSIROVLIDI, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI ANDROU XIROKAMPI, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI EVIAS CHELONA, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI EVIAS DIAKOFTIS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI EVIAS POUNTA, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI EVIAS PYRGOS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI MARTINOU, S.A.	100.00	45.01	—	—	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
AIOLIKI SAMOTHRAKIS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
ALMUSSAFES SERVICIOS ENERGÉTICOS, S.L.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	MANAGEMENT AND MAINTENANCE OF A COMBINED HEAT AND POWER PLANT	ERNST & YOUNG
ALTEK ALARKO SANTRALLARI TESIS ISLETME VE TICARET A.S.	—	—	50.00	32.50	ISTANBUL (TURKEY)	ELECTRICITY FACILITIES AND SALE OF ELECTRICITY	ERNST & YOUNG
AMBON ENERGIES EURL	—	—	100.00	65.00	ILE-DE-FRANCE (FRANCE)	CONSTRUCTION AND OPERATION OF WIND FARM	DELOITTE
AMPLA ENERGÍA E SERVIÇOS, S.A.	91.93	55.51	91.93	55.05	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	AGN CANARIM (Local GAAP) — DELOITTE (IFRSs — Chile G, etc.)
AMPLA INVESTIMENTOS E SERVICOS, S.A.	91.93	55.51	91.93	55.05	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION, SWITCHING, DISTRIBUTION AND TRADING	DELOITTE
ANANEOSIMES PIGESBORIOU AIGAIOU S.A.	100.00	50.01	100.00	50.01	ATHENS (GREECE)	WIND POWER	GRANT THORNTON
ANDORRA DESARROLLO, S.A.	100.00	100.00	100.00	100.00	TERUEL (SPAIN)	REGIONAL DEVELOPMENT	—
ANTREL, A.I.E.	—	—	50.00	50.00	GIRONA (SPAIN)	COMBINED HEAT AND POWER PLANT	—
APAMEA 2000, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY-RELATED ACTIVITIES	—
ARAGONESA DE ACTIVIDADES ENERGÉTICAS, S.A.	100.00	100.00	100.00	100.00	TERUEL (SPAIN)	ELECTRICITY PRODUCTION	—
ARGYRI ENERGIAKI S.A.	100.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
ASIN CARBONO USA INC.	100.00	82.50	—	—	DELAWARE (USA)	ANY LAWFUL ACTIVITY IN THE STATE OF DELAWARE	—
ASIN HOLDINGS LIMITED, LLC	100.00	82.50	—	—	VIRGINIA (USA)	TRANSACTIONS IN COAL MARKETS	—
ASOCIACION NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	85.41	85.41	85.41	85.41	TARRAGONA (SPAIN)	MANAGEMENT, OPERATION AND ADMINISTRATION OF NUCLEAR PLANTS	DELOITTE
ATACAMA FINANCE CO.	100.00	18.18	100.00	18.18	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
ATELGEN- PRODUCAO DE ENERGÍA, ACE	51.00	25.50	51.00	25.50	BARCELOS (PORTUGAL)	OPERATION OF A COMBINED HEAT AND POWER PLANT	—
BIOAISE ,S.A.	95.00	95.00	95.00	95.00	BOGOTÁ (COLOMBIA)	PRODUCTION, PURCHASE, SALE AND RETAILING OF POWER	DELOITTE
BIOWATT - RECURSOS ENERGÉTICOS, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	MARKETING OF PROJECTS RELATING TO RENEWABLE ENERGY RESOURCES	DELOITTE
BOLONIA REAL ESTATE, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	REAL ESTATE ASSET MANAGEMENT AND DEVELOPMENT	—
CAM BRASIL MULTISERVICIOS, LTDA.	100.00	60.62	99.99	60.62	RIO DE JANEIRO (BRAZIL)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
CAMINHOS DE SANTIAGO	—	—	84.99	31.87	VALENCA (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
CAMPOS- RECURSOS ENERGÉTICOS,. ACE	95.00	47.50	95.00	47.50	BARROSELAS (PORTUGAL)	ELECTRICITY PRODUCTION	ERNST & YOUNG
CARBOEX, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	FUEL SUPPLY	DELOITTE
CARBONES DE BERGA, S.A.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	EXTRACTION AND STORAGE OF HARD COAL	—
CARBOPEGO- ABASTECIMIENTOS E COMBUSTIVEIS. S.A.	50.00	50.00	50.00	50.00	RIBATEJO (PORTUGAL)	FUEL SUPPLY	KPMG AUDITORES
CARVEMAGERE - MANUTENÇAO E ENERGIAS RENOVÁVEIS, LDA.	65.00	65.00	65.00	65.00	BARCELOS (PORTUGAL)	COMBINED HEAT AND POWER PRODUCTION	DELOITTE
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA, S.A.	99.61	60.27	99.61	59.30	GOIANIA (BRAZIL)	ELECTRICITY PRODUCTION AND RETAILING	DELOITTE
CENTRAL DOCK SUD, S.A.	69.99	39.99	69.99	39.99	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
CENTRAL EÓLICA CANELA S.A.	75.00	27.27	75.00	27.27	SANTIAGO DE CHILE (CHILE)	PROMOTION AND DEVELOPMENT OF RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
CENTRAL GERADORA TERMELÉTRICA FORTALEZA, S.A.	100.00	60.51	100.00	59.54	CEARÁ (BRAZIL)	PERFORMANCE OF A FOSSIL-FUEL ELECTRICITY PRODUCTION PROJECT	DELOITTE
CENTRALES HIDROELÉCTRICAS DE AYSÉN, S.A.	51.00	18.55	51.00	18.55	SANTIAGO DE CHILE (CHILE)	DESIGN AND IMPLEMENTATION OF A HYDROELECTRIC PROJECT	KPMG AUDITORES

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
CENTRO ENERGÍA FERRARA, S.p.A.	—	—	58.35	58.35	MILAN (ITALY)	COMBINED HEAT AND POWER PRODUCTION AND SALE	DELOITTE
CENTRO ENERGÍA TEVEROLA, S.p.A.	—	—	58.35	58.35	MILAN (ITALY)	COMBINED HEAT AND POWER PRODUCTION AND SALE	DELOITTE
CERVEIRENSES	84.99	31.87	84.99	31.87	VILA NOVA DE CERVEIRA (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
CHILECTRA INVERSUD, S.A.	100.00	60.07	100.00	60.07	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	PKF AUDITORES
CHILECTRA, S.A.	99.09	60.07	99.09	60.07	SANTIAGO DE CHILE (CHILE)	OWNERSHIP INTERESTS IN COMPANIES OF ANY KIND	PKF AUDITORES
CHINANGO, S.A.C.	99.90	41.38	—	—	LIMA (PERU)	ELECTRICITY PRODUCTION, RETAILING AND TRANSMISSION	—
COGENERACIÓ J. VILASECA, A.E.I.	40.00	40.00	40.00	40.00	BARCELONA (SPAIN)	OPERATION OF A COMBINED HEAT AND POWER PLANT	GNL AUDITORES, S.L.
COGENERACIÓN TOLOSANA, A.I.E.	—	—	25.00	25.00	GUIPÚZCOA (SPAIN)	COMBINED HEAT AND POWER	—
COLINA- PRODUCAO DE ENERGÍA ELÉCTRICA, LDA.	100.00	50.00	100.00	50.00	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION	ERNST & YOUNG
COMPANHIA ENERGÉTICA DO CEARÁ, S.A.	58.86	34.58	58.86	34.12	CEARÁ (BRAZIL)	COMPLETE ELECTRICITY CYCLE	AGN CANARIM
COMPANHIA TÉRMICA DO BEATO, ACE	65.00	32.50	65.00	32.50	LISBON (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA DO SERRADO, ACE	51.00	25.50	51.00	25.50	PACOS DE BRANÁO (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA HECTARE, ACE	60.00	30.00	60.00	30.00	ALCOHETE (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA LUSOL, ACE	95.00	47.50	95.00	47.50	BARREIRO (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA OLIVEIRA FERREIRA, ACE	95.00	47.50	95.00	47.50	RIBA DE AVE (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA PONTE DA PEDRA, ACE	95.00	47.50	95.00	47.50	MAIA (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA RIBEIRA VELHA, ACE	100.00	50.00	100.00	50.00	S. PAIO DE OLEIROS (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPANHIA TÉRMICA TAGOL, LDA.	95.00	47.50	95.00	47.50	ALGÉS (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPAÑÍA AMERICANA DE MULTISERVICIOS DE ARGENTINA, LTDA.	100.00	60.62	100.00	60.62	BUENOS AIRES (ARGENTINA)	ELECTRICITY NETWORK METERING, MEAS. CALIB.	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS DE CHILE, LTDA.	100.00	60.62	100.00	60.62	SANTIAGO DE CHILE (CHILE)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS DE COLOMBIA, LTDA.	100.00	60.62	100.00	60.62	BOGOTÁ (COLOMBIA)	TECHNICAL CALIBRATION AND METERING SERVICES	DELOITTE

Company (In alphabetical order)	% of ownership at 31/12/2008 % of voting power held	% of ownership at 31/12/2008 % of ownership	% of ownership at 31/12/2007 % of voting power held	% of ownership at 31/12/2007 % of ownership	Registered office	Line of business	Auditor
COMPAÑÍA AMERICANA DE MULTISERVICIOS DEL PERÚ, LTDA.	100.00	60.62	100.00	60.62	LIMA (PERU)	PURCHASE, SALE AND DISTRIBUTION OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA, S.A.	100.00	60.51	100.00	59.54	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR, S.A.	100.00	60.51	100.00	59.54	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
COMPAÑÍA DISTRIBUIDORA Y COMERCIALIZADORA DE ENERGÍA, S.A.	48.48	43.03	48.48	43.03	BOGOTÁ (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
COMPAÑÍA ELÉCTRICA CONO SUR, S.A.	—	—	100.00	36.36	PANAMA (PANAMA)	HOLDING COMPANY	KPMG AUDITORES
COMPAÑÍA ELÉCTRICA SAN ISIDRO, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPAÑÍA ELÉCTRICA TARAPACÁ, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPAÑÍA PERUANA DE ELECTRICIDAD, S.A.	100.00	79.64	100.00	79.64	LIMA (PERU)	HOLDING COMPANY	DELOITTE
COMPOSTILLA RE, S.A.	100.00	100.00	100.00	100.00	LUXEMBOURG (LUXEMBOURG)	REINSURANCE	DELOITTE
CONCENTRASOLAR, S.L.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	DESIGN OF A DEMONSTRATION PROJECT FOR SOLAR PV CONCENTRATION SYSTEMS	—
CONFIREL, A.I.E.	50.00	50.00	50.00	50.00	GIRONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
CONSORCIO ARA-INGENDESA, LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	PROJECT ENGINEERING CONSULTING SERVICES	KPMG AUDITORES
CONSORCIO EÓLICO MARINO CABO DE TRAFALGAR, S.L.	50.00	50.00	50.00	50.00	CÁDIZ (SPAIN)	DESIGN , INSTALLATION, DEVELOPMENT, OPERATION AND MAINTENANCE OF WIND FACILITIES AND FARMS	—
CONSORCIO INGENDESA MINIMETAL, LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	ENGINEERING SERVICES	—
CONSTRUCTORA Y PROYECTOS LOS MAITENES, S.A.	55.00	33.34	55.00	33.34	SANTIAGO DE CHILE (CHILE)	CONSTRUCTION AND INSTALLATION WORK	DELOITTE
COREYSA COGENERACIÓN, S.A.	—	—	65.00	65.00	SEVILLE (SPAIN)	COMBINED HEAT AND POWER	ERNST & YOUNG
COURENSES	—	—	84.99	31.87	PAREDES DE COURA (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
CTE-CENTRAL TÉRMICA DO ESTUÁRIO, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	DELOITTE
DELTA ENERGIAKI, S.A.	90.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON

Company (In alphabetical order)	% of ownership at 31/12/2008 % of voting power held	% of ownership at 31/12/2008 % of ownership	% of ownership at 31/12/2007 % of voting power held	% of ownership at 31/12/2007 % of ownership	Registered office	Line of business	Auditor
DESALADORA DE CARBONERAS, U.T.E.	75.00	75.00	75.00	75.00	ALMERÍA (SPAIN)	CONSTRUCTION AND MANAGEMENT OF A DESALINATION PLANT	—
DESALADORA DE LA COSTA DEL SOL, S.A.	51.02	51.02	51.02	51.02	MÁLAGA (SPAIN)	WATER DESALINATION AND SUPPLY ON THE COSTA DEL SOL	—
DISTRIBUCIÓN Y COMERCIALIZACIÓN DE GAS EXTREMADURA DICOGEXSA, S.A.	47.00	47.00	47.00	47.00	BADAJOZ (SPAIN)	GAS DISTRIBUTION	DELOITTE
DISTRIBUIDORA DE ENERGÍA ELÉCTRICA DEL BAGES, S.A.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	—
DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A.	100.00	100.00	100.00	100.00	S. CRUZ DE TENERIFE (SPAIN)	PURCHASE, TRANSMISSION, DISTRIBUTION AND RETAILING OF ELECTRICITY	DELOITTE
DISTRIBUIDORA REGIONAL DE GAS, S.A.	50.00	50.00	45.00	45.00	VALLADOLID (SPAIN)	GAS DISTRIBUTION AND RETAILING IN CASTILLA Y LEÓN	DELOITTE
DISTRILEC INVERSORA, S.A.	51.50	30.88	51.50	30.88	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
EDEGEL, S.A.	83.60	41.42	61.06	17.64	LIMA (PERU)	ELECTRICITY PRODUCTION, RETAILING AND DISTRIBUTION	KPMG AUDITORES
EED-EMPREENDIMENTOS EÓLICOS DO DOURO, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EEVM - EMPREENDIMENTOS EÓLICOS VALE DO MINHO, S.A.	50.00	37.50	50.00	37.50	ESPOSENDE (PORTUGAL)	WIND FARM	DELOITTE
ELECGAS, S.A.	50.00	50.00	—	—	SANTAREM (PORTUGAL)	COMBINED-CYCLE ELECTRICITY PRODUCTION	—
ELÉCTRICA DE LA FRANJA, S.L.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY PRODUCTION	—
ELÉCTRICA DE LIJAR, S.L.	50.00	50.00	50.00	50.00	CÁDIZ (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	GABRIEL SÁNCHEZ PALAZÓN
ELECTRICIDAD DE PUERTO REAL, S.A.	50.00	50.00	50.00	50.00	CÁDIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
ELEKTROCIEPLOWNIA BIALYSTOK, S.A.	—	—	69.58	45.23	BIALYSTOK (POLAND)	ELECTRICITY PRODUCTION AND SALE	DELOITTE
ELLINKI FOTOVOLTAIKI, S.A.	100.00	50.01	100.00	50.01	ATHENS (GREECE)	SOLAR POWER	GRANT THORNTON
EMGESA, S.A. E.S.P.	48.48	34.58	48.48	34.58	BOGOTÁ (COLOMBIA)	ELECTRICITY PRODUCTION	DELOITTE
EMPREENDIMENTO EÓLICO DA RAIA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EMPREENDIMENTO EÓLICO DE REGO, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND FARM	—
EMPREENDIMENTO EÓLICO DA SERRA DO SICÓ S.A.	52.38	26.19	29.00	40.00	POMBAL (PORTUGAL)	WIND FARM	—
EMPREENDIMENTO EÓLICO DE ALVADIA, LDA.	48.00	48.00	48.00	48.00	RIBEIRA DE PENA (PORTUGAL)	WIND FARM	DELOITTE

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EMPREENDIMENTOS EÓLICOS DE PRACANA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	—
EMPREENDIMENTOS EÓLICOS DE RIBABELIDE, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EMPREENDIMENTOS EÓLICOS DE VIADE, LDA.	80.00	80.00	80.00	80.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EMPREENDIMENTOS EÓLICOS DO VERDE HORIZONTE, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EMPRESA CARBONÍFERA DEL SUR, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	EXPLOITATION OF COAL FIELDS	DELOITTE
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	84.00	62.33	60.00	38.33	LIMA (PERU)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
EMPRESA DE INGENIERÍA INGENDESA, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	PROVISION OF ENGINEERING SERVICES	KPMG AUDITORES
EMPRESA DISTRIBUIDORA SUR, S.A.	99.45	45.86	99.45	45.86	BUENOS AIRES (ARGENTINA)	ELECTRICITY DISTRIBUTION AND RETAILING	KPMG AUDITORES
EMPRESA ELÉCTRICA CABO BLANCO, S.A.	80.00	80.00	80.00	80.00	LIMA (PERU)	HOLDING COMPANY	DELOITTE
EMPRESA ELÉCTRICA DE COLINA LTDA.	100.00	60.07	100.00	60.07	SANTIAGO DE CHILE (CHILE)	COMPLETE ENERGY AND SIMILAR MATERIALS CYCLE	PKF AUDITORES
EMPRESA ELÉCTRICA DE PIURA, S.A.	60.00	48.00	60.00	48.00	LIMA (PERU)	ELECTRICITY PRODUCTION	DELOITTE
EMPRESA ELÉCTRICA PANGUE, S.A.	99.99	39.55	99.99	39.55	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA ELÉCTRICA PEHUENCHE, S.A.	92.65	33.69	92.65	33.69	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	59.98	36.36	59.98	36.36	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EN. DY ENERGIAKI, S.A.	100.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
ENDESA ARGENTINA, S.A.	100.00	36.36	100.00	36.36	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
ENDESA BRASIL PARTICIPAÇOES, LTDA.	—	—	100.00	36.36	RIO DE JANEIRO (BRAZIL)	HOLDING COMPANY	—
ENDESA BRASIL, S.A.	97.30	60.51	97.30	59.54	RIO DE JANEIRO (BRAZIL)	HOLDING COMPANY	DELOITTE
ENDESA CAPITAL FINANCE, L.L.C.	100.00	100.00	100.00	100.00	DELAWARE (USA)	ISSUANCE OF PREFERENCE SHARES	DELOITTE
ENDESA CAPITAL, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ISSUANCE OF DEBT INSTRUMENTS	DELOITTE
ENDESA CARBONO, S.L.	82.50	82.50	—	—	ZARAGOZA (SPAIN)	CONSULTING AND PURCHASE AND SALE OF EMISSION RIGHTS	DELOITTE
ENDESA CEMSA, S.A.	100.00	71.36	100.00	71.36	BUENOS AIRES (ARGENTINA)	WHOLESALE PURCHASE AND SALE OF ELECTRICITY	DELOITTE

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
ENDESA COGENERACIÓN Y RENOVABLES, S.A.	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	ERNST & YOUNG
ENDESA COSTANERA, S.A.	69.76	25.37	69.43	25.25	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
ENDESA DESARROLLO, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	PURCHASE AND SALE, HOLDING, ADMINISTRATION AND MANAGEMENT OF SECURITIES.	DELOITTE
ENDESA DISTRIBUCIÓN ELÉCTRICA, S.L.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION	DELOITTE
ENDESA ECO, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
ENDESA ENERGÍA XXI, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	SERVICES ASSOCIATED WITH THE MARKETING OF ENERGY PRODUCTS	DELOITTE
ENDESA ENERGÍA, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	MARKETING OF ENERGY PRODUCTS	DELOITTE
ENDESA EUROPA POWER & FUEL, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	TRADING OPERATIONS IN EUROPE	DELOITTE
ENDESA EUROPA, S.L.	—	—	100.00	100.00	MADRID (SPAIN)	COMPANY ADMINISTRATION AND MANAGEMENT	DELOITTE
ENDESA FINANCIACIÓN FILIALES, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	FINANCING OF THE SUBSIDIARIES OF ENDESA, S.A.	DELOITTE
ENDESA GAS DISTRIBUCIÓN, S.A.U.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	DISTRIBUTION OF PIPED GAS ANDALUCÍA	DELOITTE
ENDESA GAS TRANSPORTISTA, S.L.	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	GAS REGASIFICATION AND STORAGE	DELOITTE
ENDESA GAS, S.A.U.	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	COMPLETE GAS CYCLE	DELOITTE
ENDESA GENERACIÓN II, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY PRODUCTION	—
ENDESA GENERACIÓN PORTUGAL, S.A.	100.00	100.00	100.00	100.00	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND RELATED ACTIVITIES	DELOITTE
ENDESA GENERACIÓN, S.A.	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION ELECTRICITY RETAILING	DELOITTE
ENDESA HELLAS POWER GENERATION AND SUPPLIES SOCIETE ANONYME	50.01	50.01	50.01	50.01	ATTICA (GREECE)	ELECTRICITY RETAILING AND SALE	DELOITTE / GRANT THORNTON
ENDESA INGENIERÍA, S.L.	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	CONSULTING AND CIVIL ENGINEERING SERVICES	DELOITTE
ENDESA INVERSIONES GENERALES, S.A.	100.00	36.35	100.00	36.35	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	KPMG AUDITORES
ENDESA ITALIA POWER & FUEL, S.R.L.	—	—	100.00	80.00	LAZIO (ITALY)	ENERGY AND FUEL RETAILING AND TRADING	DELOITTE
ENDESA ITALIA, S.p.A.	—	—	80.00	80.00	LAZIO (ITALY)	HOLDING COMPANY	DELOITTE
ENDESA LATINOAMÉRICA, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ENDESA, S.A.'S INTERNATIONAL BUSINESS	—
ENDESA MARKETPLACE, S.A.	78.00	72.09	78.00	72.09	MADRID (SPAIN)	B2B (NEW TECHNOLOGIES)	—

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ENDESA NETWORK FACTORY, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	NEW TECHNOLOGIES	DELOITTE
ENDESA NORTH AMÉRICA, INC.	100.00	100.00	100.00	100.00	NEW YORK (USA)	TRADING OPERATIONS IN EUROPE	—
ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	PROVISION OF SERVICES TO ENDESA DISTRIBUCIÓN ELÉCTRICA AND TO ENDESA ENERGÍA	DELOITTE
ENDESA PARTICIPADAS, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	COMPANY MANAGEMENT	DELOITTE
ENDESA POLSKA SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	—	—	98.33	98.33	WARSAW (POLAND)	ELECTRICITY PRODUCTION AND TRADING	—
ENDESA POWER TRADING LTD.	100.00	100.00	100.00	100.00	LONDON (UK)	TRADING OPERATIONS	—
ENDESA RED, S.A.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	DISTRIBUTION ACTIVITIES	DELOITTE
ENDESA SERVICIOS, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	SERVICES	DELOITTE
ENDESA TRADING, S.A.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	TRADING OPERATIONS IN EUROPE	DELOITTE
ENERCAMPO-PRODUÇAO DE ENERGÍA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	DELOITTE
ENERCOR- PRODUCAO DE ENERGÍA, ACE.	70.00	35.00	70.00	35.00	MONTIJO (PORTUGAL)	ELECTRICITY PRODUCTION	ERNST & YOUNG
ENERGÉTICA DE ROSSELLÓ, A.I.E.	27.00	27.00	27.00	27.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	AUDIHISPANA
ENERGÉTICA MATARÓ, S.A.	85.00	85.00	85.00	85.00	BARCELONA (SPAIN)	CONSTRUCTION AND OPERATION OF A THERMAL SLUDGE TREATMENT PLANT	ERNST & YOUNG
ENERGEX CO.	100.00	18.18	100.00	18.18	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
ENERGÍAS ALTERNATIVAS DEL SUR, S.L.	50.00	50.00	50.00	50.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND POWER	ERNST & YOUNG
ENERGÍAS DE ARAGÓN I, S.L.	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICITY UNDER THE TARIFF SYSTEM	DELOITTE
ENERGÍAS DE ARAGÓN II, S.L.	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	ELECTRICITY PRODUCTION UNDER THE SPECIAL REGIME	DELOITTE
ENERGÍAS DE GRAUS, S.L.	66.67	66.67	66.67	66.67	BARCELONA (SPAIN)	HYDROELECTRIC POWER	ERNST & YOUNG
ENERGÍAS DE LA MANCHA, S.A.	68.42	68.42	52.00	52.00	CIUDAD REAL (SPAIN)	BIOMASS	ERNST & YOUNG
ENERGIE ELECTRIQUE DE TAHADDART, S.A.	32.00	32.00	32.00	32.00	TANGIER (MOROCCO)	COMBINED CYCLE PLANT	DELOITTE
ENERLOUSADO, LDA.	100.00	75.00	100.00	75.00	PORTO (PORTUGAL)	OPERATION OF A COMBINED HEAT AND POWER PLANT	—
ENERNISA-PRODUÇAO DE ENERGÍA, LDA.	100.00	100.00	90.00	90.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	—
ENERSIS, S.A.	60.62	60.62	60.62	60.62	SANTIAGO DE CHILE (CHILE)	ELECTRICITY PRODUCTION AND DISTRIBUTION	DELOITTE

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ENERVIZ-PRODUÇAO DE ENERGÍA DE VIZELA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	DELOITTE
EOL VERDE ENERGÍA EÓLICA, S.A.	75.00	75.00	75.00	75.00	PORTO (PORTUGAL)	WATER COLLECTION, TREATMENT AND DISTRIBUTION	DELOITTE
EOLCINF-PRODUÇAO DE ENERGÍA EÓLICA, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND FARM	—
EOLFLOR-PRODUÇAO DE ENERGÍA EÓLICA, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EÓLICA DEL NOROESTE, S.L.	51.00	51.00	51.00	51.00	A CORUÑA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
EOLICA VALLE DEL EBRO, S.A.	50.50	50.50	50.50	50.50	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE AGAETE, S.L.	80.00	80.00	80.00	80.00	LAS PALMAS DE G.C. (ESPAÑA)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE FUENCALIENTE, S.A.	55.00	55.00	55.00	55.00	LAS PALMAS DE G.C. (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE LA PATAGONIA, S.A.	50.00	50.00	50.00	50.00	BUENOS AIRES (ARGENTINA)	WIND POWER	—
EÓLICAS DE TENERIFE, A.I.E.	50.00	50.00	50.00	50.00	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	ACEAUDIT
EÓLICAS DE TIRAJANA, A.I.E.	60.00	60.00	60.00	60.00	LAS PALMAS DE G.C. (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DO MARAO-PRODUÇAO DE ENERGÍA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
EÓLICOS TOURIÑÁN, S.A.	100.00	100.00	100.00	100.00	A CORUÑA (SPAIN)	INSTALLATION, MAINTENANCE AND OPERATION OF WIND FARMS	ERNST & YOUNG
EOLMINHO-ENERGIAS RENOVÁVEIS, S.A.	—	—	28.00	28.00	VEIRA DO MINHO (PORTUGAL)	CONSTRUCTION AND OPERATION OF WIND FARMS	—
ERCA CINCO VILLAS-1, S.L.	—	—	40.00	40.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
ERCASA COGENERACIÓN, S.A.	50.00	50.00	50.00	50.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
ERFEI, A.I.E.	42.00	42.00	42.00	42.00	TARRAGONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
ERGON ENERGÍA, S.R.L.	—	—	50.00	50.00	BRESCIA (ITALY)	ELECTRICITY SUPPLIES TO ELIGIBLE CUSTOMERS	—
ERGOSUD, S.p.A.	—	—	50.00	50.00	CROTONÉ (ITALY)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	—
ESPIGA	84.99	31.87	84.99	31.87	CAMINHA (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
EUROHUECO COGENERACIÓN, A.I.E.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
EXPLOTACIONES EÓLICAS DE ALDEHUELAS, S.L.	47.50	47.50	47.50	47.50	SORIA (SPAIN)	WIND FARMS	BDO AUDIBERIA
EXPLOTACIONES EÓLICAS DE ESCUCHA, S.A.	70.00	70.00	70.00	70.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG

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EXPLOTACIONES EÓLICAS EL PUERTO, S.A.	73.60	73.60	73.60	73.60	TERUEL (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SASO PLANO, S.A.	70.00	70.00	70.00	70.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SIERRA COSTERA, S.A.	90.00	90.00	90.00	90.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN, S.A.	90.00	90.00	90.00	90.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
FÁBRICA DO ARCO-RECURSOS ENERGÉTICOS, S.A.	50.00	50.00	50.00	50.00	SATO (TIRSO) PORTUGAL	ELECTRICITY AND STEAM PRODUCTION	DELOITTE
FERMICAISE, S.A. DE C.V.	99.99	99.99	99.99	99.99	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	ERNST & YOUNG
FINERGE-GESTAO DE PROJECTOS ENERGÉTICOS, S.A	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	DELOITTE
FISTERRA EÓLICA, S.L.	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
FOIVOS ENERGIAKI S.A.	100.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
GAS ALICANTE, S.A.U.	—	—	100.00	100.00	ALICANTE (SPAIN)	DISTRIBUTION OF PIPED GAS	DELOITTE
GAS ARAGÓN, S.A.	60.67	60.67	60.67	60.67	ZARAGOZA (SPAIN)	GAS DISTRIBUTION	DELOITTE
GAS ATACAMA CHILE, S.A.	99.95	18.18	99.95	18.18	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	—
GAS ATACAMA, S.A.	100.00	18.18	100.00	18.18	SANTIAGO DE CHILE (CHILE)	COMPANY ADMINISTRATION AND MANAGEMENT	ERNST & YOUNG
GAS EXTREMADURA TRANSPORTISTA, S.L.	40.00	40.00	40.00	40.00	BADAJOZ (SPAIN)	TRANSMISSION AND STORAGE OF GAS	DELOITTE
GAS Y ELECTRICIDAD GENERACIÓN, S.A.U.	100.00	100.00	100.00	100.00	BALEARIC ISLANDS (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
GASIFICADORA REGIONAL CANARIA, S.A.	65.00	65.00	65.00	65.00	LAS PALMAS DE G, C, (SPAIN)	DISTRIBUTION OF PIPED GAS CANARY ISLANDS	DELOITTE
GASODUCTO ATACAMA ARGENTINA, S.A.	99.97	18.18	99.97	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	KPMG AUDITORES
GASODUCTO ATACAMA CHILE, S.A.	—	—	99.95	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GASODUCTO TALTAL, LTDA.	100.00	18.18	100.00	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GENERALIMA, S.A.	100.00	100.00	100.00	100.00	LIMA (PERU)	HOLDING COMPANY	KPMG AUDITORES
GENERANDES PERÚ, S.A.	61.00	22.18	59.63	21.68	LIMA (PERU)	HOLDING COMPANY	KPMG AUDITORES
GESA GAS, S.A.U.	100.00	100.00	100.00	100.00	BALEARIC ISLANDS (SPAIN)	DISTRIBUTION OF PIPED GAS	DELOITTE

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
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GREEN ENERGY	80.00	40.01	—	—	SVILENGRANT (BULGARIA)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GRESAISE, S.A. DE C.V.	99.99	99.99	99.99	99.99	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	ERNST & YOUNG
GUADARRANQUE SOLAR 1, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 2, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 3, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 4, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 6, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 7, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 8, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 9, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 10, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 11 S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 12, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 13, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 14, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 15, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 16, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—

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GUADARRANQUE SOLAR 17, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 18, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 19, S.L., SOLE-SHAREHOLDER COMPANY	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
HÍDRICAS DE VISEU, S.A.	100.00	66.50	100.00	66.50	MAIA (PORTUGAL)	MINI-HYDROELECTRIC PLANT	—
HIDROAYSÉN TRANSMISIÓN, S.A.	99.51	18.55	—	—	SANTIAGO DE CHILE (CHILE)	DEVELOPMENT OF ELECTRICITY TRANSMISSION SYSTEMS	—
HIDROELÉCTRICA DE CATALUNYA, S.L.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	DELOITTE
HIDROELÉCTRICA DEL SERRADÓ, S.L.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	MANAGEMENT OF MINI-HYDROELECTRIC PLANTS	—
HIDROELÉCTRICA EL CHOCÓN, S.A.	67.67	23.77	67.67	23.77	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
HIDROFLAMICELL, S.L.	75.00	75.00	75.00	75.00	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND SALE	—
HIDROINVEST, S.A.	96.09	34.94	96.09	34.94	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
HIDRORIBEIRA - EMPREENDIMIENTOS HÍDRICOS E EÓLICOS, LDA.	100.00	50.00	100.00	50.00	PAÇO DE ARCOS (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L.	51.00	51.00	51.00	51.00	BADAJOZ (SPAIN)	CONSTRUCTION, DEVELOPMENT AND OPERATION OF PV SOLAR FARMS.	—
HISPANO-HELLINIKI AIOLIKI TRIKORFA S.A. OF PRODUCTION AND TRADING OF ELECTRIC ENERGY	50.00	25.01	—	—	ATHENS (GREECE)	CONSTRUCTION AND OPERATION OF WIND FARMS	—
HYDRIA ENERGIAKI, S.A.	100.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
HYDROHOOS ENERGIAKI, S.A.	100.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
INFRAESTRUCTURAS DE ALDEHUELAS, S.A.	60.82	28.89	60.82	28.89	SORIA (SPAIN)	CONSTRUCTION, OPERATION AND MAINTENANCE OF ELECTRICAL SUBSTATIONS	—
INGENDESA DO BRASIL, LTDA.	100.00	36.36	100.00	36.36	RIO DE JANEIRO (BRAZIL)	PROJECT ENGINEERING CONSULTING SERVICES	KPMG AUDITORES
INICIATIVAS DE GAS, S.L.	40.00	40.00	40.00	40.00	MADRID (SPAIN)	NATURAL GAS-RELATED ACTIVITIES	—
INMOBILIARIA MANSO DE VELASCO LTDA.	100.00	60.62	100.00	60.62	SANTIAGO DE CHILE (CHILE)	CONSTRUCTION WORK	DELOITTE
INTERNATIONAL ENDESA B.V.	100.00	100.00	100.00	100.00	AMSTERDAM (NETHERLANDS)	INTERNATIONAL FINANCIAL TRANSACTIONS	DELOITTE

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
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INVERSIONES CODENSA, S.A.	99.70	42.90	99.70	42.90	BOGOTÁ (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES	DELOITTE
INVERSIONES DISTRILIMA, S.A.	86.14	63.89	86.14	63.89	LIMA (PERU)	HOLDING COMPANY	DELOITTE
INVERSIONES ENDESA NORTE, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	INVESTMENT IN ENERGY PROJECTS IN NORTHERN CHILE	KPMG AUDITORES
INVERSIONES GAS ATACAMA HOLDING, LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
INVERSORA CODENSA, LTDA. U	100.00	43.03	100.00	43.03	BOGOTÁ (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES	—
INVESTLUZ, S.A.	100.00	58.68	100.00	57.90	CEARÁ (BRAZIL)	HOLDING COMPANY	DELOITTE
ITALAISE, S.A. DE C.V.	99.99	99.99	99.99	99.99	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	ERNST & YOUNG
JOINT VENTURE SOLAR-VOULGARAKIS	70.00	35.01	70.00	35.01	ATHENS (GREECE)	SOLAR POWER	—
LIVORNO HOLDING, S.R.L.	—	—	50.00	50.00	ROME (ITALY)	CONSTRUCTION, DEVELOPMENT AND OPERATION OF A REGASIFICATION TERMINAL	—
LUZ ANDES, LTDA.	100.00	60.07	100.00	60.07	SANTIAGO DE CHILE (CHILE)	TRANSPORT, DISTRIBUTION AND SALE OF ENERGY AND FUELS	PKF AUDITORES
LUZ DE RÍO, LTDA.	—	—	100.00	60.31	RIO DE JANEIRO (BRAZIL)	HOLDING COMPANY	DELOITTE
MAKRINOROS SOCIETE ANONYME PRODUCTION AND TRADING OF ELECTRIC ENERGY	50.00	25.01	—	—	ATHENS (GREECE)	CONSTRUCTION AND OPERATION OF WIND FARMS	N/A
MATARÓ TRACTAMENT TÉRMIC EFICIENT, S.A.	80.00	68.00	80.00	68.00	BARCELONA (SPAIN)	ENVIRONMENTAL REMEDIATION	ERNST & YOUNG
MEDIDAS AMBIENTALES, S.L.	50.00	25.00	50.00	25.00	BURGOS (SPAIN)	ENVIRONMENTAL STUDIES AND REPORTS	—
MELGACENSES	—	—	84.99	31.87	MELGACO (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
MER WIND, S.R.L.	—	—	100.00	100.00	SICILY (ITALY)	DEVELOPMENT AND OPERATION OF WIND FARMS AND RELATED ACTIVITIES.	—
METKA AIOLIKA PLATANOY, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	DEVELOPMENT, CONSTRUCTION AND OPERATION OF WIND FARMS	GRANT THORNTON
MICASE, S.A. DE C.V.	51.00	51.00	51.00	51.00	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	ERNST & YOUNG
MINAS DE ESTERCUEL, S.A.	99.65	99.56	99.65	99.56	ZARAGOZA (SPAIN)	MINERAL DEPOSITS	—
MINAS GARGALLO, S.L.	99.91	99.91	99.91	99.91	ZARAGOZA (SPAIN)	MINERAL DEPOSITS	—
MINAS Y FERROCARRIL DE UTRILLAS, S.A.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	MINERAL DEPOSITS	DELOITTE

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MONTE SANTO	—	—	84.99	31.87	MONCAO (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
MPE ENERGÍA, S.R.L.	—	—	50.00	50.00	MILAN (ITALY)	SALE OF ELECTRICITY TO ELIGIBLE CUSTOMERS	—
MUZILLAC ENERGIES EURL	—	—	100.00	65.00	ILE-DE-FRANCE (FRANCE)	CONSTRUCTION AND OPERATION OF WIND FARM	—
MYHS KASTANIOTIKO, S.A.	100.00	47.30	—	—	ATHENS (GREECE)	CONSTRUCTION AND OPERATION OF A MINI-HYDROELECTRIC PLANT	GRANT THORNTON
MYHS PELOPONNISOU, S.A.	100.00	45.01	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
MYHS POUGAKIA, S.A.	100.00	47.56	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
MYTILHNAIOS AIOLIKH ENERGEIAKH ELLADOS S.A.	80.00	40.01	80.00	40.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
MYTILHNAIOS AIOLIKI NEAPOLEOS S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	GRANT THORNTON
NUBIA 2000, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY PRODUCTION	—
NUCLENOR, S.A.	50.00	50.00	50.00	50.00	BURGOS (SPAIN)	NUCLEAR POWER PRODUCTION	DELOITTE
NUEVA COMPAÑÍA DE DISTRIBUCIÓN ELÉCTRICA 4, S.L.	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY DISTRIBUTION	—
NUEVA MARINA REAL ESTATE, S.L., SOLE-SHAREHOLDER COMPANY	60.00	60.00	60.00	60.00	MADRID (SPAIN)	ADMINISTRATION, DEVELOPMENT AND CONSTRUCTION OF ALL MANNER OF PUBLIC OR PRIVATE WORKS	—
OLT OFFSHORE LNG TOSCANA S.p.A	—	—	30.46	30.46	LEGHORN (ITALY)	NATURAL GAS REGASIFICATION	RECONTA
PARAVENTO, S.L.	90.00	90.00	90.00	90.00	LUGO (SPAIN)	WIND POWER	—
PARCO EOLICO POGGI ALTI, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	WIND POWER	—
PARCO EOLICO DI FLORINAS, S.R.L.	—	—	99.99	79.99	ROME (ITALY)	WIND POWER	—
PARCO EOLICO IARDINO, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	WIND POWER	—
PARCO EOLICO MARCO AURELIO SEVERINO, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	WIND POWER	—
PARCO EOLICO MONTE CUTE, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	WIND POWER	—
PARCO EOLICO PIANO DI CORDA, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	WIND POWER	—
PARCO EOLICO SERRA PELATA, S.R.L.	—	—	100.00	100.00	ROME (ITALY)	WIND POWER	—
PARQUE EÓLICO A. CAPELADA, A.I.E.	50.00	50.00	50.00	50.00	MADRID (SPAIN)	WIND POWER	ERNST & YOUNG
PARQUE EÓLICO DE CABO VILANO, A.I.E.	—	—	50.00	50.00	MADRID (SPAIN)	WIND POWER	—

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PARQUE EÓLICO CARRETERA DE ARINAGA, S.A.	80.00	80.00	80.00	80.00	LAS PALMAS DE G.C. (SPAIN)	WIND POWER	ERNST & YOUNG
PARQUE EÓLICO COSTA VICENTINA, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	DELOITTE
PARQUE EÓLICO DE ARAGÓN, A.I.E.	80.00	80.00	80.00	80.00	ZARAGOZA (SPAIN)	WIND POWER	ERNST & YOUNG
PARQUE EÓLICO DE BARBANZA, S.A.	63.43	63.43	50.00	50.00	A CORUÑA (SPAIN)	WIND POWER	ERNST & YOUNG
PARQUE EÓLICO DE ENIX, S.A.	95.00	95.00	95.00	95.00	SEVILLE (SPAIN)	WIND POWER	ERNST & YOUNG
PARQUE EÓLICO DE GEVANCAS, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	DELOITTE
PARQUE EÓLICO DE MANIQUE, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	DELOITTE
PARQUE EÓLICO DE SANTA LUCÍA, S.A.	65.67	65.67	65.67	65.67	LAS PALMAS DE G.C. (SPAIN)	WIND POWER	ERNST & YOUNG
PARQUE EÓLICO DO ALTO DA VACA, LDA.	75.00	75.00	75.00	75.00	PORTO (PORTUGAL)	WIND POWER	DELOITTE
PARQUE EÓLICO DO MOINHO DO CÉU, S.A.	100.00	50.00	100.00	50.00	PORTO (PORTUGAL)	DEVELOPMENT AND EXECUTION OF RENEWABLE ENERGY PROJECTS	ERNST & YOUNG
PARQUE EÓLICO DO OUTEIRO, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	DELOITTE
PARQUE EÓLICO DO VALE DO ABADE, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND POWER	—
PARQUE EÓLICO DOS FIÉIS, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	DELOITTE
PARQUE EÓLICO FINCA DE MOGÁN, S.A.	90.00	90.00	90.00	90.00	LAS PALMAS DE G.C. (SPAIN)	CONSTRUCTION AND OPERATION OF A WIND FARM IN ARICO	ERNST & YOUNG
PARQUE EÓLICO MONTES DE LAS NAVAS, S.A.	55.50	55.50	55.50	55.50	MADRID (SPAIN)	CONSTRUCTION, OPERATION AND MANAGEMENT OF WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO PUNTA DE TENO, S.A.	52.00	52.00	52.00	52.00	S. CRUZ DE TENERIFE (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EOLICO SERRA DA CAPUCHA, S.A.	100.00	75.00	100.00	75.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
PEGOP-ENERGÍA ELÉCTRICA, S.A.	50.00	50.00	50.00	50.00	ABRANTES (PORTUGAL)	OPERATION OF THE PEGO POWER PLANT	KPMG AUDITORES
PEREDA POWER, S.L.	70.00	70.00			OVIEDO (SPAIN)	ELECTRICITY PRODUCTION	—
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A.	50.00	20.00	50.00	20.00	MADRID (SPAIN)	OIL AND GAS BUSINESS ACTIVITIES	DELOITTE
PLANTA EÓLICA EUROPEA, S.A.	56.12	56.12	56.12	56.12	SEVILLE (SPAIN)	WIND POWER	ERNST & YOUNG
PP- CO-GERAÇÃO, S.A.	100.00	50.00	100.00	50.00	S. PAIO DE OLEIROS (PORTUGAL)	COMBINED HEAT AND POWER ELECTRICITY PRODUCTION	ERNST & YOUNG
PRINTEREL, S.L.	39.00	39.00	39.00	39.00	BARCELONA (SPAIN)	CONSTRUCTION AND OPERATION OF A COMBINED HEAT AND POWER PLANT	—

Company (In alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE I I, S.A.	75.00	75.00	—	—	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	—
PRODUCTOR REGIONAL DE ENERGIA RENOVABLE I, S.A.	75.00	75.00	75.00	75.00	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	ERNST & YOUNG
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE, S.A.	85.00	85.00	85.00	85.00	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	ERNST & YOUNG
PROGAS, S.A.	100.00	18.18	100.00	18.18	SANTIAGO DE CHILE (CHILE)	GAS DISTRIBUTION	ERNST & YOUNG
PROPAISE	94.99	94.99	94.99	94.99	CARTAGENA (COLOMBIA)	PRODUCTION, PURCHASE, SALE AND RETAILING OF POWER	DELOITTE
PROYECTOS EÓLICOS VALENCIANOS, S.A.	100.00	100.00	55.00	55.00	VALENCIA (SPAIN)	ELECTRICITY PRODUCTION	ERNST & YOUNG
RELECO SANTIAGO, A.I.E.	—	—	45.00	45.00	HUESCA (SPAIN)	COMBINED HEAT AND POWER PLANT	—
SACME, S.A.	50.00	22.93	50.00	22.93	BUENOS AIRES (ARGENTINA)	ELECTRICITY SYSTEM OVERSIGHT AND CONTROL	ESTUDIO ALONSO HIDALGO Y ASOC.
SALTO DE SAN RAFAEL, S.L.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	MINI-HYDROELECTRIC PLANTS	ARNAUDIT
SALTOS DEL NANSA I, S.A.	100.00	100.00	100.00	100.00	CANTABRIA (SPAIN)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
SALTOS Y CENTRALES DE CATALUNYA, S.A.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	OPERATION OF HYDROELECTRIC FACILITIES	ERNST & YOUNG
SCS LES VENTS DE CERNON	—	—	100.00	65.00	LANGOELAN (FRANCE)	WIND FARM CONSTRUCTION	—
SEA POWER & FUEL S.R.L.	—	—	50.00	50.00	GENOA (ITALY)	NATURAL GAS SUPPLIES	—
SEALVE, SOCIEDADE ELECTRICA DE ALVAIAZERE, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
SERE- SOCIEDADE EXPLORADORA DE RECURSOS ELÉCTRICOS, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	ELECTRICITY PRODUCTION	DELOITTE
SISCONER - EXPLORAÇAO DE SISTEMAS DE CONVERSAO DE ENERGIA, LDA.	55.00	55.00	55.00	55.00	PORTO (PORTUGAL)	WIND FARM	DELOITTE
SOCIEDAD AGRÍCOLA DE CAMEROS, LTDA.	57.50	34.86	57.50	34.86	SANTIAGO DE CHILE (CHILE)	FINANCIAL INVESTMENT	DELOITTE
SOCIEDAD AGRÍCOLA PASTOS VERDES, LTDA.	55.00	33.34	55.00	33.34	SANTIAGO DE CHILE (CHILE)	FINANCIAL INVESTMENT	DELOITTE
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	DESIGN, CONSTRUCTION AND OPERATION OF THE EL MELÓN TUNNEL	KPMG AUDITORES
SOCIEDAD CONSORCIO INGENDESA-ARA LIMITADA	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	PROVISION OF ENGINEERING SERVICES	—

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SOCIEDAD EÓLICA LOS LANCES, S.A.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	WIND-POWERED FACILITIES	ERNST & YOUNG
SOCIEDAD INVERSORA DOCK SUD, S.A.	57.14	57.14	57.14	57.14	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	DELOITTE
SOCIETÉ NATIONALE D'ELECTRICITÉ ET DE THERMIQUE, S.A.	—	—	65.00	65.00	ILE-DE-FRANCE (FRANCE)	ELECTRICITY PRODUCTION	DELOITTE
SODESA-COMERCIALIZAÇAO DE ENERGIA ELÉCTRICA , S.A	50.00	50.00	50.00	50.00	PORTO (PORTUGAL)	RETAILING OF ELECTRICITY AND SERVICES	DELOITTE
SOPROLIF, S.A.	—	—	45.00	29.25	MEYREUIL (FRANCE)	CONSTRUCTION OF A FLUIDISED BED BOILER IN GARDANNE	—
SOTERNIX - PRODUÇÃO DE ENERGIA, ACE.	51.00	25.50	51.00	25.50	BARCELOS (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
SOUTHERN CONE POWER ARGENTINA, S.A.	100.00	36.36	100.00	36.36	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
SPIDER ENERGEIAKH, S.A.	100.00	50.01	100.00	50.01	ATHENS (GREECE)	COMBINED HEAT AND POWER	GRANT THORNTON
SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A	33.50	33.50	33.50	33.50	CÁDIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
SUMINISTRO DE LUZ Y FUERZA, S.L.	60.00	60.00	60.00	60.00	GIRONA (SPAIN)	ENERGY DISTRIBUTION AND RETAILING	RCM AUDITORES
SURSCHISTE, S.A.	—	—	100.00	65.00	DOUAI (FRANCE)	SLATE, ASH AND SLAG PROJECTS	DELOITTE
SYNAPSIS ARGENTINA, LTDA.	100.00	60.62	100.00	60.62	BUENOS AIRES (ARGENTINA)	IT SERVICES	DELOITTE
SYNAPSIS BRASIL, LTDA.	100.00	60.62	100.00	60.62	RIO DE JANEIRO (BRAZIL)	IT SERVICES	DELOITTE
SYNAPSIS COLOMBIA, LTDA.	100.00	60.62	100.00	60.62	BOGOTÁ (COLOMBIA)	IT SERVICES	DELOITTE
SYNAPSIS PERÚ, LTDA.	100.00	60.62	100.00	60.62	LIMA (PERU)	IT AND TELECOMMUNICATIONS SERVICES AND PRODUCTS	DELOITTE
SYNAPSIS SOLUCIONES Y SERVICIOS IT LTDA.	100.00	60.62	100.00	60.62	SANTIAGO DE CHILE (CHILE)	SUPPLY AND MARKETING OF IT SERVICES AND EQUIPMENT	DELOITTE
TEJO ENERGÍA, PRODUÇAO E DISTRIBUÇAO DE ENERGÍA ELÉCTRICA, S.A.	38.89	38.89	38.89	38.89	PAÇO D` ARCOS (PORTUGAL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
TENEGUÍA GESTIÓN FINANCIERA 1, S.L.	100.00	100.00	100.00	100.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	FINANCIAL INVESTMENT	DELOITTE
TENEGUÍA GESTIÓN FINANCIERA, S.L.	100.00	100.00	100.00	100.00	S. CRUZ DE TENERIFE (SPAIN)	INVESTMENT AND FINANCIAL SERVICES	DELOITTE
TERMINAL ALPI ADRIATICO, SRL	—	—	100.00	100.00	LAZIO (ITALY)	CONSTRUCTION AND OPERATION OF A REGASIFICATION PLANT	—
THESSALIKI ENERGIAKI, S.A.	100.00	45.01			ATHENS (GREECE)	MINI-HYDROELECTRIC PLANTS	GRANT THORNTON

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TOLEDO PV, A.E.I.E.	33.33	33.33	33.33	33.33	MADRID (SPAIN)	SOLAR PHOTOVOLTAIC PLANT	STEMPER AUDITORES
TP-SOCIEDADE TÉRMICA PORTUGUESA, S.A.	50.00	50.00	50.00	50.00	LISBON (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
TRANSMISORA ELÉCTRICA DE QUILLOTA, LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
TRANSPORTADORA DE ENERGIA, S.A.	100.00	60.51	100.00	59.54	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
TRANSPORTES Y DISTRIBUCIONES ELÉCTRICAS, S.A.	73.33	73.33	73.33	73.33	GIRONA (SPAIN)	ELECTRICITY TRANSMISSION	—
TRANSPORTISTA REGIONAL DE GAS, S.L.	50.00	50.00	45.00	45.00	VALLADOLID (SPAIN)	GAS INFRASTRUCTURE AND TRANSMISSION	DELOITTE
TRIEMA, S.A.	55.00	55.00	55.00	55.00	BUENOS AIRES (ARGENTINA)	MARKETING OF COMMERCIAL MANAGEMENT SYSTEMS	—
UNELCO COGENERACIONES SANITARIAS DEL ARCHIPIÉLAGO S.A.	100.00	100.00	100.00	100.00	LAS PALMAS DE G.C. (SPAIN)	COMBINED HEAT AND POWER	ERNST & YOUNG
UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A.U.	100.00	100.00	100.00	100.00	LAS PALMAS DE G.C. (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
UTE BIOGÁS GARRAF (ECYR, S.A. Y CLP ENVIROGAS, S.L. UTE)	50.00	50.00	50.00	50.00	BARCELONA (SPAIN)	ELECTRICITY GENERATION USING BIOGAS	ERNST & YOUNG
UTE ENDESA INGENIERÍA, S.L. LAXTRON ENERGÍAS RENOVABLES, S.L.	50.00	50.00	50.00	50.00	LAS PALMAS DE G.C. (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PHOTOVOLTAIC PLANTS	—
UTE HOSPITAL JUAN RAMÓN JIMÉNEZ	50.00	50.00	50.00	50.00	MADRID (SPAIN)	SOLAR POWER GENERATION.	—
VAPELTAR, A.I.E.	—	—	40.00	40.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
VENTOMINHO	84.99	31.87	84.99	31.87	ESPOSENDE (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	LAMPREIA E VICOSO, SROC
YHS PEPONIA S, S.A.	62.50	28.13	—	—	ATHENS (GREECE)	MINI-HYDROELECTRIC PLANT	GRANT THORNTON

APPENDIX II: ASSOCIATES

Company (in alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
APLICAÇOES HIDROELECTRICAS DA BEIRA ALTA, LDA.	35.71	35.71	35.71	35.71	VISEU (PORTUGAL)	HYDROELECTRIC POWER	—
ASANEFI, A.I.E.	42.50	42.50	42.50	42.50	BARCELONA (SPAIN)	OPERATION OF A COMBINED HEAT AND POWER PLANT	—
BUSINESS ENERGY A.E.	90.00	22.05	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
BUSINESS ENERGY TROIZINIAS, A.E.	100.00	24.50	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
CALIZAS ELYCAR, S.L.	25.00	25.00	25.00	25.00	HUESCA (SPAIN)	OPERATION OF COMBINED HEAT AND POWER PLANTS	—
CENTRAL HIDRÁULICA GÜEJAR-SIERRA, S.L.	33.30	33.30	33.30	33.30	GRANADA (SPAIN)	MANAGEMENT OF HYDROELECTRIC PLANTS	GATT AUDITORES
CENTRAL HIDROELÉCTRICA CASILLAS, S.A.	49.00	49.00	49.00	49.00	SEVILLE (SPAIN)	MANAGEMENT OF MINI-HYDROELECTRIC PLANTS	—
CENTRAL TÉRMICA DE ANLLARES, A.I.E.	33.33	33.33	33.33	33.33	MADRID (SPAIN)	MANAGEMENT OF THE ANLLARES FOSSIL FUEL PLANT	—
CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E.	24.24	23.89	24.24	23.89	MADRID (SPAIN)	MANAGEMENT OF THE ALMARAZ AND TRILLO NUCLEAR PLANTS	DELOITTE
COGENERACIÓN EL SALTO, S.L.	20.00	20.00	20.00	20.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
COGENERACIÓN HOSTALRICH, A.I.E.	33.00	33.00	33.00	33.00	GIRONA (SPAIN)	COMBINED HEAT AND POWER	AUDITORÍA Y CONTROL
COGENERACIÓN LIPSA, S.L.	20.00	20.00	20.00	20.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	ERNST & YOUNG
COMPAÑÍA EÓLICA TIERRAS ALTAS, S.A.	35.63	35.63	35.63	35.63	SORIA (SPAIN)	OPERATION OF WIND FARMS	ERNST & YOUNG
COMPAÑÍA TRANSPORTISTA DE GAS DE CANARIAS, S.A.	45.00	45.00	45.00	45.00	LAS PALMAS DE G. C. (SPAIN)	NATURAL GAS OPERATIONS IN THE CANARY ISLANDS	DELOITTE
CONSORCIO ARA INGENDESA SENER LIMITADA	33.33	12.12	33.33	12.12	SANTIAGO DE CHILE (CHILE)	EXECUTION AND FULFILMENT OF THE BASIC ENGINEERING CONTRACT FOR THE MAIPU LINE.	KPMG AUDITORES
CORELCAT, A.I.E.	45.00	45.00	45.00	45.00	LLEIDA (SPAIN)	COMBINED HEAT AND POWER	ERNST & YOUNG
CORPORACIÓN EÓLICA DE ZARAGOZA, S.L.	25.00	25.00	25.00	25.00	ZARAGOZA (SPAIN)	RENEWABLE ENERGIES	PRICEWATERHOUSE COOPERS
DESARROLLO TECNOLÓGICO NUCLEAR, S.L.	—	—	46.33	46.33	MADRID (SPAIN)	NUCLEAR PLANT R&D PROJECTS	—
DETELCA, UTE (INI MEDIO AMBIENTE, S.A., CONSTRUCCIONES LAIN S.A., AQUAGEST UTE)	—	—	24.90	24.90	LAS PALMAS DE G. C. (SPAIN)	CONSTRUCTION OF A DESALINATION PLANT	—
ECOENERGÍA DE CAN MATA, A.I.E.	—	—	25.00	25.00	BARCELONA (SPAIN)	URBAN SOLID WASTE TREATMENT	—

Company (in alphabetical order)	% of ownership at 31/12/2008		% of ownership at 31/12/2007		Registered office	Line of business	Auditor
	% of voting power held	% of ownership	% of voting power held	% of ownership			
ELCOGAS, S.A.	40.87	40.87	40.87	40.87	MADRID (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
ELÉCTRICA DE JAFRE, S.A.	47.46	47.46	47.46	47.46	GIRONA (SPAIN)	ENERGY DISTRIBUTION AND RETAILING	RCM AUDITORES
ENERGÍA DE LA LOMA, S.A.	40.00	40.00	40.00	40.00	JAÉN (SPAIN)	BIOMASS	ERNST & YOUNG
ENSAFECA HOLDING EMPRESARIAL, S.L.	32.43	32.43	32.43	32.43	BARCELONA (SPAIN)	TELECOMMUNICATIONS SERVICES	—
EÓLICA DEL PRINCIPADO, S.A.U.	40.00	40.00	—	—	OVIEDO (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
EÓLICAS DE FUERTEVENTURA, A.I.E.	40.00	40.00	40.00	40.00	FUERTEVENTURA (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE LANZAROTE, S.L.	40.00	40.00	40.00	40.00	LAS PALMAS DE G. C. (SPAIN)	ELECTRICITY PRODUCTION, DISTRIBUTION AND SUPPLY	ERNST & YOUNG
ERCETESA, S.A.	35.00	35.00	35.00	35.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
ERECOSALZ, S.L.	33.00	33.00	33.00	33.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
FENERALT - PRODUÇÃO DE ENERGIA, A.C.E.	25.00	12.50	25.00	12.50	BARCELOS (PORTUGAL)	ELECTRICITY PRODUCTION	ERNST & YOUNG
FORANETO, S.L.	25.00	25.00	25.00	25.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
FOREL, S.L.	40.00	40.00	40.00	40.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
FORSEAN, S.L.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
FTHIOTIKI ENERGIAKI S.A.	35.00	15.75	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GAROFEICA, S.A.	27.00	27.00	27.00	27.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
GNL CHILE, S.A.	33.33	12.12	33.33	12.12	SANTIAGO DE CHILE (CHILE)	PROMOTE PROJECT TO SUPPLY LIQUEFIED GAS.	ERNST & YOUNG
GNL QUINTERO, S.A.	20.00	7.27	20.00	7.27	SANTIAGO DE CHILE (CHILE)	DESIGN, DEVELOPMENT AND SUPPLY OF A LIQUEFIED NATURAL GAS REGASIFICATION TERMINAL.	ERNST & YOUNG
GORONA DEL VIENTO EL HIERRO, S.A.	30.00	30.00	30.00	30.00	S. CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND MAINTENANCE OF THE EL HIERRO POWER PLANT	UNIONAUDIT J.Y.E.
GREEN FUEL ANDALUCÍA, S.A.	89.66	22.72	34.48	38.50	SEVILLE (SPAIN)	DEVELOPMENT, CONSTRUCTION AND OPERATION OF A BIODIESEL PLANT	—
GREEN FUEL ARAGÓN, S.A.	100.00	25.34	34.73	38.38	ZARAGOZA (SPAIN)	DEVELOPMENT, CONSTRUCTION AND OPERATION OF A BIODIESEL PLANT	—
GREEN FUEL CASTILLA Y LEÓN, S.A.	100.00	25.34	65.21	66.05	LEÓN (SPAIN)	DEVELOPMENT, CONSTRUCTION AND OPERATION OF A BIODIESEL PLANT	—
GREEN FUEL CORPORACIÓN, S.A.	25.34	25.34	9.71	9.71	SANTANDER (SPAIN)	PRODUCTION, SALE AND DISTRIBUTION OF BIOFUELS	—
GREEN FUEL EXTREMADURA, S.A.	75.13	19.04	28.37	32.16	BADAJOZ (SPAIN)	PRODUCTION, SALE AND DISTRIBUTION OF BIOFUELS	—

Company (in alphabetical order)	% of ownership at 31/12/2008 % of voting power held	% of ownership at 31/12/2008 % of ownership	% of ownership at 31/12/2007 % of voting power held	% of ownership at 31/12/2007 % of ownership	Registered office	Line of business	Auditor
GREEN FUEL INTERNACIONAL, S.A.	100.00	25.34	50.00	4.86	BILBAO (SPAIN)	PROMOTION OR FOSTERING OF COMPANIES THROUGH TEMPORARY OWNERSHIP INTERESTS IN THEIR SHARE CAPITAL	—
HIDROELÉCTRICA DE OUROL, S.L.	30.00	30.00	30.00	30.00	LUGO (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGY SOURCES	—
HIDROELÉCTRICA DEL PIEDRA , S.L.	25.00	25.00	25.00	25.00	ZARAGOZA (SPAIN)	ELECTRICITY PRODUCTION AND SALE	—
INVERSIONES ELECTROGÁS, S.A.	42.50	15.45	42.50	15.45	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	KPMG AUDITORES
IONIA ENERGIAKI, S.A.	49.00	24.50	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
KONECTA CHILE, S.A.	26.20	15.88	26.20	15.88	SANTIAGO DE CHILE (CHILE)	SERVICES	—
KROMSCHROEDER, S.A.	27.93	27.93	27.93	27.93	BARCELONA (SPAIN)	METER-READING EQUIPMENT	MAZARS AUDITORES
MINICENTRALES DEL CANAL IMPERIAL-GALLUR, S.L.	36.50	36.50	36.50	36.50	ZARAGOZA (SPAIN)	MINI-HYDROELECTRIC PLANT	—
MYHS THERMOREMA, S.A.	40.00	20.00	—	—	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
NEINVER BOLONIA, S.L.	45.00	45.00	45.00	45.00	MADRID (SPAIN)	URBAN DEVELOPMENT	—
OXAGESA, A.I.E.	33.33	33.33	33.33	33.33	TERUEL (SPAIN)	COMBINED HEAT AND POWER PLANT	—
PARC EOLIC COLL DE SOM, S.L.	—	—	30.00	30.00	BARCELONA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
PARC EOLIC ELS ALIGARS, S.L.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
PARC EOLIC LA TOSSA-LA MOLA D'EN PASCUAL, S.L.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
PARC EOLIC L'ARRAM, S.L.	—	—	30.00	30.00	BARCELONA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
PARQUE EÓLICO SIERRA DEL MADERO, S.A.	48.00	48.00	48.00	48.00	SORIA (SPAIN)	WIND FARMS	ERNST & YOUNG
POWERCER - SOCIEDADE DE COGERAÇAO DE VIALONGA, S.A.	30.00	30.00	30.00	30.00	BUCELAS (PORTUGAL)	COMBINED HEAT AND POWER PRODUCTION	DELOITTE
PRODUCTORA DE ENERGÍAS, S.A.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	MINI-HYDROELECTRIC PLANTS	—
PUIGNEREL, A.I.E	25.00	25.00	25.00	25.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER PLANT	—
REGASIFICADORA DEL NOROESTE, S.A.	21.00	21.00	21.00	21.00	A CORUÑA (SPAIN)	NATURAL GAS REGASIFICATION AND TRANSMISSION	DELOITTE
ROFEICA D`ENERGÍA, S.A.	27.00	27.00	27.00	27.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
SADIEL, S.A., SOCIEDAD ANDALUZA PARA EL DESARROLLO DE LA INFORMÁTICA Y LA ELECTRÓNICA	37.50	37.50	37.50	37.50	SEVILLE (SPAIN)	TECHNOLOGIES, INFORMATION, ENGINEERING AND TRAINING	DELOITTE
SANTO ROSTRO COGENERACIÓN, S.A.	45.00	45.00	45.00	45.00	SEVILLE (SPAIN)	COMBINED HEAT AND POWER	—
SATI COGENERACIÓN, A.I.E.	27.50	27.50	27.50	27.50	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—

Company (in alphabetical order)	% of ownership at 31/12/2008 % of voting power held	% of ownership at 31/12/2008 % of ownership	% of ownership at 31/12/2007 % of voting power held	% of ownership at 31/12/2007 % of ownership	Registered office	Line of business	Auditor
SCS CENTRALE EOLIENNE DE CERNON	—	—	49.00	31.85	LANGOELAN (FRANCE)	WIND POWER PROJECTS	—
SERRA DO MONCOSO CAMBAS, S.L	49.00	49.00	49.00	49.00	A CORUÑA (SPAIN)	INSTALLATION, MAINTENANCE AND OPERATION OF WIND FARMS.	ERNST & YOUNG
SISTEMAS ENERGÉTICOS LA MUELA, S.A.	30.00	30.00	30.00	30.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
SISTEMAS ENERGÉTICOS MÁS GARULLO, S.A.	27.00	27.00	27.00	27.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
SISTEMAS SEC, S.A.	49.00	29.71	49.00	29.71	SANTIAGO DE CHILE (CHILE)	PROVISION OF SIGNALLING, ELECTRIFICATION AND COMMUNICATIONS SYSTEMS	DELOITTE
SOCIEDAD EÓLICA DE ANDALUCÍA, S.A.	46.67	46.67	46.67	46.67	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION	ERNST & YOUNG
SOCIÉTÉ DES EAUX DE L´EST	—	—	25.00	16.25	SAINT-AVOLD (FRANCE)	PRODUCTION, TRANSPORT, DISTRIBUTION AND SALE OF WATER	MAUSELANE AUDIT
TECNATOM, S.A.	45.00	45.00	45.00	45.00	MADRID (SPAIN)	SERVICES TO ELECTRICITY PRODUCTION FACILITIES	ERNST & YOUNG
TERMOELÉCTRICA JOSÉ DE SAN MARTIN, S.A.	26.18	7.17	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	ERNST & YOUNG
TERMOELÉCTRICA MANUEL BELGRANO, S.A.	26.18	7.17	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	DELOITTE
TERMOTEC ENERGÍA, A.I.E.	45.00	45.00	45.00	45.00	VALENCIA (SPAIN)	COMBINED HEAT AND POWER	—
TIRME, S.A.	40.00	40.00	40.00	40.00	BALEARIC ISLANDS (SPAIN)	SOLID WASTE TREATMENT	DELOITTE
URGELL ENERGÍA, S.A.	27.00	27.00	27.00	27.00	LLEIDA (SPAIN)	COMBINED HEAT AND POWER	—
YACYLEC, S.A.	22.22	22.22	22.22	22.22	BUENOS AIRES (ARGENTINA)	ELECTRICITY TRANSMISSION	ERNST & YOUNG
YEDESA-COGENERACIÓN ,S.A.	40.00	40.00	40.00	40.00	ALMERÍA (SPAIN)	COMBINED HEAT AND POWER	—

APPENDIX III: CHANGES IN THE SCOPE OF CONSOLIDATION

Endesa Group companies: Inclusions in the scope of consolidation in 2008.

	% of ownership at 31 December 2008			% of ownership at 31 December 2007		
Company	% of control	% of ownership	Consol. method	% of control	% of ownership	Consol. method
EOLE KER ROSE (1)	—	—	—	—	—	—
EOLE RECOSTIOU (1)	—	—	—	—	—	—
EOLE RECOSTIOU 2 (1)	—	—	—	—	—	—
ELECGAS, S.A.	50.00	50.00	PC	—	—	—
HISPANO-HELLINIKI AIOLIKI TRIKORFA S,A, OF PRODUCTION AND TRADING OF ELECTRIC ENERGY	50.00	25.01	PC	—	—	—
MAKRINOROS SOCIETE ANONYME PRODUCTION AND TRADING OF ELECTRIC ENERGY	50.00	25.01	PC	—	—	—
CHINANGO, S.A.C.	99.90	17.62	FC	—	—	—
TRANSPORTISTA REGIONAL DE GAS, S.L.	50.00	50.00	PC	45.00	45.00	PC
DISTRIBUIDORA REGIONAL DE GAS, S.A.	50.00	50.00	PC	45.00	45.00	PC
PEREDA POWER, S.L.	70.00	70.00	FC	—	—	—
DELTA ENERGIAKI, S.A.	90.00	45.01	FC	—	—	—
ARGYRI ENERGIAKI, S.A.	100.00	45.01	FC	—	—	—
FOIVOS ENERGIAKI, S.A.	100.00	45.01	FC	—	—	—
HYDROHOOS ENERGIAKI, S.A.	100.00	45.01	FC	—	—	—
EN, DY ENERGIAKI, S.A.	100.00	45.01	FC	—	—	—
MYHS PELOPONNISOU, S.A.	100.00	45.01	FC	—	—	—
YHS PEPONIA, S.A.	62.50	28.13	FC	—	—	—
THESSALIKI ENERGIAKI, S.A.	100.00	45.01	FC	—	—	—
HYDRIA ENERGIAKI, S.A.	100.00	45.01	FC	—	—	—
AIOLIKI MARTINOU, S.A.	100.00	45.01	FC	—	—	—
MYHS KASTANIOTIKO, S.A.	100.00	47.30	FC	—	—	—
MYHS POUGAKIA, S.A.	100.00	47.56	FC	—	—	—
GREEN ENERGY	80.00	40.01	FC	—	—	—
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES II	75.00	75.00	FC	—	—	—
ASIN CARBONO USA, INC.	100.00	82.50	FC	—	—	—
ASIN HOLDINGS LIMITED, LLC.	100.00	82.50	FC	—	—	—
ENDESA CARBONO, S.L.	82.50	82.50	FC	—	—	—
HIDROAYSÉN TRANSMISIÓN, S.A.	99.51	18.55	PC	—	—	—
EMPREENDIMIENTOS EÓLICOS DA SERRA DO SICÓ, S.A.	52.38	26.19	PC	29.00	40.00	EM

(1) Inclusion in the scope of consolidation of all of the share capital on 5 February 2008 and exclusion from the scope of consolidation on 26 June 2008.

APPENDIX III: CHANGES IN THE SCOPE OF CONSOLIDATION

Endesa Group companies: Exclusions from the scope of consolidation in 2008.

	% of ownership at 31 December 2008			% of ownershipat 31 December 2007		
Company	% of control	% of ownership	Consol. method	% of control	% of ownership	Consol. method
EOLMINHO-ENERGIAS RENOVÁVEIS, S.A.	—	—	—	28.00	28.00	PC
VAPELTAR, A.I.E.	—	—	—	40.00	40.00	PC
COGENERACIÓN TOLOSANA, A.I.E.	—	—	—	25.00	25.00	PC
PARQUE EÓLICO DE CABO VILANO, A.I.E.	—	—	—	50.00	50.00	PC
AERODIS, S.A.	—	—	—	100.00	65.00	FC
ALTEK ALARKO SANTRALLARI TESIS ISLETME VE TICARET A.S.	—	—	—	50.00	32.50	PC
AMBON ENERGIES EURL	—	—	—	100.00	65.00	FC
CENTRO ENERGÍA FERRARA S.p.A.	—	—	—	58.35	58.35	FC
CENTRO ENERGÍA TEVEROLA S.p.A.	—	—	—	58.35	58.35	FC
ELEKTROCIEPLOWNIA BIALYSTOK, S.A.	—	—	—	69.58	45.23	FC
ENDESA EUROPA POWER & FUEL S.R.L.	—	—	—	100.00	100.00	FC
ENDESA EUROPA, S.L.	—	—	—	100.00	100.00	FC
ENDESA ITALIA POWER & FUEL, S.R.L.	—	—	—	100.00	80.00	FC
ENDESA ITALIA, S.p.A.	—	—	—	80.00	80.00	FC
ENDESA POLSKA SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	—	—	—	98.33	98.33	FC
ERGON ENERGÍA, S.R.L.	—	—	—	50.00	50.00	PC
ERGOSUD, S.p.A.	—	—	—	50.00	50.00	PC
LIVORNO HOLDING, S.R.L.	—	—	—	50.00	50.00	PC
MER WIND, S.R.L.	—	—	—	100.00	100.00	FC
MPE ENERGÍA, S.R.L.	—	—	—	50.00	50.00	PC
MUZILLAC ENERGIES, EURL.	—	—	—	100.00	65.00	FC
OLT OFFSHORE LNG TOSCANA, S.p.A.	—	—	—	30.46	30.46	PC
PARCO EOLICO POGGI ALTI, S.R.L.	—	—	—	100.00	100.00	FC
PARCO EOLICO DI FLORINAS, S.R.L.	—	—	—	99.99	79.99	FC
PARCO EOLICO IARDINO, S.R.L.	—	—	—	100.00	100.00	FC
PARCO EOLICO MARCO AURELIO SEVERINO, S.R.L.	—	—	—	100.00	100.00	FC
PARCO EOLICO MONTE CUTE S.R.L.	—	—	—	100.00	100.00	FC
PARCO EOLICO PIANO DI CORDA S.R.L.	—	—	—	100.00	100.00	FC
PARCO EOLICO SERRA PELATA S.R.L.	—	—	—	100.00	100.00	FC
SCS LES VENTS DE CERNON	—	—	—	100.00	65.00	FC
SEA POWER & FUEL S.R.L.	—	—	—	50.00	50.00	PC
SOCIÉTÉ NATIONALE D'ELECTRICITÉ ET DE THERMIQUE, S.A.	—	—	—	65.00	65.00	FC
SOPROLIF, S.A. (2)	—	—	—	45.00	29.25	FC
SURSCHISTE, S.A.	—	—	—	100.00	65.00	FC
TERMINAL ALPI ADRIATICO, S.R.L.	—	—	—	100.00	100.00	FC
RELECO SANTIAGO, A.I.E.	—	—	—	45.00	45.00	PC
ANTREL, A.I.E.	—	—	—	50.00	50.00	PC
COREYSA COGENERACIÓN, S.A.	—	—	—	65.00	65.00	FC
COMPAÑÍA ELÉCTRICA CONO SUR, S.A.	—	—	—	100.00	36.36	FC
GAS ALICANTE	—	—	—	100.00	100.00	FC
ERCA CINCO VILLAS-1, S.L.	—	—	—	40.00	40.00	PC
GASODUCTO ATACAMA CHILE, S.A.	—	—	—	99.95	18.18	PC
LUZ DEL RÍO LTDA.	—	—	—	100.00	60.31	FC
ENDESA BRASIL PARTICIPAÇOES LTDA.	—	—	—	100.00	36.36	FC
GREEN FUEL CASTILLA Y LEÓN, S.A.	100.00	25.34	EM	65.21	66.05	FC
CAMINHOS DE SANTIAGO	—	—	—	84.99	31.87	PC
COURENSES	—	—	—	84.99	31.87	PC
MELGACENSES	—	—	—	84.99	31.87	PC
MONTE SANTO	—	—	—	84.99	31.87	PC

(2) Acquisition of 55% of the shares on 14 February 2008 and sale of all of the shares on 26 June 2008.

APPENDIX III: CHANGES IN THE SCOPE OF CONSOLIDATION

Endesa Group companies: Changes in the percentage of ownership in 2008.

	% of ownership at 31 December 2008			% of ownership at 31 December 2007		
Company	% of control	% of ownership	Consol. method	% of control	% of ownership	Consol. method
PARQUE EÓLICO DE BARBANZA, S.A.	63.43	63.43	FC	50.00	50.00	PC
GENERANDES PERÚ, S.A.	61.00	22.18	FC	59.63	21.68	FC
EDEGEL	59.82	17.64	FC	61.06	25.00	FC
PROYECTOS EÓLICOS VALENCIANOS, S.A.	100.00	100.00	FC	55.00	55.00	FC
ENERGIAS DE LA MANCHA	68.42	68.42	FC	52.00	52.00	FC
EDEGEL	83.60	41.42	FC	61.06	17.64	FC
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	84.00	62.33	FC	60.00	38.33	FC
ENERNISA-PRODUÇAO DE ENERGÍA, LDA.	100.00	100.00	FC	90.00	90.00	FC

APPENDIX III: CHANGES IN THE SCOPE OF CONSOLIDATION

Associates: Inclusions, exclusions and changes in 2008.

	% of ownership at 31 December 2008		% of ownership at 31 December 2007	
Company	% of control	% of ownership	% of control	% of ownership
INCLUSIONS:				
EÓLICA DEL PRINCIPADO, S.A.U.	40.00	40.00	—	—
FTHIOTIKI ENERGIAKI, S.A.	35.00	15.75	—	—
MYHS THERMOREMA, S.A.	40.00	20.00	—	—
IONIA ENERGIAKI, S.A.	49.00	24.50	—	—
BUSINESS ENERGY, A.E.	90.00	22.05	—	—
BUSINESS ENERGY TROIZINIAS, A.E.	100.00	24.50	—	—
GREEN FUEL CASTILLA Y LEÓN, S.A.	100.00	25.34	65.21	66.05
GREEN FUEL CORPORATION	25.34	25.34	9.71	9.71
EXCLUSIONS:				
PARC EOLIC COLL DE SOM, S.L.	—	—	30.00	30.00
PARC EOLIC L'ARRAM, S.L.	—	—	30.00	30.00
SCS CENTRALE EOLIENNE DE CERNON	—	—	49.00	31.85
SOCIÉTÉ DES EAUX DE L´EST	—	—	25.00	16.25
ECOENERGÍA CAN MATA, A.I.E.	—	—	25.00	25.00
EMPREENDIMIENTOS EÓLICOS DA SERRA DO SICÓ, S.A.	52.38	26.19	29.00	40.00
DETELCA, UTE.	19.00	19.00	24.90	24.90
DESARROLLO TECNOLÓGICO NUCLEAR, S.L.	—	—	46.33	46.33
CHANGES:				
GREEN FUEL EXTREMADURA, S.A.	75.13	19.04	28.37	32.16
GREEN FUEL ANDALUCÍA, S.A.	89.66	22.72	34.48	38.50
GREEN FUEL ARAGÓN, S.A.	100.00	25.34	34.73	38.38
GREEN FUEL INTERNACIONAL, S.A.	100.00	25.34	50.00	4.86

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A. AND SUBSIDIARIES
2008 DIRECTORS' REPORT

1. ANALYSIS OF 2008

NET PROFIT: EUR 7,169 MILLION

Endesa's net profit amounted to EUR 7,169 million in 2008, EUR 4,494 million higher than that obtained in 2007. This profit includes the profit of discontinued operations, i.e. the gain on the sale to E.On of all of Endesa Europa and of the Los Barrios and Tarragona fossil-fuel plants in Spain, plus the results generated by these assets during the period of the year when they were owned by Endesa.

Without taking into account the discontinued operations, the profit of continuing operations attributable to Endesa's shareholders amounted to EUR 2,371 million, up 5.8% from that obtained in January to December 2007.

The breakdown of profit of continuing operations attributable to Endesa's shareholders, by business area, is as follows:

Net profit of continuing operations attributable to Endesa's shareholders

	Millions of euros	% change from 2007	% contribution of continuing operations to net profit attributable to Endesa's shareholders
Spain and Portugal	1,873	7.8	79.0
Latin America	506	7.4	21.3
Rest of the world	(8)	Na	(0.3)
TOTAL	**2,371**	**5.8**	**100.0**

Electricity output and sales

Endesa's electricity output, excluding the power produced by the plants sold to E.On, amounted to 149,831 GWh in 2008, up 0.2% from that of 2007.

Power sales, again excluding those of the companies sold to E.On, dropped by 0.9% to 170,294 GWh.

Electricity output and sales in 2008

	Output		Sales	
	GWh	% change from 2007	GWh	% change from 2007
Spain and Portugal	88,190	0.2	106,538	(2.6)
Latin America	60,690	0.1	62,805	1.9
Rest of the world	951	8.1	951	8.1
TOTAL	**149,831**	**0.2**	**170,294**	**(0.9)**

Revenue, EBITDA and profit from operations increased by 26.4%, 8.3% and 13.3%, respectively, despite the rise in the procurement costs of the generation business

2008 was characterised by a sharp rise in the procurement costs of the generation business, due to the increase in fuel prices, which in turn pushed up selling prices in the Spanish wholesale market and in Latin America during the same period. In Spain, this cost increase was also affected by the rise in the price of CO_2 emission rights.

As a result, in 2008 Endesa's revenue grew by 26.4% and its variable costs by 47%, which increased the contribution margin by 8% with respect to 2007.

Fixed costs increased by 7.3%, which contributed to a gross profit from operations (EBITDA) of EUR 6,895 million in 2008, up 8.3% on 2007.

Profit from operations (EBIT) amounted to EUR 5,234 million (up 13.3%) due to the increase in EBITDA and the 5% decrease in the depreciation and amortisation charge, due to the fact that the 2007 depreciation and amortisation charge included an impairment loss of EUR 82 million to reduce to their market value the carrying amount of the CO_2 emission rights purchased by the Endesa Group from third parties to cover the shortfall recognised in this connection (EUR 58 million in 2008), and a depreciation charge of EUR 32 million relating to the renewable energy assets, which in 2008 were not depreciated since they were classified as assets held for sale.

	Revenue		EBITDA		EBIT	
	Millions of euros	% change from 2007	Millions of euros	% change from 2007	Millions of euros	% change from 2007
Spain and Portugal	13,489	31.3	3,930	3.7	2,834	6.4
Latin America	8,354	14.3	2,968	16.8	2,408	25.5
Other	993	101.8	(3)	Na	(8)	Na
TOTAL	**22,836**	**26.4**	**6,895**	**8.3**	**5,234**	**13.3**

Financial loss

The financial loss in 2008 amounted to EUR 1,009 million, up 8.9% on 2007.

When comparing the financial losses for 2008 and 2007, the following two factors should be taken into account:

- In 2007 the increase in interest rates had a positive effect of EUR 76 million on this account, due to the reduction in the present value of the provisions recognised in the balance sheet, mainly those assigned to cover collective redundancy procedure obligations; whereas, in 2008 interest rates had a negative impact of EUR 28 million on the net financial loss.
- Capitalised borrowing costs in 2008 decreased by EUR 60 million compared with 2007.

If these effects on the financial loss are disregarded, the loss would have decreased by 8.2% in 2008, despite the rise in interest rates during the first nine months of the year, thanks to the significant reduction in net debt in 2008.

Profit of discontinued operations: EUR 4,884 million

The post-tax profit of discontinued operations amounted to EUR 4,884 million in 2008.

Under the agreement of 2 April 2007 between Acciona, S.A., Enel, S.p.A. and E.On AG, on 26 June 2008 Endesa sold E.On all the shares of Endesa Europa, held by it, excluding the trading business and the assets not located in Italy, France, Poland and Turkey, together with the Los Barrios and Tarragona fossil-fuel plants in Spain.

The selling price of Endesa Europa was EUR 7,126 million, a figure subject to possible adjustments to reflect any changes in the debt of the companies sold that might have occurred between 31 May 2008 and 25 June 2008. Together with this ownership interest, Endesa transferred to the buyer the net intra-group debt position of Endesa Europa and its investees with Endesa Financiación Filiales, amounting to EUR 1,159 million.

The selling price agreed on for the Los Barrios and Tarragona plants was EUR 769 million.

The gross gain recognised by Endesa on this transaction as a whole totalled EUR 4,564 million.

The remainder of the profit of discontinued operations relates to the profits of the assets sold from the beginning of the year to the date on which they were sold.

Cash flows generated: EUR 5,214 million

Cash flows from operating activities amounted to EUR 5,214 million in 2008, down 1.9% from 2007.

This decrease was attributable in full to the decline in the cash flows generated by the European subsidiaries that were sold to E.On in June 2008, since both the business in Spain and Portugal and the Latin American business reported increases.

		Cash flows generated
	Millions of euros	% change from 2007
Spain and Portugal	3,007	12.0
Latin America	1,965	9.1
Rest of the world	242	(70.9)
TOTAL	**5,214**	**(1.9)**

Investments: EUR 4,150 million, 63.3% in Spain and Portugal

Endesa's investments, excluding those made in assets held for sale,amounted to EUR 4,150 million in 2008. Of this amount EUR 3,613 million were invested in property, plant and equipment and intangible assets and the remaining EUR 537 million in financial assets, of which EUR 324 million related to the acquisition of the minority shareholders' investments in the Peruvian companies Edegel and Edelnor as a result of the takeover bids resulting from Enel and Acciona taking control of Endesa.

			Investments (*)
			Millions of euros
	Property, plant and equipment and intangible assets	Financial assets	Total
Spain and Portugal	2,460	168	2,628
Latin America	1,074	368	1,442
Rest of the world	79	1	80
TOTAL	**3,613**	**537**	**4,150**

(*) Excluding those relating to renewable energy assets expected to be contributed to a company jointly controlled with Acciona and which amount to EUR 595 million.

It should also be mentioned that 20% of the generating assets of ESB (Ireland), consisting of four plants at two sites with an operating capacity of 1,068 MW, were awarded to Endesa. These assets were acquired in January 2009 for EUR 440 million.

Financial position

Endesa's net debt stood at EUR 14,003 million at 31 December 2008, EUR 6,831 million less than that at 31 December 2007.

Breakdown by business of Endesa's net debt

Millions of euros

	31/12/2008	31/12/2007	Difference	% change
Business in Spain and Portugal	8,395	14,017	(5,622)	(40.1)
Business in Latin America	5,271	5,570	(299)	(5.4)
Enersis Group	4,260	5,014	(754)	(15.0)
Other	1,011	556	455	81.8
Rest of the world	337	1,247	(910)	(73.0)
TOTAL	**14,003**	**20,834**	**(6,831)**	**(32.8)**

When analysing the level of indebtedness, it should be borne in mind that at 31 December 2008 Endesa had an accumulated collection right of EUR 5,138 million made up of various items acknowledged in the regulations governing the Spanish electricity industry, distributed as follows: EUR 3,034 million relating to the financing of the shortfall in revenue from regulated activities; and EUR 2,104 million relating to the compensation payments for the extra non-mainland production costs. These balances increased by EUR 1,753 million in 2008.

Subtracting the amounts of these items, Endesa's net debt at 2008 year-end stood at EUR 8,865 million.

The average cost of Endesa's debt was 6.37% in 2008 and that of the Enersis Group's debt was 10.07%. Therefore, excluding the debt of the Enersis Group, the average cost of Endesa's debt was 4.87% in 2008.

Strucutre of Endesa's net debt

	Endesa and directly—owned subsidiaries		Enersis Group		Total Endesa Group	
	Millions of euros	% of total	Millions of euros	% of total	Millions of euros	% of total
Euro	9,657	99	—	—	9,657	69
US dollar	67	1	1,917	45	1,984	14
Other currencies	19	—	2,343	55	2,362	17
TOTAL	**9,743**	**100**	**4,260**	**100**	**14,003**	**100**
Fixed	5,951	61	3,826	90	9,777	70
Protected	1,551	16	122	3	1,673	12
Floating	2,241	23	312	7	2,553	18
TOTAL	**9,743**	**100**	**4,260**	**100**	**14,003**	**100**
Average term (no. of years)	4.3		5.1		4.6	

The liquidity of Endesa in Spain at 31 December 2008 amounted to EUR 10,781 million, of which EUR 7,482 million related to amounts drawable unconditionally against credit lines. This liquidity covers its debt maturing in the coming 39 months. However, it should be borne in mind that, at that date, the Company's shareholders had not yet decided on the dividend payable out of 2008 profit. If the EUR 6,243 million that the Company will use to pay the interim dividend out of 2008 profit approved by the Board of Directors on 20 February 2009, which includes the distribution to the shareholders of the full amount of the gain obtained on the sale of the assets to E.On, is subtracted from the liquidity figure, the existing liquidity covers the debt maturing in the coming 14 months.

In turn, at the same date, the Enersis Group had available cash totalling EUR 1,488 million and amounts drawable unconditionally against credit facilities totalling EUR 610 million, thereby covering its debt maturing in the following 17 months.

At the date of presentation of the 2008 results, Endesa's long-term credit ratings were "A-" for Standard & Poor's, "A3" for Moody's, and "A" for Fitch, all of which are under review for possible downgrade.

Equity: EUR 20,764 million

Endesa's consolidated equity at 31 December 2008 amounted to EUR 20,764 million, EUR 3,634 million higher than at 2007 year-end.

Of this equity, EUR 17,082 million correspond to the shareholders of Endesa, S.A. and the remaining EUR 3,682 million to the minority interests of the other Group companies.

The equity attributable to the shareholders of Endesa, S.A. increased by EUR 5,093 million with respect to the 2007 year-end figure, due mainly to the effect of the profit obtained in 2008, offset by the payment of the final dividend of EUR 1,091 million out of 2007 profit approved by the shareholders at the Annual General Meeting held on 30 June 2008, by the translation losses of EUR 694 million recognised in 2008 due to the drop in value of the Latin American currencies against the euro and by the adverse effect (EUR 291 million) of the measurement of cash flow hedges and the actuarial losses and gains generated in 2008 in relation to pensions.

The equity attributable to minority interests decreased by EUR 1,459 million, due, in the proportion corresponding to the minority interests in the consolidated subsidiaries, to the factors mentioned in the preceding paragraph, and to the reduction of the balance relating to these shareholders of the equity of the companies that were sold to E.On.

Gearing ratio

At 31 December 2008, the Endea Group's gearing ratio was 67.4%, i.e. down 54 points from that at 2007 year-end, due mainly to the sale of assets to E.On.

ANALYSIS BY BUSINESS AREA

BUSINESS IN SPAIN AND PORTUGAL

Net profit of the business in Spain and Portugal: EUR 2,217 million

The net profit of the business in Spain and Portugal amounted to EUR 2,217 million in 2008, EUR 432 million higher than that obtained in 2007. This amount includes the profit of discontinued operations, i.e. the gain obtained on the sale of the Los Barrios and Tarragona plants to E.On and the profit after tax obtained by these plants until the date on which they were sold.

Disregarding the profit of discontinued operations, the net profit of continuing operations attributable to Endesa's shareholders corresponding to the business in Spain and Portugal amounted to EUR 1,873 million in 2008, 7.8% higher than in 2007.

EBITDA amounted to EUR 3,930 million and EBIT to EUR 2,834 million, up 3.7% and 6.4%, respectively, from 2007.

Key factors in the period

2008 was marked by general growth in the procurement costs of the generation business, due to the higher average price of fuels and CO_2 emission rights, although fuel prices began to descend rapidly in the last few months of the year. The increase in the procurement costs of the generation business gave rise, in turn, to a 58.2% increase in the average electricity price in the wholesale market.

Endesa sold 67.8% of its mainland output under the ordinary regime to customers in the liberalised market: 16% in the auctions established in relation to regulatory obligations and the remainder in the wholesale market.

However, the revenue billed at the corresponding selling prices decreased by EUR 422 million, in accordance with Royal Decree-Law 11/2007, of 7 December, which reduced the remuneration of the production activity due to the internalisation of the cost of CO_2 emission rights in the electricity generation selling price.

At the date of this report, Royal Decree-Law 11/2007, of 7 December, had not yet been implemented; consequently, Endesa calculated the deductible amount by applying the same formula that had been approved by the government to calculate the deduction applicable to 2006 and 2007 in the legislation implementing Royal Decree-Law 3/2006, of 24 February.

However, Endesa has appealed against the Ministerial Order that approved this method of calculating the discount provided for in Royal Decree-Law 3/2006, of 24 February, since it did not agree with its content. According to Endesa, the discount provided for in Royal Decree-Law 11/2007, of 7 December, should be eliminated and, in particular, should not apply to sales made under bilateral contracts for final supply to eligible customers, since these sales do not generate any shortfall for the electricity system.

Despite the significant increase in the procurement costs of the generation business, the electricity tariff increased by only 3.3% from 1 January 2008 and by 5.6% from 1 July 2008, and it is therefore estimated that the shortfall in revenue from regulated activities in the industry amounted to EUR 4,864 million in 2008. Endesa is to finance EUR 2,148 million of the shortfall generated in 2008.

Lastly, it should be noted that mainland electricity demand grew by 1.3% in the period from January to December 2008. This increase was covered by a 20.4% increase in production under the special regime, which represented 23.9% of the total output, and a 1.5% decrease in production under the ordinary regime.

Main operating aspects

Retention of leading position in the industry

Endesa retained its leading position in the Spanish electricity market as a whole in 2008, achieving market shares of 32.2% in generation under the ordinary regime, 42.8% in distribution and 43.1% in sales to customers in the liberalised market.

Competitive edge over its rivals in the generation activity

Nuclear and hydroelectric power accounted for 49.3% of Endesa's mainland production mix, as compared with 30.5% for the rest of the industry, and the load factor of its thermoelectric facilities (59.8%) was also higher than that of its competitors (45.1%).

Continuous improvement in supply quality

The Company's supply quality improved significantly in 2008, continuing with the upward trend of recent years.

During the period, the cumulative total ICEIT (installed capacity equivalent interrupt time) improved by 11%, to stand at 94 minutes.

These results were obtained due to the enhancements introduced to modernise the network topology and management systems, and to the investments that the Company has been making in recent years.

Renewable energy investments

In 2008 Endesa inaugurated the Alto Palancia I and II wind farms in the province of Castellón, with an aggregate capacity of 74 MW. These wind farms, together with those of Mazorral, Cerro Rajola, Casillas I and II and Alto Palancia III, in all of which Endesa has an interest, together account for 203 MW in the so-called "Zona 6" defined in the Valencia Wind Power Plan, and a total investment of over EUR 200 million.

Endesa is participating in the implementation of the Plan with 498 MW of wind capacity in three areas. The Company will invest over EUR 500 million in the Plan, which will be implemented over the next two years.

The wind farms are being constructed and developed through Proyectos Eólicos Valencianos, S.A., a company in which Endesa has a majority holding.

Purchase of carbon credits

As part of its strategy to acquire carbon credits by participating in Clean Development Mechanism (CDM) projects in developing countries, Endesa agreed to purchase all the certified greenhouse gas emission reductions (CERs) until 2012 in three projects which will be carried out at the Chinese company Jiangsu Shagang. These projects will foreseeably reduce CO_2 emissions by over five million tonnes during this period.

The reductions obtained through these projects are measured and verified by UN-accredited agencies and may be used to meet the greenhouse gas reduction targets of the Kyoto Protocol established for European companies.

Additionally, in September 2008 Endesa acquired the US company AHL (Asin Holdings Limited) for EUR 14 million. AHL identifies clean development projects from which companies affected by the Kyoto Protocol can achieve credits for CO_2 emission rights. Endesa subsequently contributed this company to Endesa Carbono, in which it has an ownership interest of 82.5%, the other 17.5% of the shares being held by AHL's former shareholders. Endesa Carbono's company object is precisely to promote and develop projects which contribute to the reduction of CO_2 emissions.

Revenue: EUR 13,489 million

The revenue of the business in Spain and Portugal amounted to EUR 13,489 million in 2008, up 31.3% on 2007. Of this amount, EUR 12,632 million relate to sales, 28% higher than the 2007 figure.

Sales of the business in Spain and Portugal

Millions of euros

	2008	2007	Difference	% change
Mainland production under the ordinary regime	5,072	4,056	1,016	25.0
Sales to eligible customers	3,292	2,499	793	31.7
Sales through auctions	827	252	575	228.2
Sales through the market	1,375	1,060	315	29.7
Reduction pursuant to Royal Decree—Laws 11/2007 and 3/2006	(422)	(24)	(398)	Na
At price under bilateral contract with EDE	—	269	(269)	Na
Production under the special regime	380	253	127	50.2
Regulated distribution revenue	2,115	2,034	81	4.0
Non—mainland production and retailing	2,890	2,302	588	25.5
Retailing to customers in liberalised markets outside Spain	179	305	(126)	(41.3)
Retailing of gas	1,203	714	489	68.5
Regulated gas distribution revenue	62	59	3	5.1
Other sales and services	731	148	583	393.9
TOTAL	12,632	9,871	2,761	28.0

Mainland production

Endesa’s mainland electricity output totalled 88,190 GWh in 2008, 0.2% higher than that of 2007. Of this amount, 68,241 GWh relate to production under the ordinary regime (down 0.9%). Endesa’s output under the special regime was 3,587 GWh (up 24.7%)

The average pool price in 2008 was EUR 70.81/MWh (up 52.7% from 2007).

Endesa sold 13,985 GWh in power auctions during 2008, in which the average selling price was EUR 61.47/MWh.

As a result of the aforementioned prices, together with the 14.3% increase in the price charged to customers in the liberalised market, sales of mainland production under the ordinary regime rose by 25.0% with respect to 2007, despite the EUR 422 million deduction (2007: EUR 24 million) from “Revenue” due to the application of Royal Decree 11/2007, of 7 December.

Retailing to eligible customers

At 31 December 2008, Endesa had 1,353,372 eligible customers: 1,236,781 in the Spanish mainland market, 116,212 in the non-mainland market and 379 in the European liberalised markets outside Spain.

Endesa sold 47,705 GWh of power to these customers in 2008, 17.4% more than in 2007. Of this amount, 45,211 GWh were sold in the Spanish liberalised market (up 23.5%) and 2,494 GWh were sold in European liberalised markets (down 37.9%).

In economic terms, sales in the Spanish liberalised market amounted to EUR 3,582 million, an increase of 34.8% with respect to 2007. Of this amount, which excludes the fees relating to Endesa Distribución, EUR 3,292 million relate to the mainland liberalised market and EUR 290 million to the non-mainland market.

Revenue from sales to customers in the European liberalised markets outside Spain amounted to EUR 179 million.

The equivalent average selling price of power supplied to end customers increased by 14.3% in 2008, as mentioned earlier.

Endesa’s production under the special regime

The companies under the special regime that are fully consolidated in Endesa produced 3,587 GWh in 2008. As indicated before, this figure represents a 24.7% increase from 2007.

Revenue from special regime power sales relating to the consolidated companies amounted to EUR 380 million, up 50.2% from 2007. The EBITDA of Endesa’s production under the special regime amounted to EUR 291 million, up 70.2%.

Non-mainland production

Endesa’s output in the non-mainland systems totalled EUR 15,002 GWh in 2008, 0.9% more than in 2007.

Sales in these systems amounted to EUR 2,600 million, up 16.0%, due to the inclusion of higher production costs in the recognised selling price.

Distribution

Endesa distributed 119,529 GWh of power in the Spanish market in 2008, representing an increase of 1.2% with respect to 2007.

The regulated revenue from the distribution activity stood at EUR 2,115 million in 2008, up 4% on 2007.

Distribution and retailing of gas

Endesa sold a total of 39,653 GWh in the Spanish natural gas market as a whole, representing an increase of 19.3% with respect to 2007. Of this amount, 37,744 GWh were sold to eligible customers (up 25.5%) and 1,909 GWh to regulated market customers, down 39.5% with respect to 2007.

The total 39,653 GWh sold in the liberalised and regulated markets as a whole, together with the 26,258 GWh of gas consumed by Endesa's power plants, gave a total of 65,912 GWh, representing a total market share of 14.7%.

In economic terms, revenue from gas sales in the liberalised market amounted to EUR 1,203 million, up 68.5% from 2007.

Other operating income

Other operating income amounted to EUR 857 million in 2008, i.e. EUR 455 million more than in 2007.

This heading includes EUR 605 million relating to the allocation to income of the portion of the CO_2 emission rights allocated to Endesa under the National Allocation Plan ("NAP") for the emissions made in the period from January to December 2008.

This amount is EUR 603 million higher than the income recognised in 2007, mainly due to the sharp rise in the market price of these rights. However, this higher income was offset by the higher expense, recognised for the same amount, due to the consumption of these rights allocated under the NAP.

Operating costs

The detail of the operating costs of the business in Spain and Portugal in 2008 is as follows:

Operating costs of the business in Spain and Portugal

Millions of euros

	2008	2007	Difference	% change
Procurements and services	7,188	4,229	2,959	70.0
Power purchased	2,044	1,032	1,012	98.1
Cost of fuel consumed	3,058	2,206	852	38.6
Power transmission expenses	623	517	106	20.5
Other procurements and services	1,463	474	989	208.6
Staff costs	1,230	1,187	43	3.6
Other operating expenses	1,313	1,239	74	6.0
Depreciation and amortisation charge	1,096	1,127	(31)	(2.8)
TOTAL	**10,827**	**7,782**	**3,045**	**39.1**

Power purchased

In 2008 power purchases amounted to EUR 2,044 million, up 98.1% on 2007.

This increase reflects the effect of the higher cost of transactions in the production wholesale market, due to the higher average pool price, and to the greater volumes of gas purchased for sale to eligible customers, as a result of both the volume of gas acquired for sale and the increase in the price of gas.

Cost of fuel consumed

Despite the lower fossil-fuel output in 2008, the cost of fuels consumed was EUR 3,058 million in 2008, i.e. 38.6% higher than in 2007, due to the increase in the average cost of raw materials in the international markets in 2008.

Other procurements and services

"Other Procurements and Services" totalled EUR 1,463 million in 2008, up EUR 989 million on 2007.

Of this amount, EUR 675 million relate to the higher cost recognised for the rights that will have to be delivered to cover the CO_2 emissions made in 2008, as compared with those of 2007, due mainly to the increase in the market price of these rights.

It should be noted that Endesa has begun to apply the CERs arising from Clean Development Mechanism (CDM) projects to cover its emissions shortfall. These rights are already included in the Company's accounts at the corresponding international bodies and have considerably reduced the cost of emissions against a backdrop of rising emission rights prices.

Staff costs and other operating expenses (fixed costs)

Fixed costs increased by 4.8% with respect to 2007 to total EUR 2,543 million in 2008.

Staff costs increased by 3.6% to EUR 1,230 million, while the 6% increase in "Other Fixed Operating Expenses" took this balance to EUR 1,313 million.

Depreciation and amortisation charge

The depreciation and amortisation charge amounted to EUR 1,096 million in 2008, EUR 31 million lower than in 2007. This decrease was due, on the one hand, to the recognition in 2007 under this heading of EUR 82 million to adjust the value of the CO_2 emission rights that had been acquired from third parties to their current market value (EUR 58 million in 2008) and, on the other, to the fact that no depreciation was taken on the renewable energy assets that were to be transferred to a jointly controlled company owned at least 51% by Acciona. The related depreciation charge in 2007 was EUR 32 million.

Financial loss: EUR 442 million

The financial loss amounted to EUR 442 million in 2008, down 2% from that of 2007.

This result is made up of net finance costs of EUR 488 million, EUR 71 million more than in 2007, and net exchange gains of EUR 46 million, as compared with the net exchange losses of EUR 34 million in 2007.

The exchange differences relate mainly to the measurement of the derivatives arranged by the Group to hedge the foreign currency risk relating to fuel purchases denominated in US dollars, which do not meet the requirements established in IFRSs to qualify for hedge accounting.

The EUR 71 million increase in net finance costs is due to the positive effect of the EUR 76 million recognised under this heading in 2007, in turn due to the decrease in the present value of the provisions recognised in the balance sheet, mainly those assigned to cover the obligations arising from collective redundancy procedures, because of the increase in the interest rate used to discount the provisions between 31 December 2007 and 2006 year-end. However, the interest rate used to discount these provisions at 31 December 2008 was lower than that at 31 December 2007, leading to a negative impact on net finance costs of EUR 28 million. Disregarding this effect, net finance costs decreased by EUR 33 million (6.7%), despite the higher average cost of the debt in 2008, due to the significant drop in net indebtedness in 2008.

The net financial debt of the business in Spain and Portugal amounted to EUR 8,395 million at 31 December 2008 (31 December 2007: EUR 14,015 million). Of this amount, EUR 5,138 million are financing regulatory assets: EUR 3,033 million relating to the shortfall in revenue from regulated activities and EUR 2,105 to the compensation payments for extra non-mainland production costs.

Cash flows from operations: EUR 3,007 million

The cash flows generated by operations in the business in Spain and Portugal amounted to EUR 3,007 million in 2008, 12% higher than in 2007.

Investments: EUR 2,628 million

The investments of the business in Spain and Portugal amounted to EUR 2,628 million in 2008, up 0.9% from 2007. 90.7% of this amount relates to capex, i.e. investments for the development or improvement of electricity production and distribution facilities. Also, Endesa invested another EUR 595 million in renewable energy assets, which at 31 December 2008 were to be contributed to a jointly controlled entity to be owned at least 51% by Acciona.

Total investments of the business in Spain and Portugal

	Millions of euros		
	2008	2007	% change
Property, plant and equipment	2,384	2,352	1.4
Intangible assets	76	86	(11.6)
Financial assets	168	166	1.2
TOTAL INVESTMENTS	**2,628**	**2,604**	**0.9**

Capex of the business in Spain and Portugal

	Millions of euros		
	2008	2007	% change
Generation	1,012	1,007	0.5
Distribution	1,296	1,312	(1.2)
Other	76	33	130.3%
TOTAL	**2,384**	**2,352**	**1.4**

(*) Excluding those relating to renewable energy assets which were to be contributed to a company jointly controlled with Acciona.

The breakdown of capex reflects the Company's considerable efforts to maintain service quality in Spain and to increase production capacity.

BUSINESS IN LATIN AMERICA

Net profit of the business in Latin America: EUR 506 million

The net profit of Endesa's Latin American business amounted to EUR 506 million in 2008, an increase of 7.4% with respect to 2007.

Salient events in the period

In 2008 electricity demand differed widely in the countries in which Endesa's companies operate, with increases of 9.2% in Peru, 2.9% in Argentina, 2.8% in Brazil, 1.9% in Colombia and 0.4% in Chile.

Overall, Endesa's companies distributed 62,805 GWh of electricity in 2008, up 1.9% from 2007. By country, these companies' sales increased particularly sharply in Peru (+7.7%), Colombia (+3.3%) and Brazil (+2.9%). These increases compensated for the decline in Endesa's sales in Chile (-3%), which was due to the adverse factors affecting the Chilean energy market in the first part of the year, which led the government to implement measures aimed at fostering energy savings.

In 2008 the electricity generation business continued to be affected by natural gas supply problems which, combined with high fuel costs during the year, led to a very substantial increase in fossil-fuel production costs.

The accumulated output of Endesa's investees was 60,690 GWh, up 0.1% from 2007. Growth was recorded in Chile (+6.9%), Colombia (+8.1%) and Peru (+6.6%), which offset the decreases in Argentina (-13.6%) and Brazil (-14.3%).

Electricity output and sales of the business in Latin America

	Output (GWh)		Distribution (GWh)	
	2008	% change from 2007	2008	% change from 2007
Chile	21,266	6.9	12,535	(3.0)
Argentina	14,350	(13.6)	16,159	2.1
Peru	8,780	6.6	5,599	7.7
Colombia	12,905	8.1	11,822	3.3
Brazil	3,389	(14.3)	16,690	2.9
TOTAL	**60,690**	**0.1**	**62,805**	**1.9**

Improved production and distribution margins

Lower rainfall during a part of the year led to the greater use of the fossil-fuel plants. Gas supply problems and, consequently, the higher consumption of liquid fuels also increased electricity production costs.

However, Endesa's favourable production mix in Latin America and the rise in selling prices in most of the markets in which its investees operate raised the unit margin of the generation activity by 34.8% to USD 39/MWh, with very high increases measured in US dollars in most of the countries: Chile (+53.2%), Brazil (+24.9%), Argentina (+19.9%) and Colombia (+18.8%). On the other hand, in Peru, the higher proportion of total output produced by fossil-fuel plants, congestion problems in the Camisea gas pipeline and the fall in the average selling price, due to the change in the customer mix, reduced the average production margin by 3.1%.

In the distribution area, the unit margin was USD 46.4/MWh, up 13.4% from 2007. This increase was attributable to the improvements in the unit margins in all the countries, except Argentina, due to the recognition in 2007 by the distributor Edesur of the retroactive effect of the tariff increase.

Reduction of power losses in the distribution business

The accumulated power losses in the distribution business at 31 December 2008 stood at 10.8%, an improvement of 0.4% with respect to 2007. Noteworthy were the improvements in Brazil and Colombia of 1.2% and 0.6%, respectively.

New capacity

In 2008 Endesa Chile continued to make progress in the construction of the San Isidro II combined cycle plant, which will have a final installed capacity of 377 MW. In January 2008 the work on the second phase of the project was completed. This phase involved the addition of 105 MW of new capacity, taking the total installed capacity to 353 MW. The work on this plant is scheduled for completion in 2009.

Progress was also made on the Aysén project, which involves the construction of five hydroelectric plants with a total capacity of approximately 2,750 MW, the last of which will come into service in 2023. Endesa Chile has an ownership interest of 51% and Colbún, the remaining 49%.

The Company also began the construction of two new plants in Chile: the Bocamina II coal-fired facility, which will have an estimated capacity of 370 MW and which is scheduled for completion in 2010, and the TG Quintero 250 MW open cycle gas-fired plant, which is scheduled to come into service in 2009.

In June 2008 Endesa Eco brought the Ojos de Agua 9 MW mini-hydro plant into service and continued to work on the Canela II 60 MW wind farm project, to be completed in 2009. Both these plants are in Chile.

In Peru, in January 2008 the contract for the expansion of the Santa Rosa plant was awarded, involving the construction of a 187 MW open cycle unit, which is scheduled to become operational in 2010.

In Colombia, work was completed on the upgrading of the second unit of the Termocartagena plant, adding 66 MW to the plant's existing 142 MW capacity. Endesa also secured, through an auction, payment of a reliability charge of USD 13,998/MWh for the Quimbo 400 MW hydroelectric plant, which will start up towards the end of 2013.

In Argentina, the level of the Arroyito (Chocón) dam was raised, increasing this hydroelectric plant's capacity by 8 MW.

Takeover bids for Peruvian subsidiaries

As a result of the acquisition of control of Endesa by Acciona and Enel in October 2007, pursuant to Peruvian legislation Endesa was required to launch mandatory takeover bids for the shareholding it did not control in its three Peruvian listed subsidiaries.

The transaction was performed through Generalima, a wholly-owned Endesa Group investee, which had acquired a 23.78% stake in Edegel and a 24% stake in Edelnor, involving an investment of EUR 324 million.

With regard to the takeover bid for 24% of Empresa Eléctrica de Piura, in December 2008 the final price of this holding was established at approximately EUR 26 million. The Company is currently evaluating the various options afforded by Peruvian securities market regulations in relation to the ownership interest in this company.

Regulatory changes

Brazil

On 15 March 2008, the annual tariff revision of Ampla was completed with an average increase of 10.95% in the prices charged to the end customer, representing a 6.5% increase in the ADV (aggregate distribution value).

In April 2008 the tariff revision of Coelce was completed, with an average increase of 8.43% in the selling price applied to customers, representing a 7.4% increase in the ADV.

Chile

On 1 April 2008, the Non-Conventional Renewable Energy Law came into force stipulating that, in the period 2010-2014, 5% of the electricity generated must be produced by renewable energy facilities. This percentage will rise by 0.5% annually from 2015 onwards, to reach a maximum of 10% in 2024, which will be maintained in the future.

On 1 September 2008, the Rationing Decree was repealed and the voltage reduction ceased to be applied; as a result, at least some of the demand lost during the term of the Decree is expected to be recovered.

The node price applicable between April and October 2008 was established at USD 118.28/MWh, up 13.7% in US dollars from the price previously set.

On 1 August 2008, the node price in Chilean pesos was increased by 10% (CLP+5.2/kWh, to CLP 57.62/kWh), an extraordinary indexation due to fluctuating exchange rates. In US dollars the node price fell by 3% to USD 114.72/MWh.

Also, in October 2008 a final report was issued on node prices applicable from November onwards, with a monomial price for the 220 kV Alto Jahuel of USD 119.31/MWh, representing a 4.9% increase from the extraordinary price set in August.

Peru

On 11 April 2008, the Peruvian state regulator published a busbar price ("precio de barra") of USD 38.93/MWh for the period from May 2008 to April 2009, increasing it by 9.82% from that previously in force. Subsequently, this price was readjusted taking into consideration the evolution of the US dollar/Peruvian sol exchange rate and fuel prices. The average busbar price in 2008 was USD 41.25/MWh, 8% higher than the 2007 average.

On 2 May 2008, a Decree-Law was passed, establishing the bases for efficient generation with renewable energy resources. This Decree-Law established, inter alia, that these resources were to account for 5% of the total energy consumed over the next five years.

In June 2008 a Legislative Decree was passed, temporarily limiting marginal costs due to congestion in the Camisea gas pipeline, as if this congestion did not exist. This issue is expected to be resolved in 2010.

Argentina

In August 2008 Edesur's new tariff structure was approved, effective 1 July 2008. This is the first increase that has been applied to residential customers since 2002 when the tariff freeze was announced and will only affect customers with a bi-monthly consumption of over 650 kWh, representing 24% of the total. The increases range from 13% to 30% based on consumption. Average increases of 10% will also apply to industries and businesses. This new tariff structure involves an 18% increase in the ADV for Edesur.

Colombia

In September the definitive WACC was established and will be applied in the forthcoming increases in distribution and transmission tariffs of 13.9% and 13%, respectively.

Also in September 2008 a resolution was passed that included the methodology and values required to estimate unit distribution costs in the framework of the revision of Codensa's tariffs.

EBITDA: EUR 2,968 million

The EBITDA of Endesa's business in Latin America amounted to EUR 2,968 million in 2008, up 16.8% from 2007. EBIT amounted to EUR 2,408 million, up 25.5% on that obtained in 2007.

EBITDA and EBIT of the business in Latin America

	EBITDA (millions of euros)			EBIT (millions of euros)		
	2008	2007	% change	2008	2007	% change
Generation and transmission	1,705	1,359	25.5	1,408	988	42.5
Distribution	1,314	1,236	6.3	1,065	994	7.1
Other	(51)	(54)	Na	(65)	(63)	Na
TOTAL	**2,968**	**2,541**	**16.8**	**2,408**	**1,919**	**25.5**

The trend in the earnings of the generation and distribution businesses reflects their excellent performance, the reduction of risk and the stability of earnings contributed by Endesa's investments in Latin America.

EBITDA and EBIT of Endesa in Latin America by business (millions of euros)

						Generation and transmission
	EBITDA			EBIT		
	2008	2007	% change	2008	2007	% change
Chile	863	592	45.8	742	399	86.0
Colombia	321	260	23.5	281	213	31.9
Brazil	184	163	12.9	165	145	13.8
Peru	134	145	(7.6)	83	96	(13.5)
Argentina	118	120	(1.7)	75	73	2.7
TOTAL GENERATION	**1,620**	**1,280**	**26.6**	**1,346**	**926**	**45.4**
Brazil—Argentina interconnection	85	79	7.6	62	62	—
Total generation and transmission	1,705	1,359	25.5	1,408	988	42.5
						Distribution
	EBITDA			EBIT		
	2008	2007	% change	2008	2007	% change
Chile	306	191	60.2	281	165	70.3
Colombia	328	295	11.2	258	224	15.2
Brazil	504	531	(5.1)	397	436	(8.9)
Peru	95	88	8.0	70	60	16.7
Argentina	81	131	(38.2)	59	109	(45.9)
TOTAL DISTRIBUTION	**1,314**	**1,236**	**6.3**	**1,065**	**994**	**7.1**

Generation and transmission

Chile

The increase in fuel prices pushed these costs up by 52.4%. However, higher selling prices, including both node and spot prices, and heavier rainfall in the second part of the year took EBITDA to EUR 863 million and EBIT to EUR 742 million, up 45.8% and 86%, respectively.

Colombia

The EBITDA of the generation business in Colombia amounted to EUR 321 million and EBIT to EUR 281 million in 2008, up 23.5% and 31.9%, respectively, due mainly to the higher gross margin on electricity sales arising from the 8.1% increase in the power generated and from the higher selling prices in the system.

Brazil

The total output from Endesa's investees was 3,389 GWh in 2008, down 14.3% from 2007, due to lower rainfall in the first few months of the year and Fortaleza's reduced output caused by gas supply problems.

However, the high spot market prices in early 2008 had a positive impact on Endesa's hydroelectric generation sales, enabling it to achieve EBITDA of EUR 184 million and EBIT of EUR 165 million, up 12.9% and 13.8%, respectively, from 2007.

Peru

In 2008 Endesa's investees produced a total of 8,780 GWh of electricity, 6.6% more than the 2007 output.

However, due to congestion problems in the Camisea gas pipeline, more use was made of liquid fuels which, being more expensive, increased the overall fuel cost by 44.6%, whereas sales increased by only 6.2%; consequently EBITDA fell to EUR 134 million (down 7.6%) and EBIT to EUR 83 million (down 13.5%).

Argentina

Endesa's companies in Argentina produced 14,350 GWh of power in 2008, 13.6% less, which reduced sales by 8.8%.

This reduction in sales, due to the combination of lower rainfall and the drop in value of the Argentine peso against the euro, reduced the gross margin to EUR 151 million, 0.7% lower than that of 2007. EBITDA decreased by 1.7% to EUR 118 million, and EBIT increased by 2.7% to EUR 75 million.

Brazil-Argentina interconnection

In the second quarter of 2008 Cien and Cammesa entered into an agreement to export power from Brazil to Argentina. The exports took place between May and August at the rate of up to 1,500 MW/month Argentina undertook to return the imported power between September and November at a rate of up to 2,000 MW/month.

As a result of this agreement, the EBITDA of the interconnection amounted to EUR 85 million in 2008, up 7.6%, while EBIT, at EUR 62 million, remained unchanged with respect to 2007.

Distribution

Chile

In 2008 the EBITDA of the distribution business in Chile amounted to EUR 306 million and EBIT to EUR 281 million, 60.2% and 70.3% higher, respectively, than in 2007.

These increases were largely due to the approval of the Decree establishing subtransmission tariffs in Chile, that had no retroactive effect. Consequently, the provision of EUR 55 million that had been recognised to cover the possible application of these tariffs in years prior to 2008 was reversed. Disregarding the reversal of this provision and its recognition in 2007, the EBITDA of the distribution business in Chile would have increased by 2% and EBIT by 2.7%.

The power sold in 2008 decreased by 3%. This decline was largely due to the Rationing Decree in force between March and August, which sought to foster savings in energy consumption in order to mitigate the consequences of the difficulties that were being experienced in the production of energy in Chile.

However, the rise in the unit margen led to the aformentioned increases in EBITDA and EBIT.

Colombia

The EBITDA and EBIT of the distribution business increased by 11.2% and 15.2%, respectively, due mainly to higher physical sales (+3,3%), a more favourable indexation of tariffs to power purchase prices, and income from ancillary business lines.

Brazil

The higher electricity spot price and the larger volume of power sales led to a 17.3% rise in the cost of the energy acquired. Only a part of this increase was passed on in the tariff charged to customers, which increased sales by 10.4%. As a result, EBITDA dropped to EUR 504 million and EBIT to EUR 397 million (down 5.1% and 8.9%, respectively).

Peru

The unit margin of the distribution business in Peru remained at levels similar to those of 2007; consequently, the 7.7% increase in power sales raised EBITDA by 8.0%, to EUR 95 million. EBIT amounted to EUR 70 million in 2008, up 16.7% on 2007.

Argentina

EBITDA and EBIT both fell by EUR 50 million with respect to 2007. This drop was due to the definitive approval in 2007 of the tariff revision with retroactive effect from November 2005, which led to the recognition of EUR 40 million of net revenue from prior years' electricity sales.

Disregarding this effect, EBITDA and EBIT were down by 11% and 14.5%, respectively. This was due to the increase in fixed costs as a result of inflation in Argentina, which could not be covered by the corresponding increase in tariffs.

Financial loss: EUR 557 million

The financial loss of Endesa's business in Latin America amounted to EUR 557 million in 2008, EUR 80 million higher than in 2007. Of this increase, EUR 27 million relate to the higher exchange losses recognised in 2008 with respect to 2007,and the remaining EUR 53 million to higher net finance costs, due to the increase in the average cost of the debt.

The net debt of the business in Latin America amounted to EUR 5,271 million at 31 December 2008, EUR 299 million less than that at 2007 year-end.

Cash flows generated: +9.1%

The cash flows from Endesa's business operations in Latin America increased by 9.1% to EUR 1,965 million in 2008.

Return on investment: EUR 269 million

In 2008 Endesa's business in Latin America provided a return on investment for the Parent amounting to EUR 269 million.

Investments: EUR 1,442 million

The investments of this business totalled EUR 1,442 million in 2008, of which EUR 1,058 million were invested in property, plant and equipment.

Capital expenditure of the business in Latin America

	Millions of euros		
	2008	2007	% change
Generation	361	295	22.4
Distribution and transmission	599	539	11.1
Other	98	41	139.0
TOTAL	**1,058**	**875**	**20.9**

The amount invested includes EUR 324 million relating to the acquisition of minority interests in the Peruvian subsidiaries due to the mandatory takeover bids launched after Acciona and Enel took joint control over Endesa. Of this amount, EUR 228 million relate to the acquisition of 23.78% of Edegel and the other EUR 96 million to the aquisition of 24% of the shares of Edelnor.

2. EVENTS AFTER THE BALANCE SHEET DATE

The events after the balance sheet date are described in Note 33 to the consolidated financial statements.

3. OUTLOOK

At the date of preparation of this directors' report, Acciona, S.A. ("Acciona") and Enel, S.p.A. ("Enel") had announced the early acquisition by Enel of the Endesa shares held by Acciona. The transfer of the shares will mark the termination of the Endesa Share Agreement entered into between Acciona and Enel on 26 March 2007.

Taking into account this termination and, as a consequence thereof, the termination of the commitment included in the agreement concerning the integration of the renewable energy generating assets of Endesa and Acciona in a company controlled by the latter, Endesa's Board of Directors, with the abstention of Acciona's proprietary directors pursuant to Spanish commercial and corporate legislation, resolved to sell to Acciona, which undertook to acquire, certain of Endesa's wind and hydroelectric generating assets in Spain and Portugal for a total price of EUR 2,890 million.

The agreement will become effective once the relevant authorisations have been obtained from the competent and regulatory bodies.

The assets included in the transaction represent a total installed capacity of 2,104 MW, of which 1,248 MW relate to wind generation and 856 MW to hydroelectric generation, which include 174 MW corresponding to the special regime.

Endesa's Board of Directors will shortly approve a Business Plan that will take into account the consequences of the agreement described in the preceding paragraphs, always fully safeguarding the best interests of Endesa and its subsidiaries.

4. MAIN RISKS ASSOCIATED WITH THE ENDESA GROUP'S OPERATIONS

The Endesa Group carries on its business activities in an environment in which there are outside factors that can affect the performance of its operations and its earnings. The main risks to which Endesa's operations are exposed are as follows:

4.1. RISKS ASSOCIATED WITH OPERATIONS AND THE INDUSTRY

The Group's operations are subject to a wide range of regulations, and any changes made could have an adverse effect on the Group's business activities, economic position and results of operations.

The Endesa Group's operating subsidiaries are subject to wide-reaching legislation on tariffs and other aspects of their operations in Spain and in each of the countries in which they operate. Although Endesa substantially complies with all the laws and regulations currently in force, the Group is subject to a complex set of laws and regulations that both public and private bodies will attempt to apply. The introduction of new laws or regulations or changes in the laws and regulations currently in force could have an adverse effect on the Group's business activities, economic position and results of operations.

These new laws or regulations sometimes modify certain regulatory aspects that might affect existing rights, which could in turn have an adverse impact on the Group's future financial statements.

Under Spanish law and specifically pursuant to Royal Decree-Law 5/2005, of 11 March, if the overall costs of the electricity system, as calculated by the Spanish authorities for a given year, exceed the total amount of the electricity tariffs billed to end customers, certain companies, including Endesa, are obliged to finance this shortfall by paying a sum, set through regulations, equal to the difference between (i) these overall costs; and (ii) the total amount of the tariffs billed to the end customers ("tariff deficit"). In the case of Endesa, the Group's Parent is obliged to finance 44.16% of the shortfall in revenue from regulated activities.

The tariff shortfall exists because certain expenses included in the overall costs, above all the cost of power purchased on the wholesale market, are determined in a competitive market, whereas the government sets the electricity tariffs. Based on the legal nature and background of this financing, Endesa is entitled to a full refund of the amounts financed, although this right could be affected by possible future changes in the relevant legislation.

Royal Decree-Law 11/2007, of 7 December, approved, as a measure to reduce the shortfall in revenue from regulated activities in prior years, the extension of the reduction of generation revenue already introduced by Royal Decree-Law 3/2006, of 24 February, to take into account the effect of the internalisation on the setting of the wholesale market prices due to the greenhouse gas emission rights granted at zero cost under the National Allocation Plan for 2008-2012 that are associated with that revenue.

At the date of preparation of these consolidated financial statements, the government had not yet established the amount to be deducted from generation revenue in order to take into account the effect of the internalisation on electricity prices of the grant at zero cost of the greenhouse gas emission rights.

The Group's operations are subject to wide-reaching environmental legislation, and any changes made could have an adverse effect on the Group's business activities, economic position and results of operations.

Endesa and its operating subsidiaries are subject to environmental legislation which, among other things, requires the performance of environmental impact studies for future projects, the obtainment of the mandatory licences, permits and other authorisations and the fulfilment of all the requirements provided for in those licences, permits and rules. As in the case of any other regulated company, Endesa cannot guarantee that:

- The public authorities will approve said environmental impact studies;
- Public opposition does not lead to delays or changes in the projects proposed;

- The laws or rules will not be amended or interpreted in such a way as to increase the expenses that have to be incurred in meeting them or as to affect operations, plants or plans for the companies in which the Group has an investment.

In recent years certain legal requirements regarding the environment in Spain and the EU have been tightened. Although Endesa has made the investment necessary to meet these requirements, its application and future changes could adversely affect the Group's business activities, financial position and results of operations. The results of operations could also be affected either by the price of the emission rights or by a shortage of rights in the market.

A considerable volume of the power produced by Endesa in certain markets is subject to market forces that might affect the price and volume of power sold by it.

Endesa is exposed to market price and availability risks for the purchase of the fuel (including fuel oil-gas, coal and natural gas) used to generate electricity and the sale of a portion of the power that it produces. Endesa has entered into long-term supply contracts in order to guarantee fuel supplies for its power production activities in Spain. Endesa has entered into certain natural gas supply contracts that contain "take or pay" clauses. These contracts were established on the basis of certain reasonable assumptions regarding future needs. In the event of very significant variances in the assumptions used, fuel purchases exceeding the Group's needs might have to be made.

Exposure to these risks is managed at long term by diversifying contracts, by managing the procurements portfolio by tying prices to indexes that reflect a similar or comparable trend to that of the end electricity (generation) or selling (retailing) prices and by introducing contractual clauses (renegotiated periodically) aimed at maintaining the economic balance of the procurements. At short and medium term, fluctuations in procurement prices are managed through specific hedges, generally in the form of derivatives. Although Endesa actively manages these risks, it cannot guarantee that such measures will eliminate all the market price risks relating to fuel needs.

The Group's business could be affected by rainfall patterns.

Endesa's operations include hydroelectric production and, accordingly, depend on the weather conditions prevailing at any given time in the extensive geographic regions in which the Group's hydroelectric generating facilities are located. If hydrological conditions result in droughts or other conditions that adversely affect the Group's hydroelectric generation business, earnings could be negatively affected. Also, the electricity business is affected by atmospheric conditions such as average temperatures, which have an effect on consumption. The margin on the business changes on the basis of weather conditions.

The Group's financial position and results of operations may be adversely affected if it does not effectively manage its exposure to interest rate, commodity price and foreign currency risk.

The Group is exposed to various types of market risk in the normal course of business, including the impact of interest rate and commodity price changes and foreign currency exchange rate fluctuations and, therefore, it actively manages these risks in order to avoid them having a significant effect on earnings.

Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities tied to floating interest rates.

The purpose of interest rate management is to achieve a balance in the structure of debt that makes it possible to minimise the cost of the debt over the multi-year time horizon with reduced volatility in the income statement.

Depending on the estimates made by the Endesa Group and on the debt structure objectives, hedging transactions are carried out by arranging derivatives to mitigate this exposure.

Foreign currency risk

Foreign currency risk affects mainly the following transactions:

- Borrowings denominated in foreign currencies arranged by the Group companies and associates.
- Payments to be made in international markets for the purchase of fuel stocks.
- Income and expenses of the Latin American subsidiaries in the functional currency of each company and, in certain cases, tied to the US dollar.

Also, the net assets relating to net investments in foreign operations with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these operations on consolidation. In order to mitigate foreign currency risk, the Endesa Group has arranged currency swaps and hedges. Also, the Group attempts to achieve a balance between cash collections and payments on its foreign currency-denominated assets and liabilities.

However, the risk management strategies may not be fully successful in limiting exposure to changes in interest rates and foreign currency exchange rates, which could adversely affect the Group's financial position and results of operations.

Commodity price risk

The Endesa Group is exposed to the risk of changes in commodity prices, including CO_2 emission rights and CERs, mainly through:

- Purchases of fuel stocks during the electricity generation process.
- Power purchase and sale transactions in national and international markets.

Exposure to these risks is managed at long term by diversifying contracts, by managing the procurements portfolio by tying prices to indexes that reflect a similar or comparable trend to that of the end electricity (generation) or selling (retailing) prices and by introducing contractual clauses (renegotiated periodically) aimed at maintaining the economic balance of the procurements.

At short and medium term, fluctuations in procurement prices are managed through specific hedges, generally in the form of derivatives.

Liquidity risk

The Group's liquidity policy consists of the arrangement of committed credit facilities and current financial assets for a sufficient amount to cover the projected needs for a period that depends on the situation and expectations of the debt and capital markets.

However, it is not possible to guarantee that a prolonged liquidity crisis in the markets that prevented the access of issuers to the capital markets would not have an adverse effect in the future on the Group's liquidity position.

Credit risk

Given the current economic situation, the Group monitors credit risk very strictly.

Historically, credit risk on trade receivables is minimal since the period for making collections from customers is short and, in accordance with the applicable regulations, their supply may be cut off due to non-payment before they accumulate very significant amounts on an individual basis.

With regard to credit risk on assets of a financial nature, the Group's risk policies are as follows:

- Cash placements are made with renowned entities in the European Union with a credit rating higher than that of Endesa and in highly liquid products. 83.9% of cash balances are placed with entities with a credit rating of AA- or higher and all other transactions are with entities with a credit rating of A+. The Group's subsidiaries place their cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading entities in the markets in which the subsidiaries operate.
- Derivatives are arranged with highly solvent entities and, accordingly, more than 90% of the transactions are performed with entities with a credit rating of A or higher.
- The credit risk associated with commodities included within the scope of IAS 39 is also limited. At the end of 2008 and taking as the base market values:

  – More than 80% of the transactions are performed with entities with a credit rating of A- or higher, or an equivalent internal rating calculated in accordance with best market practices.
  – No one counterparty accounted for more than 20% of the total credit risk relating to financial instruments.

Given the current economic and financial situation, Endesa takes certain additional precautions, including:

- An analysis of the risk associated with each counterparty when there is no external credit rating.
- Guarantees are requested when deemed appropriate.
- Guarantees are requested when arranging transactions with new customers.
- Customer accounts receivables are monitored exhaustively.

Although the measures taken by the Group considerably reduce exposure to the credit risk, the existing economic environment does not provide any assurance that the Group will not incur losses due to the non-payment of trade or financial receivables.

Construction of new facilities may be adversely affected by factors commonly associated with such projects.

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex. In connection with the development of such facilities, the Group generally has to obtain government permits and authorisations, land purchase or lease agreements, equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and sufficient equity capital and debt financing. Factors that may affect the Group's ability to construct new facilities include:

- Delays in obtaining regulatory approvals, including environmental permits.
- Shortages or changes in the price of equipment, materials or labour.
- Opposition from political and ethnic groups.
- Adverse changes in the political and regulatory environment in the countries in which the Group operates.

- Adverse weather conditions that could delay the completion of power plants or substations, or natural catastrophes, accidents and other unforeseen events.
- Inability to obtain financing at rates that are satisfactory for Endesa.

Any of these factors may cause delays in completion or commencement of operations of the Group's construction projects and may increase the cost of planned projects. If Endesa is unable to complete these projects, the costs incurred in connection with such projects may not be recoverable.

Endesa could be subject to environmental and other liability in connection with its operations.

Endesa faces environmental risks inherent to its operations, including those derived from the management of the waste, spills and emissions of the generating facilities, particularly the nuclear power plants. Therefore, Endesa may be subject to claims for environmental and other damage in connection with its power generation, distribution and transmission facilities as well as its coal mining activities.

Endesa is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish legislation limits the liability of nuclear plant owners in the event of accidents. Such limits are consistent with the international treaties ratified by Spain. Spanish law provides that operators of nuclear facilities are liable for a maximum of EUR 700 million in relation to claims arising from a single nuclear accident. Endesa's potential liability in relation to its interests in nuclear facilities is fully covered by third-party liability insurance of up to EUR 700 million.

Endesa's potential liability for pollution and other damage to third parties or their assets has also been insured for up to EUR 150 million. If a complaint were filed against Endesa for environmental or other damage caused by its operations (except for the nuclear plants) for amounts exceeding the insurance coverage, its business activities, financial position and results of operations could be adversely affected.

The liberalisation of the European electricity industry could lead to greater competition and lower prices.

The liberalisation of the electricity industry in the European Union (including the countries in which Endesa has a presence, such as Spain, Italy, France and Portugal) has led to increased competition as a result of consolidation and the entry of new market players in European Union electricity markets, including the Spanish electricity market. The liberalisation of the electricity industry in the European Union has also led to lower electricity prices in some market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which have led to increased liquidity in the electricity markets. This liberalisation of the electricity market means that certain of Endesa's businesses are carried on in an increasingly competitive environment. If Endesa were not able to adapt to and adequately manage this competitive market, its business activities, financial position or results of operations could be adversely affected.

4.2. RISKS RELATING TO OPERATIONS IN LATIN AMERICA

The Group's Latin American subsidiaries are exposed to certain risks, such as economic crises and political risks.

The Group's operations in Latin America are exposed to certain risks inherent to investment and the performance of work in that area, including risks relating to the following:

- Changes in the government's administrative regulations and policies.
- Imposition of monetary restrictions and other restrictions on the movement of capital.
- Changes in the corporate or political environment.
- Economic crises, political instability and social disorder affecting operations.
- Public expropriation of assets.
- Exchange rate fluctuations.

Also, the income of the Latin American subsidiaries, their market value and the dividends collected therefrom are exposed to risks specific to the countries in which they operate, which might have an adverse effect on demand, consumption and exchange rates.

Endesa cannot predict how any future worsening of the political and economic situation in Latin America or any other change in the legislation of the Latin American countries in which it operates, including any change in current legislation or any other regulatory framework, would affect its subsidiaries or their business activities, economic situation or results of operations.

4.3. OPERATIONAL RISKS

Endesa's operations could be affected by human error or technological faults.

In the course of all the business activities of the Endesa Group direct or indirect losses could arise from inadequate internal processes, technological faults, human error or certain external events. The control and management of these risks, particularly those affecting the operation of the generating and distribution facilities, are based on adequate employee training and the existence of operating procedures, preventive maintenance plans and specific programmes supported by quality management systems that make it possible to minimise the possibility of these losses arising and the impact thereof.

4.4. OTHER RISKS

The Group is involved in court proceedings and arbitration that could affect Endesa.

The Group is involved in various legal proceedings relating to its business, including tax and regulatory disputes. Also, it is, or might be, subject to tax audits. Endesa considers that although it has recognised the appropriate provisions based on the legal contingencies at 31 December 2008, it cannot guarantee that the Group will be successful in all the proceedings or that an adverse decision might not significantly and adversely affect its business activities, financial position or results of operations.

The Group is subject to other uncertainties.

The operations that the Group plans to carry on are subject to certain general risks and uncertainties, including by way of example:

- Inability to access the equity or fixed-income capital markets;
- Increases in market interest rates;
- Adverse changes in exchange rates;
- Unfavourable decisions taken by the regulators in the EU, Spain, Brazil, Chile, Argentina or other countries in which the Group operates.
- General macroeconomic conditions in the markets in which the Group produces and distributes electricity;
- The capacity to successfully implement the plan and objectives for the subsidiaries;
- The impact of fluctuations in fuel and electricity prices;
- The capacity to ensure a stable fuel supply; and
- The capacity to manage the risks arising from the foregoing.

5. TECHNOLOGY, INNOVATION AND ENVIRONMENTAL PROTECTION

5.1. TECHNOLOGY AND INNOVATION

Technology and innovation at Endesa

In 2008 Endesa strengthened its innovation activities, in accordance with its 2008-2012 Technological Plan, which addressed the R&D&I projects of the business lines, medium- and long-term corporate technological initiatives which would enable it to achieve the vision and mission established, and the development of the technological strategies defined by Group management.

The technological strategy encompasses three different time horizons:

- For the short term, the main technological initiatives are aimed at overcoming business challenges through R&D&I projects designed to make its current activities more efficient.
- For the medium term, Endesa works in conjunction with its most innovative suppliers and major international research centres in the quest for ground-breaking systematic improvements that would change the way in which it works, promoting projects and consortia that focus on new technological and business solutions, with a time horizon of three to five years.
- Lastly, a long-term technology monitoring and intelligence initiative will be developed for the construction of future options that will enable Endesa to retain its technological leadership position and to pave the way for new businesses and opportunities for it.

All of the above is coordinated through a Corporate Unit which works in conjunction with the business lines in each region, and also through Endesa Network Factory, a subsidiary specialised in R&D&I projects and activities.

In 2008 the regional innovation and new business model was consolidated for Latin America, unifying methods and management while maintaining each country's special regulatory and business features.

The innovation management model developed by Endesa has been certified from 2006 by Aenor under the UNE 166002 standard, which establishes the requirements that have to be met by an integral R&D&I management system as regards tools, procedures, documentation and relationships between units, in order to guarantee its quality and efficiency. Endesa was the first Spanish energy utility to achieve this mark of excellence.

The strategic objectives of Endesa's Technological Plan are summarised as follows:

- Expenditure on R&D&I of 1.2 % of EBITDA, aiming for the highest level of cooperation and contribution of third parties.
- Obtainment of an optimum R&D&I project portfolio, to meet business challenges and open new options for the future.
- Creation of an optimum collaborative environment (suppliers, universities and technological centres) for the development of technological activities.
- Strengthening of the Company's technological know-how and the maximum dissemination of this know-how.
- Consolidation of the management system so as to achieve the most efficient results from the R&D&I activities.

Main technology and innovation activities

International Utilities Alliance

Endesa has spearheaded the creation of this alliance with the European utilities Enel, EdF, Edp and Rwe, as an extension of the Endesa Innovation Roundtable model ("Cide"), which is used to convey demands for innovation in the electricity industry to the suppliers participating in this initiative and which acts as an exceptional forum for the exchange of experiences and the performance of joint projects between the participating electricity utilities.

Among its objectives, this alliance promotes the early compliance with European electricity legislation, joint energy efficiency projects, guaranteed electricity supply commitments and the reduction of CO_2 emissions.

Within the framework of this collaboration five working groups were launched in 2008: Remote Management (Smart Metering), Energy Storage, Electric Vehicles, Intelligent Networks and New Designs under IEC 61850.

Participation on technological platforms

Endesa plays an active role on the most representative Spanish and international technological platforms in the areas of greatest interest:

CO_2 capture and storage and clean coal combustion:

- European technological platform "Zero Emission Fossil Fuel Power Plants" ("ZEP"), the main objective of which is to promote a future clean generation with coal that facilitates the renewal and expansion of the existing fossil-fuel facilities to make it possible to introduce zero CO_2 emission fossil-fuel power plants in Europe by 2020.
- In Spain, Endesa acts as the technical secretary for the Spanish CO_2 Technologial Platform ("PTE CO_2"). This initiative is promoted by private-sector companies, universities and public agencies, and its vision is to assist in the development of CO_2 capture, transport, storage and use for its implementation in the industry. To provide a legal framework and support for the PTE CO_2, the Spanish CO_2 Association was formed, of which Endesa is also a member.

Intelligent networks and power line communications ("PLC"):

- Endesa acts as the technical secretary for the Spanish Platform of Electricity Networks, an initiative for the technological advancement of Spanish electricity transmision and distribution networks, which promotes technological leadership and sustainable development and increases the Company's competitiveness.
- At European level, Endesa participates actively in the "Smartgrids" platform, which aims to increase the level of automation, efficiency and safety of electricity networks, incorporating as far as possible the new information and communications technologies and changing the operating model of the networks, promoting greater decentralisation of decisions and remote actions.
- Through Endesa Network Factory, Endesa participates in the standardisation and regulatory bodies responsible for PLC broadband technology: CENELEC, where it chairs the SC205A/WG10, ETSI PLT and CISPR/I committees. It is also a member of the PLC Utilities Alliance ("PUA"), which groups together seven large European electricity utilities with a market potential of more than 100 million customers.

Energy efficiency:

- Endesa chairs the Spanish energy efficiency technological platform, which groups together leading industrial companies, research centres, universities and national and regional entities which foster technological research and

development in the area of energy efficiency. Its objective is to promote collaboration among the public, industrial and scientific sectors to raise the technological level of energy efficiency in Spanish industry.
- At territorial level, Endesa is the founder-patron and an active member of the Catalán Energy Research Institute and Efficiency Cluster and, in Andalucía, of the Andalucía Technological Corporation and the Centre for Advanced Renewable Energy Technology.

Electric vehicles

In line with its technological strategy, the Group launched various initiatives aimed at finding solutions to the short-, medium- and long-term challenges posed by the development and operation of electric vehicles, for the purpose of positioning Endesa as the leader of electrical mobility in Spain and Latin America, contributing in this way to the development of a new, more sustainable model that is committed to the conservation of the environment.

Endesa joined the Ministry of Industry, Trade and Tourism's work group that was created to study and accelerate the introduction of electric vehicles in Spain, and also started to cooperate with public agencies and departments of transport, sharing significant information on energy and on the deployment of this technology.

Technological intelligence model

Through the Minerva Project, Endesa consolidated the structure of the intelligence cell created in the past, providing the Company with an advanced system with embedded technology to support the process of strategic decision-making, using for this purpose state-of-the-art tools and methodologies to search for technical information and documentation.

In 2008 numerous technological reports and essential elements of intelligence were generated, covering areas that were of most interest from the technological standpoint to enable the Company to take strategic decisions.

Endesa School of Energy

One of the linchpins of Endesa's strategy is the management of intellectual capital and talent, which aims to integrate and coordinate the training and knowledge management of all its employees, overcoming geographical, organisational and cultural barriers.

The mission of the Endesa School of Energy is to increase the ability to share and generate knowlege and innovation throughout the organisation and to build up a strong rapport with the international scientific community, and thus to become a centre of excellence, quality and intelligence for the management of the Company's intangible assets.

In 2008 the most important projects and activities started up by the Endesa School of Energy were as follows:

- Endesa-ICAI Master's Degree in Electrical Technology.
- Innovation Week.
- Technological Workshops.
- Barcelona Tech Summer Sessions.

Novare awards

In 2008 Endesa continued to support research, development and innovation in the energy industry, and announced a new edition of the Novare-Científicos awards, aimed at the international research community.

In this round, a total of 40 proposals were examined from various universities, laboratories, scientists and companies in ten countries. The winning proposals, under four different headings, were each awarded EUR 500,000:

- Project Hydro for the prediction of hydroelectric resources thorugh satellite technologies, presented by Starlab and the Pontificia Universidad Católica de Chile.
- Project CO_2 Solsorb for the reduction of CO_2 emissions at fossil-fuel plants, presented by Centro Elettrotecnico Sperimentale Italiano.
- Project Smartie for better integration of renewable energies in electricity networks, presented by Universidad de Sevilla.
- Project Supercable for the design of a new superconductor power cable, presented by Instituto de Ciencia de Materiales and the French company Nexans.

Also, in view of the high quality of the projects shortlisted for the awards, the panel of judges decided to award Honourable Mentions to four of the other projects presented.

In 2008 the Company extended the use of the software tool used to collect employees' suggestions, to Latin America, with the inclusion of Enersis, Chilectra, Edesur, Edelnor, Ampla, Codensa, Coelce, Cam and Synapsis.

The employees can access this system directly to offer their suggestions for improvement. Since its implementation, about 4,500 ideas have been received across the Endesa organisation.

The use of the tool will provide all the Company's employees with access to the innovation process, so that they can present their initiatives for the optimisation of available resources and the contribution of value.

Endesa's innovation roundtables

The Cide projects, executed through forums in which Endesa's main suppliers participate, continued in 2008 under the coordination of Endesa Network Factory, opening up Endesa's innovation model to the initiatives of and cooperation with its most creative technology partners in each industry.

The innovation roundtables are conducted through seven forums, in which to date 29 innovation initiatives have been developed in response to the challenges posed.

- High Voltage Lines and Cables Forum
- Electricity Substation Forum
- Medium- and Low-Voltage Forum
- Network Automation Forum
- Telecommunications Forum
- Retailing Forum
- Fossil-Fuel and Hydroelectric Plant Forum

Economic data

In 2008 Endesa spent approximately EUR 78 million on R&D&I projects and consortia led by the Company, and invested EUR 51 million directly in these initiatives.

This expense was distributed among 73 completed projects, consolidating the upward trend of Endesa's investment in innovation over the past three years.

Technological cornerstones

Endesa's project portfolio is structured around six technological cornerstones that encompass its strategic medium- and long-term objectives, optimising the resources employed and guaranteeing the creation of options for the future creation of value.

Clean combustion

- CO_2 capture and storage: CO_2 storage, *Cenit* CO_2; Fundación Ciudad de la Energía.
- Reduction of pollutants: Novare Plasmacol; Novare CO_2 Solsorb; RFCS NoDioxCom.
- Efficiency and process enhancement: CFB500 Project; CMD Project; CIDE Project.
- Fuels: Novare Biohidrógeno.

Renewables and energy storage

- Renewables: Novare Hydro; Hidrólica; GDV 500.
- Energy storage: El Hierro; Store.

End use efficiency

- Active demand management: Novare Optiges.
- Electric vehicles: Smart City electric vehicle working package Project; G4V.
- Sustainable town planning: Málaga Smart House Project; Alumbrado Público Eco-Digital Project.

IT / Smart Grids

- Telecommunications: "Knowledge is Power-KIP" Project; Próxima; Telegestión Project; Cenit Dense Project.
- Network intelligence: Smart City.

Networks

- Network automation: Icono Project.
- New materials: Diana Project; Alma; strategic asset management plan.

Environment

Through its subsidiary Bolonia Real Estate, Endesa identifies for subsequent implementation land restoration, farming, reforestation or low-impact renewable energy projects. Endesa is committed to restoring spaces of a high ecological value, such as former waste tips, mines, wetlands and farmlands. These are ideal places for the development of scientific and environmental research projects and for the recovery of native flora and fauna, environmental training programmes and the promotion of nature studies. For the management of these natural areas the Company cooperates and liaises with various public agencies, universities and nature protection organisations.

5.2. ENVIRONMENTAL PROTECTION

One of the main pillars on which Endesa's business commitment to sustainable development is based is environmental protection. This attitude is a hallmark of the Company's track record and constitutes a fundamental trait of its behaviour that is expressly stated in its business values.

The purpose of this commitment is to minimise the impact of the Company's activities on the environment in which it operates, focusing principally on issues relating to climate change, the implementation of environmental management systems, the appropriate management of spills, waste, emissions, polluted soil and other effects on the environment.

Endesa's environmental activities are aimed at preserving natural resources, evaluating the environmental risks associated with its business activities, ensuring excellence in management through the third-party certification of its facilities and conserving biodiversity.

Endesa's environmental management is integrated and fully in tune with its corporate strategy and this commitment has a direct effect on Company management's decision-making process. Following the completion of the Strategic Environmental and Sustainable Development Plan for 2003-2007, which was 95.2% fulfilled and converted the Endesa companies into leaders of the environmental and sustainability areas, in 2008 the new 2008-2012 Endesa Sustainability Plan ("PES") began to be implemented.

This new PES, which considerably reinforces Endesa's traditional commitment to protecting the environment, creates a solid front against climate change and seeks excellence in the management of other environmental issues.

Aspects such as integral water management, the identification and control of environmental risks and liabilities, efficient environmental management, combatting climate change and, especially, strengthening the conservation of biodiversity, are the strategic cornerstones on which Endesa's environmental policy will be based.

In its projects relating to biodiversity and the conservation of natural ecosystems, Endesa's priority has focused on the sites of its own facilities, and it has worked to restore habitats or to adapt and improve the management of its infrastructures. In the area of biodiversity, it also performs research in areas that are critical or threatening such as, for example, invasive exotic species. More specifically, in the case of the zebra mussel, Endesa has performed ground-breaking research, maintaining certain lines of investigation which have become international benchmarks.

Spain and Portugal

The Spanish National Allocation Plan (NAP) for 2008-2012 was published in the Official State Gazette pursuant to Royal Decree 1402/2007, of 29 October, which amends Royal Decree 1370/2006, of 24 November, approving the NAP for greenhouse gas emission rights for 2008-2012. The NAP:

- Establishes the total volume of the rights that will be allocated to the industries and facilities affected by Law 1/2005, of 9 March, including the electricity industry.
- Defines and describes the methodologies for allocating the industry rights that it is planned to apply to obtain the individual allocations for each facility.
- Announces and limits the use of carbon credits from projects based on the Kyoto Protocol flexible mechanisms.

The emission rights are allocated individually to the facilities included in the 2008-2012 NAP by means of Ministry of the Presidency Order PRE/3420/2007, of 14 November.

This 2008-2012 NAP allocates average emission rights of 146 million tonnes of CO_2 per year, to which are added 6 million tonnes per year of CO_2 in reserve (4.3% of the annual allocation), giving a total of 152 million tonnes of CO_2 emission rights per year. This allocation is 16% lower than that of the 2005-2007 NAP and almost 20% lower than the 2005 emissions. For the electricity industry, an average joint allocation of 54 million tonnes per year is established for 2008-2012, with the possibility of using credits originating from projects associated with the flexible mechanisms of the Kyoto Protocol of up to 42% of the industry's total allocation (in the case of each facility, 42% of its individual allocation).

An annual average of 24 million tonnes of CO_2 has been allocated to Endesa's fossil-fuel plants, 38% less than the average allocation for 2005-2007. By applying the 42% allowance, Endesa's facilities could use up to 10 million tonnes per year of credits obtained from emission reduction projects.

A key part of Endesa's climate change strategy is its participation in the flexible project-based emission reduction mechanisms. The Clean Development Mechanism ("CDM") forms part of the flexible mechanisms of the Kyoto Protocol and makes it possible to obtain emission rights by participating in projects to reduce greenhouse gas ("GHG") emissions in developing countries. The CDM contributes to sustainable development through the transfer of technology and offers a threefold benefit: social, environmental and economic.

In 2008 Endesa consolidated its international position in the CDM field by becoming the leading electric utility and one of the five most active companies in the world in this regard, obtaining 6% of the credits awarded by the UN. Endesa incorporated Endesa Carbono, which arose as a result of the positive and pioneering experience of the Endesa Climate Initiative. Endesa Carbono was incorporated after the acquisition in the US of AHL Carbono (Asin Holding Limited), which engages in the identification of CDM projects. This new company brings together all the assets Endesa already owned in this sector, together with those resulting from the acquisition of AHL.

To supplement the implementation of and participation in CDM projects, Endesa participates in various carbon forums. Worthy of mention is the World Bank Clean Energy for Development initiative, the aim of which is to provide a stable and organised international framework in which to carry out CDM projects, giving priority to small-scale projects in developing countries. In this way, when the participants purchase the emission credits arising from the projects, they are contributing to the economic and social development of the communities involved.

Other funds in which Endesa participates are the Spanish Carbon Fund, the World Bank Umbrella Carbon Fund and the MCCF (Multilateral Carbon Credit Fund) of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

In 2008 Endesa participated for the fifth year running in the Carbon Disclosure Project ("CDP"), an initiative organised by a significant number of investors that analyses the risks and opportunities that climate change entails for the largest companies in the world. In recent years the CDP has become a point of reference for the process and methodology involved in the disclosure of corporate data on GHG emissions.

By evaluating the responses to a questionnaire, the CDP analyses the conduct of companies in relation to the new challenges posed by climate change and draws up a ranking of companies by industry.

Also, Endesa continued its work to implement and subsequently certify environmental management systems pursuant to the ISO 14001 standard and the European EMAS regulations at the facilities in the key areas of the Company (generation, distribution, renewable energies, corporate headquarters, etc.).

A noteworthy event in the generation business was the achievement of EMAS certification for the Teruel fossil-fuel plant. Endesa also set in motion the process for implementing environmental management systems at the Compostilla fossil-fuel plant and the As Pontes combined cycle plant.

In 2008 Endesa obtained certification for its first five wind farms in the municipality of Tahivilla near Tarifa, namely the Cortijo de Iruelas, El Gallego, El Ruedo, La Manga and Río Almodóvar wind farms.

In the mining area, the scope of the 14001 certification already obtained by the Andorra mine was extended to include the limestone quarry and an environmental management system began to be implemented at the Puertollano mine for its future certification.

In the distribution business, in line with the environmental management system implementation programme in the Strategic Environmental and Sustainable Development Plan for 2003-2007, the environmental management system was certified for Endesa Distribución Eléctrica in Extremadura and Andalucía, as a result of which Endesa Distribución Eléctrica has now obtained certification under this standard in all areas of Spain.

In the area of biodiversity conservation, at the As Pontes mine (A Coruña), the waste tip is being restored and the open cast mine is being converted into what will be the largest "natural" lake in the Iberian Peninsula. Similar projects are being undertaken at the Emma mine in Puertollano (Ciudad Real) and at Es Fangar, in Sineu (Mallorca) and the restoration work in the surroundings of the lagoons associated with hydroelectric dams in the cental Pyrenees (Aragón) has been completed. In all four cases the physical restoration of the land is already showing highly significant results in terms of biodiversity.

In the area of infrastructure management, the design and application of controlled flooding by Endesa from the regulating reservoirs of the Lower Ebro contribute to the ongoing and necessary regeneration of the river ecosystem and prevent the overproliferation of some of its components, such as aquatic plants.

Latin America

CERTIFICATION

At 31 December 2008, virtually all Endesa's generating and distribution facilities in Latin America had been certified under the ISO 14001 standard for environmental management and under the OHSAS 18001 standard for occupational risk prevention.

CLEAN DEVELOPMENT MECHANISM

In January 2008 the project for the repowering of the Callahuanca hydroelectric plant in Peru was registered with the UN Executive Secretariat of the Framework Convention on Climate Change. This project will foreseeably reduce CO_2 emissions by approximately 240,000 tonnes over 13 years, at a rate of about 18,400 tonnes per year.

Steps are being taken to register the Canela wind farm in Chile with the UN, and the letters of consent have already been obtained from Chile and Spain. Canela is the first wind farm in Chile to be connected to the Central Interconnected System. The farm has an installed capacity of 18.15 MW and is expected to produce about 47 GWh of power per year. CO_2 emissions are projected to fall by about 25,900 tonnes a year, approximately 182,000 in each of the seven years projected for the CDM.

BIODIVERSITY

In 2008 various biodiversity conservation projects were either completed or were in progress, including the project for the recovery of a lagoon and a mangrove swamp located on land belonging to the Cartagena fossil-fuel plant (Cartagena de Indias, Colombia), which earned the 2008 AEDME award for corporate patronage and sponsorship in the "Environment" category. Similar studies were performed at ten of Endesa Chile's properties aimed at investigating and enhancing their natural qualities.

The San Ignacio del Huinay Foundation created by Endesa Chile and Pontificia Universidad Católica de Valparaíso continued with its research on Chilean fiords and the lakeside areas in the country's interior. Its major achievement was the preparation of a handbook of Chilean fiord fauna to which researchers from all over the world have contributed.

At the Cachoeira Dourada hydroelectric plant in Brazil, as part of the biodiversity conservation programme work continued on the ecological characterisation of fish fauna and on the reforestation project in the area of influence of the reservoir. At Coelce, work continued on the Atlantic forest research and recovery project, in conjunction with Universidad de Fortal.

6. HUMAN RESOURCES

At 31 December 2008, Endesa had 26,587 employees, of whom 13,590 belonged to the electricity business in Spain and Portugal, 12,896 to the electricity business in Latin America and 101 to the electricity business in the rest of Europe.

At 31 December 2007, Endesa had 28,037 employees, of whom 13,627 belonged to the electricity business in Spain and Portugal, 12,256 to the electricity business in Latin America and 2,154 to the electricity business in the rest of Europe.

7. RISK MANAGEMENT POLICY AND DERIVATIVE FINANCIAL INSTRUMENTS

The information on the risk management policy and derivative financial instruments is included in Notes 18 and 19 to the consolidated financial statements.

8. TREASURY SHARES

Endesa did not hold any treasury shares at 31 December 2008 and did not carry out any transactions involving treasury shares in 2008.

9. DISCLOSURES REQUIRED BY ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET LAW

a) **The capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent.**

The Company's share capital amounts to EUR 1,270,502,540.40 and it has been fully subscribed and paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of EUR 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 shares making up the share capital, traded by the book-entry system, are marketable securities and are governed by the legislation regulating the securities market.

The shares of Endesa, traded by the book-entry system, have been registered in the Iberclear Central Registry, the entity responsible for accounting for shares.

The shares of Endesa are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

b) **Restrictions on the transferability of securities.**

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

c) **Significant direct or indirect ownership interests in the share capital.**

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Enel, S.p.A. (1)	—	709,923,858	67.053
Enel Energy Europe, S.R.L. (1)	709,923,858	—	67.053
Acciona, S.A. (2)	53,043,481	211,750,424	25.010
Finanzas Dos, S.A. (2)	211,750,424	—	20.000
TOTAL	**974,717,763**	**—**	**92.063**

(1) Enel Energy Europe S.R.L. is wholly owned by Enel, S.p.A.
(2) Finanzas Dos, S.A. is wholly owned by Acciona, S.A. In turn, Grupo Entrecanales, S.A. owns 59.60% of the shares of Acciona, S.A.

On 6 March 2008, the CNMV was notified, through the "model notification of voting rights attributed to shares of listed companies for obligees who are not directors of the issuer", of information on the Concerted Action of Enel, Enel Energy Europe, Acciona and Finanzas Dos in relation to Endesa. The percentage of the voting rights covered by the Concerted Action was 92.063%. This information may be consulted on the CNMV's website, www.cnmv.es.

On 20 February 2009, Acciona and Enel entered into an agreement under which Acciona will sell to Enel all the shares of Endesa held by it both directly and indirectly. This agreement is subject to certain conditions precedent.

d) Restrictions on voting rights.

There are no legal or bylaw restrictions on voting rights.

e) Side agreements.

On 26 March 2007, Acciona and Enel entered into a side agreement for the joint management of Endesa, S.A., and on 30 October 2007, pursuant to Article 112 of the Securities Market Law, it was registered at the Madrid Mercantile Registry.

The full content of the agreement may be consulted on the following websites: www.endesa.es and www.cnmv.es.

If the transaction described in point c) were to take place, the agreement on the Endesa shares signed by Acciona and Enel on 26 March 2007 would be terminated.

f) Rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Company's bylaws.

Rules applicable to the appointment and replacement of the members of the managing body:

Pursuant to Articles 37 and 38 of the bylaws, "The appointment and removal of the directors is the responsibility of the shareholders at the General Meeting. The post of director may be rejected, appointments may be revoked and directors may be re-appointed", "The term of appointment of directors shall be four years, and the directors may be re-appointed for periods of equal duration".

The appointment and re-appointment of directors are governed by the Board of Directors Regulations:

Article 5: Structure and composition of the Board

"5.3. Proposals for the appointment or re-appointment of directors made by the Board of Directors shall be made for persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties and who assume a commitment to dedicate sufficient time to performing the work of the Board."

Article 22: Appointment of directors

"The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in conformity with the Spanish Companies Law and with the bylaws.

The Board of Directors shall make the appointment proposal on the basis of a report of the Appointments and Remuneration Committee."

Article 25 Re-appointment of directors

"The Appointments and Remuneration Committee shall issue its mandatory report on the proposals to re-appoint directors that the Board decides to submit to the General Meeting."

Article 26 Removal of directors

"26.1. The directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all the other cases where this is required by law, the bylaws or these Regulations.

26.2. Directors must tender their resignation when they are involved in any of the situations of incompatibility or prohibition; provided for in the law and when the Board, based on a report of the Appointments and Remuneration Committee, resolves that the director has seriously infringed his duties as a director.

26.3. When for any reason a director ceases to sit on the Board, he may not provide services at any competitor for two years, unless the Board waives or reduces the time period of this prohibition."

The procedure to be followed and the methods to be used are those provided for in the Companies Law and in the Mercantile Registry Regulations.

Rules applicable to the amendment of the Company's bylaws:

Pursuant to Article 26 of the bylaws, in order for the shareholders at the Annual or Extraordinary General Meeting to be able to validly resolve to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.
When shareholders holding less than 50% of the subscribed voting stock are present or represented, the resolutions referred to in the preceding section may only be validly adopted with the affirmative vote of shareholders representing two-thirds of the share capital present or represented at the Meeting.

g) **The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.**
The Executive Chairman and the CEO have been granted, jointly, all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.
As regards the possibility of the Board of Directors issuing or repurchasing shares of Endesa, the shareholders at the Annual General Meeting of Endesa held on 27 May 2005 empowered the Board of Directors to, pursuant to Article 153.1.b of the Spanish Companies Law, increase share capital, at one or several times and at any time for five years after the date of the aforementioned Annual General Meeting, by a maximum amount of EUR 635,251,270.20, i.e. 50% of the existing share capital, through the issuance of new shares, to offer freely the new shares not subscribed in the pre-emptive subscription period or periods, and to establish that, if the subscription is incomplete, the share capital will only be increased by the amount of subscriptions made. Also, the Board of Directors was empowered to disapply the pre-emptive subscription right in the terms provided for in Article 159 of the Spanish Companies Law and to apply for the admission to listing of the new shares issued on the stock market.
Also, the shareholders at the Annual General Meeting of Endesa held on 27 May 2005 empowered the Board of Directors for five years to issue debentures not convertible into shares of the Company, preference shares, promissory notes and other similar fixed-income securities, to secure those issued by subsidiaries, and to apply for the admission of the securities issued to trading on secondary markets.
In addition, the shareholders at the Annual General Meeting of Endesa held on 30 June 2008, in conformity with Article 75 of the Spanish Companies Law, authorised the derivative acquisition of treasury shares, together with pre-emptive subscription rights thereon, by any legally permitted means, directly by Endesa, S.A., by the companies in its Group or by an interposed party, up to the legally permitted maximum figure. The acquisitions shall be made at a minimum price per share of the par value of the shares and a maximum price per share of the market value of the shares plus an additional 5%.

h) **The significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control over the Company as a result of a takeover bid, and its effects, except when the disclosure would be seriously harmful for the Company. This exception does not apply when the Company is legally obliged to disclose such information.**
Endesa and its subsidiaries have loans and other borrowings from banks that might have to be repaid early in the event of a change of control over the Company. Bank loans of approximately USD 499 million might have to be repaid early if there is a change of control over Endesa and derivatives with a market value of EUR –45 million (notional amount of EUR 394 millones) might have to be settled early if, as a result of a change of control, there were a significant drop in Endesa's credit rating.

i) The agreements between the Company and its directors and executives or employees that provide for benefits when the latter resign or are terminated without just cause or if the employment relationship comes to an end as a result of a takeover bid.

The detail of the 69 executive directors, senior executives and executives with guarantee clauses in their employment contracts at 31 December 2008 is as follows:

Executive directors	3
Senior executives	30
Executives	36
TOTAL	**69**

These clauses are the same in all the contracts of the executive directors and senior executives of the Company and of its Group and, as can be observed from the reports requested by the Company, they are in line with standard practice in the market. They were approved by the Board of Directors following the report of the Appointments and Remuneration Committee and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

The regime for these clauses for the executive directors and senior executives is as follows:

Termination of the employment relationship:

- By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is rendered devoid of content, or in the event of a change of control or any of the other cases of remunerated termination provided for in Royal Decree 1382/1985, of 1 August.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

However, in order to be in line with the market, in the case of three of the aforementioned senior executives, the guarantee is one month and a half’s salary payment per year of service in certain cases of termination of the employment relationship.

These conditions are alternatives to those derived from changes to the pre-existing employment relationship or the termination thereof due to pre-retirement for the CEO and senior executives.

Post-contractual non-competition clause:

- In the vast majority of the contracts, the outgoing senior executive is required not to engage in a business activity in competition with Endesa for a period of two years; as consideration, the executive is entitled to an amount equal to one annual fixed remuneration payment.

The regime governing the clauses for the 36 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits of the senior executives.

10. ANNUAL CORPORATE GOVERNANCE REPORT REQUIRED BY ARTICLE 202.5 OF THE SPANISH COMPANIES LAW

The 2008 Annual Corporate Governance Report is included as an Appendix to this Directors' Report and is an integral part hereof, as required by Article 202.5 of the Spanish Companies Law.

11. PROPOSED DISTRIBUTION OF PROFIT

The 2008 profit of the Group's Parent, Endesa, S.A., amounted to EUR 7,240,789,007.02 which, together with profits not specifically appropriated amounting to EUR 746,940,958.81, gives a total of EUR 7,987,729,965.83.

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that this amount be used to pay to the holders of shares carrying dividend rights EUR 5.897 gross per share and to appropriate the remainder to profits not specifically appropriated.

	Euros
Dividend (maximum amount to be distributed relating to EUR 5.897/share for all the shares (1,058,752,117)	6,243,461,233.95
Profits not specifically appropriated	1,744,268,731.88
TOTAL	**7,987,729,965.83**

[Endesa, S.A.]

ENDESA, S.A. FINANCIAL
STATEMENTS 2008

[Contents]

[Endesa, S.A.]

AUDITORS' REPORT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
AND DIRECTORS' REPORT

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
Endesa, S.A.:

1. We have audited the financial statements of Endesa, S.A. comprising the balance sheet at 31 December 2008 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. The accompanying financial statements for 2008 are the first that the directors of Endesa, S.A. have prepared in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007. In this regard, in accordance with Transitional Provision Four.1 of the aforementioned Chart of Accounts, the date of transition was considered to be 1 January 2007 and, therefore, for comparison purposes, in addition to the figures for 2008 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2007 are presented, which were obtained by applying the Spanish National Chart of Accounts approved by Royal Decree 1514/2007. Accordingly, the figures for 2007 differ from those contained in the approved financial statements for 2007, which were prepared in accordance with the accounting principles and standards in force in that year. Note 2-c to the accompanying financial statements includes an explanation of the main differences between the accounting policies applied in 2007 and those applied in 2008, as well as a quantification of the impact of this change in accounting policies on equity at 1 January and 31 December 2007 and on the results for 2007. Our opinion refers only to the 2008 financial statements. On 27 March 2008, we issued our auditors' report on the 2007 financial statements, prepared in accordance with generally accepted accounting principles and standards under the Spanish regulations in force in that year, in which we expressed an unqualified opinion.

3. The accompanying financial statements for 2008 are presented without taking into consideration accounting principles of consolidation, in fulfilment of current corporate and commercial law. Accordingly, the accompanying financial statements of Endesa, S.A., which acts basically as a holding company, do not reflect the changes in the financial and equity position that would arise from the application of consolidation bases to the aforementioned investments or the transactions performed by them, certain of which relate to the global strategy of the Group. The consolidated financial statements of the Group for 2008 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), on which we issued our auditors' report on 23 February 2009, in which we expressed an unqualified opinion. The balances of the main consolidated line items applying International Financial Reporting Standards are detailed in Note 1 to the financial statements.

4. In our opinion, the accompanying financial statements for 2008 present fairly, in all material respects, the equity and financial position of Endesa, S.A. at 31 December 2008 and the results of its operations, the changes in equity and its cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the generally accepted accounting principles and standards under the Spanish regulations applicable to the Company, which are consistent with those applied in the preparation of the figures and information for 2007, which were included in these financial statements for comparison purposes.

5. The accompanying directors' report for 2008 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2008. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Jorge Izquierdo Mazón
23 February 2009

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A.
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

Millions of euros

ASSETS	Notes	2008	2007
Non-current assets		22,694	20,597
Intangible assets	Note 5	**72**	**52**
Computer software		72	52
Property, plant and equipment	Note 6	**7**	**6**
Plant and other items of property, plant and equipment		6	6
Property, plant and equipment in the course of construction and advances		1	—
Non-current investments in Group companies and associates	Notes 7 and 18	**19,470**	**19,168**
Equity instruments		19,148	19,155
Loans to companies		320	—
Derivatives		2	13
Non-current financial assets	Note 7	**2,995**	**1,215**
Equity instruments		51	61
Loans to third parties		2,835	939
Derivatives		19	119
Other financial assets		90	96
Deferred tax assets	Note 14	**150**	**156**
Current assets		2,790	4,212
Non-current assets classified as held for sale	**Note 8**	**—**	**1,468**
Trade and other receivables		**477**	**462**
Sundry accounts receivable		10	1
Receivable from Group companies	Note 18	445	424
Employee receivables		1	1
Current tax assets		17	22
Other accounts receivable from public authorities		4	14
Current investments in Group companies and associates	Notes 7 and 18	**1,945**	**1,589**
Loans to companies		600	498
Derivatives		13	31
Other financial assets		1,332	1,060
Current financial assets	Note 7	**270**	**684**
Equity instruments		—	1
Loans to companies		229	656
Derivatives		40	26
Other financial assets		1	1
Current prepayments and accrued income		**6**	**7**
Cash and cash equivalents		**92**	**2**
Cash		92	2
TOTAL ASSETS		25,484	24,809

The accompanying Notes 1 to 21 are an integral part of the balance sheets at 31 December 2008 and 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A.
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

Millions of euros

EQUITY AND LIABILITIES	Notes	2008	2007
Equity		15,868	9,823
Shareholders' equity	Note 9	**15,865**	**9,718**
Share capital		**1,271**	**1,271**
Registered share capital		1,271	1,271
Share premium		**1,376**	**1,376**
Reserves		**5,230**	**5,104**
Legal and bylaw reserves		285	285
Other reserves		4,945	4,819
Prior years' profits		**747**	**717**
Profits not specifically appropriated		747	717
Profit for the year		**7,241**	**1,780**
(Interim dividend)		**—**	**(530)**
Valuation adjustments		**3**	**105**
Available-for-sale financial assets		36	44
Hedges		(33)	61
Non-current liabilities		6,300	11,950
Long-term provisions	Note 10	**304**	**213**
Provisions for long-term employee benefit obligations		14	12
Provisions for restructuring costs		91	133
Other provisions		199	68
Non-current payables	Note 11	**3,424**	**5,721**
Debt instruments and other marketable securities		—	500
Bank borrowings		3,359	5,181
Derivatives		59	34
Other financial liabilities		6	6
Non-current payables to Group companies and associates	Notes 11 and 18	**2,496**	**5,896**
Payables to Group companies and associates		2,496	5,896
Deferred tax liabilities	Note 14	**76**	**120**
Current liabilities		3,316	3,036
Short-term provisions		**40**	**15**
Current payables	Note 11	**759**	**801**
Debt instruments and other marketable securities		518	18
Bank borrowings		175	166
Derivatives		32	59
Other financial liabilities		34	558
Current payables to Group companies and associates	Notes 11 and 18	**1,747**	**1,616**
Payable to Group companies and associates		1,709	1,616
Derivatives		38	—
Trade and other payables		**770**	**604**
Sundry accounts payable		350	405
Remuneration payable		15	11
Current tax liabilities		362	185
Other accounts payable to public authorities		43	3
TOTAL EQUITY AND LIABILITIES		25,484	24,809

The accompanying Notes 1 to 21 are an integral part of the balance sheets at 31 December 2008 and 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A.
INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of euros

INCOME STATEMENT	Notes	2008	2007
Continuing operations			
Revenue	Note 16	**242**	**276**
Services		242	276
Other operating income		**25**	**11**
Non-core and other current operating income		25	11
Staff costs	Note 16	**(133)**	**(166)**
Wages, salaries and similar expenses		(100)	(129)
Employee benefit costs		(27)	(23)
Provisions		(6)	(14)
Other operating expenses		**(191)**	**(284)**
Outside services		(153)	(222)
Losses on, impairment of and change in allowances for trade receivables		—	(3)
Other current operating expenses		(38)	(59)
Depreciation and amortisation charge	Notes 5 and 6	**(10)**	**(9)**
Impairment and gains or losses on disposals of non-current assets		**—**	**21**
Gains on disposals and other		—	21
LOSS FROM OPERATIONS		(67)	(151)
Finance income		2,140	2,245
From investments in equity instruments		**2,025**	**2,191**
Group companies and associates	Notes 7	2,023	2,189
Third parties		2	2
From marketable securities and non-current loans		**115**	**54**
Group companies and associates		5	5
Third parties		110	49
Finance costs		**(489)**	**(591)**
On debts to Group companies and associates	Note 18	(220)	(355)
On debts to third parties		(261)	(228)
Interest cost relating to provisions		(8)	(8)
Change in fair value of financial instruments		**27**	**9**
Exchange differences	Note 15	**(23)**	**10**
Impairment and gains or losses on disposals of financial instruments		**5,516**	**59**
Impairment		(27)	(16)
Gains on disposals and other	Note 8	5,543	75
FINANCIAL PROFIT		7,171	1,732
PROFIT BEFORE TAX		7,104	1,581
Income tax	Note 14	**137**	**199**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		7,241	1,780
Discontinued operations		—	—
Profit/Loss for the year from discontinued operations net of tax		—	—
PROFIT FOR THE YEAR		7,241	1,780

The accompanying Notes 1 to 21 are an integral part of the income statements for 2008 and 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Millions of euros

	2008	2007
Profit per the income statement	7,241	1,780
Income and expenses recognised directly in equity		
Arising from revaluation of financial instruments	**(10)**	**23**
Available-for-sale financial assets	(10)	23
Other income and expenses	—	—
Arising from cash flow hedges (Notes 7-d and 11-c)	**(107)**	**39**
Grants, donations or gifts and legacies received	**—**	**—**
Arising from actuarial gains and losses and other adjustments	**(4)**	**—**
Tax effect (Note 14)	**35**	**(18)**
Total income and expenses recognised directly in equity	(86)	44
Transfers to profit or loss		
Arising from revaluation of assets and liabilities	**0**	**(90)**
Available-for-sale financial assets	—	(90)
Other income and expenses	—	—
Arising from cash flow hedges (Notes 7-d and 11-c)	**(27)**	**(13)**
Grants, donations or gifts and legacies received	**—**	**—**
Tax effect (Note 14)	**8**	**22**
Total transfers to profit or loss	(19)	(81)
TOTAL RECOGNISED INCOME AND EXPENSE	7,136	1,743

The accompanying Notes 1 to 21 are an integral part of the statements of recognised income and expense for 2008 and 2007

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

Millions of euros

	Shareholders' equity								
	Registered share capital	Share premium	Reserves	Prior years' profits (losses)	Profit for the year	(Interim dividend)	Other equity instruments	Valuation adjustments	Total equity
Beginning balance at 01/01/2007	1,271	1,376	6,049	1,805	—	(529)	—	142	10,114
Total recognised income/(expenses)	**—**	**—**	**—**	**—**	**1,780**	**—**	**—**	**(37)**	**1,743**
Transactions with shareholders or owners	**—**	**—**	**(297)**	**(1,736)**	**—**	**(1)**	**—**	**—**	**(2,034)**
Dividends paid	—	—	—	(1,736)	—	(1)	—	—	(1,737)
Other transactions with shareholders or owners	—	—	(297)	—	—	—	—	—	(297)
Other changes in equity	**—**	**—**	**69**	**(69)**	**—**	**—**	**—**	**—**	**—**
Transfers between equity accounts	—	—	69	(69)	—	—	—	—	—
Ending balance at 31/12/2007	1,271	1,376	5,821	—	1,780	(530)	—	105	9,823

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2007.

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

Millions of euros

	Shareholders' equity								
	Registered share capital	Share premium	Reserves	Prior years' profits (losses)	Profit for the year	(Interim dividend)	Other equity instruments	Valuation adjustments	Total equity
Ending balance at 31/12/2007	1,271	1,376	5,821	1,780	—	(530)	—	105	9,823
Total recognised income/(expenses)	**—**	**—**	**(3)**	**—**	**7,241**	**—**	**—**	**(102)**	**7,136**
Transactions with shareholders or owners	**—**	**—**	**—**	**(1,621)**	**—**	**530**	**—**	**—**	**(1,091)**
Dividends paid	—	—	—	(1,621)	—	530	—	—	(1,091)
Other changes in equity	**—**	**—**	**159**	**(159)**	**—**	**—**	**—**	**—**	**—**
Transfers between equity accounts	—	—	159	(159)	—	—	—	—	—
Ending balance at 31/12/2008	1,271	1,376	5,977	—	7,241	—	—	3	15,868

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for 2008.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A.
STATEMENTS OF CASH FLOWS FOR 2008 AND 2007

Millions of euros

	Current period 31/12/2008	Prior period 31/12/2007
CASH FLOWS FROM OPERATING ACTIVITIES	1,439	1,160
Profit before tax	**7,104**	**1,581**
Adjustments for	**(7,146)**	**(2,038)**
Depreciation and amortisation charge	10	9
Other adjustments (net)	(7,156)	(2,047)
Changes in working capital	**188**	**(247)**
Other cash flows from operating activities	**1,293**	**1,864**
Interest paid	(592)	(613)
Dividends received	1,753	2,116
Interest received	4	3
Income tax recovered (paid)	128	358
CASH FLOWS FROM INVESTING ACTIVITIES	5,319	1,718
Payments due to investment	**(2,626)**	**(687)**
Group companies, associates and business units	(350)	(121)
Property, plant and equipment, intangible assets and investment property	(30)	(18)
Other financial assets	(2,246)	(548)
Proceeds from disposal	**7,945**	**2,405**
Group companies, associates and business units	7,126	1,882
Other financial assets	790	459
Other assets	29	64
CASH FLOWS FROM FINANCING ACTIVITIES	(6,668)	(2,907)
Proceeds and (payments) relating to equity instruments	**0**	**0**
Proceeds and (payments) relating to financial liability instruments	**(5,047)**	**(1,170)**
Issue	474	1,485
Redemption and repayment	(5,521)	(2,655)
Dividends and returns on other equity instruments paid	**(1,621)**	**(1,737)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	0	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	90	(29)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2	31
CASH AND CASH EQUIVALENTS AT END OF PERIOD	92	2

The accompanying Notes 1 to 21 are an integral part of the statements of cash flows for 2008 and 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ENDESA, S.A.
NOTES TO THE FINANCIAL STATEMENTS FOR 2008 AND 2007

1. COMPANY ACTIVITIES AND FINANCIAL STATEMENTS

Endesa, S.A. ("ENDESA" or "the Company") was incorporated on 18 November 1944, and its registered office and administrative headquarters are located in Madrid, at calle Ribera del Loira, no. 60. Its company object is to carry on activities in the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or complementary to the business activities composing its company object, and the management of the corporate Group comprising investments in other companies.

The Company carries on the business activities composing its company object in Spain and abroad directly or through its holdings in other companies.

As a result of the corporate restructuring carried out in recent years and the unbundling of electricity activities pursuant to Electricity Industry Law 54/1997, of 27 November, ENDESA's business activities focus mainly on the management of and rendering of services to its corporate Group, comprising the holdings listed in these financial statements. Accordingly, since it does not directly carry on electricity activities or activities which affect the environment, the information relating to the unbundling of activities and to environmental activities included in the consolidated financial statements is not presented in these financial statements.

The financial statements for 2008, which were formally prepared by the Board of Directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2007 were approved by the shareholders at the Annual General Meeting held on 30 June 2008. The financial statements for 2007 were prepared in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1463/1990 ("SNCA 1990") and, therefore, do not coincide with the amounts for 2007 included in these financial statements, which were prepared in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 ("SNCA 2007"). Note 2-c includes a reconciliation of the equity and profit for the year, together with a description of the main adjustments.

On this same date, pursuant to current legislation, ENDESA formally prepared the consolidated financial statements for 2008 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The consolidated financial statements of the ENDESA Group for 2007 were approved by the shareholders at the Annual General Meeting held on 30 June 2008, and were filed at the Madrid Mercantile Registry.

The main aggregates in ENDESA's consolidated financial statements for 2008 and 2007 are as follows:

				Millions of euros
		2008		2007
Total assets	—	58,546	—	58,522
Equity	—	20,764	—	17,130
Of the Parent	17,082	—	11,989	—
Of minority interests	3,682	—	5,141	—
Revenue	—	22,836	—	18,073
Profit for the year	—	8,110	—	3,483
Of the Parent	7,169	—	2,675	—
Of minority interests	941	—	808	—

The Company is controlled on a joint basis by ENEL, S.P.A., which holds 67.1% of the share capital, and ACCIONA, S.A., with 25%, by virtue of a joint management agreement in relation to ENDESA entered into by the two companies. On 20 February 2009, Acciona and ENEL entered into an agreement whereby Acciona will sell to ENEL all of the ownership interest it holds in ENDESA. This agreement is subject to certain conditions precedent. Once the transfer of shares has been completed, the agreement for the joint management of ENDESA entered into by ENEL and Acciona will become null and void.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

A) BASIS OF PRESENTATION

The financial statements for 2007 and 2008 are presented in accordance with Law 16/2007, of 4 July, reforming and adapting current Spanish corporate and accounting legislation for international harmonisation based on European Union regulations and on the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November.

These financial statements, which were prepared using the Company's accounting records, present fairly the Company's equity and financial position at 31 December 2008 and 2007 and the results of its operations, the changes in equity and cash flows for the years then ended.

B) RESPONSIBILITY FOR THE INFORMATION AND USE OF ESTIMATES

The information in these financial statements is the responsibility of the Company's directors.

In preparing these financial statements estimates were occasionally made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assumptions used in the actuarial calculation of the pension liabilities and obligations and collective redundancy procedures (see Notes 10-a and 10-b).
- The useful life of the property, plant and equipment and intangible assets (see Notes 4-a and 4-b).
- The measurement of assets in order to determine the existence of impairment losses thereon.
- The methods used in calculating the fair value of financial instruments (see Note 4-c).
- The calculation of provisions (see Notes 4-f and 10).
- The taxable income or tax losses of Company that will be reported to the tax authorities in the future that served as the basis for recognising the various income tax-related balances in the accompanying financial statements (see Note 14).
- Certain electricity system aggregates, including those corresponding to other utilities such as output, customer billings, power consumed, incentives for the distribution activity, etc. that make it possible to estimate the overall settlements in the electricity system and that could affect the shortfall in revenue from regulated activities in Spain.

Although these estimates were made on the basis of the best information available at the date of preparation of these financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future financial statements.

C) COMPARATIVE INFORMATION AND MATTERS ARISING FROM THE TRANSITION TO THE NEW ACCOUNTING RULES

The Company's financial statements for the years ended 31 December 2008 and 2007 are the first to be prepared in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November ("SNCA 2007").

The aforementioned Spanish National Chart of Accounts came into force on 1 January 2008 and must be applied for periods beginning on or after that date. Pursuant to Transitional Provision Four of Royal Decree 1514/2007, ENDESA decided to take 1 January 2007 as the date of transition. Therefore, in order to facilitate comparison with 2008, the information relating to 2007 was adapted to the provisions contained in the aforementioned Spanish National Chart of Accounts.

The reconciliation of equity at 1 January 2007 and 31 December 2007 and of the net profit for 2007 calculated in accordance with SNCA 1990 to those calculated in accordance with SNCA 2007 is as follows:

Reconciliation of equity at 1 January 2007

	Millions of euros (*)
Equity at 1 January 2007 under SNCA 1990	**9,594**
Valuation adjustments to equity investments in Group companies, jointly controlled entities and associates	393
Measurement of financial assets	98
Measurement of hedging derivatives	44
Measurement of derivatives not designated as hedging instruments	(32)
Measurement of debt hedged by fair value hedges	21
Other adjustments	(4)
Equity at 1 January 2007 under SNCA 2007	10,114

(*) Net of the related tax effect.

Reconciliation of equity at 31 December 2007

	Millions of euros (*)
Equity at 31 December 2007 under SNCA 1990	**9,508**
Valuation adjustments to equity investments in Group companies, jointly controlled entities and associates	215
Measurement of financial assets	44
Measurement of hedging derivatives	61
Measurement of derivatives not designated as hedging instruments	7
Measurement of debt hedged by fair value hedges	2
Other adjustments	(14)
Equity at 31 December 2007 under SNCA 2007	9,823

(*) Net of the related tax effect.

The most significant impacts on equity arising from the transition to the new accounting standards relate to:

1. Valuation adjustments to equity investments in Group companies, jointly controlled entities and associates:
   In accordance with the SNCA 2007, impairment losses are recognised on investments in Group companies, jointly controlled entities and associates when their carrying amount exceeds their recoverable amount, which is considered to be the higher of fair value less costs to sell and the present value of future cash flows arising from the investment, whereas under the former Spanish National Chart of Accounts allowances were recognised when the carrying amount exceeded the company's interest in the equity of the subsidiary.

Consequently, the Company reversed the allowances that it had recognised in accordance with the former standards that were not required under the new rules.

The reversal made on first-time application relates in full to the ownership interest in ENDESA Latinoamérica, S.A., for which EUR 568 million were reversed, of which EUR 393 million were recognised with a credit to reserves and EUR 175 million with a charge to deferred tax assets.

2. Measurement of financial assets:

   The Company classified its financial assets on the basis of the categories established in the new Spanish National Chart of Accounts. The financial assets classified as "available for sale" for which a reliable valuation is available (listed companies), are measured at fair value instead of being measured at acquisition cost, as they had been under the former Spanish National Chart of Accounts.

3. Measurement of derivatives:

   As required under the new rules, the Company recognised the effect of measuring at fair value the derivatives that it had arranged which relate mainly to financial hedging transactions, regardless of whether or not they qualified for hedge accounting.

4. Measurement of debt hedged by fair value hedges:

   In accordance with SNCA 2007, the debt that is the underlying in a fair value hedge must be measured at fair value, whereas under SNCA 1990 it was measured at the outstanding amount payable.

The reconciliation of the profit obtained by the Company in 2007 under SNCA 1990 to that calculated in accordance with SNCA 2007 is as follows:

	Millions of euros
Profit at 31 December 2007 under SNCA 1990	**1,651**
Cancellation of reversal of allowances for investments in Group companies, jointly controlled entities and associates	(177)
Recognition in equity of the premium for attending the Annual General Meeting	297
Other adjustments	9
Profit at 31 December 2007 under SNCA 2007	**1,780**

The most significant entries with an effect on profit arising from the transition to the new accounting rules relate to:

1. Cancellation of reversal of allowances for investments in Group companies, jointly controlled entities and associates:

   As a result of the difference in the method used to calculate the decline in value of investments in Group companies, jointly controlled entities and associates discussed above, certain reversals of the aforementioned allowances that had been recognised in 2007 under SNCA 1990 were cancelled because they should not be reversed in accordance with SNCA 2007 since they were reversed in the transition balance sheet at 1 January 2007.

2. Recognition in equity of the premium for attending the Annual General Meeting:

   In accordance with the former Spanish National Chart of Accounts, the premiums paid to shareholders for attending the Annual General Meeting were considered to be an expense, whereas under the current Chart of Accounts, since the premiums constitute remuneration paid to the Company's shareholders, they must be recognised directly in equity.

ADDITIONAL INFORMATION ON THE TRANSITION TO SNCA 2007

The fair value of the financial assets and liabilities classified as at fair value through profit or loss at the date of transition and the value and classification thereof in accordance with SNCA 1990 are as follows:

			Millions of euros
	Fair value under SNCA 2007 at 01/01/07	Carrying amount under SNCA 1990 at 01/01/07	Accounting classification under SNCA 1990
Derivatives not designated as hedging instruments (assets)	9	—	
Derivatives not designated as hedging instruments (liabilities)	(8)	—	
Items hedged by fair value hedges	(145)	(175)	Non-current bank borrowings

3. DISTRIBUTION OF PROFIT

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that this amount be used to pay the holders of shares carrying dividend rights EUR 5.897 gross per share and to allocate the remainder to profits not specifically appropriated.

Distribution basis	Millions of euros
Profit for the year	7,241
Profits not specifically appropriated	747
TOTAL	**7,988**
Distribution	
Dividends (1)	6,243
Profits not specifically appropriated	1,745
TOTAL	**7,988**

(1) Maximum amount to be distributed relating to EUR 5.897 per share for all the shares (1,058,752,117).

4. ACCOUNTING POLICIES AND MEASUREMENT BASES

The principal accounting policies and measurement bases used in preparing the financial statements for 2008 and 2007, in accordance with the Spanish National Chart of Accounts, were as follows:

A) INTANGIBLE ASSETS

Intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful lives, which in most cases is estimated to be five years.

B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The property, plant and equipment, less, where appropriate, their residual value, are depreciated on a straight-line basis over the years of estimated useful life of the assets, which constitute the period over which the companies expect to use them. The useful life is reviewed periodically.

The periods of useful life used for asset depreciation are as follows:

	Years of estimated useful life
Buildings	50
Machinery	10
Tools	5
Furniture	10
Other items of property, plant and equipment	5-14

C) FINANCIAL INSTRUMENTS

C.1. Financial assets other than derivatives and equity investments in Group companies, jointly controlled entities and associates

The non-current and current financial assets held by the Company are classified in the following categories:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.
  These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.
  Subsequently, these items are measured at amortised cost, which is basically the initial value, minus principal repayments, plus the accrued interest receivable calculated using the effective interest method.
  The accrued interest is recognised in the income statement using the effective interest method.
  If there is objective evidence that an asset might have suffered an impairment loss, the corresponding analysis is carried out and an impairment loss is recognised if the carrying amount of the asset exceeds the present value of the future cash flows that it is expected to generate, discounted at the effective interest rate calculated at the time of initial recognition. The impairment loan recognised will be for the amount of this difference. In the case of financial assets earning interest at floating rates, the effective interest rate at the balance sheet date, based on the related contractual terms and conditions, is used.
  Impairment losses recognised and reversed are charged and credited, respectively, to the income statement. Where an impairment loss subsequently reverses, the carrying amount of the account receivable is increased, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

- Held-to-maturity investments: this category includes debt securities with fixed maturity and fixed or determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.
  The assets of this type are measured in the same way as the loans and receivables.
  At 31 December 2008 and 2007, the Company did not have any investments of this nature.

- Financial assets classified as at fair value through profit or loss:
  - Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking.
    Held-for-trading financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.
    Subsequently, they are measured at fair value and any changes in fair value are recognised directly in profit or loss.
  - Other financial assets at fair value through profit or loss: financial assets designated as such on initial recognition which are managed and measured using the fair value option. These assets are initially recognised and subsequently measured at fair value and any changes in fair value are recognised directly in profit or loss.

- Available-for-sale financial assets: financial assets designated specifically as available for sale or those which do not fall into any of the aforementioned categories.
  Available-for-sale financial assets relate substantially in full to equity investments in companies other than Group companies, jointly controlled entities and associates.
  They are initially recognised at the value of the consideration paid plus the directly attributable transaction costs.
  They are subsequently measured at fair value where this can be determined reliably.
  Equity instruments whose fair value cannot be determined reliably are measured at cost, less, any accumulated impairment losses where such evidence of impairment exists.
  The changes in fair value, net of the related tax effect, are recognised with a charge or credit to "Equity – Valuation Adjustments" until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, permanent impairment is deemed to exist if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.
  If in subsequent periods fair value increases, the impairment loss recognised in prior years in the income statement reverses with a credit to income.
  The criteria for recognising impairment losses for equity instruments measured at cost, because their fair value cannot be reliably determined, are detailed in Note 4-c.3.

The Company derecognises financial assets when the contractual rights on the cash flows from the related financial asset expire or have been transferred and when substantially all the risks and rewards of ownership of the financial asset have been transferred. However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

C.2. Financial liabilities other than derivatives

The Company classifies its financial liabilities in the following categories:

- Accounts payable: accounts payable by the Company, of both a financial and trading nature, which are not classed as derivative financial instruments.
  The financial liabilities corresponding to accounts payable are recognised at the fair value of the consideration received, net of transaction costs. In subsequent periods, these obligations are measured at amortised cost using the effective interest method.

- Financial liabilities classified as at fair value through profit or loss:
  - Held-for-trading financial liabilities: the Company includes in this category the financial liabilities it has the intention to reacquire in the near term and liabilities that form part of a portfolio for which there is evidence of recent actions taken with the same purpose.
    Held-for-trading financial liabilities are initially recognised at the fair value of the consideration received, minus any directly attributable transaction costs.
    Subsequently, they are measured at fair value and any changes in fair value are recognised directly in profit or loss.
  - Other financial liabilities at fair value through profit or loss: financial liabilities designated as such on initial recognition which are managed and measured using the fair value option.
    Other financial liabilities at fair value through profit or loss are initially recognised at the fair value of the consideration received, minus any directly attributable transaction costs.
    Subsequently, they are measured at fair value and any changes in fair value are recognised directly in profit or loss.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

C.3. Equity investments in Group companies, jointly controlled entities and associates

Group companies are deemed to be those related to the Company as a result of a relationship of direct or indirect control. Associates are companies over which the Company exercises significant influence (significant influence is presumed to exist when the Company holds at least 20% of the voting rights of the other company). Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

The investments in Group companies, jointly controlled entities and associates are initially recognised at cost, which is equal to the fair value of the consideration given, plus any directly attributable transaction costs.

These investments are subsequently measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Where information on these cash flows is not available, the equity of the investee is taken into account, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Impairment losses recognised and reversed are charged and credited, respectively, to the income statement.

C.4. Derivatives and hedge accounting

The derivatives held by the Company relate mainly to transactions arranged by the Company to hedge interest rate or foreign currency risk, the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are recognised at their fair value at the balance sheet date under “Non-Current Financial Assets” or “Current Financial Assets” if their value is positive, and under “Non-Current Payables” or “Current Payables”, if their value is negative. The changes in fair value are recognised in the income statement as finance costs or finance income, unless the derivative has been designated as a hedging instrument for accounting purposes and meets the requirements for hedge accounting which include, inter alia, that it is highly effective, in which case it is recognised, depending on the type of hedge, as follows:

- Fair value hedges: the portion of the hedged item for which the risk is being hedged is measured at fair value, as is the related hedging instrument, and changes in the fair values of both items are recognised in the income statement, as finance income or finance costs.

- Cash flow hedges: changes in the fair value of derivatives are recognised, with respect to the effective portion of these hedges and net of the related tax effect, under "Equity - Valuation Adjustments – Hedges".
  The cumulative gain or loss recognised in this account is transferred to the income statement to the extent that the underlying has an impact on the income statement in relation to the hedged risk. Gains or losses on the ineffective portion of the hedges are recognised directly in the income statement as finance income or finance costs.
- Hedges of net investments in foreign operations: the foreign currency component of hedges of this nature relating to investments in subsidiaries, jointly controlled entities and associates is accounted for as a fair value hedge. Hedging instruments are measured and recognised on the basis of their nature to the extent that they are not, or cease to be, effective.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship, and the relationship is considered to be highly effective.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in a range of between 80% and 125%.

Derivatives embedded in other financial instruments are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contract provided that together they are not being recognised at fair value, with changes in value being recognised in profit or loss.

The fair value of the derivative financial instruments is calculated as follows:

1. Derivatives quoted on an organised market, at market price at year-end.
2. The Company measures derivatives not traded on an organised market by discounting the expected cash flows and using generally accepted option valuation models based on spot and futures market conditions at the end of each year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

D) NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Company classifies as non-current assets held for sale assets for which at the date of the balance sheet active measures had been initiated to sell them and the sale is expected to have been completed within twelve months from that date. These assets are measured at the lower of carrying amount and fair value less costs to sell, and depreciation or amortisation on such assets ceases to be taken from the time they are classified as "Non-Current Assets Classified as Held for Sale".

The Company classifies as "Discontinued Operations" the business lines that were sold or disposed of by other means or which meet the criteria to be classified as held for sale, including, where applicable, assets which, together with the business line, form part of the same plan of sale.

These assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell, and depreciation or amortisation on such assets ceases to be taken from the time they are classified as "Non-Current Assets Classified as Held for Sale".

The non-current assets classified as held for sale and the components of the disposal groups classified as held for sale are presented in the accompanying balance sheet as follows: the assets as a single line item called "Non-Current Assets Classified as Held for Sale and Discontinued Operations" and the liabilities also as a single line item called "Liabilities Associated with Non-Current Assets Classified as Held for Sale and Discontinued Operations".

The profit or loss after tax of discontinued operations is presented as a single line item in the income statement as "Profit/Loss for the Year from Discontinued Operations Net of Tax".

At 31 December 2007, the ownership interest held by ENDESA in Endesa Europa S.L. were considered to be non-current assets classified as held for sale and were sold in 2008 (see Note 8).

At 31 December 2008 and 2007, ENDESA did not have any discontinued operations.

E) TREASURY SHARES

Treasury shares are deducted from "Equity" in the balance sheet and are measured at acquisition cost.

The gains or losses obtained by the companies on the disposal of these treasury shares are recognised under "Profits not Specifically Appropriated" in the balance sheet.

At 31 December 2008 and 2007, no treasury shares were held and in 2008 and 2007 no transactions involving treasury shares were carried out.

F) PROVISIONS AND CONTINGENCIES

The present obligations at the balance sheet date arising from past events which could give rise to a probable loss for the Company which is uncertain as to its amount and timing are recognised as provisions in the balance sheet at the present value of the most probable amount that it is considered the Company will have to disburse to settle the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the consolidated financial statements on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year.

Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow of resources in settlement is considered to be remote.

The obligations reflected in the balance sheet in respect of provisions for long-term employee benefit costs and for labour force restructuring costs arise as a result of collective or individual agreements with the Company's employees which provide for the Company's obligation to supplement the public social security system benefits in the event of retirement, permanent disability, death or termination of the employment relationship as a result of an agreement between the parties.

F.1. Provisions for pensions and similar obligations

ENDESA has pension obligations to its employees, which vary on the basis of the company at which they arose. These obligations, which combine defined benefits and defined contributions, are basically formalised in pension plans or insurance policies, except as regards certain benefits in kind, mainly electricity supply obligations, which, due to their nature, have not been externalised and are covered by the related in-house provisions.

For the defined benefit plans, the Company recognises the expenditure relating to these obligations on an accrual basis over the working life of the employees by performing at the balance sheet date the appropriate actuarial studies calculated using the projected unit credit method. The past service costs relating to changes in benefits are recognised immediately with a charge to income as the benefits become vested.

The defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising in the measurement of both the plan liabilities and the plan assets are recognised directly under "Equity – Profits not Specifically Appropriated".

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under "Long-Term Provisions" on the liability side of the balance sheet and any negative difference is recognised under "Non-Current Financial Assets – Loans and Receivables" on the asset side of the balance sheet, provided that such negative difference is recoverable by the Company, usually through a reduction in future contributions.

Contributions to defined contribution plans are recognised as an expense in the income statement as the employees provide their services.

The post-employment plans that have been fully insured and in which, therefore, the Company has transferred the risk in full are considered to be defined contribution plans and, accordingly, as with such plans, no asset or liability balances are recognised in this connection in the balance sheet.

F.2. Provisions for labour force restructuring costs

The Company recognises termination benefits when there is an individual or collective agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees, unilaterally or by mutual agreement with the Company, to cease working for the Company in exchange for a termination benefit.

If a mutual agreement is required, a provision is only recorded in situations in which the Company has decided to give its consent to the termination of the employees when this has been requested by them. In all cases in which these provisions are recognised the employees have an expectation that these early retirements will take place.

The Company has labour force reduction plans in progress, under the related collective redundancy procedures approved by the government, which guarantee that benefits will be received throughout the pre-retirement period.

The Company recognises the full amount of the expenditure relating to these plans when the obligation arises by performing the appropriate actuarial studies to calculate the present obligation at year-end. The actuarial gains and losses disclosed each year are recognised in the income statement for that year.

G) FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the euro, the Company's functional currency, are translated to euros by applying the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the balances translated at the exchange rate prevailing at the date of the transaction and the balances translated at the exchange rate prevailing at the date of collection or payment are recorded as finance costs or finance income in the income statement.

Also, balances receivable or payable at 31 December each year denominated in currencies other than the euro are translated to euros at the year-end exchange rates. The resulting translation differences are recognised as finance costs or finance income in the income statement.

H) CURRENT/NON-CURRENT CLASSIFICATION

In the accompanying balance sheet, balances due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

I) INCOME TAX

The current income tax expense is calculated by adding the current tax of the Company arising from the application of the tax rate to the taxable profit for the year, after deducting the tax credits allowable for tax purposes, to the change in deferred tax assets and liabilities and tax loss and tax credit carryforwards. Differences between the carrying amount of the assets and liabilities and their tax bases give rise to deferred tax assets and liabilities, which are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred and other tax assets are only recognised if it is considered probable that the Company will have sufficient future taxable profits against which the related temporary differences can be recovered or against which the related tax assets can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax credits arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until they have effectively been realised.

The deferred tax assets and liabilities recognised are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the aforementioned analyses.

ENDESA files consolidated tax returns as part of a tax group, of which the Company is the head, made up of the companies that meet the related legal requirements.

J) REVENUE AND EXPENSE RECOGNITION

Revenue and expenses are recognised on an accrual basis.

Revenue is recognised when the gross inflow of economic benefits arising in the course of the Company's ordinary activities in the year occurs, provided that this inflow of economic benefits results in an increase in equity that it is not related to contributions from equity participants and that these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable arising therefrom.

Revenue associated with the rendering of services is only recognised if it can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Interest income is recognised by reference to the effective interest rate applicable to the principal outstanding over the related repayment period.

Dividend income is recognised when the shareholder's rights to receive payment has been established.

K) RELATED PARTY TRANSACTIONS

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

L) STATEMENT OF CASH FLOWS

The statement of cash flows reflects the changes in cash that took place in the year calculated using the indirect method. The following terms are used in the cash flow statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months and which are highly liquid and subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings.

5. INTANGIBLE ASSETS

The changes in "Intangible Assets" in 2008 and 2007 were as follows:

			Millions of euros
Intangible assets	**Balance at 31/12/07**	**Additions and charge for the year**	**Balance at 31/12/08**
Intangible assets			
Computer software	87	28	115
TOTAL	**87**	**28**	**115**
Accumulated amortisation			
Computer software	(35)	(8)	(43)
TOTAL	**(35)**	**(8)**	**(43)**
TOTAL, NET	**52**	**20**	**72**

			Millions of euros
Intangible assets	**Balance at 01/01/07**	**Additions and charge for the year**	**Balance at 31/12/07**
Intangible assets			
Computer software	69	18	87
TOTAL	**69**	**18**	**87**
Accumulated amortisation			
Computer software	(26)	(9)	(35)
TOTAL	**(26)**	**(9)**	**(35)**
TOTAL, NET	**43**	**9**	**52**

6. PROPERTY, PLANT AND EQUIPMENT

The changes in "Property, Plant and Equipment" in 2008 and 2007 were as follows:

Millions of euros

Property, plant and equipment	Balance at 31/12/07	Additions and charge for the year	Balance at 31/12/08
Property, plant and equipment			
Other items of property, plant and equipment	16	2	18
Property, plant and equipment in the course of construction and advances	—	1	1
TOTAL	16	3	19
Accumulated depreciation			
Other	(10)	(2)	(12)
TOTAL	(10)	(2)	(12)
TOTAL, NET	6	1	7

Millions of euros

Property, plant and equipment	Balance at 01/01/07	Additions and charge for the year	Balance at 31/12/07
Property, plant and equipment			
Other items of property, plant and equipment	16	—	16
TOTAL	16	—	16
Accumulated depreciation			
Other	(9)	(1)	(10)
TOTAL	(9)	(1)	(10)
TOTAL, NET	7	(1)	6

At 31 December 2008, there were property, plant and equipment purchase commitments amounting to EUR 3 million.

The Company takes out corporate insurance policies to cover the damage that its property, plant and equipment may suffer with the limits and the coverage suited to the type of risk. The policies also cover the claims that might be filed against it for carrying on its business activities.

7. NON-CURRENT AND CURRENT FINANCIAL ASSETS

The changes in "Non-Current Financial Assets" in 2008 and 2007 were as follows:

Millions of euros

Non-current financial assets	Balance at 31/12/07	Additions or charge for the year	Disposals or reductions	Transfers and other	Balance at 31/12/08
Non-current investments in Group companies and associates	19,168	342	(40)	—	19,470
Equity instruments	19,155	20	(27)	—	19,148
Investments in Group companies	19,201	20	—	—	19,221
Investments in associates	—	—	—	—	—
Impairment losses	(46)	—	(27)	—	(73)
Loans to companies	—	320	—	—	320
Derivatives (Note 13)	13	2	(13)	—	2
Non-current financial assets	1,215	2,185	(120)	(285)	2,995
Equity instruments	61	—	—	(10)	51
Long-term investment securities	61			(10)	51
Impairment losses	—	—	—	—	—
Loans to third parties	939	2,176	(5)	(275)	2,835
Loans to companies	952	2,176	(5)	(275)	2,848
Impairment losses	(13)	—	—	—	(13)
Derivatives (Note 13)	119	4	(104)	—	19
Other financial assets	96	5	(11)	—	90
TOTAL NON-CURRENT FINANCIAL ASSETS	20,383	2,527	(160)	(285)	22,465

Millions of euros

Non-current financial assets	Balance at 01/01/07	Additions or chargefor the year	Disposals or reductions	Transfers and other	Balance at 31/12/07
Non-current investments in Group companies and associates	22,029	121	(1,514)	(1,468)	19,168
Equity instruments	22,029	121	(1,527)	(1,468)	19,155
Investments in Group companies	22,096	121	(1,548)	(1,468)	19,201
Investments in associates	2	—	(2)	—	—
Impairment losses	(69)	—	23	—	(46)
Derivatives (Note 13)	—	—	13	—	13
Non-current financial assets	1,667	81	(470)	(63)	1,215
Equity instruments	134	—	(73)	—	61
Long-term investment securities	134	—	(73)	—	61
Impairment losses	—	—	—	—	—
Loans to third parties	1,347	8	(353)	(63)	939
Other loans	1,358	10	(353)	(63)	952
Impairment losses	(11)	(2)	—	—	(13)
Derivatives (Note 13)	83	67	(31)	—	119
Other financial assets	103	6	(13)	—	96
TOTAL NON-CURRENT FINANCIAL ASSETS	23,696	202	(1,984)	(1,531)	20,383

The detail of the balances of "Current Financial Assets" at 31 December 2008 and 2007 is as follows:

		Millions of euros
Current financial assets	**Balance at 31/12/08**	**Balance at 31/12/07**
Current investments in Group companies and associates	**1,945**	**1,589**
Loans to companies	600	498
Derivatives	13	31
Other financial assets (Note 7-a)	1,332	1,060
Current financial assets	**270**	**684**
Equity instruments	—	1
Loans to companies	229	656
Derivatives	40	26
Other financial assets	1	1
TOTAL CURRENT FINANCIAL ASSETS	**2,215**	**2,273**

A) CLASSIFICATION OF FINANCIAL ASSETS BY NATURE AND CATEGORY

The breakdown, by nature and category, of the financial assets in the balance sheet, excluding equity investments in Group companies and associates, at 31 December 2008 and 2007 is as follows:

Millions of euros
31/12/08

Financial assets: nature/category	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	TOTAL
Equity instruments	—	—	51	—	—	—	51
Loans to companies	—	—	—	3,155	—	—	3,155
Derivatives (Note 13)	20	—	—	—	—	1	21
Other financial assets	—	—	—	90	—		90
Long term/Non-current	20	—	51	3,245	—	1	3,317
Equity instruments	—	—	—	—	—	—	—
Loans to companies	—	—	—	829	—	—	829
Derivatives (Note 13)	53	—	—	—	—	—	53
Other financial assets	—	—	—	1	—	—	1
Short term/Current	53	—	—	830	—	—	883
TOTAL	73	—	51	4,075	—	1	4,200

Millions of euros
31/12/07

Financial assets: nature/category	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	TOTAL
Equity instruments	—	—	61	—	—	—	61
Loans to companies	—	—	—	939	—	—	939
Derivatives (Note 13)	31	—	—	—	—	101	132
Other financial assets	—	—	—	96	—		96
Long term/Non-current	31	—	61	1,035	—	101	1,228
Equity instruments	—	—	1	—	—	—	1
Loans to companies	—	—	—	1,154	—	—	1,154
Derivatives (Note 13)	57	—	—	—	—	—	57
Other financial assets	—	—	—	1	—	—	1
Short term/Current	57	—	1	1,155	—	—	1,213
TOTAL	88	0	62	2,190	0	101	2,441

There are also dividends receivable declared by Group companies amounting to EUR 1,332 million at 31 December 2008 (31 December 2007: EUR 1,060 million).

B) INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

B.1. Equity instruments

The detail of the Company's equity investments in Group companies and associates at 31 December 2008 and 2007 and the most significant information thereon at that date are shown below.

The Company's figures for 2007 correspond to information under SNCA 1990 of the individual companies, whereas those for 2008 are calculated in accordance with SNCA 2007.

For the purposes of calculating the impairment losses for 2008, in the valuation of Endesa Participadas, S.A. and Endesa Servicios, S.L., the equity of the companies was considered, since the present value of the future cash flows from the investments was not available.

2008

Group companies														
					Millions o f euros									Millions of euros
					Profit/(Loss) for the year						Carrying amount			
Company Location	Line of business	% of direct ownership	Share capital (1)	Reserves (1)	Interim dividend (1)	From operations (1)	Net (1)	Total shareholders' equity (1)	Grants, donations or gifts and legacies received (1)	Valuation adjustments (1)	Total equity (1)	Cost	Impairment loss recognised in the year	Accumulated impairment losses	Dividends received
ENDESA ENERGÍA, S.A. - Madrid	Marketing of energy products of all kinds	100%	13	7	(230)	443	295	85	—	59	(26)	14	—	—	230
ENDESA GENERACIÓN, S.A. - Seville	Electricity production	100%	1,945	1,836	(1,162)	1,110	1,199	3,818	71	—	3,889	3,891	—	—	1,171
ENDESA RED, S.A. - Barcelona	Electricity distribution	100%	730	739	(10)	12	10	1,469	—	—	1,469	1,460	—	—	12
INTERNACIONAL ENDESA, BV - Netherlands	Management of international financing	100%	15	5	—	(1)	4	24	—	—	24	18	—	—	5
ENDESA SERVICIOS, S.L. – Madrid	Services	100%	90	42	(24)	33	26	134	—	—	134	143	(6)	(7)	34
ENDESA LATINOAMERICA, S.A. - Madrid	Endesa Group's international business	100%	1,500	648	(140)	(54)	170	2,178	—	—	2,178	3,761	—	—	316
ENDESA PARTICIPADAS, S.A. – Madrid	Holding company	100%	328	176	(40)	(1)	43	507	—	—	507	548	5	(38)	40
ENDESA FINANCIACIÓN FILIALES, S.A. – Madrid	Management of subsidiary financing	100%	4,621	4,623	(215)	(1)	280	9,309	—	—	9,309	9,242	—	—	215
BOLONIA REAL ESTATE, S.L. – Madrid	Real estate business	100%	—	47	—	(4)	(3)	44	—	—	44	47	1	—	—
COMPOSTILLA RE, S.A. - Luxembourg	Reinsurance transactions	100%	9	—	—	—	—	9	—	—	9	9	—	—	—
NUEVA MARINA REAL ESTATE, S.L. Madrid	Real estate business	60%	—	119	—	(43)	(44)	75	—	—	75	72	(27)	(27)	—
ENDESA CARBONO, S.L.	Financial brokerage	83%	—	14	—	—	—	14	—	—	14	14	—	—	—
REST OF GROUP		—	—	—	—	—	—	—	—	—	—	2	—	(1)	—
TOTAL												19,221	(27)	(73)	2,023

(1) Unaudited figures.

None of these companies is listed.

In 2008 there was no profit or loss from discontinued operations.

2007

Group companies													
				Millions of euros									Millions of euros
						Profit/(Loss) for the year			Carrying amount				
Company Location	Line of business	% of direct ownership	Share capital	Reserves	Interim dividend	From operations	Net	Total shareholders' equity	Cost	Impairment loss recognised in the year	Accumulated impairment losses	Dividends received
ENDESA ENERGÍA, S.A. - Madrid	Marketing of energy products of all kinds	100%	13	10	(322)	492	323	24	14	—	—	322
ENDESA GENERACIÓN, S.A. - Seville	Electricity production	100%	1,945	1,967	(1,023)	752	1,042	3,931	3,891	—	—	1,023
ENDESA RED, S.A. - Barcelona	Electricity distribution	100%	730	740	(299)	10	300	1,471	1,461	—	—	299
INTERNACIONAL ENDESA, BV - Netherlands	Management of international financing	100%	16	4	—	—	5	25	18	—	—	4
ENDESA SERVICIOS, S.L. - Madrid	Services	100%	90	40	—	11	11	141	143	15	(1)	—
ENDESA PARTICIPADAS, S.A. - Madrid	Endesa Group's international business	100%	1,500	609	(100)	(69)	278	2,287	3,761			100
ENDESA PARTICIPADAS, S.A. – Madrid	Holding company	100%	328	168	—	(1)	8	504	548	9	(43)	—
ENDESA FINANCIACIÓN FILIALES, S.A.	Management of subsidiary financing	100%	4,621	4,,623	(250)	(1)	250	9,244	9,242		—	250
BOLONIA REAL ESTATE, S.L. – Madrid	Real estate business	100%	—	47	—	—	—	47	47	(1)	(1)	—
COMPOSTILLA RE, S.A. - Luxembourg	Reinsurance transactions	99.90%	3	—	—	—	(1)	2	3	—	—	—
NUEVA MARINA REAL ESTATE, S.L. Madrid	Real estate business	60%	—	120	—	—	—	120	72	—	—	—
TENEGUÍA GESTION FINANCIERA, S.L., SOC. COMANDITARIA- Las Palmas de Gran Canaria	Financial management	—	—	—	—	—	—	—	—			4
TOTAL									19,200	23	(45)	2,002

Also, ENDESA owns all of the shares of Endesa Capital, S.A., Endesa Generación II, S.A., Endesa Desarrollo Internacional, S.L., Nueva Compañía de Distribución Eléctrica 4, S.L., Apamea 2000, S.L. and Nubia 2000, S.L., the carrying amount of all of which is lower than EUR 1 million.

ASSOCIATES

ENDESA has an ownership interest of 45% in Proyecto Almería Mediterráneo, the carrying amount of which is lower than EUR 1 million.

MOST SIGNIFICANT CHANGES IN 2008 AND 2007

2008

Compostilla RE, S.A.
In 2008, under an agreement to increase capital entered into on 28 October 2008, ENDESA subscribed 2,000 new shares of EUR 3,000 par value each, for EUR 6 million, as a result of which its 100% ownership interest in this company amounted to EUR 9 million.

Asín Holdings Limited, LLC and Endesa Carbono, S.L.
On 16 September 2008, the Company acquired all of the share capital of Asín Holdings Limited, LLC for EUR 14 million.
On that same date the Company acquired 14,190 shares of Endesa Carbono, S.L. of EUR 1 par value each, with a share premium of EUR 1,006.75194 per share, by virtue of an agreement to increase capital at this company. This acquisition amounted to EUR 14 million and the shares of Asín Holdings Limited, LLC held by ENDESA were contributed in this connection. As a result of this transaction, ENDESA has an ownership interest of 83% in this company.

Impairment losses on investments in Group companies and associates

In order to reduce the carrying amounts of the investment in Group companies and associates to their recoverable amounts, in 2008 impairment losses amounting to EUR 27 million were recognised, relating mainly to impairment losses of EUR 6 million and EUR 27 million recognised for Endesa Servicios, S.L. and Nueva Marina Real Estate, S.L., respectively, and impairment losses of EUR 5 million reversed in relation to Endesa Participadas, S.A.

2007

Teneguía Gestión Financiera, S.L. and Teneguía Gestión Financiera, S.L. Sociedad Comanditaria
On 27 July 2007, ENDESA sold its 100% ownership interest in Teneguía Gestión Financiera, S.L., represented by 20,000,000 shares of EUR 1 par value each, to Endesa Financiación Filiales, S.A. The selling price of EUR 22 million gave rise to a gain of EUR 2 million.
Also, on that same date, ENDESA sold the type "C" shares of Teneguía Gestión Financiera S.L. Sociedad Comanditaria (representing 94.448% of the share capital) to Endesa Financiación Filiales, S.A. for EUR 1,499 million, which gave rise to a gain of EUR 19 million.

Nueva Marina Real Estate, S.L.
On 19 December 2007, Nueva Marina Real Estate, S.L. was incorporated and on that date ENDESA disbursed EUR 120 million to subscribe the share capital and share premium. On that same date, ENDESA sold shares representing a 40% stake in this company for EUR 48 million

Endesa Europa, S.L.
The ownership interest in Endesa Europa, S.L., amounting to EUR 1,468 million, was reclassified to "Non-Current Assets Classified as Held for Sale" (see Note 8).

Impairment losses on investments in Group companies and associates:

In order to increase the carrying amounts of these investments to their recoverable amounts, in 2007 impairment losses amounting to EUR 23 million were reversed, corresponding mainly to Endesa Participadas, S.A. (EUR 9 million) and Endesa Servicios, S.L. (EUR 15 million).

Investments in associates

Medgaz, S.A.
In January 2007 ENDESA sold all of its ownership interest in this company for EUR 1 million, which did not give rise to any gain.

B.2. Long and short-term loans to Group companies and associates

2008

At 31 December 2008, the Company had EUR 320 million of long-term receivables from Endesa Financiación Filiales S.A., maturing in 2013 and earning average interest of 3.98%. The short-term receivables amounted to EUR 1,932 million. This amount comprises mainly EUR 516 million relating to receivables from Group companies as a result of filing consolidated income tax returns, EUR 81 million to other tax-related receivables and EUR 1,332 million to interim dividends receivable from subsidiaries, declared in 2008 and payable in 2009.

2007

The balance of receivables from Group companies at 31 December 2007 was EUR 1,558 million, all short term. This amount comprises mainly EUR 496 million relating to receivables from Group companies as a result of filing consolidated income tax returns and EUR 1,060 million to interim dividends from subsidiaries, declared in 2007 and payable on 18 February 2008.

Neither the receivables relating to income tax nor the interim dividends receivable earn interest.

C) NON-CURRENT AND CURRENT FINANCIAL ASSETS

C.1. Equity instruments in 2007 and 2008

The balance of this heading in both 2007 and 2008 relates to the ownership interest in Red Eléctrica de España, S.A. (“REE”).

The ownership interest held by ENDESA in REE is 1% at both 31 December 2007 and 31 December 2008.

In 2007 ENDESA sold 2,705,400 shares of REE for EUR 96 million, and transferred EUR 90 million, net of the related tax effect, from “Equity - Valuation Adjustments” to “Impairment and Gains or Losses on Disposals of Financial Instruments” in the income statement”.

The positive balance arising from the measurement of this investment at market value recognised under “Equity - Valuation Adjustments” in the balance sheet amounted to EUR 44 million at 31 December 2007 and EUR 36 million at 31 December 2008.

C.2. Non-current and current loans to companies in 2007 and 2008

Of the balance of this heading at 31 December 2008 and 2007, EUR 3,033 million and EUR 1,558 million, respectively, relate to the amounts contributed to finance the shortfall in revenue from regulated activities.

FINANCING OF THE SHORTFALL IN REVENUE FROM REGULATED ACTIVITIES

Under Royal Decree-Law 5/2005, of 11 March, if the regulated revenue of the electricity system was not sufficient to cover the costs of the regulated activities, this shortfall had to be financed by the utilities indicated in the Royal Decree-Law on the basis of the percentages established therein. Consequently, as long as the Ministry of Industry, Tourism and Trade, by virtue of the powers conferred on it by Royal Decree-Law 5/2005, does not change the percentages in which the aforementioned shortfall is to be financed, ENDESA must finance 44.16% of any shortfall in revenue from regulated activities that might arise.

The amounts financed together with the related interest will be recovered through the annual payments included in the electricity tariffs in the coming years or, as the case may be, through the proceeds from the auctions of the acknowledged ex ante shortfall in revenue.

Following is a description of the status of the shortfall in revenue from regulated activities not yet recovered at 31 December 2008 and 2007:

2006 SHORTFALL

The recovery of the 2006 shortfall in revenue was recognised in Royal Decree 1634/2006, and the tariffs established from 2007 onwards include the corresponding annual payments plus the related interest.

2007 SHORTFALL

In relation to the shortfall in revenue from regulated activities for 2007, the legislation regulating the electricity system acknowledged ex-ante a shortfall of EUR 1,500 million.

On 12 June 2008, the Spanish National Energy Commission (CNE) organised a bidding process for the collection rights relating to the shortfall acknowledged ex-ante in which EUR 1,300 million were awarded, which were used to cover the 2007 shortfall, after deducting the annual payments received to recover said shortfall which were included in the electricity tariffs, and the remaining amount was used to partially reduce the 2008 shortfall

2008 SHORTFALL

The legislation regulating the electricity system acknowledged ex-ante a shortfall of EUR 3,900 million. On 30 September 2008, an auction was held to allocate collection rights, although it was abandoned by the CNE due to the situation in the financial markets.

AMOUNTS NOT YET RECOVERED

The amount not yet recovered at 31 December 2008 and 2007 in connection with the financing of the shortfall in revenue from regulated activities for the aforementioned years amounts to EUR 3,033 million and EUR 1,558 million, respectively, which are recognised under “Loans to Companies” in the accompanying balance sheets, of which EUR 2,806 million were non-current and EUR 227 million current at 31 December 2008 (31 December 2007: EUR 907 million and EUR 651 million, respectively).

In recent months the Company, together with the other utilities in the industry, has been holding meetings with representatives of the Ministry of Industry, Trade and Tourism to analyse, inter alia, the structural situation of the shortfall in revenue of the Spanish electricity system and the possible measures that could be adopted to achieve a balance in the system At the date of preparation of these financial statements no new regulations had been issued in this connection.

The Company considers that, on the basis of the discussions held, no matter has arisen that should be disclosed in the accompanying financial statements.

C.3. Other non-current financial assets

At 31 December 2008 and 2007, the balance of "Other Non-Current Financial Assets" included EUR 90 million and EUR 96 million, respectively, corresponding to the deposit given to guarantee the payment of the future services of the employees covered by the defined benefit occupational pension plan of ENDESA.

D) FINANCIAL ASSETS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The changes in the fair value of this category of financial assets in 2008 and 2007, and the accumulated amounts at the reporting date, were as follows:

Millions of euros

2008	Initial fair value	Change in fair value in 2008	Fair value at 31/12/08
Financial assets at fair value through profit or loss:			
Non-current:			
Held-for-trading financial assets	31	(11)	20
Current:			
Held-for-trading financial assets	57	(4)	53

Millions of euros

2007	Initial fair value	Change in fair value in 2007	Fair value at 31/12/07
Financial assets at fair value through profit or loss:			
Non-current:			
Held-for-trading financial assets	—	31	31
Current:			
Held-for-trading financial assets	9	48	57

The held-for-trading financial assets are derivative financial instruments not designated as hedging instruments.

E) AMOUNTS TAKEN TO THE INCOME STATEMENT AND TO EQUITY

The changes in the income statement and the amounts taken directly to equity arising from financial assets grouped together into the various categories, were as follows:

Millions of euros

	2008		2007	
Category	Income statement	Equity	Income statement	Equity
Held-for-trading financial assets	135	—	9	—
Available-for-sale financial assets	2	(10)	92	(67)
Loans and receivables	139	—	82	
Hedging derivatives	28	(214)	3	—
Investments in Group companies, jointly controlled entities and associates	2,023	—	2,189	—
TOTAL	**2,327**	**(224)**	**2,375**	**(67)**

F) FINANCIAL INVESTMENT COMMITMENTS:

At 31 December 2008, ENDESA had entered into agreements that included commitments to make financial investments amounting to EUR 460 million, of which EUR 440 million correspond to the acquisition of Endesa Ireland in January 2009 (see Note 20).

8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As a result of the acquisition of joint control over ENDESA by Acciona and Enel, ENDESA assumed the obligation established previously by the two controlling shareholders and E.On AG, which included, inter alia, the sale by ENDESA of all of its ownership interest in Endesa Europa, S.L.

Accordingly, at 31 December 2007, the aforementioned investment is recognised under "Non-Current Assets Classified as Held for Sale" for EUR 1,468 thousand:

On 26 June 2008 ENDESA sold all of the shares of Endesa Europa held by it for EUR 7,126 million, giving rise to a net gain of EUR 5,541 million.

9. HAREHOLDER'S EQUITY

A) SHARE CAPITAL

At 31 December 2008, the share capital of ENDESA amounted to EUR 1,270,502,540.40 and was represented by 1,058,752,117 fully subscribed and paid bearer shares of EUR 1.20 par value each, all of which are listed on the Spanish Stock Exchanges. In 2007 the Company ceased to be listed on the New York Stock Exchange. The shares of ENDESA are also traded on the Santiago de Chile Offshore Stock Exchange.

B) SHARE PREMIUM

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

C) LEGAL RESERVE

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2008, ENDESA's legal reserve exceeded the 20% minimum stipulated by the Law.

D) REVALUATION RESERVES

On 31 December 1996, the Company revalued its property, plant and equipment pursuant to Royal Decree-Law 7/1996, giving rise to a surplus of EUR 1,776 million. After deduction of the 3% tax, the net balance of EUR 1,722 million was credited to "Revaluation Reserve Royal Decree-Law 7/1996, of 7 June".

The aforementioned balance can be used, free of tax, to offset recorded losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase share capital or unrestricted reserves, in the latter case provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

Pursuant to Royal Decree-Law 7/1996, until 31 December 2008 EUR 5 million of this account had been used to offset losses on sales of revalued assets made prior to the review by the tax authorities of the asset revaluation. Also, as a result of the aforementioned tax review, the balance of the revaluation reserve was reduced by EUR 3 million in 1999.

The revalued assets were contributed to the related companies on 1 January 2000 as a result of the corporate restructuring process carried out by the Endesa Group.

E) MINING DEPLETION RESERVE

The use of this reserve is restricted by Legislative Royal Decree 4/2004 approving the Consolidated Spanish Corporation Tax Law, and if it were used in any way not permitted by the Legislative Royal Decree, the account balance would be subject to income tax.

F) CONDITIONS IMPOSED ARISING FROM THE ACQUISITION OF JOINT CONTROL BY ACCIONA AND ENEL

In certain cases, Endesa is subject to the prior administrative authorisation system of the CNE provided by Additional Provision Eleven, Three. 1.14 of Oil and Gas Industry Law 34/1998, of 7 October.

The new wording of the aforementioned Additional Provision Eleven was established by Royal Decree-Law 4/2006, of 24 February, modifying function 14 of the CNE. This function establishes that the CNE is responsible for authorising the acquisition of ownership activities in entities formed under the Spanish Commercial Code by companies engaging in regulated activities. The new wording provided by Royal Decree-Law 4/2006 broadens this function to encompass also:

1. Companies that engage in activities that are subject to administrative control which implies a special discipline relationship (nuclear power plants, coal-fired plants of particular significance for the consumption of Spanish coal, island and non-mainland electricity systems, natural gas storage or natural gas transmission through international gas pipelines with Spain as the end destination).
2. Any player that wishes to acquire an ownership interest of 10% or more, or an ownership interest that provides significant influence, in a company that, itself or through other companies in its group, engages in any of the aforementioned activities.
3. The direct acquisition of the assets required to carry on those activities.

Authorisation may be rejected for any of the following reasons:

1. The existence of direct or indirect significant risks or adverse effects on the aforementioned activities.
2. Protection of the general interest in the energy industry and, in particular, the guarantee that the industry policy objectives will be adequately safeguarded.
   Strategic assets are identified: basic gas system, international gas pipelines, transmission facilities, island and non-mainland electricity systems, nuclear power plants and coal-fired plants of particular significance for the consumption of Spanish coal.

3. Inability to adequately carry on the activities covered by this function due to the performance by the acquiring party or the acquired party of other activities of a different type.
4. Any other public security issue and, in particular, security and quality of supply, or involving safeguards against a risk of insufficient investment in, or maintenance of, infrastructures.

It is established that these rules will apply to transactions pending execution at the date on which they come into force, unless authorisation has already been obtained pursuant to function 14.

However, the European Commission decided to take Spain to the Court of Justice of the European Communities because it considers that these new powers of the CNE constitute unjustified restrictions on the free movement of capital and the freedom of establishment that infringe the provisions of the EC Treaty (Articles 56 and 43, respectively).

By virtue of the application of the aforementioned legislation, the CNE in its resolution of 4 July 2007, whereby Acciona, S.A. ("Acciona") and Enel Energy Europe S.r.L. ("Enel") were authorised to acquire a holding in the share capital of Endesa in accordance with the terms and conditions set forth in the Ministry of Industry, Trade and Tourism Resolution of 19 October 2007, established, inter alia, the following conditions:

1. Acciona and Enel will preserve Endesa's status as an autonomous company, with full operating responsibility in the fulfilment of its business plan and, as the Parent of its Group, maintaining its brand, its registered office, its Board of Directors and its effective centre of management and decision-taking in Spain.
2. Acciona and Enel must maintain Endesa duly capitalised at all times. For these purposes, the Endesa Group must maintain a debt service ratio in terms of net financial debt/EBITDA of less than 5.25 for three years from the acquisition of control of Endesa. Acciona and Enel must report quarterly to the CNE on the changes in the aforementioned ratio. At 31 December 2008, the Group was meeting this requirement.
3. Acciona and Enel will assume and make, through the control exercised by them over Endesa, all the investments in gas and electricity regulated activities, in relation to both transmission and distribution, envisaged in: (1) the latest investment plans announced by the Company for the period 2007-2011 listed in this Resolution; (2) the Planning document of the gas and electricity industries: "Development of the transmission networks 2002-2012", approved by the Spanish Cabinet and submitted to the Spanish Parliament; and (3) the CNE's Framework Report on electricity and natural gas demand and the coverage thereof.

   This obligation is understood to exist without prejudice to any possible duly supported adaptation of Endesa's investment plans to the regulatory conditions in the terms foreseen in the relevant legislation.

   During the period 2007-2011, the Endesa companies that engage in regulated activities may only distribute dividends when the funds generated by them (defined as cash flow or the sum of the net profit for the year and the depreciation and amortisation charge) are sufficient to meet both their investment obligations and their total of its financial liability repayment obligations projected for the year in question.
4. For a period of five years from the acquisition of Endesa, Acciona and Enel will ensure that the aggregate annual consumption of each power plant owned by ENDESA, that currently consumes Spanish coal, does not fall below the aggregate annual consumption of these facilities envisaged in the 2006-2012 National Mining Plan, insofar as the current conditions and circumstances prevail.
5. Acciona and Enel will preserve, for a period of five years from the acquisition of Endesa, the Endesa Group entities currently managing the transmission, distribution and generation assets of the island and non-mainland electricity systems, of the Endesa Group.

   On the grounds that Spain had not complied with the Decision of 5 December 2007, whereby the aforementioned conditions were considered to be contrary to Community legislation, on 31 January 2008, the Commission resolved to initiate infringement proceedings against Spain pursuant to Article 226 of the EC Treaty.

10. PROVISIONS AND CONTINGENCIES

The detail of the provisions in the balance sheet at 31 December 2008 and 2007 and of the main changes therein in 2008 and 2007 is as follows:

Millions of euros

Long-term provisions	Balance at 31/12/07	Charge for the year	Interest cost	Amounts used	Transfers to short term	Balance at 31/12/08
Provisions for employee benefit obligations	12	1	1	—	—	14
Provisions for restructuring costs	133	2	6	(10)	(40)	91
Other provisions	68	131	—	—	—	199
TOTAL	**213**	**134**	**7**	**(10)**	**(40)**	**304**

Millions of euros

Long-term provisions	Balance at 01/01/07	Charge for the year	Interest cost	Amounts used	Balance at 31/12/07
Provisions for employee benefit obligations	12	1	1	(2)	12
Provisions for restructuring costs	125	18	5	(15)	133
Other provisions	34	34	—	—	68
TOTAL	**171**	**53**	**6**	**(17)**	**213**

The long-term provisions for restructuring costs to be used in 2009 were transferred to short term.

A) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The Company's employees, of whom there are three groups with varying types of benefits, are participants in the Endesa Group Employee Pension Plan:

- Employees who have joined the Company since 1997 are participants in defined contribution plans for retirement and defined benefit plans for disability and death of serving employees, as coverage for which the appropriate insurance policies have been taken out.
- Electricity employees of the former ENDESA, who have defined benefit pensions for retirement, disability and death, for both present and former employees. The predetermined nature of the benefits for retirement and their full coverage eliminate in full any risk relating thereto. The other benefits are also guaranteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this system does not differ significantly from that required for the mixed plans described above.
- Fecsa/Enher/HidroEmpordá employees: defined benefit pension plan with annual salary increase rate tied to the increase in the CPI. This plan is treated in exactly the same way as a defined benefit system. The obligations to these employees are not significant.

The employees that participate in the defined benefit plan are from a group of employees of a closed number in which no new employees can be included.

Due to the corporate reorganisation carried out at Endesa Group companies, the new companies have assumed all the obligations to the employees that the latter had at their original companies. As a result of the promotion of the Endesa Group Employee Pension Plan, effective from 1 January 2005 onwards, the pension obligations were transferred to the companies at which the beneficiaries are employed.

The contributions to the pension plan are recognised in the income statement for the year.

The most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2008	2007
Discount rate	4.43	4.53
Mortality tables	GRM/F 95	GRM/F 95
Annual pension increase rate	2.3	2.3
Annual salary increase rate	2.3	2.3
Retirement age	65	65

The projected unit credit method was used to measure the obligations.

On the basis of the amounts recognised in the balance sheets at 31 December 2008 and 2007, the Company has covered the obligations arising from the obligations discussed above.

B) PROVISIONS FOR LABOUR FORCE RESTRUCTURING COSTS

The Company has recorded provisions for the various labour force reduction Plans that affect its current or pre-retired employees. The aforementioned plans guarantee that benefits will be received throughout the pre-retirement period, and in certain cases a pension for life on reaching the pre-retirement age, to offset reductions in social security pensions.

At 31 December 2008 and 2007, there were two types of plan in force:

1. Collective redundancy procedures approved by the former companies before the corporate restructuring in 1999.
   The term in which the employees may opt to adhere to these collective redundancy procedures has elapsed and, therefore, the obligation relates mainly to employees who have left the Company.
2. Voluntary redundancy plan approved in 2000.
   The Plan affects employees with at least ten years of service at the group of companies affected at 31 December 2005.
   Employees aged 50 or more at 31 December 2005 are entitled to opt for inclusion in a pre-retirement plan at the age of 60, of which they may avail themselves between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.
   For the Plan to apply to employees younger than 50 at 31 December 2005, a written request from the employee and the acceptance thereof by the company are required.

In February 2006 the Directorate-General of Employment modified the initial Resolution of this Plan so that the terminating effect thereof for both employees older and younger than 50 years of age could arise after 31 December 2005.

The total number of employees considered in this connection for 2008 and 2007 is 197 and 208, respectively, of which 128 and 134, respectively, have not yet left the Company's employ. These employees include certain executives who, despite maintaining their rights, were retained at the request of the Company.

The economic conditions applicable to the employees who have availed themselves of these Plans are basically as follows:

- For pre-retired employees, the company will pay the employees from the date of termination of their contract and until the first date on which retirement can be taken after the unemployment benefits have come to an end and, at the very latest, until the ex-employees in question, reaching retirement age, vest the right, a termination benefit based on their last annual salary payment, which is updatable on the basis of the annual increase in the CPI The unemployment benefits received, as well as any other amounts of official benefits for pre-retirement received prior to the date of definitive retirement, will be deducted from the resulting amounts.

- Employees who have not yet reached 50 years of age affected by the voluntary Plan approved in 2000 receive a termination benefit of 45 days' salary per year of service plus an additional amount of 1 or 2 annual salary payments on the basis of the age of the employee in question at 31 December 2005.

The Company recognises the total amount of the expense corresponding to these Plans when the obligation arises, either because the employees are unilaterally entitled to participate therein or because there is an individual or collective agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees to cease working for the Company. The obligation is calculated on the basis of the related actuarial study, which is revised annually. The losses or gains arising from changes in the assumptions, mainly the discount rate, are recognised in the income statement for the year.

The assumptions used for the actuarial calculation of the obligations arising under these collective redundancy procedures are as follows:

Actuarial assumptions	2008	2007
Mortality tables	GRM/F 95	GRM/F 95
Discount rate	4.43	4.53
Future CPI	2.3	2.3

C) OTHER PROVISIONS

"Other Provisions" covers diverse liabilities arising from third-party claims, litigation and other contingencies.

At the date of preparation of these financial statements, the main lawsuits or arbitration proceedings involving the Company were as follows:

- On 8 May 2008, a decision was handed down on a cassation appeal filed by Endesa at the Supreme Court against a judgment of the National Appellate Court rendering null and void the Order of 29 October 2002 regulating the costs of transition to competition (CTCs) for 2001, handed down in appeal for judicial review no. 825/2002 filed by Iberdrola. The Supreme Court dismissed Endesa's cassation appeal against the judgment of the National Appellate Court. It is considered that enforcement of the judgment will not have a significant economic impact on the Company.
- Endesa appeared as co-defendant in the appeal for judicial review filed by Iberdrola against Ministry of Industry, Tourism and Trade Order ITC/914/2006 establishing the method for calculating the supply guarantee remuneration for the generating facilities operating under the ordinary regime of producers in the island and non-mainland electricity systems.
- On 30 July 2007, at Madrid Commercial Court number 3, Iberdrola claimed purported damage and losses from Endesa suffered as a result of the suspension of the takeover bid for Endesa of Gas Natural and of the agreement between Gas Natural and Iberdrola to share out the assets of Endesa agreed to by the Court. The damage and losses for which compensation is claimed is EUR 144 million, substantially all of which corresponds to nonpecuniary losses for damage to the reputation, good name and prestige of Iberdrola as a result of the order of protective measures.

The Company's directors do not expect the outcome of the aforementioned lawsuits and arbitration proceedings, to give rise to material liabilities additional to those already recognised in the accompanying balance sheets.

11. NON-CURRENT AND CURRENT PAYABLES

The changes in "Non-Current Payables" and "Non-Current Payables to Group Companies and Associates" in 2008 and 2007 were as follows:

Millions of euros

	Balance at 31/12/07	Amounts drawn down	Amounts repaid	Transfers to short term	Other	Balance at 31/12/08
Non-current payables	5,721	518	(2,176)	(637)	(2)	3,424
Debt instruments and other marketable securities	500	—	—	(500)	—	—
Bank borrowings	5,181	474	(2,157)	(137)	(2)	3,359
Derivatives (Note 13)	34	44	(19)	—	—	59
Other financial liabilities	6	—	—	—	—	6
Non-current payables to group companies and associates	5,896	—	(3,095)	(305)	—	2,496
Payable to Group companies and associates	5,896	—	(3,095)	(305)	—	2,496
TOTAL NON-CURRENT PAYABLES	11,617	518	(5,271)	(942)	(2)	5,920

Millions of euros

	Balance at 01/01/07	Amounts drawn down	Amounts repaid	Transfers to short term	Other	Balance at 31/12/07
Non-current payables	5,055	1,576	-789	-121	—	5,721
Debt instruments and other marketable securities	499	—	—	—	1	500
Bank borrowings	4,480	1,611	(788)	(121)	(1)	5,181
Derivatives (Note 13)	69	(35)	—	—	—	34
Other financial liabilities	7	—	(1)	—	—	6
Non-current payables to group companies and associates	7,752	—	(1,701)	(155)	—	5,896
Payable to Group companies and associates	7,752	—	(1,701)	(155)	—	5,896
TOTAL NON-CURRENT PAYABLES	12,807	1,576	(2,490)	(276)	—	11,617

The detail of the balances of "Current Payables" and "Current Payables to Group Companies and Associates" at 31 December 2008 and 2007 is as follows:

Millions of euros

	Balance at 31/12/08	Balance at 31/12/07
Current payables	759	801
Debt instruments and other marketable securities	518	18
Bank borrowings	175	166
Derivatives	32	59
Other financial liabilities	34	558
Current payables to group companies and associates	1,747	1,616
Payable to Group companies and associates	1,709	1,616
Derivatives	38	—
TOTAL CURRENT PAYABLES	2,506	2,417

A) CLASSIFICATION OF FINANCIAL LIABILITIES BY NATURE AND CATEGORY:

The breakdown, by nature and category, of "Non-Current Payables and "Current Payables" in the balance sheets at 31 December 2008 and 2007 is as follows:

Millions of euros

Financial liabilities: nature/category 31/12/08	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	Accounts payable	Hedging derivatives	TOTAL
Bank borrowings	—	57	3,302	—	3,359
Derivatives (Note 13)	14	—	—	45	59
Other financial liabilities	—	—	2,502	—	2,502
Non-current payables/ Non-current financial liabilities	**14**	**57**	**5,804**	**45**	**5,920**
Bank borrowings	—	—	175	—	175
Debt instruments and other marketable securities	—	—	518	—	518
Derivatives (Note 13)	68	—	—	2	70
Other financial liabilities	—	—	1,743	—	1,743
Current payables/Current financial liabilities	**68**	**—**	**2,436**	**2**	**2,506**
TOTAL	**82**	**57**	**8,240**	**47**	**8,426**

Millions of euros

Financial liabilites: nature/category 31/12/07	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	Accounts payable	Hedging derivatives	TOTAL
Bank borrowings	—	61	5,120	—	5,181
Debt instruments and other marketable securities	—	—	500	—	500
Derivatives (Note 13)	30	—		4	34
Other financial liabilities	—	—	5,902	—	5,902
Non-current payables/ Non-current financial liabilities	**30**	**61**	**11,522**	**4**	**11,617**
Bank borrowings	—	—	166	—	166
Debt instruments and other marketable securities	—	—	18	—	18
Derivatives (Note 13)	51	—		8	59
Other financial liabilities	—	—	2,174	—	2,174
Current payables/Current financial liabilities	**51**	**—**	**2,358**	**8**	**2,417**
TOTAL	**81**	**61**	**13,880**	**12**	**14,034**

B) BREAKDOWN, BY MATURITY, OF NON-CURRENT AND CURRENT PAYABLES:

The detail, by maturity, of "Non-Current Payables", "Non-Current Payables to Group Companies and Associates", "Current Payables" and "Current Payables to Group Companies and Associates" is as follows:

Millions of euros

	Balance at 31/12/08	2009	2010	2011	2012	2013	Subsequent years
Debt instruments and other marketable securities	518	518	—	—	—	—	—
Bank borrowings	3,534	175	205	663	1,486	171	834
Other financial liabilities	40	34	6	—	—	—	—
Payable to Group companies and associates	4,205	1,709	—	2,438	—	—	58

Bank borrowings bore an average interest rate of 4.25% in 2008, debt instruments 4.26%, and payables to Group companies 4.67%.

Millions of euros

	Balance at 31/12/07	2008	2009	2010	2011	2012	Subsequent years
Debt instruments and other marketable securities	518	18	500	—	—	—	—
Bank borrowings	5,347	166	137	203	763	3,522	556
Other financial liabilities	77	71	1	1	1	1	2
Payable to Group companies and associates	7,999	2,103	305	—	5,534	—	57

Bank borrowings bore an average interest rate of 4.37% in 2007, debt instruments 4.25%, and payables to Group companies between 4.25% and 4.33%.

C) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The changes in the fair value of this category of financial liabilities in 2008 and 2007, and the accumulated amounts at the reporting date, were as follows:

			Millions of euros
2008	**Initial fair value**	**Change in fair value in 2008**	**Fair value at 31/12/08**
Financial liabilities at fair value through profit or loss			
Non-current			
Financial liabilities held for trading	30	(16)	14
Other financial liabilities at fair value through profit or loss	61	(4)	57
Current			
Financial liabilities held for trading	51	17	68

			Millions of euros
2007	**Initial fair value**	**Change in fair value in 2007**	**Fair value at 31/12/07**
Financial liabilities at fair value through profit or loss			
Non-current			
Financial liabilities held for trading	8	22	30
Other financial liabilities at fair value through profit or loss	145	(84)	61
Current			
Financial liabilities held for trading	—	51	51

The financial liabilities held for trading are derivative financial instruments not designated as hedging instruments.

In accordance with the relevant measurement bases, the category "Other Financial Liabilities at Fair Value through Profit or Loss" includes the items hedged by fair value hedges.

D) AMOUNTS TAKEN TO THE INCOME STATEMENT AND TO EQUITY

				Millions of euros
	2008		2007	
Category	**Income statement**	**Equity**	**Income statement**	**Equity**
Financial liabilities held for trading	(142)	—	—	—
Accounts payable	(518)	—	(612)	—
Hedging derivatives	—	81	13	26
TOTAL	**(660)**	**81**	**(599)**	**26**

E) OTHER MATTERS

At 31 December 2008, ENDESA had undrawn credit facilities amounting to EUR 7,482 million (31 December 2007: EUR 5,139 million). The amount of these credit facilities, together with the current assets, sufficiently covers the Company's short-term payment obligations.

ENDESA's financial liabilities contain the covenants that are habitual in contracts of this nature.

ENDESA, S.A. does not have in its financing contracts any covenants involving financial ratios that could lead to breach of contract and give rise to the early termination of the contracts.

As regards clauses relating to credit rating, at 31 December 2008, ENDESA S.A. had arranged financial transactions amounting to EUR 603 million that might require additional guarantees or renegotiation in the event of a drop in the credit rating. At 31 December 2007, this item amounted to EUR 684 million.

At 31 December 2008 and 2007, ENDESA, S.A. was not failing to comply with its financial or other obligations in such a way as might give rise to the early maturity of its financial liabilities.

The Company's directors consider that the existence of these clauses will not change the current/non-current classification in the accompanying balance sheet.

The fair value of ENDESA's gross financial liabilities at 31 December 2008 and 2007 amounted to EUR 4,066 million and EUR 5,790 million, respectively.

12. RISK MANAGEMENT POLICY

ENDESA is exposed to certain risks which it manages by applying risk identification, measurement, concentration, limitation and supervision systems, all in the context of the Group of which it is the Parent.

The basic principles defined by the Endesa Group when establishing its risk management policy, which did not change significantly in 2008 or 2007, are as follows:

- Comply with the principles of good corporate governance.
- Comply strictly with all ENDESA's rules.
- Each business and corporate area defines:

    1. The markets and product lines in which it can operate on the basis of having sufficient know-how and capabilities to ensure effective risk management.
    2. Criteria concerning counterparties.
    3. The authorised operators.

- The businesses and corporate areas establish for each market in which they operate the level of risk that they are prepared to assume on a basis that is consistent with the strategy defined.
- The limits of the businesses and corporate areas are approved by their respective Risk Committees or, should they not have one, by the ENDESA Risk Committee.
- All the businesses and corporate areas must conduct their business within the limits approved in each case.
- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that the transactions are performed in the markets in accordance with the policies, principles and procedures of ENDESA.

INTEREST RATE RISK

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at a fixed rate and the future flows from assets and liabilities bearing interest at a floating rate.

The objective of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced income statement volatility.

Based on ENDESA's estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks

The detail of ENDESA's interest rate risk structure, distinguishing between risk tied to fixed and protected interest rates and risk tied to floating interest rates and taking into account the derivatives arranged, is as follows:

	Net position (millions of euros)	
	31/12/08	31/12/07
Fixed interest rate	4,350	4,450
Protected interest rate (*)	100	100
Floating interest rate	3,477	8,327
TOTAL	**7,927**	**12,877**

(*) Caps.

The reference interest rate for the borrowings arranged by ENDESA is mainly Euribor.

FOREIGN CURRENCY RISK

ENDESA's foreign currency risk relates mainly to the following transactions:

- Debt denominated in foreign currencies arranged by the Group companies and associates.
- Payments to be made by Group companies in international markets in order to purchase fuel stocks.
- Investments in the share capital of Group companies that have investments in foreign companies whose functional currency is a currency other than the euro.

In order to mitigate the foreign currency risk, ENDESA arranged currency swaps and interest rate hedges.

The portion of ENDESA's debt denominated in a foreign currency or not hedged by derivative financial instruments or foreign currency hedges was not significant at 31 December 2008 or 2007.

The Company also attempts to achieve a balance between the cash collections and payments relating to its assets and liabilities denominated in foreign currencies.

LIQUIDITY RISK

ENDESA's liquidity policy consists of the arrangement of committed long-term credit facilities and current financial assets for an amount sufficient to cater for the projected needs for a given period based on the status and expectations of the debt and capital markets.

At 31 December 2008, ENDESA had liquidity of EUR 7,574 million, EUR 92 million in cash and cash equivalents and EUR 7,482 million relating to amounts drawable unconditionally against credit lines. At 31 December 2007, these amounts totalled EUR 2 million and EUR 5,139 million, respectively, and, therefore, Endesa's liquidity at that date was EUR 5,141 million.

CREDIT RISK

Despite the current economic situation, ENDESA does not have significant credit risk since the financial investments relate mainly to the financing of the shortfall in revenue from regulated activities, which will be recovered through the Spanish electricity system.

Cash placements are made in highly liquid products with renowned EU entities with a credit rating higher than that of ENDESA. 83.9% of cash balances are with entities with a credit rating equal to or higher than AA-. The other balances are placed with A+ rated entities.

In relation to derivatives at 31 December 2008 and 2007, and taking as the base market values:

- More than 90% of the transactions are performed with entities with a credit rating of A or higher, or an equivalent internal rating calculated in accordance with best market practices.
- No one counterparty accounted for more than 30% of the total credit risk.

RISK MEASUREMENT

ENDESA measures the Value at Risk of its debt and derivative positions in order to guarantee that the risk assumed by the Company remains consistent with the risk exposure defined by management, thereby reducing the volatility of the income statement.

The portfolio of positions included for the purpose of the current Value at Risk calculations is made up of debt and financial derivatives.

The Value at Risk calculated represents the possible decline in value of the portfolio described above in a time period of one day with a confidence level of 95%. For this purpose, a study has been performed of the volatility of the risk that affects the value of the portfolio of positions, including:

- Euribor.
- US dollar Libor.
- The exchange rates of the various currencies included in the calculation.

The calculation of the Value at Risk is based on the generation of possible future scenarios (one day ahead) of the spot and forward market values of the risk variables using Monte Carlo methodologies. The number of scenarios generated ensures fulfilment of the convergence criteria of the simulation. For the simulation of the future price scenarios the matrix of volatilities and correlations among the various risk variables calculated on the basis of the historical record of logarithmic price returns was used.

Once the price scenarios have been generated, the fair value of the portfolio is calculated with each of the scenarios, obtaining a distribution of possible one day ahead values. One-day Value at Risk with a confidence level of 95% is calculated as the percentile of 5% of the possible increases in the fair value of the portfolio at one day. This format coincides with that with which the Value at Risk of energy trading portfolios is reported.

The various debt and derivative positions included in the calculation were measured on a basis consistent with the methodology used to calculate the Capital at Risk reported to management.

Taking into account the aforementioned assumptions, at ENDESA the Value at Risk of the positions discussed above is as follows:

		Millions of euros
	31/12/08	31/12/07
Financial positions	49	12
Interest rates	30	12
Exchange rates	25	1
Investment portfolio	1	1
TOTAL	**49**	**12**

The Value at Risk positions changed in 2008 and 2007 on the basis of the maturity/arrangement of transactions as the years progressed.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Company, applying the risk management policy described above, uses mainly interest rate and foreign currency hedging derivatives.

The company classifies its hedges into the following categories:

- Cash flow hedges: which hedge the cash flows on the hedged underlying.
- Fair value hedges: which hedge the fair value of the hedged underlying.

The detail of the balances at 31 December 2008 and 2007 reflecting the valuation of the derivative financial instruments at those dates is as follows:

				Millions of euros
		31/12/08		31/12/07
	Assets	Liabilities	Assets	Liabilities
Interest rate cash flow hedges	—	47	103	5
Interest rate fair value hedges	1	—	—	2
Foreign currency cash flow hedges	—	—	—	8
Derivatives not designated as hedging instruments	73	82	86	78

The detail, by maturity, of the notional and/or contractual amounts of the derivatives outstanding at the Company and of their fair value at 31 December 2008 and 2007 is as follows:

		31/12/08						
		Notional amount (millions of euros)						
Derivatives	Fair value	2009	2010	2011	2012	2013	Subsequent years	Total
INTEREST RATE HEDGES								
Cash flow hedges	(47)	588	38	138	1,660	2,410	50	4,884
Swaps	(49)	588	38	38	1,660	910	50	3,284
Options	2	—	—	100	—	1,500	—	1,600
Fair value hedges	1	—	40	—	—	—	21	61
Swaps	1	—	40	—	—	—	21	61
OTHER DERIVATIVES								
Interest rate	(12)	852	90	75	150	—	—	1,167
Swaps	(12)	852	90	75	150	—	—	1,167
Foreign currency	3	2,290	561	242	104	52	—	3,249
Options	3	108	—	—	—	—	—	108
Futures	—	2,182	561	242	104	52	—	3,141

		31/12/07						
		Notional amount (millions of euros)						
Derivatives	Fair value	2008	2009	2010	2011	2012	Subsequent years	Total
INTEREST RATE HEDGES								
Cash flow hedges	98	97	88	38	138	1,660	2,460	4,481
Swaps	92	97	88	38	38	1,660	960	2,881
Options	6	—	—	—	100	—	1,500	1,600
Fair value hedges	(2)	—	—	40	—	—	21	61
Swaps	(2)	—	—	40	—	—	21	61
FOREIGN CURRENCY HEDGES								
Cash flow hedges	(8)	38	—	—	—	—	—	38
Swaps	(8)	38	—	—	—	—	—	38
OTHER DERIVATIVES								
Interest rate	2	256	700	90	75	150	—	1,271
Swaps	2	256	700	90	75	150	—	1,271
Foreign currency	6	2,192	640	531	101	100	50	3,614
Options	(6)	24	100	—	—	—	—	124
Futures	12	2,168	540	531	101	100	50	3,490

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the Company, since these amounts only constitute the basis on which the derivative settlement calculations are made.

CASH FLOW HEDGES

At 2008 year-end the amount recognised in equity in relation to cash flow hedges was EUR 107 million as a reduction of equity and income of EUR 27 million was transferred from equity to the income statement.

At 2007 year-end the amount recognised in equity in relation to cash flow hedges was EUR 39 million as an increase in equity and income of EUR 13 million was transferred from equity to the income statement.

The amount recognised in profit or loss in relation to the ineffective portion of the hedging derivatives was not significant in 2008 (2007: income of EUR 3 million).

FAIR VALUE HEDGES

At 2008 year-end income of EUR 1 million was recognised in the income statement in relation to hedging instruments.

At 2007 year-end income of EUR 3 million was recognised in the income statement in relation to hedging instruments.

The aforementioned fair values were calculated using the prices quoted on active markets.

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

At 2008 year-end an expense of EUR 7 million was recognised in the income statement in relation to the aforementioned hedging instruments.

At 2007 year-end an income of EUR 9 million was recognised in the income statement in relation to the aforementioned hedging instruments.

14. TAX MATTERS

In 2008 and 2007 Endesa S.A. was taxed as the Parent of tax group 42/98 under the consolidated tax regime provided for in Legislative Royal Decree 4/2004 approving the Consolidated Spanish Corporation Tax Law.

Income tax is calculated on the basis of the accounting profit or loss, determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit or the tax loss.

The reconciliation of the accounting profit to the tax loss for income tax purposes is as follows:

						2008
						Millions of euros
			Income statement			Income and expenses recognised directly in equity
Accounting profit after tax			7,241			(105)
	Increase	Decrease	TOTAL	Increase	Decrease	TOTAL
Income tax	—	(137)	(137)	—	(43)	(43)
Accounting profit before tax			7,104			(148)
Permanent differences	7	(7,402)	(7,395)	—	—	—
Temporary differences	—	—	—	—	—	—
Arising in the year	32	—	32	(3)	—	(3)
Arising in prior years	—	(55)	(55)	—	151	151
Tax loss			(314)			—

						2007
						Millions of euros
			Income statement			Income and expenses recognised directly in equity
Accounting profit after tax			1,780			(334)
	Increase	Decrease	TOTAL	Increase	Decrease	TOTAL
Income tax	—	(199)	(199)	—	(4)	(4)
Accounting profit before tax			1,581			(338)
Permanent differences	42	(2,187)	(2,145)	297	—	297
Temporary differences	—	—	—	—	—	—
Arising in the year	43	(190)	(147)	41	—	41
Arising in prior years	5	—	5	—	—	—
Tax loss			(706)			—

The decreases due to permanent differences arose mainly from taking the exemption applicable to the transfer of the ownership interest in Endesa Europa, a company taxed under the special regime for foreign-securities holding companies (see Note 8), and from the dividends received from consolidated Group companies.

The increases due to temporary differences arose from provisions for collective redundancy procedures, provisions for third-party liability, provisions for non-current financial assets and adjustments arising from the first-time application of the Spanish National Chart of Accounts. The decreases relate to the use of the provisions for collective redundancy procedures, provisions for third-party liability and allowances for non-current financial assets, the externalisation of pension and collective redundancy procedure obligations and adjustments arising from the first-time application of the new Spanish National Chart of Accounts.

The reconciliation of the tax refundable to the income tax for the year is as follows:

	Millions of euros	
	2008	2007
Tax loss		
Income statement	(314)	(706)
Income and expenses recognised directly in equity	—	—
Total tax loss	(314)	(706)
Gross tax refundable	(94)	(230)
Tax credits used	(49)	(5)
Gross tax refundable after tax credits	(143)	(235)
Net tax effect of temporary differences	(36)	44
Prior years' adjustments	(1)	(8)
Effect of the reduction of the tax rate	—	(4)
Income tax for the year	(180)	(203)
Recognised in the income statement	(137)	(199)
Recognised in equity	(43)	(4)

2008

In 2008 the Company reported tax credits and tax relief totalling EUR 49 million, of which EUR 47 million relate to double taxation tax credits and EUR 2 million to tax credits to encourage the performance of certain activities and for contributions to entities regulated by Law 49/2002.

2007

The prior years' adjustments in 2007 related mainly to the adjustment made in relation to the 2006 income tax settlement.

In 2007 the Company reported tax credits and tax relief totalling EUR 5 million, of which EUR 2 million related to double taxation tax credits and EUR 3 million to tax credits to encourage the performance of certain activities and for contributions to entities regulated by Law 49/2002.

The income qualifying for the tax credit provided for in Article 42 of Legislative Royal Decree 4/2004 and the years in which the required reinvestments were made in order to be able to take the tax credits, which were made by the Company itself and by the other companies in the tax group, as permitted by Article 75 of Legislative Royal Decree 4/2004, were as follows:

Year in which the tax credit was deducted	Income qualifying for the tax credit (millions of euros)	Year in which the reinvestment was made
2003	1	2003
2005	2	2005
2006	1	2006

The notes to the Company's financial statements for 1999 to 2007 include the disclosures required under the aforementioned Article 93 of Legislative Royal Decree 4/2004 on the corporate restructuring transactions performed in prior years.

BREAKDOWN OF THE TAX EXPENSE INCOME

The breakdown of the tax income in 2008 and 2007 is as follows:

				Breakdown of the tax income in 2008
		2. Change in deferred taxes		
		a) Change in deferred tax assets	b) Change in deferred tax liabilities	
	1. Current tax	Temporary differences	Temporary differences	Total (1+2)
Allocation to profit or loss, of which	(143)	7	—	(136)
To continuing operations	(143)	7	—	(136)
To discontinued operations	—	—	—	—
Allocation to equity, of which	—	1	(44)	(43)
Due to measurement of financial instruments	—	(2)		(2)
Due to cash flow hedges	—	4	(44)	(40)
Due to actuarial gains and losses and other adjustments	—	(1)	—	(1)
TOTAL	(143)	8	(44)	(179)
Income tax adjustment	—	—	—	(1)
TOTAL	—	—	—	(180)

				Breakdown of the tax income in 2007
		2. Change in deferred taxes		
		a) Change in deferred tax assets	b) Change in deferred tax liabilities	
	1. Current tax	Temporary differences	Temporary differences	Total (1+2)
Allocation to profit or loss, of which	(235)	(15)	63	(187)
To continuing operations	(235)	(15)	63	(187)
To discontinued operations	—	—	—	—
Allocation to equity, of which				
Due to measurement of financial instruments	—	—	(13)	(13)
Due to cash flow hedges	—	—	9	9
TOTAL	(235)	(15)	59	(191)
Income tax adjustment	—	—	—	(8)
Adjustments due to change in tax rate	—	—	—	(4)
TOTAL	—	—	—	(203)

The difference between the tax charge allocated to the year and prior years and the tax already paid or payable for such years is recognised under "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying balance sheets at 31 December 2008 and 2007.

DEFERRED TAX ASSETS

The changes in "Deferred Tax Assets" in 2008 and 2007 were as follows:

2008 — Millions of euros

	Temporary differences	Tax loss carryforwards	Tax credit carryforwards and other
Balance at 1 January 2008	141	—	15
Temporary differences arising in 2008	10	—	—
Deduction of temporary difference arising in prior years	(17)	—	—
Temporary differences arising from valuation adjustments in the year	(2)	—	—
Temporary differences arising from actuarial adjustments	1	—	—
Prior years' adjustments	(1)	—	—
Other	3	—	—
Balance at 31 December 2008	135	—	15

2007 — Millions of euros

	Temporary differences	Tax loss carryforwards	Tax credit carryforwards and other
Balance at 1 January 2007	139	—	15
Temporary differences arising in 2007	121	—	—
Deduction of temporary difference arising in prior years	(105)	—	—
Prior years' adjustments	(15)	—	—
Effect of the reduction of the tax rate	1	—	—
Balance at 31 December 2007	141	—	15

The Company's directors consider that the deferred tax assets recognised will be recovered.

DEFERRED TAX LIABILITIES

The changes in "Deferred Tax Liabilities" in 2008 and 2007 were as follows:

Millions of euros

	2008	2007
Balance at 1 January 2008/2007	(120)	(68)
Temporary differences arising in the year	—	(59)
Temporary differences arising from valuation adjustments in the year	44	—
Prior years' adjustments	—	4
Effect of the reduction of the tax rate	—	3
Balance at 31 December 2008/2007	(76)	(120)

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2008 year-end the Company had 2002 and subsequent years open for review by the tax authorities for income tax and 2004 to 2008 for all the other taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

At 2007 year-end the Company had recognised a tax account payable of EUR 79 million as a result of the distribution of the consolidated income tax deficiency arising from the tax assessments issued against the tax group for the period from 1998 to 2001.

The Company's directors consider that the liabilities that could arise in this connection would not have a material effect on the Company's future earnings.

At 31 December 2008, the Company's financial statements included a provision that the directors considered to be reasonable to cover all of the liabilities arising from the tax lawsuits existing at that date.

15. FOREIGN CURRENCY BALANCES

At 31 December 2008, the assets and liabilities denominated in foreign currency (USD) totalled EUR 418 million and EUR 34 million, respectively (31 December 2007: EUR 1 million and EUR 26 million, respectively). The detail of the foreign currency balances at those dates is as follows:

	Millions of euros	
	2008	2007
Assets	**418**	**1**
Long-term loans to Group companies	320	—
Cash: At banks	98	1
Liabilities	**34**	**26**
Non-current bank borrowings	8	—
Current bank borrowings	—	2
Other current financial liabilities	26	24

The detail of the exchange differences recognised in 2008 profit, by class of financial instrument, excluding financial instruments at fair value through profit or loss, is as follows:

	Millions of euros					
	2008			2007		
	Transactions settled in the year	Unmatured balances	Total	Transactions settled in the year	Unmatured balances	Total
Financial assets						
Long-term loans to Group companies	—	(12)	(12)	—	—	—
Derivatives	23	—	23	25	—	25
Cash	(4)	(9)	(13)	—	—	—
Total financial assets	**19**	**(21)**	**(2)**	**25**		**25**
Financial liabilities						
Non-current bank borrowings	(1)	—	(1)	—	—	—
Other current financial liabilities	—	(2)	(2)	—	3	3
Derivatives	(18)	—	(18)	(18)	—	(18)
Total financial liabilities	**(19)**	**(2)**	**(21)**	**(18)**	**3**	**(15)**

16. INCOME AND EXPENSES

The detail of the Company's main income and expense accounts in 2008 and 2007 is as follows:

A) REVENUE

In 2008 revenue amounted to EUR 276 million (2007: EUR 242 million), which related in full to services rendered to Group companies.

B) STAFF COSTS

The detail of the Company's staff costs in 2008 and 2007 is as follows:

	Millions of euros	
	2008	2007
Wages and salaries	100	129
Employee benefit costs:	33	37
Social security costs	11	10
Contributions to pension plans	6	14
Other employee benefit costs	16	13
Staff costs	133	166

17. GUARANTEE COMMITMENTS TO THIRD PARTIES

A) GUARANTEES PROVIDED TO THIRD PARTIES

The guarantees provided by ENDESA at 31 December 2008 and 2007 were as follows:

- Guarantee provided for International Endesa, B.V. for the financing obtained by this company and for its financial derivatives. In turn this financing, amounting to EUR 4,790 million at 31 December 2008 (31 December 2007: EUR 4,855 million), was provided to ENDESA and another Group subsidiary.
- A subordinated guarantee for the issuance of perpetual preference shares amounting to EUR 1,500 million of its subsidiary Endesa Capital Finance, LLC, at both 31 December 2008 and 2007.
- Guarantee provided for Endesa Capital, S.A. for the financing obtained by this company and for its financial derivatives. At 31 December 2008, the financing obtained amounted to EUR 1,724 million (31 December 2007: EUR 2,846 million). In turn, this financing was provided to ENDESA and another Group subsidiary.
- Partial guarantee for the financing provided to ELCOGAS by a group of banks. At 31 December 2008, the guaranteed amount was EUR 116 million (31 December 2007: EUR 113 million). In both cases the guarantee corresponds to 42% of the company's total financial debt.
- Guarantee to cover the commercial risks involved in the USD 40 million loan granted by the Central America Bank for Economic Integration to the project company Empresa Propietaria de la Red. At 31 December 2008 and 2007, USD 8 million had been drawn down against this loan.
- The bank financing of Proyectos Eólicos Valencianos, S.A. (PEVSA), a company indirectly 100% owned by ENDESA, is guaranteed by ENDESA. At 31 December 2008 the guaranteed amount was EUR 332 million (31 December 2007: EUR 40 million).
- ECYR (a company indirectly 100% owned by ENDESA) has an 85% ownership interest in Productor Regional de Energía Renovable, S.A. The bank financing granted to the company is secured with a joint guarantee from the

shareholders in proportion to their respective percentages of ownership. The guarantor of the portion corresponding to ECYR is ENDESA. EUR 87.5 million had been drawn down against the financing at 31 December 2008, of which ENDESA is guaranteeing EUR 74.3 million. The amount drawn down at 31 December 2007 was EUR 31.1 million, of which ENDESA was guaranteeing EUR 26.5 million.

- Guarantees provided for Endesa Trading (a company indirectly 100% owned by ENDESA) to third parties to cover power purchase and trading risks at 31 December 2008 and 2007 for EUR 180 million and EUR 146 million, respectively.
- Also, ENDESA has provided guarantees for various Group companies to secure sundry obligations amounting to EUR 1,280 million at 31 December 2008 (31 December 2007: EUR 1,103 million), the most significant of which relate to Endesa Energía for EUR 143 million in 2008 (2007: EUR 111 million), to Endesa Generación for EUR 435 million in 2008 (2007: EUR 350 million), to Endesa Distribución Eléctrica for EUR 368 million in 2008 (2007: EUR 297 million), to ECYR for EUR 81 million in 2008 (2007: EUR 77 million), to Endesa Trading for EUR 34 million in 2008 (2007: EUR 37 million) and to Endesa Ingeniería for EUR 158 million in 2008 (2007: EUR 129 million).

Management of ENDESA considers that no material liabilities will arise for the Company as a result of the guarantees provided.

18. RELATED PARTY TRANSACTIONS

The transactions with related parties in 2008 took place in the normal course of business and were performed on an arm's length basis.

A) RELATED PARTY TRANSACTIONS

The detail of the related party transactions in 2008 and 2007 is as follows:

					2008
					Millions of euros
	Significant shareholders	Other Group companies	Associates	Key management personnel of the Company or of the Parent	Other related parties
Services rendered	—	264	—	—	—
Services received	—	(34)	—	—	—
Finance costs	—	(220)	—	—	—
Dividends and other profits distributed	1,492		—	—	—
Dividends received	—	2,023	—	27	—
Revaluation of equity instruments	—	27	—	—	—
Interest on loans	—	4	1	—	—

					2007
					Millions of euros
	Significant shareholders	Other Group companies	Associates	Key management personnel of the Company or of the Parent	Other related parties
Services rendered	—	286	—	—	—
Services received	—	(27)	—	—	—
Finance costs	—	(355)	—	—	—
Dividends and other profits distributed	809	—	—	—	204
Dividends received	—	2,189	—	30	—
Revaluation of equity instruments	—	23	—	—	—
Interest on loans	—	5	—	—	—
Gains or losses on disposals	—	21	—	—	—

B) BALANCES WITH RELATED PARTIES

The detail of the balances with related parties at 31 December 2008 and 2007 is as follows:

2008

Millions of euros

	Significant shareholders	Other Group companies	Associates	Key management personnel of the Company or of the Parent	Other related parties
Property, plant and equipment	—	28	—	—	—
Non-current financial assets					
Equity instruments	—	19,148	—	—	—
Loans to companies	—	320	—	—	—
Derivatives	—	2	—	—	—
Trade receivables	—	445	—	—	—
Current financial assets	—		—	—	—
Loans to companies	—	600	—	—	—
Derivatives	—	13	—	—	—
Other financial assets	—	1,332	—	—	—
Non-current payables	—	2,496	—	—	—
Current payables	—	1,747	—	—	—

2007

Millions of euros

	Significant shareholders	Other Group companies	Associates	Key management personnel of the Company or of the Parent	Other related parties
Property, plant and equipment	—	17	—	—	—
Non-current financial assets					
Equity instruments	—	19,155	—	—	—
Derivatives	—	13	—	—	—
Other financial assets	—		—	—	—
Trade receivables	—	424	—	—	—
Current financial assets	—		—	—	—
Loans to companies	—	498	—	—	—
Derivatives	—	31	—	—	—
Other financial assets	—	1,060	—	—	—
Non-current payables	—	5,896	—	—	—
Current payables	487	1,616	—	—	—

The Company has arranged current account financing agreements with Endesa Financiación Filiales, S.A. and applies to the balances receivable and payable an interest rate of 6-month EURIBOR plus a spread equal to the spread achieved by Endesa Financiación Filiales, S.A. on its credit facilities existing when the interest rate is calculated.

C) DISCLOSURES ON THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

C.1. Remuneration. Board of Directors

Article 40 of the corporate bylaws states that "the remuneration of the directors comprises the following items: a fixed monthly emolument and a share in the profits. The overall annual remuneration for all the directors in connection with the aforementioned items shall be one per mil of the profits of the consolidated Group, as approved at the Annual General Meeting, although the Board of Directors may reduce this percentage in the years that it sees fit. All without prejudice to the provisions of Article 40.3 in connection with attendance fees.

The Board of Directors shall distribute the aforementioned amount between the items indicated above and among the directors in the form, time and proportion freely decided by it.

The members of the Board of Directors shall also receive fees for attending each session of the Company's managing bodies and their committees. The amount of such attendance fee shall not exceed the amount that, pursuant to the foregoing, is determined as the fixed monthly emolument. The Board of Directors may, within that limit, establish the amount of the attendance fees.

The remuneration provided for in the preceding paragraphs, derived from membership of the Board of Directors, shall be compatible with such other professional or employment-related income as might correspond to the directors for any other executive or advisory functions that they might discharge for the Company other than the supervisory and collective decision-making functions discharged by virtue of their capacity as directors, which shall be subject to the legal regime applicable to them.

In accordance with Article 130 of the Spanish Companies Law, the remuneration relating to profit-sharing shall only be received by the directors after the requisite appropriations to the legal and bylaw reserves have been made and after a minimum dividend of 4% has been declared for the shareholders."

Therefore, the members of the Board of Directors of Endesa, S.A. received remuneration in their capacity as Company directors and for their membership, in certain cases, of Boards of Directors of subsidiaries, and the members of the Board of Directors who also discharge executive functions received their remuneration in this connection.

In 2008 the fixed monthly emolument for each director was EUR 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Nomination and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to EUR 2,003.37 gross each.

The detail of the remuneration received by the members of the Board of Directors is as follows:

FIXED REMUNERATION

	2008		2007	Euros
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
José Manuel Entrecanales Domecq (2)	48,081	1,364,158	12,020	267,827
Andrea Brentán (2) (7)	48,081	—	12,020	—
Rafael Miranda Robredo	48,081	1,227,742	48,081	1,174,873
Carmen Becerril Martínez (2)	48,081	—	12,020	—
Fernando d´Ornellas Silva (1)	48,081	—	28,047	—
Luigi Ferraris (2) (7)	48,081	—	12,020	—
Claudio Machetti (2) (7)	48,081	—	12,020	—
Valentín Montoya Moya (2)	48,081	—	12,020	—
Esteban Morrás Andrés (2)	48,081	473,421	12,020	75,506
Borja Prado Eulate (1)	48,081	—	28,047	—
Manuel Pizarro Moreno (4)	—	—	40,067	1,044,331
Alberto Alonso Ureba (3)	—	—	24,040	—
Miguel Blesa de la Parra (4)	—	—	40,067	—
José María Fernández Cuevas (3)	—	—	24,040	—
José Manuel Fernández Norniella (3)	—	—	24,040	—
Rafael González-Gallarza Morales (3)	—	—	24,040	—
Francisco Núñez Boluda (5)	—	—	—	—
Juan Ramón Quintás Seoane (4) (6)	—	—	—	—
Francisco Javier Ramos Gascón (4)	—	—	40,067	—
Alberto Recarte García-Andrade (4)	—	—	40,067	—
Manuel Ríos Navarro (3)	—	—	24,040	—
Juan Rosell Lastortras (4)	—	—	40,067	—
José Serna Masiá (4)	—	—	40,067	—
Subtotal	**480,810**	**3,065,321**	**548,916**	**2,562,537**
TOTAL	**3,546,131**		**3,111,453**	

(1) Member of the Board of Directors since 20 June 2007.
(2) Member of the Board of Directors since 18 October 2007 and, therefore, the remuneration in 2007 relates only to the last quarter.
(3) Ceased to be a member of the Board of Directors on 20 June 2007.
(4) Ceased to be a member of the Board of Directors on 18 October 2007.
(5) Ceased to be a member of the Board of Directors on 25 February 2006.
(6) Waives entitlement to remuneration other than attendance fees and similar.
(7) The remuneration earned by these directors is paid directly to Enel, S.p.A. pursuant to its internal regulations.

VARIABLE REMUNERATION

				Euros
		2008		2007
	Profit-sharing	Remuneration	Profit-sharing	Remuneration
José Manuel Entrecanales Domecq (3)	43,389	827,144	—	—
Andrea Brentán (3) (10)	43,389	—	—	—
Rafael Miranda Robredo (1)	173,557	1,320,537	104,510	1,419,091
Carmen Becerril Martínez (3)	43,389	—	—	—
Fernando d´Ornellas Silva (2)	101,242	—	—	—
Luigi Ferraris (3) (10)	43,389	—	—	—
Claudio Machetti (3) (10)	43,389	—	—	—
Valentín Montoya Moya (3)	43,389	—	—	—
Esteban Morrás Andrés (3)	43,389	253,309	—	—
Borja Prado Eulate (2)	101,242	—	—	—
Manuel Pizarro Moreno (5) (11)	144,631	—	104,510	2,512,954
Alberto Alonso Ureba (4)	86,779	—	104,510	—
Miguel Blesa de la Parra (5) (9)	—	—	—	—
José María Fernández Cuevas (4)	86,779	—	104,510	—
José Manuel Fernández Norniella (4)	86,779	—	104,510	—
Rafael González-Gallarza Morales (4)	86,779	—	104,510	—
Francisco Núñez Boluda (6)	—	—	17,686	—
Juan Ramón Quintás Seoane (5) (7)	—	—	—	—
Francisco Javier Ramos Gascón (5)	144,631	—	104,510	—
Alberto Recarte García-Andrade (5)	144,631	—	104,510	—
Manuel Ríos Navarro (4)	86,779	—	104,510	—
Juan Rosell Lastortras (5)	144,631	—	104,510	—
José Serna Masiá (5)	144,631	—	104,510	—
Subtotal	**1,836,814**	**2,400,990**	**1,167,296**	**3,932,045**
TOTAL	**4,237,804**		**5,099,341**	

(1) The total variable remuneration of Rafael Miranda Robredo amounted to EUR 1,472,145 in 2007 and EUR 1,389,729 in 2008, although EUR 53,054 and EUR 69,192, respectively, of "attendance fees of other companies" were discounted from these amounts.
(2) Member of the Board of Directors since 20 June 2007.
(3) Member of the Board of Directors since 18 October 2007.
(4) Ceased to be a member of the Board of Directors on 20 June 2007.
(5) Ceased to be a member of the Board of Directors on 18 October 2007.
(6) Ceased to be a member of the Board of Directors on 25 February 2006.
(7) Waives entitlement to remuneration other than attendance fees and similar.
(9) Waives entitlement to remuneration other than fixed remuneration, attendance fees and similar.
(10) The remuneration earned by these directors is paid directly to Enel, S.p.A. pursuant to its internal regulations.
(11) The detail of Manuel Pizarro Moreno's variable remuneration includes the amounts earned in this connection in 2006 and a proportion of the amount for 2007, since Manuel Pizarro Moreno ceased to be a director on 18 October 2007.

ATTENDANCE FEES

	Euros	
	2008	2007
José Manuel Entrecanales Domecq (2)	26,044	6,010
Andrea Brentán (2) (6)	106,179	16,027
Rafael Miranda Robredo	40,067	130,219
Carmen Becerril Martínez (2)	84,142	12,020
Fernando d'Ornellas Silva (1)	46,078	52,088
Luigi Ferraris (2) (6)	74,125	10,017
Claudio Machetti (2) (6)	54,091	4,007
Valentín Montoya Moya (2)	92,155	8,013
Esteban Morrás Andrés (2)	74,125	10,017
Borja Prado Eulate (1)	54,091	48,081
Manuel Pizarro Moreno (4)	—	122,206
Alberto Alonso Ureba (3)	—	80,135
Miguel Blesa de la Parra (4)	—	114,192
José María Fernández Cuevas (3)	—	92,155
José Manuel Fernández Norniella (3)	—	86,145
Rafael González-Gallarza Morales (3)	—	42,071
Francisco Núñez Boluda (5)	—	—
Juan Ramón Quintás Seoane (4)	—	38,064
Francisco Javier Ramos Gascón (4)	—	82,138
Alberto Recarte García-Andrade (4)	—	60,101
Manuel Ríos Navarro (3)	—	42,071
Juan Rosell Lastortras (4)	—	38,064
José Serna Masiá (4)	—	66,111
TOTAL	**651,097**	**1,159,952**

(1) Member of the Board of Directors since 20 June 2007.
(2) Member of the Board of Directors since 18 October 2007 and, therefore, the remuneration in 2007 relates only to the last quarter.
(3) Ceased to be a member of the Board of Directors on 20 June 2007.
(4) Ceased to be a member of the Board of Directors on 18 October 2007.
(5) Ceased to be a member of the Board of Directors on 25 February 2006.
(6) The remuneration earned by these directors is paid directly to Enel, S.p.A. pursuant to its internal regulations.

OTHER REMUNERATION

	Euros	
Miembros	**2008**	**2007**
Manuel Pizarro Moreno (*)	—	14,100,777
Rafael Miranda Robredo	29,795	28,114
Esteban Morrás Andrés	7,214	778
TOTAL	**37,009**	**14,129,669**

* "Other Remuneration" in 2007 includes the amount of the contractual termination payment to Mr Pizarro, who ceased to be a director on 18 October 2007.

ADVANCES AND LOANS

	Euros	
Miembro	**2008**	**2007**
Rafael Miranda Robredo	242,577	292,577

These advances were granted before the approval of the Sarbanes-Oxley Act in July 2002, and the terms and conditions thereof have not changed since that date.

PENSION FUNDS AND PLANS: CONTRIBUTIONS

	Euros	
Miembros	**2008**	**2007**
José Manuel Entrecanales Domecq	268,218	53,309
Rafael Miranda Robredo (1)	94,358	87,473
Esteban Morrás Andrés	93,619	13,636
Manuel Pizarro Moreno	—	451,543

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. With regard to future pensions, since the total premiums in this connection were paid in prior years, the 2008 financial statements include only changes arising from valuation adjustments.

LIFE INSURANCE PREMIUMS

	Euros	
Miembros	**2008**	**2007**
José Manuel Entrecanales Domecq	125,422	—
Rafael Miranda Robredo	12,149	—
Esteban Morrás Andrés	31,845	9,787
Manuel Pizarro Moreno	—	136,152
Directors	22,525	108,071

GUARANTEES PROVIDED BY THE COMPANY TO DIRECTORS

As regards remuneration, the Company has provided guarantees for the Chief Executive Officer amounting to EUR 11,433,036 in 2008 to cater for accruals of future remuneration rights, i.e. early retirement rights, as in the case of the other employees of the same age and with the same length of service.

C.2. Remuneration of senior executives

Identification of the senior executives who are not executive directors, and total remuneration earned by them in the year:

	Senior executives
Name	**Position**
Francisco Borja Acha Besga	General Manager - Legal Counsel
Alfonso Arias Cañete (2)	General Manager - Nuclear Power
José Damián Bogas Gálvez	General Manager for Spain and Portugal
Paolo Bondi	Assistant Economic and Financial General Manager
Francesco Buresti	General Manager - Purchasing
Pío Cabanillas Alonso	General Manager - Communications
Mª Isabel Fernández Lozano	Assistant General Manager - Services
Joaquín Galindo Vélez (2)	General Manager
Juan Gallardo Cruces	Economic and Financial General Manager
Héctor López Vilaseco	General Manager
Germán Medina Carrillo	General Manager - Human Resources
Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
Rafael Montes Caracuel (2)	Assistant General Manager - Human Resources
Jesús Olmos Clavijo (1)(2)	General Manager - Corporate Development
Antonio Pareja Molina	General Manager - Services
José Luis Puche Castillejo	General Manager - Audit
Álvaro Quiralte Abelló	General Manager - Energy Management
Félix Rivas Anoro (2)	Assistant General Manager - Purchasing

(1) Left the Company in 2008.
(2) Joined the Company in 2008.

The detail of the remuneration relating to each of the persons in the foregoing table is as follows:

	Euros	
Remuneration	**2008**	**2007**
Fixed remuneration	5,475,549	4,436,187
Variable remuneration (1)	4,175,466	5,523,205
Attendance Fees	—	—
Bylaw-stipulated directors' emoluments	—	—
Share options and other financial instruments	—	—
Other (2)	304,454	8,753,365
TOTAL	**9,955,469**	**18,712,757**

(1) The detail of the variable remuneration paid to senior executives includes the amounts earned in this connection in 2007 and a proportion of the amount for 2008 for all the senior executives who left the Company in 2008.
(2) This amount includes the contractual termination payments received by the senior executives who left the Company as a result of the change of control.

Other benefits	Euros 2008	2007
Advances	824,334	775,479
Loans	361,030	697,546
Pension funds and plans: contributions (1)	1,287,761	1,231,308
Pension funds and plans: obligations assumed	—	—
Life insurance premiums	472,318	332,357

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. For those persons in this situation, with regard to future pensions, since the total premiums in this connection were paid in prior years, the 2008 financial statements include only changes arising from valuation adjustments.

GUARANTEES PROVIDED BY THE COMPANY TO SENIOR EXECUTIVES

As regards remuneration, the Company provided guarantees for senior executives entitled to them totalling EUR 15,223,658 in 2008 to cater for future accruals of future remuneration rights, i.e. early retirement rights, as in the case of the other employees of the same age and with the same length of service.

C.3. Guarantee clauses: Directors and senior executives

GUARANTEE CLAUSES FOR CASES OF TERMINATION OR CHANGES OF CONTROL

These clauses are the same in all the contracts of the executive directors and senior executives of the Company and of its Group and, as can be observed from the reports requested by the Company, they are in line with standard practice in the market. They were approved by the Board of Directors following the report of the Nomination and Remuneration Committee and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

The regime for these clauses is as follows:

Termination of the employment relationship:

- By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is rendered devoid of content, or in the event of a change of control or any of the other cases of remunerated termination provided for in Royal Decree 1382/1985.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his or her duties: no entitlement to termination benefit.

These conditions are alternatives to those derived from changes to the pre-existing employment relationship or the termination thereof due to pre-retirement for the CEO and senior executives.

Post-contractual non-competition clause:

In the vast majority of the related contracts, senior executives are required not to engage in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to one annual fixed remuneration payment.

At 31 December 2008, 18 executive directors and senior executives had guarantee clauses in their employment contracts.

C.4. Other disclosures concerning the Board of Directors

In order to reinforce the transparency of publicly listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Endesa, S.A. in which the members of the Board of Directors own equity interests, and of the functions or positions, if any, that they discharge or hold thereat:

At 31 December 2008

Name of director	Employer Identification Number of the company in question	Name of the company in question	% of ownership	Position
José Manuel Entrecanales Domecq	A08001851	Acciona, S.A.	0.01165	Chairman
Andrea Brentán	811720580	Enel, SpA	—	Manager - Spain, Portugal and Latin America
Rafael Miranda Robredo	A 28294726	Enagás, S.A.	0.00055	None
Carmen Becerril Martínez	A08001851	Acciona, S.A.	0.00077	GM - Corporate Resources and Investor Relations
Luigi Ferraris	811720580	Enel, SpA	0.00004	Manager - Accounting, Planning and Control
Claudio Machetti	811720580	Enel, SpA	—	Financial Manager
Valentín Montoya Moya	A08001851	Acciona, S.A.	0.00198	Director & Economic and Financial General Manager
Esteban Morrás Andrés	A08001851	Acciona, S.A.	0.01237	Director
Borja Prado Eulate	A28004885	ACS, S.A.	0.0006	None

At 31 December 2007

Name of director	Employer Identification Number of the company in question	Name of the company in question	% of ownership	Position
José Manuel Entrecanales Domecq	A08001851	Acciona, S.A.	0.01165	Chairman
Andrea Brentán	811720580	Enel, SpA	—	Manager - Spain, Portugal and Latin America
Rafael Miranda Robredo	A 28294726	Enagás, S.A.	0.00055	None
Carmen Becerril Martínez	A08001851	Acciona, S.A.	0.00077	GM - Strategic Analysis, R&D
Luigi Ferraris	811720580	Enel, SpA	—	CFO – Executive Deputy Chairman - Accounting, Planning and Control
Claudio Machetti	811720580	Enel, SpA	—	CFO, Executive Deputy Chairman - Finance
Valentín Montoya Moya	A08001851	Acciona, S.A.	0.00133	Director & Economic and Financial General Manager
Esteban Morrás Andrés	A08001851	Acciona, S.A.	0.00542	Director
Borja Prado Eulate	A28004885	ACS, S.A.	0.0006	None

In 2008 there were cases of conflicts of interest involving the directors. The directors affected by this conflict situation did not attend the related Board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of Endesa by its Board of Directors.

Distribution by gender: at 31 December 2008, the Board of Directors of Endesa, S.A. was made up of one woman and nine men.

C.5. Share-based payment plans

To date, Endesa has not established any share-based payment or share option plans and, accordingly, neither the members of the Board of Directors nor the senior executives have received any remuneration in this connection.

19. OTHER DISCLOSURES

A) EMPLOYEES

The average number of employees at the Company in 2008 and 2007, by category, was as follows:

			2008			2007
Professional category	Men	Women	Total	Men	Women	Total
Managers and university graduates	410	233	643	398	212	610
Further education college graduates	90	78	168	85	73	158
Middle Management	11	96	107	11	84	95
Clerical staff and manual workers	5	32	37	6	35	41
TOTAL	516	439	955	500	404	904

The distribution of the workforce by professional category and gender at 31 December 2008 and 2007 was as follows:

			2008			2007
Professional category	Men	Women	Total	Men	Women	Total
Executives and university graduates	429	251	680	404	224	628
Further education college graduates	96	81	177	87	75	162
Middle Management	11	99	110	11	93	104
Clerical staff and manual workers	4	32	36	6	32	38
TOTAL	540	463	1,003	508	424	932

B) FEES PAID TO AUDITORS

The detail of the fees for the services provided in 2008 and 2007 by the auditors of the Company's financial statements and of the consolidated financial statements of the ENDESA Group is as follows:

				Thousands of euros
		2008		2007
Endesa, S.A.	**Principal auditor**	**Other auditors**	**Principal auditor**	**Other auditors**
Audits of ENDESA's financial statements and of the consolidated financial statements of the Group	5,114	149	6,838	—
Audits other than of the financial statements and other audit-related services	176	338	145	578
Other non-audit services	553	—	1,464	480
Total	**5,843**	**487**	**8,447**	**1,058**

C) OTHER

C.1. Insurance

The Company has taken out insurance policies to cover the possible risks of the Parent and subsidiaries in which it has an ownership interest of 50% or more, covering the damage that the various items of property, plant and equipment belonging to these companies may suffer, with the limits and the coverage suited to the types of risk and countries in which they operate. The claims that may be filed against it by third parties for carrying on its business activities are also covered.

20. EVENTS AFTER THE BALANCE SHEET DATE

In January 2009 ENDESA acquired all of the shares of ENDESA Ireland from ESB for EUR 440 million. The acquired company owns four plants with a total installed capacity of 1,068 MW.

On 20 February 2009, the Board of Directors resolved to distribute an interim dividend out of 2008 profit of EUR 5.897 per share, which represents a total pay out of EUR 6,243 million.

21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

DIRECTOR'S REPORT

BUSINESS PERFORMANCE

Endesa, S.A. ("ENDESA") is a holding company and, accordingly, its revenue consists mainly of the dividends collected from its subsidiaries and its expenses relate principally to the cost of its debt. Also, impairment losses may be recognised and reversed on the basis of changes in the value of the investments in the subsidiaries.

EARNINGS ANALYSIS

At 31 December 2008, Endesa, S.A.'s profit amounted to EUR 7,241 million.

The loss from operations totalled EUR 67 million. Endesa, S.A., in its capacity as head of the Group, incurs expenses of which a portion is passed on to the Group companies, the remainder being assumed by the Company.

The Company reported a financial profit of EUR 7,171 million. This profit included mainly EUR 5,541 million relating to gains from the sale of Endesa Europa to E.On AG, finance income of EUR 2,140 million, of which EUR 2,025 million relate to dividends from subsidiaries, and finance costs amounting to EUR 489 million.

In 2008 the tax income amounted to EUR 137 million. This balance includes the effect of the dividends received from Group companies which are not taxed, since the profits of these companies, which are included in the consolidated income tax return filed by the Endesa Group, the head of which is Endesa, S.A., have already been taxed.

INVESTMENTS AND DIVESTMENTS

The main investment and divestments in 2008 are detailed in Note 7 to the financial statements.

FINANCING TRANSACTIONS

The main financing transactions carried out by ENDESA in 2008 were as follows:

- In October a new long-term bilateral credit line of EUR 200 million was arranged with a leading bank under the same terms and conditions as the existing credit lines.
- In November a loan of EUR 300 million with final maturity at 15 years was arranged with the European Investment Bank to finance the electricity distribution network.
- In October the restructuring of the financing of Proyectos Eólicos Valencianos, an investee of the Endesa Group wholly owned through ECyR, was formalised, in which the principal credit facility amounts to EUR 331 million. Endesa, S.A. will guarantee this debt until the related wind farms come into operation.
- In June Endesa Capital, S.A.'s "Euro Medium-Term Notes" programme secured by Endesa S.A. was renewed. This programme was verified by the Spanish National Securities Market Commission (CNMV) and is aimed at international institutional investors under Euromarket standards.

- Under the domestic promissory note programme, which is guaranteed by Endesa S.A., the subsidiary Endesa Capital, S.A. continued to hold periodic auctions, in which the main Spanish banks participate and in which there is active telephone trading. The outstanding balance at year-end was EUR 887 million.
- Commercial paper continued to be issued in Europe through International Endesa, B.V.'s "Euro Commercial Paper" programme which is guaranteed by Endesa, S.A. The outstanding balance at year-end was EUR 1,151 million.

EVENTS AFTER THE BALANCE SHEET DATE

The events after the balance sheet date are described in Note 20 to the financial statements.

OUTLOOK

ENDESA's earnings in future years will be determined by the dividends that it receives from the subsidiaries, the amounts billed for services rendered and interest expenses on the debt financing its assets. Accordingly, ENDESA's earnings will be dependent on those of its subsidiaries, since the Company's intention is that the subsidiaries distribute substantially all their distributable income in the form of dividends.

The Company's directors consider that the dividend policy established for the subsidiaries will be sufficient to enable ENDESA to achieve earnings that ensure that its shareholders are adequately remunerated.

MAIN RISKS ASSOCIATED WITH ENDESA'S OPERATIONS

ENDESA, as the Parent of a corporate Group, is indirectly exposed to all the risks to which the Group of companies of which it is the Parent is exposed, since any risk that might arise at a subsidiary would have an effect on ENDESA through the valuation of its investment portfolio and the dividends received from the subsidiaries. The subsidiaries of the Endesa Group (also collectively "ENDESA" in this section) carry on their business activities in circumstances in which there are external factors that can affect the performance of operations and earnings. The main risks to which ENDESA's operations are exposed are as follows:

1. RISKS ASSOCIATED WITH OPERATIONS AND THE INDUSTRY

The Group's operations are subject to a wide range of regulations, and any changes made could have an adverse effect on the Group's business activities, economic position and results of operations.

The Endesa Group's operating subsidiaries are subject to wide-reaching legislation on tariffs and other aspects of their operations in Spain and in each of the countries in which they operate. Although ENDESA substantially complies with all the laws and regulations currently in force, the Group is subject to a complex set of laws and regulations that both public and private bodies will attempt to apply. The introduction of new laws or regulations or changes in the laws and regulations currently in force could have an adverse effect on the Group's business activities, economic position and results of operations.

In particular, under Spanish law, and pursuant to Royal Decree-Law 5/2005, if the overall costs of the electricity system, as calculated by the Spanish authorities for a given year, exceed the total amount of the electricity tariffs billed to end customers, certain companies, including ENDESA, are obliged to finance this shortfall by paying a sum, set through regulations, equal to the difference between (i) these overall costs; and (ii) the total amount of the tariffs billed to the end customers ("tariff deficit"). In the case of ENDESA, the Group's Parent is obliged to finance 44.16% of the shortfall in revenue from regulated activities.

The tariff shortfall exists because certain expenses included in the overall costs, above all the cost of power purchased on the wholesale market, are determined in a competitive market, whereas the government sets the electricity tariffs. Based on the legal nature and background of this financing, ENDESA is entitled to a full refund of the amounts financed, although this right could be affected by possible future changes in the relevant legislation.

Royal Decree-Law 11/2007, of 7 December, approved, as a measure to reduce the shortfall in revenue from regulated activities in prior years, the extension of the reduction of generation revenue already introduced by Royal Decree-Law 3/2006, of 24 February, to take into account the effect of the internalisation on the setting of the wholesale market prices due to the greenhouse gas emission rights granted at zero cost under the National Allocation Plan for 2008/2012 that are associated with that revenue.

At the date of official preparation of this directors' report, the government had not yet established the amount to be deducted from generation revenue in order to take into account the effect of the internalisation on electricity prices of the grant at zero cost of the greenhouse gas emission rights.

The Group's operations are subject to wide-reaching environmental legislation, and any changes made could have an adverse effect on the Group's business activities, economic position and results of operations.

ENDESA and its operating subsidiaries are subject to environmental legislation which, among other things, requires the performance of environmental impact studies for future projects, the obtainment of the mandatory licences, permits and other authorisations and the fulfilment of all the requirements provided for in those licences, permits and rules. As in the case of any other regulated company, ENDESA cannot guarantee that:

- The public authorities will approve said environmental impact studies;
- Public opposition does not lead to delays or changes in the projects proposed;
- The laws or rules will not be amended or interpreted in such a way as to increase the expenses that have to be incurred in meeting them or as to affect operations, plants or plans for the companies in which the Group has an investment.

In recent years certain legal requirements regarding the environment in Spain and the EU have been tightened. Although ENDESA has made the investment necessary to meet these requirements, their application and future changes could adversely affect the Group's business activities, financial position and results of operations. The results of operations could also be affected either by the price of the emission rights or by a shortage of rights in the market.

A considerable volume of the power produced by ENDESA in certain markets is subject to market forces that might affect the price and volume of power sold by it.

ENDESA is exposed to market price and availability risks for the purchase of the fuel (including fuel oil-gas, coal and natural gas) used to generate electricity and the sale of a portion of the power that it produces. ENDESA has entered into long-term supply contracts in order to guarantee fuel supplies for its power production activities in Spain. ENDESA has entered into certain natural gas supply contracts that contain "take or pay" clauses. These contracts were established on the basis of certain reasonable assumptions regarding future needs. In the event of very significant variances in the assumptions used, fuel purchases exceeding the Group's needs might have to be made.

Exposure to these risks is managed at long term by diversifying contracts, by managing the procurements portfolio by tying prices to indexes that reflect a similar or comparable trend to that of the end electricity (generation) or selling (retailing) prices and by introducing contractual clauses (renegotiated periodically) aimed at maintaining the economic balance of the procurements. At short and medium term, fluctuations in procurement prices are managed through specific hedges, generally in the form of derivatives. Although ENDESA actively manages these risks, it cannot guarantee that such measures will eliminate all the market price risks relating to fuel needs.

The Group's business could be affected by weather conditions.

ENDESA'S operations include hydroelectric production and, accordingly, depend on the weather conditions prevailing at any given time in the extensive geographic regions in which the Group's hydroelectric generating facilities are located. If hydrological conditions result in droughts or other conditions that adversely affect the Group's hydroelectric generation business, earnings could be negatively affected. Also, the electricity business is affected by atmospheric conditions such as average temperatures, which have an effect on consumption. The margin on the business changes on the basis of weather conditions.

The Group's financial position and results of operations may be adversely affected if it does not effectively manage its exposure to interest rate and foreign currency risk.

The Group is exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and foreign currency exchange rate fluctuations and, therefore, it actively manages these risks in order to avoid them having a significant effect on earnings.

Interest rate risk.

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing interest at a floating rate. The purpose of interest rate management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over a multi-year time horizon with reduced volatility in the income statement. Depending on the estimates made by the Endesa Group and on the debt structure objectives, hedging transactions are carried out by arranging derivatives to mitigate this exposure.

Foreign currency risk.

Foreign currency risk affects mainly the following transactions:

- Borrowings denominated in foreign currencies arranged by the Group companies and associates.
- Payments to be made in international markets for the purchase of fuel stocks.
- Income and expenses of the Latin American subsidiaries in the functional currency of each company and, in certain cases, tied to the US dollar.

Also, the net assets relating to net investments in foreign operations with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these operations on consolidation. In order to mitigate foreign currency risk, the Endesa Group has arranged currency swaps and hedges. Also, the Group attempts to achieve a balance between cash collections and payments on its foreign currency-denominated assets and liabilities.

However, the risk management strategies may not be fully successful in limiting exposure to changes in interest rates and foreign currency exchange rates, which could adversely affect the Group's financial position and results of operations.

Liquidity risk

The Group's liquidity policy consists of the arrangement of committed credit facilities and current financial assets for a sufficient amount to cover the projected needs for a period that depends on the situation and expectations of the debt and capital markets.

However, it is not possible to guarantee that a prolonged liquidity crisis in the markets that prevented the access of issuers to the capital markets would not have an adverse effect in the future on the Group's liquidity position.

Credit risk

In view of the current economic situation, credit risk has increased considerably, although the characteristics of the industry in which the Group operates reduces its exposure to this risk.

Historically, credit risk on trade receivables is minimal since the period for making collections from customers is short and, in accordance with the applicable regulations, their supply may be cut off due to non-payment before they accumulate very significant amounts on an individual basis.

With regard to credit risk on assets of a financial nature, the Group's risk policies are as follows:

- Cash placements are made with renowned entities in the European Union with a credit rating higher than that of ENDESA and in highly liquid products.
- Derivatives are arranged with highly solvent entities.

Given the current economic and financial situation, ENDESA takes certain additional precautions, including:

- An analysis of the risk associated with each counterparty when there is no external credit rating.
- Guarantees are requested when deemed appropriate.
- Guarantees are requested when arranging transactions with new customers.
- Customer accounts receivables are monitored exhaustively.

Although the measures taken by the Group considerably reduce exposure to credit risk, the existing economic environment does not provide any assurance that the Group will not incur losses due to the non-payment of trade or financial receivables.

Construction of new facilities may be adversely affected by factors commonly associated with such projects.

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex. In connection with the development of such facilities, the Group generally has to obtain government permits and authorisations, land purchase or lease agreements, equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and sufficient equity capital and debt financing. Factors that may affect the Group's ability to construct new facilities include:

- Delays in obtaining regulatory approvals, including environmental permits.
- Shortages or changes in the price of equipment, materials or labour.
- Opposition from political and ethnic groups.

- Adverse changes in the political and regulatory environment in the countries in which the Group operates.
- Adverse weather conditions that could delay the completion of power plants or substations, or natural catastrophes, accidents and other unforeseen events.
- Inability to obtain financing at rates that are satisfactory for ENDESA.

Any of these factors may cause delays in completion or commencement of operations of the Group's construction projects and may increase the cost of planned projects. If ENDESA is unable to complete these projects, the costs incurred in connection with such projects may not be recoverable.

ENDESA could be subject to environmental and other liability in connection with its operations.

ENDESA faces environmental risks inherent to its operations, including those derived from the management of the waste, spills and emissions of the generating facilities, particularly the nuclear power plants. Therefore, ENDESA may be subject to claims for environmental and other damage in connection with its power generation, distribution and transmission facilities as well as its coal mining activities.

ENDESA is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish legislation limits the liability of nuclear plant owners in the event of accidents. Such limits are consistent with the international treaties ratified by Spain. Spanish law provides that operators of nuclear facilities are liable for a maximum of EUR 700 million in relation to claims arising from a single nuclear accident. ENDESA'S potential liability in relation to its interests in nuclear facilities is fully covered by third-party liability insurance of up to EUR 700 million.

ENDESA'S potential liability for pollution and other damage to third parties or their assets has also been insured for up to EUR 150 million. If a complaint were filed against ENDESA for environmental or other damage caused by its operations (except for the nuclear plants) for amounts exceeding the insurance coverage, its business activities, financial position and results of operations could be adversely affected.

The liberalisation of the European electricity industry could lead to greater competition and lower prices.

The liberalisation of the electricity industry in the European Union (including the countries in which ENDESA has a presence, such as Spain, Italy, France and Portugal) has led to increased competition as a result of consolidation and the entry of new market players in European Union electricity markets, including the Spanish electricity market. The liberalisation of the electricity industry in the European Union has also led to lower electricity prices in some market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which have led to increased liquidity in the electricity markets. This liberalisation of the electricity market means that certain of ENDESA'S businesses are carried on in an increasingly competitive environment. If ENDESA were not able to adapt to and adequately manage this competitive market, its business activities, financial position or results of operations could be adversely affected.

2. RISKS RELATING TO OPERATIONS IN LATIN AMERICA

The Group's Latin American subsidiaries are exposed to certain risks, such as economic crises and political risks.

The Group's operations in Latin America are exposed to certain risks inherent to investment and the performance of work in that area, including risks relating to the following:

- Changes in the government's administrative regulations and policies.
- Imposition of monetary restrictions and other restrictions on the movement of capital.
- Changes in the corporate or political environment.
- Economic crises, political instability and social disorder affecting operations.
- Public expropriation of assets.
- Exchange rate fluctuations.

Also, the income of the Latin American subsidiaries, their market value and the dividends collected therefrom are exposed to risks specific to the countries in which they operate, which might have an adverse effect on demand, consumption and exchange rates.

ENDESA cannot predict how any future worsening of the political and economic situation in Latin America or any other change in the legislation of the Latin American countries in which it operates, including any change in current legislation or any other regulatory framework, would affect its subsidiaries or their business activities, economic situation or results of operations.

3. OPERATIONAL RISKS

ENDESA'S operations could be affected by human error or technological faults.

In the course of all the business activities of the Endesa Group direct or indirect losses could arise from inadequate internal processes, technological faults, human error or certain external events. The control and management of these risks, particularly those affecting the operation of the generating and distribution facilities, are based on adequate employee training and the existence of operating procedures, preventive maintenance plans and specific programmes supported by quality management systems that make it possible to minimise the possibility of these losses arising and the impact thereof.

4. OTHER RISKS

The Group is involved in court proceedings and arbitration that could affect ENDESA.

The Group is involved in various legal proceedings relating to its business, including tax and regulatory disputes. Also, it is, or might be, subject to tax audits. ENDESA considers that although it has recognised the appropriate provisions based on the legal contingencies at 31 December 2008, it cannot guarantee that the Group will be successful in all the proceedings or that an adverse decision might not significantly and adversely affect its business activities, financial position or results of operations.

The Group is subject to other uncertainties.

The operations that the Group plans to carry on are subject to certain general risks and uncertainties, including by way of example:

- Inability to access the equity or fixed-income capital markets;
- Inability to find interested buyers willing to pay acceptable prices for the assets to be sold;
- Increases in market interest rates;
- Adverse changes in exchange rates;

- Unfavourable decisions taken by the regulators in the EU, Spain, Italy, France, Brazil, Chile, Argentina or other countries in which the Group operates;
- General macroeconomic conditions in the markets in which the Group produces and distributes electricity;
- The capacity to successfully implement the plan and objectives for the subsidiaries;
- The impact of fluctuations in fuel and electricity prices;
- The capacity to ensure a stable fuel supply; and
- The capacity to manage the risks arising from the foregoing.

RISK MANAGEMENT POLICY

The information on the risk management policy is included in Note 12 to the financial statements.

TREASURY SHARES

At 31 December 2008, the Company did not hold any treasury shares, and no transactions involving treasury shares were performed in 2008.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry on directly any research and development activities since its subsidiaries perform such activities directly.

DISCLOSURES REQUIRED BY ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET LAW

a) The capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent.

The Company's share capital amounts to EUR 1,270,502,540.40 and it has been fully subscribed and paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of EUR 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 shares making up the share capital, traded by the book-entry system, are marketable securities and are governed by the legislation regulating the securities market.

The shares of ENDESA, traded by the book-entry system, have been registered in the Iberclear Central Registry, the entity responsible for accounting for shares.

The shares of Endesa, S.A. are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

b) Restrictions on the transferability of securities.

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

c) Significant direct or indirect ownership interests in the share capital.

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Acciona, S.A. (2)	53,043,481	—	5.01
Enel Energy Europe, SRL (1)	709,923,858	—	67.053
Finanzas Dos, S.A. (2)	211,750,424	—	20
TOTAL	**974,717,763**	—	**92.063**

(1) ENEL ENERGY EUROPE S.R.L. is wholly-owned by ENEL, S.p.A.
(2) FINANZAS DOS, S.A. is wholly-owned by ACCIONA, S.A. In turn, GRUPO ENTRECANALES, S.A. owns 59.60% of the shares of Acciona, S.A.

On 6 March 2008, the CNMV was notified, through the "model notification of voting rights attributed to shares of listed companies for obligees who are not directors of the issuer", of information on the Concerted Action of Enel, Enel Energy Europe, Acciona and Finanzas Dos in relation to ENDESA. The percentage of the voting rights covered by the Concerted Action was 92.063%.

This information may be consulted on the CNMV's website, www.cnmv.es.

On 20 February 2009, Acciona and Enel entered into an agreement under which Acciona will sell to Enel all the shares of ENDESA held by it both directly and indirectly. This agreement is subject to certain conditions precedent.

d) Restrictions on voting rights.

There are no legal or bylaw restrictions on voting rights.

e) Side agreements.

On 26 March 2007, Acciona, S.A. and Enel, S.p.A. entered into a side agreement for the joint management of Endesa, S.A., and on 30 October 2007, pursuant to Article 112 of the Securities Market Law, it was registered at the Madrid Mercantile Registry.

The full content of the agreement may be consulted on the following websites: www.endesa.es and www.cnmv.es.

If the transaction described in point c) were to take place, the agreement on the ENDESA shares signed by Acciona and Enel on 26 March 2007 would be terminated.

f) Rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Company's bylaws.

Rules applicable to the appointment and replacement of the members of the managing body:

Pursuant to Articles 37 and 38 of the bylaws, "The appointment and removal of the directors is the responsibility of the shareholders at the General Meeting. The post of director may be rejected, appointments may be revoked and directors may be re-appointed", "The term of appointment of directors shall be four years, and the directors may be re-appointed for periods of equal duration".

The appointment and re-appointment of directors are governed by the Board of Directors Regulations:

Article 5: Structure and composition of the Board

"5.3. Proposals for the appointment or re-appointment of directors made by the Board of Directors shall be made for persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties and who assume a commitment to dedicate sufficient time to performing the work of the Board."

Article 22: Appointment of directors

"The shareholders at the General Meeting or, where appropriate, the Board of Directors will be qualified to designate the members of the Board in conformity with the Spanish Companies Law and with the bylaws.

The Board of Directors shall make the appointment proposal on the basis of a report of the Appointments and Remuneration Committee."

Article 25: Re-appointment of directors

"The Appointments and Remuneration Committee shall issue its mandatory report on the proposals to re-appoint directors that the Board decides to submit to the General Meeting."

Article 26: Removal of directors

"26.1. The directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all the other cases where this is required by law, the bylaws or these Regulations.

26.2. Directors must tender their resignation when they are involved in any of the situations of incompatibility or prohibition; provided for in the law and when the Board, based on a report of the Appointments and Remuneration Committee, resolves that the director has seriously infringed his duties as a director.

26.3. When for any reason a director ceases to sit on the Board, he may not provide services at any competitor for two years, unless the Board waives this obligation or reduces the time period of this prohibition."

The procedure to be followed and the methods to be used are those provided for in the Companies Law and in the Mercantile Registry Regulations.

Rules applicable to the amendment of the Company's bylaws:

Pursuant to Article 26 of the bylaws, in order for the shareholders at the Annual or Extraordinary General Meeting to be able to validly resolve to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.

When shareholders holding less than 50% of the subscribed voting stock are present or represented, the resolutions referred to in the preceding section may only be validly adopted with the affirmative vote of shareholders representing two-thirds of the share capital present or represented at the Meeting.

g) The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.

The Executive Chairman and the CEO have been granted, jointly, all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.

As regards the possibility of the Board of Directors issuing or repurchasing shares of ENDESA, the shareholders at the Annual General Meeting of ENDESA held on 27 May 2005 empowered the Board of Directors to, pursuant to Article 153.1.b of the Spanish Companies Law, increase share capital, at one or several times and at any time for five years after the date of the aforementioned Annual General Meeting, by a maximum amount of EUR 635,251,270.20, i.e. 50% of the existing share capital, through the issuance of new shares, to offer freely the new shares not subscribed in the pre-emptive subscription period or periods, and to establish that, if the subscription is incomplete, the share capital will only be increased by the amount of subscriptions made. Also, the Board of Directors was empowered to disapply the pre-emptive subscription right in the terms provided for in Article 159 of the Spanish Companies Law and to apply for the admission to listing of the new shares issued on the stock market.

Also, the shareholders at the Annual General Meeting of ENDESA held on 27 May 2005 empowered the Board of Directors for five years to issue debentures not convertible into shares of the Company, preference shares, promissory notes and other similar fixed-income securities, to secure those issued by subsidiaries, and to apply for the admission of the securities issued to trading on secondary markets.

In addition, the shareholders at the Annual General Meeting of ENDESA held on 30 June 2008, in conformity with Article 75 of the Spanish Companies Law, authorised the derivative acquisition of treasury shares, together with pre-emptive subscription rights thereon, by any legally permitted means, directly by Endesa, S.A., by the companies in its Group or by an interposed party, up to the legally permitted maximum figure. The acquisitions shall be made at a minimum price per share of the par value of the shares and a maximum price per share of the market value of the shares plus an additional 5%.

h) The significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control over the Company as a result of a takeover bid, and its effects, except when the disclosure would be seriously harmful for the Company. This exception does not apply when the Company is legally obliged to disclose such information.

ENDESA and its subsidiaries have loans and other borrowings from banks that might have to be repaid early in the event of a change of control over the Company. Bank loans of approximately USD 499 million might have to be repaid early if there is a change of control over ENDESA and derivatives with a market value of EUR -45 million (notional amount of EUR 394 million) might have to be settled early if, as a result of a change of control, there were a significant drop in ENDESA'S credit rating.

i) The agreements between the Company and its directors and executives or employees that provide for benefits when the latter resign or are terminated without just cause or if the employment relationship comes to an end as a result of a takeover bid.

The information in this connection refers to the whole Group, the head of which is ENDESA.

The detail of the 69 executive directors, senior executives and executives with guarantee clauses in their employment contracts at 31 December 2008 is as follows:

Executive directors	3
Senior executives	30
Executives	36
TOTAL	**69**

These clauses are the same in all the contracts of the executive directors and senior executives of the Company and of its Group and, as can be observed from the reports requested by the Company, they are in line with standard practice in the market. They were approved by the Board of Directors following the report of the Appointments and Remuneration Committee and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

The regime for these clauses for the executive directors and senior executives is as follows:

- Termination of the employment relationship:

  – By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
  – At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations,

the position is rendered devoid of content, or in the event of a change of control or any of the other cases of remunerated termination provided for in Royal Decree 1382/1985.

– As a result of termination by the Company: termination benefit equal to that described in the first point.
– At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

However, in order to be in line with the market, in the case of three of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service in certain cases of termination of the employment relationship.

These conditions are alternatives to those derived from changes to the pre-existing employment relationship or the termination thereof due to pre-retirement for the CEO and senior executives.

- Post-contractual non-competition clause:

  In the vast majority of the contracts, the outgoing senior executive is required not to engage in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to one annual fixed remuneration payment.
  The regime governing the clauses for the 36 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits of the senior executives.

CORPORATE GOVERNANCE REPORT REQUIRED BY ARTICLE 202.5 OF THE SPANISH COMPANIES LAW

The 2008 Annual Corporate Governance Report is included as an Appendix to this Directors' Report and is an integral part hereof, as required by Article 202.5 of the Spanish Companies Law.

PROPOSED DISTRIBUTION OF PROFIT

ENDESA, S.A.'s profit for 2008 amounted to EUR 7,240,789,007.02 which, together with profits not specifically appropriated amounting to EUR 746,940,958.81, gives a total of EUR 7,987,729,965.83.

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that this amount be used to pay holders of shares carrying dividend rights EUR 5.897 gross per share and to allocate the remainder to profits not specifically appropriated.

	Euros
Dividends (maximum amount to be distributed relating to EUR 5.897 per share for all the shares (1,058,752,117))	6,243,461,233.95
Profits not specifically appropriated	1,744,268,731.88
TOTAL	**7,987,729,965.83**

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