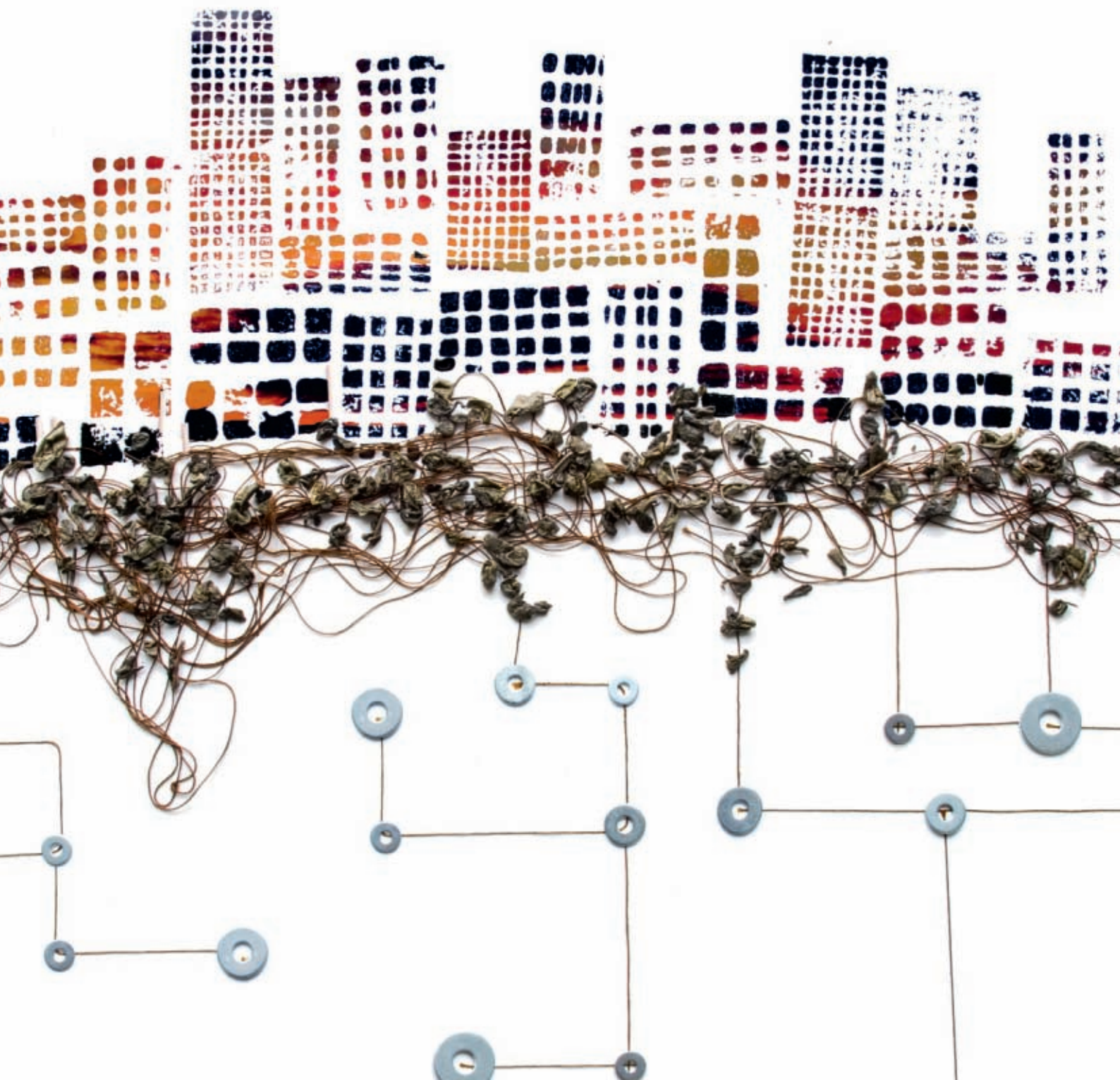


endesa08

ANNUAL REPORT OPERATIONS REVIEW



ENDESA WAS INCORPORATED IN 1944 AS EMPRESA NACIONAL DE ELECTRICIDAD, S.A. AT THE GENERAL SHAREHOLDERS' MEETING HELD ON 25 JUNE 1997 ITS NAME WAS CHANGED TO ENDESA, S.A. **ENDESA, S.A. IS REGISTERED** IN VOLUME 323, BOOK 1, PAGE 143, SHEET M6405 OF THE MADRID TRADE AND COMPANIES REGISTER. ITS REGISTERED OFFICE AND HEADQUARTERS ARE AT RIBERA DEL LOIRA, 60, 28042 MADRID AND ITS CORPORATE TAX IDENTIFICATION NUMBER (NIF) IS A-28023430. **AT 31 DECEMBER 2008**, THE COMPANY HAD CAPITAL STOCK OF EURO 1,270,502,540.40, REPRESENTED BY 1,058,752,117 SHARES, EACH WITH A PAR VALUE OF EURO 1.20. **SITS SHARES ARE LISTED** ON THE SPANISH STOCK EXCHANGES AND THE SANTIAGO DE CHILE OFFSHORE EXCHANGE. **ENDESA'S MAIN BUSINESS ACTIVITY** IS THE GENERATION, TRANSMISSION, DISTRIBUTION AND SUPPLY OF ELECTRICITY. THE COMPANY IS ALSO A MAJOR OPERATOR IN THE NATURAL GAS MARKET AND CARRIES OUT OTHER SERVICES RELATED TO THE ENERGY BUSINESS. **AT 31 DECEMBER 2008** ENDESA HAD TOTAL ASSETS OF EURO 58,546 MILLION. ENDESA IS THE LEADING SPANISH ELECTRIC UTILITY AND THE LARGEST PRIVATE ELECTRICITY MULTINATIONAL IN LATIN AMERICA. **IN 2008 THE COMPANY REPORTED NET INCOME** OF EURO 7,169 MILLION, **EBITDA OF EURO 6,895 MILLION**, EBIT OF EURO 5,234 MILLION **AND TOTAL REVENUES** OF EURO 22,836 MILLION. AT THE END OF 2008, THE COMPANY **DIRECTLY EMPLOYED** 26,587 PEOPLE: 13,590 IN SPAIN AND PORTUGAL, 12,896 IN LATIN AMERICA AND 101 ELSEWHERE.



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Vision

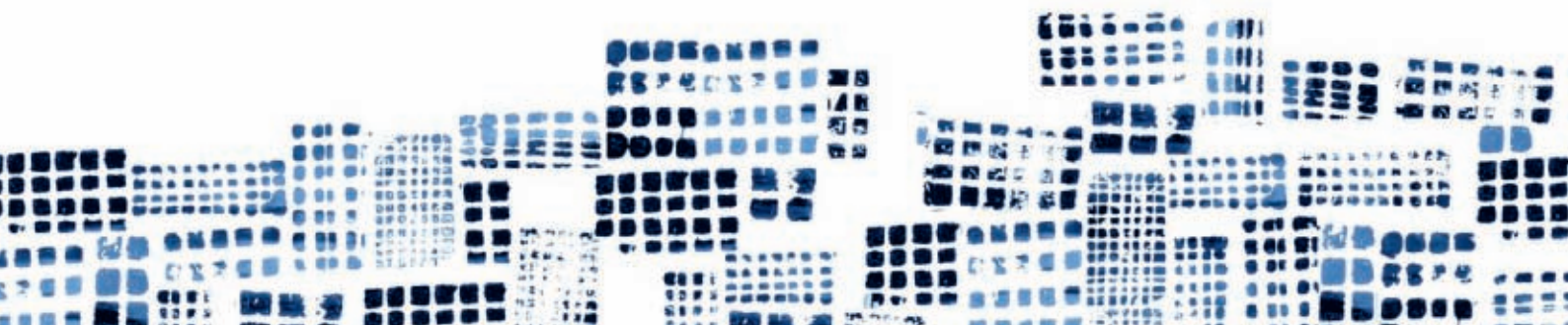
- ❖ ENDESA is an energy sector operator and provider of associated services, focused on electricity.
- ❖ A responsible, efficient and competitive multinational company, committed to safety, health and the environment.
- ❖ A company ready to compete on a global level.

Mission

- ❖ To maximise the value of our shareholders' investments.
- ❖ To serve our markets and exceed customers' expectations.
- ❖ To contribute to the development of our employees.

Values

- ❖ **People:** we work to ensure development opportunities for all Company employees, based on merit and the professional contribution made.
- ❖ **Health and safety:** we make a firm commitment towards occupational health and safety by promoting a preventive culture.
- ❖ **Team work:** we encourage working towards achieving a common goal, sharing information and knowledge.
- ❖ **Ethical conduct:** we encourage professionalism, moral integrity, loyalty and respect to others.
- ❖ **Customer focus:** the focus of ENDESA's efforts is to boost customer satisfaction by providing competitive, high-quality solutions.
- ❖ **Innovation:** we strive constantly to improve and find innovative solutions to meet the maximum profitability criteria.
- ❖ **Focused on results:** our activities are aimed at achieving the objectives of our business project and profitability for our shareholders, endeavouring to exceed expectations.
- ❖ **Community and the environment:** we have made a social and cultural commitment to the Community and adapt our business strategies to preserve the environment.



Presentation

We are pleased to present in this report, addressed to ENDESA's shareholders and to all those with an interest in the company's performance, a detailed summary of our main activities and results for 2008.

2008 was a year of great global significance, one in which the first signs of a deep economic and financial crisis began to appear, the effects of which are still being felt as this report goes to press. Its main consequences were a tightening of credit and a sharp downturn in economic activity; this had a severe impact on companies, requiring them to manage their businesses in a highly unfavourable climate.

Nevertheless, we must point out that, given this background, our performance was excellent. In spite of the financial turbulence and slowing demand for electricity in our main markets (rising just 1.3% in Spain), ENDESA's financial results were extremely good and EBITDA, at Euro 6,895 million, was 8.3% higher than in 2007.

Net income was Euro 7,169 million, Euro 4,494 million higher year-on-year. This includes income from discontinued activities: capital gains on the sale of assets to E.On already agreed in 2007, and income generated by those assets during that part of the year when they still belonged to ENDESA. Excluding these activities, net income attributable to ENDESA shareholders was Euro 2,371 million in 2008, an increase of 5.8% year-on-year.

The company's businesses in Spain and Portugal, as well as from Latin America, all reported positive earnings. In Spain and Portugal, net income from continuing activities attributable to ENDESA shareholders was 7.8% higher than in 2007, at Euro 1,873 million, while in Latin America it grew by 7.4% to Euro 506 million.

The company's other key financial indicators also performed well: revenues were up by 26.4% to Euro 22,836 million, while EBIT rose by 13.3% to Euro 5,234 million at the end of the year.

In addition, the company's leverage ratios, which were already healthy at the end of 2007, improved further in 2008 as financial debt was significantly reduced. ENDESA had net debt of Euro 14,003 million at 31 December 2008, a year-on-year decline of 32.8%. Much of this reduction was thanks to the sale of assets to E.On mentioned above, as a result of which the Endesa Group's leverage ratio at 31 December 2008 was 67.4%, compared with 125% at 31 December 2007.

Furthermore, despite the difficult economic climate, the company continued to invest substantially in order to develop its businesses rationally and effectively. ENDESA invested a total of Euro 4,150 million in 2008, excluding investment in assets held for sale. Of this amount, Euro 3,613 million was capex and investments in intangible assets and Euro 537 million corresponded to financial investments.

These investments reflect ENDESA's deep commitment to the regions and countries in which it operates, and its ability to continue operating at a healthy level in spite of the problems plaguing the economy. The achievements of the company's Spanish businesses detailed in this report include the coming on stream of 570 MW of new installed capacity, ENDESA's lowest ever interruption times (significantly better than the sector average, at just 86 minutes for the entire year), and its leading position in the deregulated market, of which it has a 43.1% share.

In Latin America, in addition to improving continuity of supply levels by 11.4%, generation assets were considerably expanded, with 188 MW of new installed capacity coming on-stream.

At the start of 2009 ENDESA made an agreement to acquire 1,068 MW of operating capacity in the Republic of Ireland, 20% of the generation assets of Irish power company ESB. This acquisition makes ENDESA the second largest power operator in the country.

The company's Synergies Plan is also being successfully implemented. The Plan presented in 2007 set target synergies of Euro 680 million by 2012. Following further analysis, this target was revised upward to Euro 813 million; moreover, the company met and significantly surpassed the target set for 2008.

Despite these excellent results, the total return to shareholders declined in 2008, severely affected by the poor performance of the stock markets. Although ENDESA's share price fell by 21.32% during the year, it performed better than the Ibex-35 average, which lost by 39.43% over the year, and also better than the main general and sector benchmark indices, such as the Eurostoxx 50 (–44.28%) and the Eurostoxx Utilities (–38.01%). Adding in the dividends received by the company's shareholders, the total return for the year fell 17.1%.

On 16 March 2009, as previously agreed by the Board of Directors, ENDESA paid out an interim dividend charged against 2008 earnings of Euro 5.897 per share, with a total payout of Euro 6,243 million. This dividend includes the payment of 100% of the net capital gains obtained by ENDESA in 2008, a total of Euro 4,556 million, and Euro 1,687 million in dividends to be charged against ordinary profit. This represents a 12% increase on the total ordinary dividend paid to shareholders charged against 2007 earnings.

This interim dividend, which coincides with the total amount the Board of Directors will propose to the General Shareholders' Meeting for distribution of 2008 earnings, reflects the company's determination to fulfil its commitment to the market to provide returns for shareholders, even in the most unfavourable economic climate, such as the present.

Another significant event was the agreement reached on 20 February this year between Enel and Acciona, the company's two main shareholders, regarding Enel's acquisition of Acciona's shares. This marks the termination of the agreement signed by Acciona and Enel on 26 March 2007. At the same time, ENDESA agreed to sell to Acciona certain wind and hydroelectric generation assets in Spain and Portugal, totalling 2,104 MW of installed capacity, for Euro 2,890 million.

Following Enel's purchase of Acciona's shares in ENDESA, our company will become an important part of the Enel Group, one of the world's largest power multinationals. Within this group, ENDESA will have sufficient autonomy to allow it to manage its businesses efficiently while benefiting from the enormous potential for synergies and the exchange of best practices that will come from working with Enel.

We should point out that, even after the sale of assets to E.On mentioned above and the planned sale to Acciona, ENDESA will still be a major multinational operating in 10 countries, leading the power market in five of these, with installed capacity of 39,656 MW, output of 149,830 GWh and 24.4 million customers.

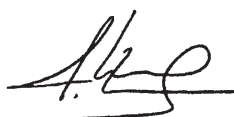
On 24 March the company's Board of Directors approved the general lines of its Strategic Plan, so that markets could be informed in advance of its main content. The plan's targets and initiatives will ensure ENDESA's leadership in its key markets, with high standards in quality of supply, reducing CO₂ emissions, and expanding capacity as markets develop. To maximise efficiency, the Synergy Plan we are implementing with our majority shareholder will be strengthened and we will maintain the solid financial position we have achieved. We are currently drawing up an Investment Plan for the period 2009-2013 which is fully in line with the aims of this strategy and market realities. The planned investment of Euro 13,500 million is slightly above the average for the previous investment cycles presented to the markets by the company in the five Strategic Plans it published from 2002 to 2006.

In short, ENDESA is, and will continue to be, a major operator with a leading position in most of its markets, a strong financial base and a strategy which will allow it to meet the challenges posed by the difficult economic situation.

The company will continue to conduct its activities according to the principles of sustainable development, which are an integral part of its business policy, as set out in the ENDESA Sustainability Plan 2008-2012. This plan reflects our strong support for the fight against climate change and strengthens our commitment to the areas in which we operate and to maintaining close links with all the social groups involved.

ENDESA is acutely aware that the management of its businesses needs to be closely tied to its responsibilities to its shareholders, its customers, the people who work for and within the company, its associates and, above all, the societies in which it operates.

Without all these people, our activities are meaningless, and we must, therefore, express our deepest respect and gratitude for their unfailing support for the present and future of this great business project.



Rafael Miranda Robredo
Chief Executive Officer



Andrea Brentan
Executive Vice chairman



Borja Prado Eulate
Chairman

Corporate governance

BOARD OF DIRECTORS

Honorary Chairmen

FELICIANO FUSTER JAUME
RODOLFO MARTÍN VILLA
MANUEL PIZARRO MORENO

Chairman

BORJA PRADO EULATE

Executive Vice Chairman

ANDREA BRENTAN

Chief Executive Officer

RAFAEL MIRANDA ROBREDO

Directors

CARMEN BECERRIL MARTÍNEZ
LUIGI FERRARIS
CLAUDIO MACHETTI
VALENTÍN MONTOYA MOYA
ESTEBAN MORRÁS ANDRÉS
FERNANDO D'ORNELLAS SILVA
JORGE VEGA-PENICHET LÓPEZ

Secretary (non director)

SALVADOR MONTEJO VELILLA

EXECUTIVE COMMITTEE

Chairman

BORJA PRADO EULATE

Members

ANDREA BRENTAN
RAFAEL MIRANDA ROBREDO
VALENTÍN MONTOYA MOYA
ESTEBAN MORRÁS ANDRÉS
JORGE VEGA-PENICHET LÓPEZ

Secretary (non director)

SALVADOR MONTEJO VELILLA

AUDIT AND COMPLIANCE COMMITTEE

Chairman

FERNANDO D'ORNELLAS SILVA

Members

LUIGI FERRARIS
VALENTÍN MONTOYA MOYA
BORJA PRADO EULATE

Secretary (non director)

SALVADOR MONTEJO VELILLA

APPOINTMENTS AND COMPENSATION COMMITTEE

Chairman

FERNANDO D'ORNELLAS SILVA

Members

VALENTÍN MONTOYA MOYA
LUIGI FERRARIS
BORJA PRADO EULATE

Secretary (non director)

SALVADOR MONTEJO VELILLA

FINANCE AND INVESTMENT COMMITTEE

Members

CARMEN BECERRIL MARTÍNEZ
ANDREA BRENTAN
LUIGI FERRARIS
CLAUDIO MACHETTI
VALENTÍN MONTOYA MOYA
ESTEBAN MORRÁS ANDRÉS

Secretary (non director)

SALVADOR MONTEJO VELILLA

INDUSTRIAL PLANNING, STRATEGY AND SYNERGIES COMMITTEE

Members

CARMEN BECERRIL MARTÍNEZ
ANDREA BRENTAN
LUIGI FERRARIS
RAFAEL MIRANDA ROBREDOS
VALENTÍN MONTOYA MOYA
ESTEBAN MORRÁS ANDRÉS

Secretary (non director)

SALVADOR MONTEJO VELILLA

EXECUTIVE MANAGEMENT COMMITTEE

Executive Vice Chairman

ANDREA BRENTAN

Chief Executive Officer

RAFAEL MIRANDA ROBREDOS

General Manager – Legal Department

BORJA ACHA BESGA

General Manager – Spain and Portugal

JOSÉ DAMIÁN BOGAS GÁLVEZ

General Manager – Finance

PAOLO BONDI

General Manager – Procurements

FRANCESCO BURESTI

General Manager – Latin America

PEDRO LARREA PAGUAGA

General Manager – Communication

ALFONSO LÓPEZ SÁNCHEZ

General Manager – Strategy and Development

HÉCTOR LÓPEZ VILASECO

General Manager – Organization and Human Resources

GERMÁN MEDINA CARRILLO

General Secretary and Secretary to the Board

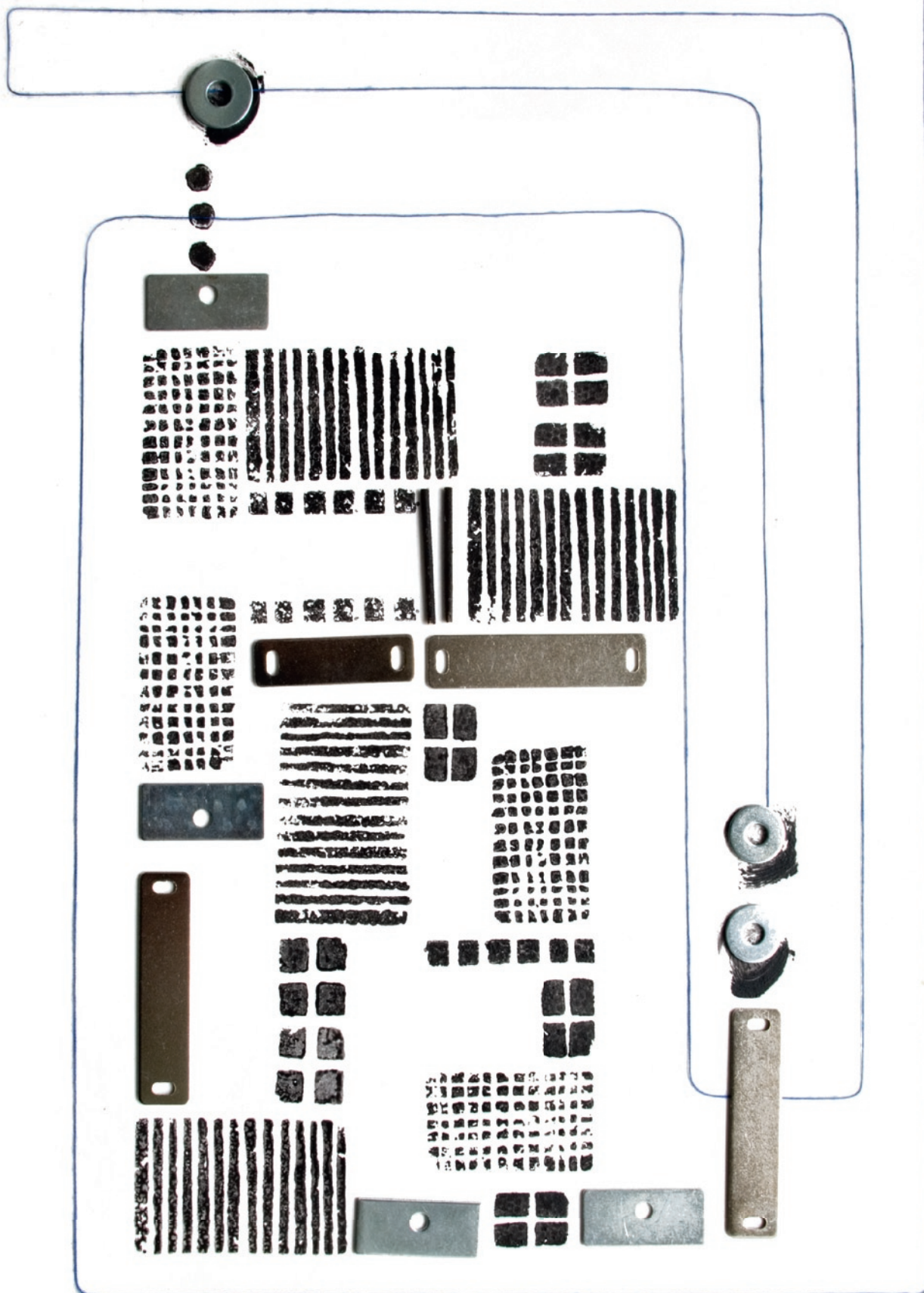
SALVADOR MONTEJO VELILLA

General Manager – Services and Technology

ANTONIO PAREJA MOLINA



Economic, energy and regulatory framework



01. MACROECONOMIC HIGHLIGHTS

01.1. GLOBAL ECONOMIC CLIMATE

Throughout 2008 the global economy suffered from the negative effects of the financial crisis which began in the United States at the end of 2007. Growth in the year was 3.2% compared with 5.2% the previous year.

The problems in the sub-prime mortgage sector in the United States spread to other credit markets, causing a serious lack of confidence in the net worth of financial institutions, and leading to credit restrictions and reduced monetary flow, which in turn stifled investment and consumption.

At the same time, rising food and fuel prices increased inflationary pressure throughout the world, with serious consequences in many developing countries.

Various international organisations have predicted that the global economic crisis will continue throughout 2009 with recovery beginning in 2010.

The US economy grew by 1.1% in 2008 (compared with 2% in 2007), the lowest figure since 2001. In the fourth quarter of 2008 GDP shrank by 6.3% in annual terms, with very weak figures for private sector demand and exports.

In the euro zone GDP growth slowed significantly in 2008 and the year closed with growth of 0.8% as against 2.6% in 2007. This downturn was largely the result of the sharp drop in exports combined with a fall in consumer spending, while public spending increased only slightly.

To combat this decline in economic growth, the United States and the European Union brought in packages of measures to stimulate the economy. The US Federal Reserve and the European Central Bank cut interest rates with the aim of injecting liquidity into the markets, and governments adopted measures ranging from heavy investment, tax cuts and credits to revive the economy and create jobs.

01.2. ECONOMIC CLIMATE IN SPAIN

Against this backdrop of global financial crisis and recession in the world's major developed economies, the Spanish economy grew by 1.2% in 2008, 2.5 points less than in 2007 and 0.3 points higher than the figure for the euro zone.

In the first half of the year quarter-on-quarter growth was still positive but in the second half the contraction of the world's leading economies brought about a decline in trade and exports, which, combined with a sharp drop in consumption and investment, resulted in the Spanish economy shrinking for two consecutive quarters for the first time since 1993.

During 2008 there was an improvement in the balance of trade, mainly due to the decline in imports, while domestic demand fell sharply as a result of reduced consumer spending and, more importantly, the fall off in home construction and lower investment in capital goods.

After fourteen years of uninterrupted job creation, unemployment rose in the last quarter of 2008, to over 3.2 million. At 13.9%, this is the highest level since the end of 1982.

The CPI increase for the year was 1.4%, 2.8 percentage points lower than the figure for 2007, as prices were held down by reduced demand.

01.3. ECONOMIC CLIMATE IN LATIN AMERICA

Latin America was also affected by the financial crisis, although economic performance was better than results for the world as a whole. Economic growth in the area was 4.3% in 2008. This is less than the 5.7% recorded for the previous year but reasonably high in the circumstances. The slowdown was largely due to a fall in internal demand, and imports and exports also experienced slower growth.

Figures for GDP and inflation in the countries in which ENDESA operates are shown below.

	GDP Growth	Inflation	Dif. previous year	
			GDP	Inflation
Chile	3.4%	8.1%	-1.7	3.7
Argentina	7.1%	7.2%	-1.6	-1.3
Brazil*	5.2%	5.9%	-0.2	1.4
Colombia*	3.5%	7.5%	-4.0	2
Peru	9.2%	6.5%	0.2	4.7

* Consensus Forecast.

02. INTEREST RATES AND EXCHANGE RATE EFFECTS

In 2008, euro interest rates moved upward until October, when the 3M Euribor rate peaked at 5.39%. The trend was then reversed with the 3M Euribor ending the year at 2.89%.

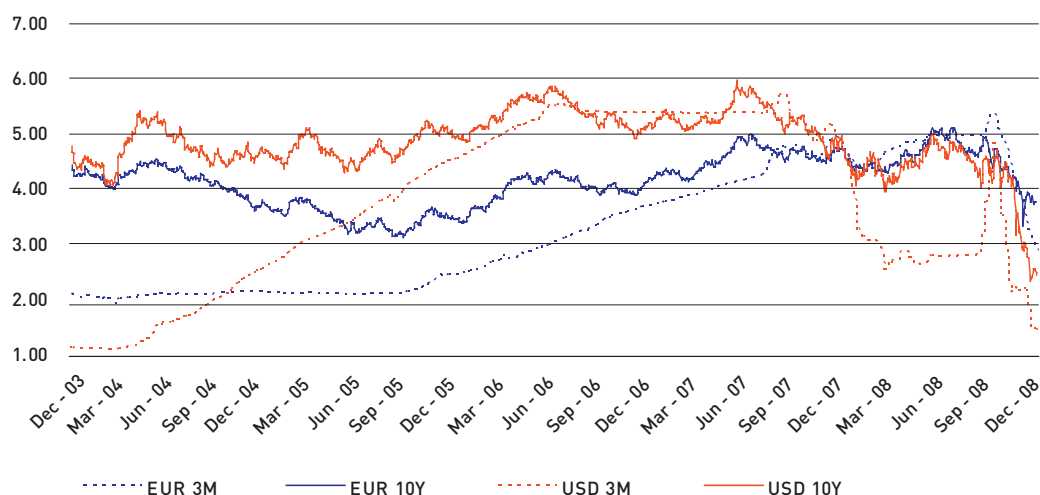
Regarding long-term rates, the 10-year swap fell from 4.72% at the end of 2007 to 3.74% at the end of 2008.

Euro interest rates and long-term rates have fallen further in the early months of 2009.

At the same time, dollar rates fell sharply with the USD 3M Libor dropping from 4.70% in 2007 to 1.43% in 2008. The 10Y US swap fell from 4.67% to 2.60% in the same period.

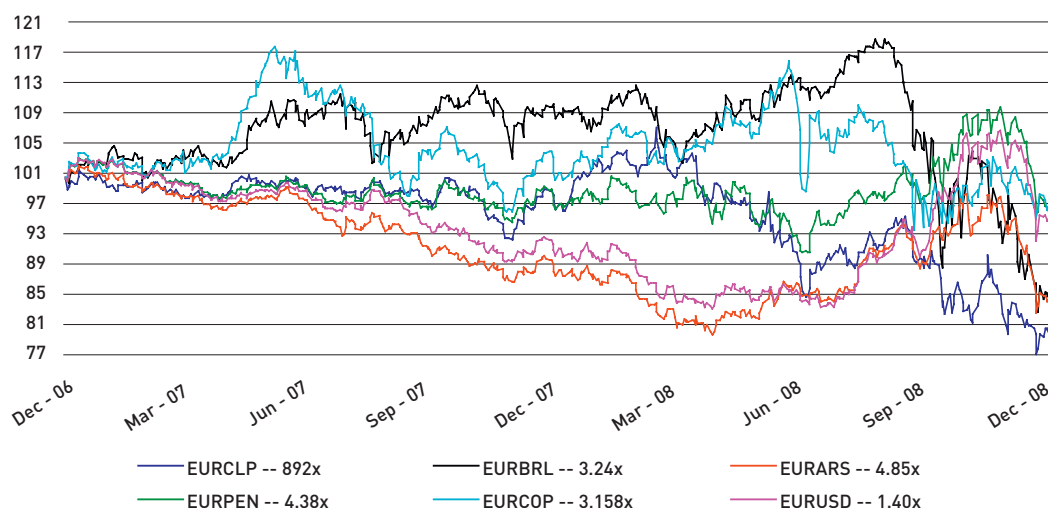
Central bank benchmark interest rates in the Latin American countries where ENDESA is present rose by 150bp or more in Chile, Peru, Argentina and Brazil, while in Colombia the benchmark rate held at 9.50%.

Interest rates 2003-2008



Most significantly with regard to the parity between the euro and the major currencies on ENDESA's balance sheet, the dollar has appreciated by 4%, from EUR/USD 1.46 at the end of 2007 to EUR/USD 1.40 in 2008. The euro peaked against the dollar in July 2008, at EUR/USD 1.60.

Euro vs. latin american currencies and USD



The main Latin American currencies lost ground against the euro in 2008: the Chilean peso by 24%, the Brazilian real by 23%, the Colombian peso by 7% and the Argentine peso by 6%; only the Peruvian sol held its own against the European currency.

03. INTERNATIONAL FUEL AND FREIGHT MARKET

OIL AND OIL DERIVATIVES

In 2008, prices in the international oil market increased steadily in the first half of the year, dropping sharply in the second half. The reference price per barrel, which reached even more than USD 140, finally fell to around USD 45 in December.

Oil derivative prices performed similarly. Both fuel oil and gas oil prices peaked in July, ending the year at USD 276/tn and USD 507/tn, respectively.

NATURAL GAS

Long-term gas prices performed similarly to oil and oil derivatives prices in 2008, as these are included as indexing factors in the pricing formula for gas.

In the first nine months of the year the spot gas price was higher in Asian markets than in the Atlantic area, and most of the gas not used in Spain was rerouted. In the last three months of the year there was a marked drop in demand for spot LNG (liquid natural gas), triggering a sharp fall in prices. This reduced the differential between Asian and European markets and made diverting gas to northern Europe a more attractive option. The sluggishness of the US market in the latter part of the year meant that rerouting there was not financially viable.

COAL

In the first half of 2008 coal reached record prices, basically due to serious supply problems in producer countries and strong demand, especially in the Pacific area. In February and March the harsh winter in China, restrictions on ports and rail transport caused by unfavourable weather conditions, and technical limitations in Australia reduced exports, and the price reached an annual high of USD 210.39/tn in July.

Demand dropped off after this date, and prices hit a low of USD 81.02/tn in December.

FREIGHT MARKET

At the beginning of 2008 the price of freight rose above USD 40/tn for Cape-type ships (150,000 tn) on the RB-Rotterdam route because of heavy demand for the transport of iron ore between Brazil and China and minerals in general on other Pacific routes.

The fall in demand in the second half of the year, together with excess capacity brought about by expectations of higher freight costs, led prices to fall to around USD 10/tn in December.

Freight prices for Panamax ships (75,000 tn) on the Indonesia-El Ferrol route, which were over USD 55/tn in January, fell during the second half of the year, reaching USD 11/tn in December.

04. REGULATORY FRAMEWORK

04.1. MAIN REGULATORY CHANGES IN SPAIN AND PORTUGAL IN 2008

4.1.1. Spain

The Spanish electricity sector is regulated under the Electricity Sector Act 54/1997 (Ley del Sector Eléctrico) of 27 November, which was last amended on 4 July 2007 by Act 17/2007.

The most significant features of this Act and the subsequent enacting legislation are as follows:

- Power generation will take place in a freely competitive market.
- Transmission, distribution and the financial and technical management of the electricity grid are considered to be regulated activities for which remuneration will be set each year.
- Regulated and access tariffs are the same throughout Spain. As a result of the modification of the Electricity Sector Act in July 2007, the regulated tariff system will be discontinued and "last resort tariffs" will be established.

04.1.2. Power generation market

In addition to power purchase and sale transactions conducted through the supply system managed by the Electricity Market Operator (OMEL), and through bilateral agreements, Royal Decree 1634/2006 laid down that the main operators, one of which is ENDESA, must carry out primary energy emissions, consisting in the auctioning of options to purchase energy up to a specific hourly capacity. These options can be exercised at any time within a set delivery period.

Royal Decree Law 11/2007, of 7 December, stipulates that remuneration for power generation will be reduced by the increased income derived from the free allocation of emission rights under the National Allocation Plan (PNA) 2008-2012. This reduction will only be applied to the owners of facilities operating under the ordinary mainland regime and will be applicable to all types of contract.

Royal Decree 324/2008, of 29 February, modified certain aspects related to the conditions and procedures governing the functioning of primary energy emissions and participation in these, introducing two new auctions. In 2008, three auctions were held.

ITC Order 400/2007, of 26 February, regulated the mechanism for auctions through which distributing companies buy power to supply at established rates in mainland Spain. In 2008 four auctions took place. In the last of these, for the first time two different products were auctioned: base and peak. This is an indication of what is expected to be the main power purchase mechanism for last resort suppliers in the future.

04.1.3. Non-mainland and island electricity systems

Article 12 of the Electricity Sector Act stipulates that activities for the supply of electricity carried out in non-mainland and island locations are subject to special regulations which take the specific nature of their location into account.

In this connection on 19 December 2003 Royal Decree 1747/2003 was passed, regulating island and non-mainland electricity systems, and on 30 March 2006 Ministerial Orders were passed to enact its provisions.

The main feature of the regulations governing island and non-mainland systems is that electricity production is classified as a regulated activity, unlike the mainland, while other activities (distribution, transmission and supply) are regulated along similar lines to the system used on the mainland.

A series of resolutions passed by the General Directorate of Energy and Mining on 13 October 2008 revised a number of the parameters to be used in the calculation of the remuneration for producers according to the procedures laid down in the Orders mentioned above.

04.1.4. Shortfall from regulated activities

Royal Decree Law 5/2005, of 11 March, established that, in the event of regulated revenues from the electricity system not being sufficient to cover the cost of regulated activities, the shortfall should be met by the companies indicated by the Law according to specified percentages. The percentage corresponding to ENDESA stands at 44.16%.

2008 tariff deficit

The regulatory framework for the electricity system recognised an ex-ante deficit of Euro 3,900 million for 2008 (Euro 1,200 million for the first quarter and Euro 2,700 million for the second and third quarters), the yearly total for 2008 was set at Euro 473 million. However, the real deficit for 2008 is estimated at Euro 5,900 million.

Allowing for other revenues which have been used to finance the shortfall, such as revenues from final settlements relating to previous years, amounts not allocated under quality improvement programmes, etc., the shortfall provisionally estimated for the companies indicated in Royal Decree Law 5/2005 is Euro 5,500 million. This amount does not include the effect of applying Royal Decree Law 11/2007.

On 30 September 2008 an auction was held to adjudicate these collection rights but in view of the situation of the financial markets it was annulled by the National Energy Commission.

As regards the tariff deficit, Royal Decree Law 6/2009, published on 7 May 2009, establishes, among other substantial modifications to the regulatory framework, that any deficit arising in 2009, 2010, 2011 and 2012 will carry the right to collect an amount against monthly revenues from access tolls in successive years until the deficit is made up. The decree further provides that collection rights for those years and for earlier years are transferable to a securitisation fund, the liabilities of which will be backed by a sovereign guarantee.

04.1.5. Electricity tariff for 2009

ITC Order 3801/2008 set an average increase of 3.7% for regulated low voltage tariffs up to 15 kW contracted capacity and an average increase of 25% for access tariffs.

It also eliminated regulated tariffs for G4 large consumers and group D small distributors, maintaining low voltage regulated tariffs until the introduction of the last resort supply.

04.1.6. Distribution

On 18 March 2008, Royal Decree 222/2008, of 15 February, was published, establishing the discontinuation of the remuneration system in force until that date, under which remuneration was linked to the Consumer Price Index and demand for electricity, applying a series of correcting factors. It introduced a new remuneration regime for electricity distribution, the main features of which are as follows:

- Four year regulatory periods, the first running from 2009 to 2012, during which increases will be stable.
- Base or reference rate remuneration for individual companies, which takes into account investment costs, operating and maintenance costs, and other costs which are necessary for their activity.
- Regulatory tools applicable to the information obtained from companies (Grid Reference Model and Regulatory Cost Accounting). These will be used by the regulator to establish changes in remuneration according to planned investment.
- Incentives for improving quality and reducing energy losses.

The Royal Decree sets out rules for drawing up Operating Procedures for the Distribution Grid Manager affecting basic remuneration throughout Spain. It also makes it possible for autonomous communities which apply more stringent quality standards involving higher costs to sign financing agreements with distributors.

The Royal Decree also introduces significant changes regarding the treatment of new sources of supply and their connection to the grid.

The ruling on tariffs for 2009, which establishes remuneration for distribution for the year, sets a Euro 158 million increase for ENDESA, bringing the total to Euro 1,959 million. It also sets distributors' remuneration for commercial management (customer service and management of network access), awarding ENDESA Euro 133 million, in line with the amount awarded in 2008.

04.1.7. Last resort tariff in the gas sector

On 1 July 2008 last resort supply was introduced for the natural gas sector. The last resort tariff was created under Law 12/2007, of 2 July, which modifies the Hydrocarbons Act (Law 34/1998), in order to adapt it to the EU Gas Directive (2003/55).

As established by Law 12/2007, the last resort tariff is the maximum price including the cost of raw materials, access tolls, supply costs and costs related to the safety of supply. To be eligible for this tariff consumers must be connected to a network with pressure below 4 bar and consume less than 3 GWh per year.

Royal Decree 1068/2007, of 27 July, stipulates that the following suppliers can provide the last resort tariff: Endesa Energía, Gas Natural Servicios, Iberdrola, Naturgas Energía Comercializadora and Unión Fenosa Comercial. Order 2309/2007, of 27 July, sets out the mechanism by which customers can transfer from the regulated (or set rate) market to the last resort tariff. According to this Order, from 1 July 2008, consumers supplied by a distributor who have not chosen to designate a supplier will be supplied by the last resort supplier belonging to the distributor company's group.

04.1.8. European regulations

In 2008 no Community regulations were passed directly affecting the energy sector. Work continued on the “Third Legislative Package”, which modifies the Directives on electricity and gas and the Regulations governing their cross-border movements, and sets up new European organisations for regulators (ACER) and system operators (ENTSO). Most of the new developments introduced by these modifications have already been transposed into Spanish legislation.

Work also continued on the “Green Package”, a set of Directives and other legal texts which regulate renewable energy throughout Europe, modify the present system of emission rights trading, and establish a regulatory basis for CO₂ capture and storage. One of the most important new features of this package is the generalised introduction of an emission rights auction for emitting sites in the electricity sector.

04.2. 2008 REGULATORY HIGHLIGHTS IN THE LATIN AMERICAN COUNTRIES WHERE ENDESA OPERATES

Chile

In April 2008 the Unconventional Renewable Energy Law came into effect. This legislation stipulates that 5% of total power supplied to end customers must be generated from renewable sources between 2010 and 2014. This mandatory threshold will be increased by 0.5% per annum from 2015 to a maximum of 10% in 2024, after which it will stay at that level.

In February the Ministry of Economy passed the “Rationing Decree”, which provided for measures to prevent the need for power rationing and established official procedures and powers if it should prove to be necessary. Although rationing was not in fact introduced, the Decree was in force for most of the year.

As a result of the revision of distribution tariffs for the period November 2008 to November 2012 Chilectra’s Distribution Cumulative Value (DCV) fell by around 16%. The Decree was published in April 2009 and will be applied with effect from November 2008.

In January 2009 a Decree regulating sub-transmission in Chile was published, leading to a further reduction in Chilectra’s DCV, as remuneration for this activity was also adapted to the regulated tariff set for the sector, although in this case the Decree had no retroactive effects for 2008.

Brazil

In the first quarter of 2008 Coelce’s annual tariff revision took place, with a 7.4% increase in Distribution Cumulative Value (DCV or Parcel B).

In April 2009 the company’s ordinary tariff revision was completed for the period 2007-2011, a preliminary scale having been set in the first quarter of 2007. The system for setting tariffs to be applied to all distributors was thus finalised.

In the first quarter of 2008 Ampla’s tariffs were also revised, its DCV being raised by 6.5%. The company’s five-yearly ordinary tariff revision, covering the period 2009-2013, was completed in March 2009.

Regarding the Argentina-Brazil interconnection, 2008 remuneration for the transmission network operator CIEN was set at the equivalent of seven months of the basic annual remuneration established by ANEEL for the 2007 toll. This remuneration was pre-established in the agreement between CIEN and Cammesa for the supply of the Garabí II border node from Brazil.

Colombia

In September 2008 the Energy and Gas Regulation Commission (CREG) passed Resolution 093/08, approving the definitive rate for the weighted average cost of capital (WACC) to be applied in Codensa's revised tariffs for 2009-2013. This was set at 13.9% for distribution and 13% for regional transport.

In the same month, Resolution CREG 097/08 was adopted, setting the methodology and prices for estimating unit distribution costs in the review of Codensa's tariffs. The Final Decree approving the new tariff is expected to be published in mid-2009 and to come into force from that date.

Peru

During 2008 a number of regulations were approved to deal with the problem of power shortages caused by backlogs in the Camisea gas pipeline and power transmission, in addition to the drought.

These include Decree Law 1041, temporarily limiting marginal costs arising from the backlog in the Camisea pipeline, treating them as if this backlog did not exist. The Decree also extends from 15 to 20 years the contractual period for tenders to supply electricity to regulated customers.

In May, a Decree Law was passed setting the bases for efficient generation with renewable energy resources. This law establishes, among other things, that in the next five years 5% of total energy consumption is to be provided by renewable resources. In October, regulations were published to implement this decree.

Lastly, the Government passed Emergency Decree 049-2008 in December. This sets a single marginal rate, not subject to restrictions of any type. Additional costs arising from operations subject to backlogs and those arising from distributors without contracts will be covered by demand. The Emergency Decree is expected to remain in force until 2011.

Argentina

In July 2008, the government authorities approved an 18% increase in Edesur's DCV. This increase affects residential customers with a bi-monthly consumption of more than 650 kWh for the first time, as their tariffs had been frozen since 2002.

The company was also given access to all of the funds available from the Programme for the Rational Use of Electric Power for advance payment of pending tariff adjustments via the Cost Monitoring Mechanism, a rate equivalent to inflation, which is used to set increases in distributors' costs.

The Integral Tariff Review for Edesur's concession contract, planned for 2009, is still pending.

In November 2008 the Argentine government authorised an 18% increase in wholesale prices for regulated customers (seasonal rate), which affects large residential customers (over 1,000 kWh bi-monthly), large retailers and industrial users. This increase is also the first approved since 2002.

Regarding power generation, the Energy Department declared in December that conditions for the revision of import/export contracts, planned for 31 December 2008, had not been met and that therefore it had been decided that the transitional regime would be kept in place, with no date for conclusion being set. This means that generation units originally intended to export power to Brazil, but which currently supply the wholesale electricity market in Argentina, will continue to receive a capacity allowance until the transition period expires.

Financial data



01. FINANCIAL DATA

01.1. KEY FIGURES

01.1.1. Net income

ENDESA reported net income of Euro 7,169 million in 2008, an increase of Euro 4,494 million compared to 2007. This figure includes income from discontinued operations; i.e. capital gains from the sale of the company's entire shareholding in Endesa Europe, and the Los Barrios and Tarragona thermal plants in Spain, to E.On, in addition to income generated by these assets during the period of the year in which they were owned by ENDESA.

Stripping out discontinued operations, income from continuing operations attributable to ENDESA shareholders was Euro 2,371 million, an increase of 5.8% on 2007.

The table below shows a breakdown of income from continuing operations attributable to ENDESA shareholders by business unit.

Net income from continuing activities attributable to ENDESA shareholders

	Euro million	% chg. 2007	% contr. to total net income attributable to ENDESA shareholders from continuing operations
Spain and Portugal	1,873	7.8	79.0
Latin America	506	7.4	21.3
Rest	(8)	n/a	-0.3
TOTAL	2,371	5.8	100.0

01.1.2. Revenues, EBITDA and EBIT

Generation costs rose sharply in 2008, mainly due to increases in fuel prices, and this in turn caused sale prices to rise in both the Spanish wholesale market and in Latin America during this period. In Spain, the increase in costs was also affected by the rise in the price of CO₂ emission rights.

As a result, in 2008 ENDESA reported revenue growth of 26.4% whilst variable expenses increased by 47%, leading to an 8% rise in the gross margin.

Fixed costs rose 7.3%, putting EBITDA at Euro 6,895 million, up 8.3% on 2007.

EBIT grew to Euro 5,234 million (13.3%), as a result of higher EBITDA and the 5% drop in the depreciation and amortisation charge. This decrease was due to a Euro 82 million provision included in the 2007 charge, recognised to restate to fair value CO₂ emission rights acquired by the group from third parties to cover its emissions deficit (Euro 58 million in 2008), and a Euro 32 million provision for the amortisation of renewable energy assets, which are not amortised this year as they are classified as held for sale.

	Revenues		EBITDA		EBIT	
	Euro million	% chg. vs. 2007	Euro million	% chg. vs. 2007	Euro million	% chg. vs. 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
Rest	993	101.8	(3)	n/a	(8)	n/a
TOTAL	22,836	26.4	6,895	8.3	5,234	13.3

01.1.3. Financial result

ENDESA reported a net finance expense of Euro 1,009 million in 2008, an increase of 8.9%.

However, the following two factors should be taken into account when comparing the two periods:

- In 2007, higher interest rates triggered a Euro 76 million gain in this heading, due to the reduction in the present value of provisions recognised, particularly those related to employment restructuring costs. In 2008, this caused a Euro 28 million loss in this heading.
- Lower capitalisation of financial expenses of Euro 60 million in 2008 compared to 2007.

Stripping out the effect of these two factors, the net finance expense fell by 8.2% in 2008, despite higher interest rates during the first nine months of the year, as a result of the significant reduction in net debt in 2008.

01.1.4. Income from discontinued activities

ENDESA reported income from discontinued activities of Euro 4,884 million in 2008.

Pursuant to the agreement signed on 2 April 2007 between Acciona, S.A., Enel, S.p.A., and E.On AG, on 26 June 2008, ENDESA sold E.On its entire shareholding in Endesa Europa —excluding the trading business and assets located outside Italy, France, Poland and Turkey— and the Los Barrios and Tarragona thermal plants in Spain.

The sale price for Endesa Europa was Euro 7,126 million, subject to possible adjustments for changes in the debt incurred by the companies sold occurring between 31 May 2008 and 25 June 2008. Furthermore, the buyer will assume the intra-group net debt balance outstanding at Endesa Europa vis-à-vis Endesa Financiación Filiales to the amount of Euro 1,159 million.

The agreed sale price for the Los Barrios and Tarragona power stations was Euro 769 million.

ENDESA recognised a gross capital gain on these sales of Euro 4,564 million.

The remaining income from discontinued operations relates to income generated by the assets disposed of from the start of the year to the time of their sale.

01.1.5. Cash flow

Cash flow from operating activities in 2008 amounted to Euro 5,214 million, down 1.9% on 2007.

This decrease was due entirely to the decline in cash flow generated by the European subsidiaries sold to E.On in June, as cash flow from activities in Spain and Portugal and Latin America increased.

Cash flow from operating activities

	Euro million	% chg. vs. 2007
Spain and Portugal	3,007	12.0
Latin America	1,965	9.1
Rest	242	-70.9
TOTAL	5,214	-1.9

01.1.6. Investment

ENDESA invested a total of Euro 4,150 million in 2008, excluding investment in assets held for sale. Of this, Euro 3,613 million was capex and investment in intangible assets with the remaining Euro 537 million corresponding to financial investments; of

this latter amount, Euro 324 million relates to the buying out of minority shareholders in the Peruvian companies Edegel and Edelnor as a result of the ex post facto takeover bids arising from Enel and Acciona taking control of ENDESA.

Investment(*)

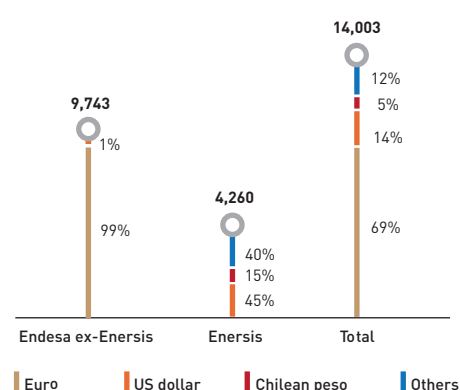
	Euro million		
	Capex and intangible assets	Financial	TOTAL
Spain and Portugal	2,460	168	2,628
Latin America	1,074	368	1,442
Rest	79	1	80
TOTAL	3,613	537	4,150

(*) Excludes investment of Euro 595 million in the renewable energy assets which were to be contributed to a joint venture with Acciona.

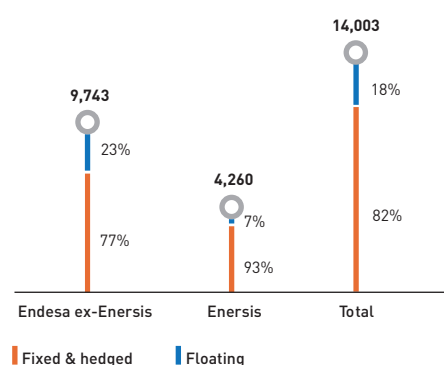
ENDESA has been awarded 20% of ESB's (Ireland) generation assets, namely four plants with operational capacity of 1,068 MW and two sites. These assets were acquired in January 2009 at a cost of Euro 440 million.

01.1.7. Financial management in 2008

Net debt structure by currency (Millions of Euro)



Net debt structure by interest rate (Millions of Euro)



The financial markets remained seriously unstable in 2008, continuing the trend marked in the second half of 2007. The price of financial assets fell brusquely against a backdrop of extreme volatility, while activity in the credit markets contracted sharply, particularly in the global securitisation and banking markets. Finally, the financial difficulties facing the most significant players in the financial market and the credit crunch prompted governments to implement financial aid and tax schemes in many OECD countries.

In short, the crisis has heavily impacted the various monetary areas with growth expectations being cut; interest rates have also been affected as have commodity prices.

Against this backdrop, Endesa, S.A. and its subsidiaries, excluding the Enersis Group, entered into long-term financing operations totalling Euro 1,334 million as well as short-term debt issues in the capital markets worth Euro 9,035 million.

As a result of these operations, the average life of debt at these companies was 4.3 years at December 2008. Liquidity totalled Euro 10,781 million, of which Euro 7,482 million corresponded to undrawn sums on unconditional long-term credit lines, sufficient to cover debt maturities for the next 39 months.

In this regard, the Enersis Group was able to tap both the domestic and the international financial markets. The average life of debt of the group was 5.1 years at year-end 2008 and liquidity totalled Euro 2,098 million, of which Euro 610 million corresponded to credit lines and the remaining Euro 1.488 million to cash. These amounts are sufficient to cover debt maturities falling due in the next 17 months.

The average life of the Endesa Group's debt at 31 December 2008 was 4.6 years.

Of this amount, 69% was euro-denominated and 14% was dollar-denominated at the end of 2008; the remaining 17% was denominated in Latin American currencies. ENDESA follows a policy whereby its companies' debt is always denominated in the currency in which its cash flows are generated.

At 31 December 2008, of the group's total debt, 82% was fixed-rate or hedged while the remaining 18% was at a variable rate.

01.1.8. Indebtedness and average cost of debt

At 31 December 2008 ENDESA's net debt totalled Euro 14,003 million, 33% (or Euro 6,831 million) lower than at year-end 2007. This difference was largely due to the sale the company's assets in Spain and elsewhere in Europe to E.On for a total amount of Euro 9,054 million.

Breakdown of net debt by business line

	Euro million			
	31/12/08	31/12/07	Difference	% chg.
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	337	1,247	(910)	-73.0
TOTAL	14,003	20,834	(6,831)	-32.8

Of this amount, Euro 9,743 million corresponded to Endesa, S.A. and its direct subsidiaries excluding the Enersis Group while the remaining Euro 4,260 million corresponded to Enersis and its subsidiaries.

Structure of Endesa's net debt

	ENDESA and direct subsidiaries		Enersis Group		Total ENDESA Group	
	Euro million	% of total	Euro million	% of total	Euro million	% of total
Euro	9,657	99	0	0	9,657	69
Dollar	67	1	1,917	45	1,984	14
Other currencies	19	0	2,343	55	2,362	17
TOTAL	9,743	100	4,260	100	14,003	100
Fixed rate	5,951	61	3,826	90	9,777	70
Hedged	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
Avg. life (years)	4.3		5.1		4.6	

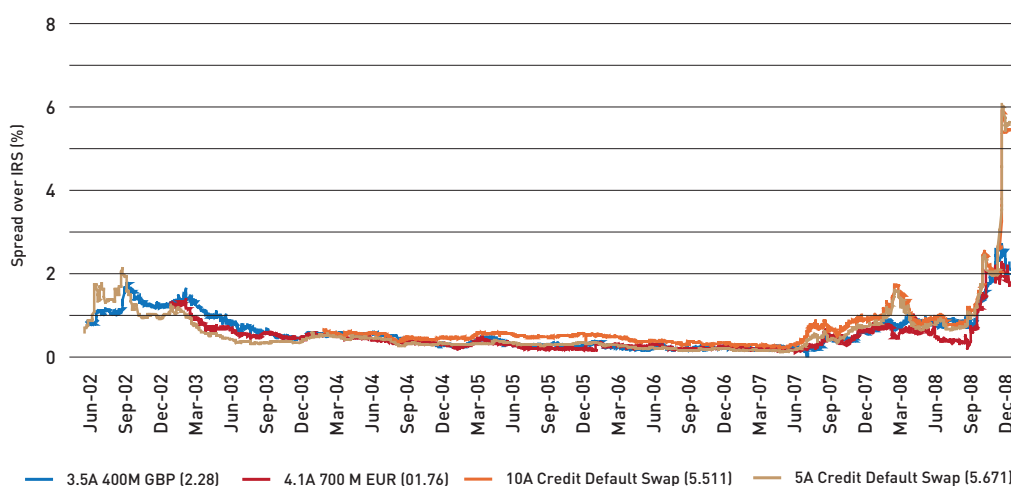
We would point out that ENDESA had the recognised right at 31 December 2008 to collect Euro 5,138 million in connection with two regulatory issues: Euro 3,034 million for financing the revenue shortfall from regulated activities and Euro 2,104 million in compensation for stranded costs in non-mainland generation. Factoring in these figures, ENDESA's net debt at 31 December 2008 was Euro 8,865 million.

The average cost of ENDESA's total debt was 6.37% in 2008 vs. 5.93% in 2007. The average cost of debt of Endesa, S.A. and its direct subsidiaries (excluding the Enersis Group) in 2008 was 4.87% compared to 4.50% in 2007. The average cost of debt of the Enersis Group was 10.07% compared to 9.68% at 31 December 2007.

01.1.9. ENDESA's performance in the secondary market

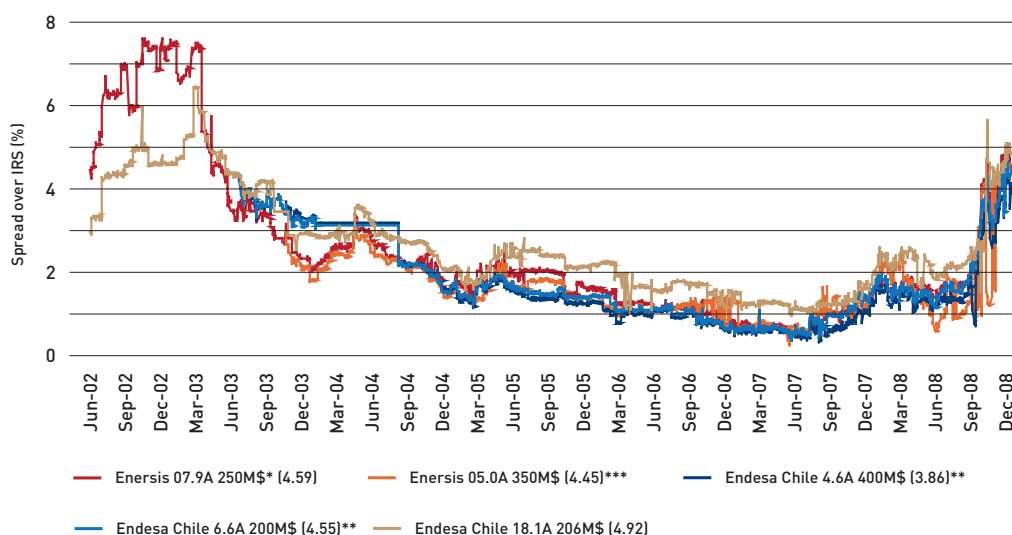
During 2008, and particularly from September onwards, the credit risk of ENDESA's bonds in the secondary market, as well as its peers, soared to new highs due to the dearth of liquidity.

Endesa España bonds



Even the most liquid bonds of Enersis and Endesa Chile were affected by the lack of confidence and the scant liquidity in the market, albeit to a lesser extent.

Enersis Group Yankee Bonds



01.1.10. Main financial transactions in 2008

We would highlight the following risk transactions carried out by Endesa, S.A. and its subsidiaries, excluding the Enersis Group, during the year:

- In June Endesa Capital, S.A.'s Euro Medium-Term Notes Programme was renewed for a further year, with Endesa, S.A.'s guarantee. This is the first EMTN Programme to be verified by the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores* - CNMV). It targets international institutional investors, in English, with Terms and Conditions subject to UK law and euro market standards.
- In October a new long-term bilateral credit line was signed with a leading financial entity for Euro 200 million, under the same cost terms that were previously in place.
- That same month, the restructuring agreement was signed largely intended to extend the financing term of Proyectos Eólicos Valencianos, a company fully owned by Endesa, S.A. through its subsidiary ECyR. The amount of the main loan totals Euro 331 million. Endesa, S.A., guarantees the debt until the wind farms are fully operational.
- In November, the company took out a fifteen-year loan for Euro 300 million with the European Investment Bank intended to finance its electricity distribution network.
- Endesa Capital, S.A. continued to hold regular auctions as part of its domestic issues programme, subscribed to by the main Spanish financial institutions, and heavily subscribed by telephone. The outstanding balance was Euro 887 million at the year end.
- Commercial paper issues in Europe continued via the Euro Commercial Paper Programme at International Endesa, B.V. guaranteed by Endesa, S.A. The outstanding balance was Euro 1,151 million at year-end.

The main financial transactions performed by the Enersis Group in 2008 via its subsidiaries were as follows:

- In Chile Enersis registered a line of domestic bonds totalling UF 12.5 or USD 450 million (Unidades de Fomento are Chilean pesos indexed to inflation) which was not used.
- Endesa Chile signed a six-year syndicated bank loan with various international entities totalling USD 400 million.
- In December, Endesa Chile issued a 21-year bond in the local market for UF 10 million (approximately USD 360 million).
- Coelce (Brazil) signed a USD 203 million bank loan with government entities to finance its investment for 2008-2009. This will enable it to access long-term financial resources at a lower price.
- Codensa (Colombia) placed some USD 214 million in long-term bonds in the domestic market.
- In Peru, Edelnor tapped the local market with a USD 63 million issue while Edegel issued bonds worth USD 29 million, maturing between three and eight years. Edegel also arranged a financial lease at one of its plants for USD 90 million, with a term of nine years.

01.1.11. Credit ratings

As of the date of release of these consolidated financial statements, ENDESA's long-term debt ratings are: Standard & Poor's: A- (under review for a possible downgrade), Moody's: A3 while Fitch currently rates it an A (both with a negative outlook).

01.1.12. Equity

ENDESA's consolidated equity was Euro 20,764 million at 31 December 2008, Euro 3,634 million more than at year-end 2007.

Of this amount, Euro 17,082 million was owned by Endesa, S.A. shareholders, and the remaining Euro 3,682 million corresponded to minority shareholders of group companies.

Equity owned by Endesa, S.A. shareholders increased by Euro 5,093 million since 31 December 2007. This is mainly due to income obtained in 2008; the resolution adopted at the General meeting of Shareholders held on 30 June 2008 to pay a final dividend of Euro 1,091 million against 2007 earnings; exchange rate losses amounting to Euro 694 million in 2008 resulting from the depreciation of Latin American currencies against the Euro; and a Euro 291 million loss on the valuation of cash flow hedges and actuarial gains and losses on pension commitments generated in 2008.

Meanwhile, equity corresponding to minority shareholders of other group companies declined by Euro 1,459 million due to the effect of the factors detailed in the previous paragraph on these shareholders and the lower balance corresponding to them in the equity of the companies sold to E.On.

01.1.13. Financial leverage

At 31 December 2008, the Endesa Group had a leverage ratio of 67.4%, i.e. 54 points lower than the ratio seen at year-end 2007, due mainly to the sale of assets to E.On.

01.1.14. Interim dividend charged against 2008 earnings

ENDESA's Board of Directors, at its meeting on 20 February 2009, agreed to pay shareholders an interim dividend charged against 2008 earnings of Euro 5.897 per share, bringing total shareholder remuneration to Euro 6,243 million.

This interim dividend coincides with the total amount the Board of Directors will propose to the General Shareholders' Meeting as part of the agreement on the distribution of 2008 earnings.

This dividend includes the payment of 100% of the net capital gains obtained by the group in 2008, which totalled Euro 4,556 million and Euro 1,687 million in dividends to be charged against ordinary profit. This represents a 12% increase on the total ordinary dividend paid to shareholders charged against 2007 earnings.

01.1.15. Accounting presentation criteria

As we have already mentioned, on 26 June ENDESA sold the bulk of its assets in Europe located outside the Iberian mainland, in addition to the Los Barrios and Tarragona power stations in Spain, to E.On.

In accordance with the commitments acquired by Acciona and Enel as shareholders of ENDESA, at 31 December 2008 Acciona and ENDESA continued to carry out the procedures needed to contribute their renewable generation assets to a joint venture which will be at least 51% owned by Acciona.

In accordance with IFRS 5, at year-end 2008 the renewable generation assets included in this agreement and those sold to E.On are presented as follows:

- The consolidated balance sheet recognises the renewable energy assets which were to be contributed to the joint venture with Acciona (classified as assets held for sale) in a single heading called "Assets held for sale and discontinued operations". The assets classified under this heading are not depreciated.
The liabilities associated with these assets are also grouped into a single heading called "Liabilities associated with assets held for sale and discontinued operations".
The consolidated balance sheet at 31 December 2007 also recognises the assets and liabilities sold to E.On under these headings.
- The consolidated income statement recognises the after-tax income generated by the assets sold to E.On (classified as discontinued operations) until the date of the sale, in addition to the net capital gain generated in this operation, in a single heading called "After-tax income from discontinued operations".
The consolidated income statement for 2007, which is presented here for comparative purposes, also records the income from the assets sold to E.On under this heading.

Income generated by the renewable energy assets to be contributed to the joint venture with Acciona are not included in this heading of the income statement as they are not considered to be discontinued operations, but are each included under their pertinent heading according to their nature.

- In the cash flow statement each heading includes the cash flows from assets reclassified as held for sale or discontinued operations.

Additionally, in 2008 ENDESA decided to change the accounting criteria used to consolidate jointly controlled investments. These investments were consolidated under the equity method until 31 December 2007. From 1 January 2008 they have been accounted for using proportionate consolidation.

The 2007 Consolidated Financial Statements presented for comparative purposes have been modified in relation to the originally issued statements, in order to restate these interests using proportionate consolidation.

01.2. BUSINESSES

01.2.1. Business in Spain and Portugal

01.2.1.1. NET INCOME - SPAIN AND PORTUGAL

Net income from the business in Spain and Portugal was Euro 2,217 million in of 2008, Euro 432 million more than 2007. This figure includes income from discontinued activities, including both income from sale of the Los Barrios and Tarragona plants to E.On and after-tax income from both of these plants until the date of their sale.

Stripping out the result of discontinued operations, net income from continuing activities attributable to ENDESA shareholders corresponding to business in Spain and Portugal was Euro 1,873 million in 2008, a rise of 7.8% vs. 2007.

EBITDA rose 3.7% to Euro 3,930 million and EBIT advanced 6.4% to Euro 2,834 million.

01.2.1.2. HIGHLIGHTS

2008 was marked by increasing generating costs as a result of more expensive CO₂ emission rights and higher fuel prices, although the latter fell sharply in the last few months of the year. The increase in generation costs triggered a 58.2% rise in average wholesale prices.

ENDESA sold 67.8% of its mainland output under the ordinary regime to deregulated customers, 16% in regulatory stipulated auctions and the remainder on the wholesale market.

Nonetheless, the revenues booked by applying the corresponding tariffs were reduced by Euro 422 million under Royal Decree Law 11/2007, which stipulates that the cost of CO₂ emission rights be netted from regulated generation revenues.

Accordingly, in calculating this deduction, ENDESA used the same formula enacted by the Spanish government to calculate the deduction applicable in 2006 and 2007 in accordance with Royal Decree Law 3/2006.

However, ENDESA has appealed against the Ministerial Order approving the calculation method for the discount put forward in the Royal Decree 3/2006. In ENDESA's view, the discount established in Royal Decree 11/2007 should be eliminated, and, in particular, it should not be applied to sales carried out via bilateral contracts aimed at deregulated customers as these sales do not generate a deficit for the electricity system.

Despite the significant rise in generation costs, the electricity tariff increase approved was only 3.3% from 1 January 2008 and 5.6% from 1 July 2008. As a result, it is estimated that the 2008 sector-wide tariff deficit amounted to Euro 4,864 million. ENDESA stands to finance Euro 2,148 million of this amount.

Carbon credit purchases

Under the umbrella of its strategy to acquire carbon credits through participation in Clean Development Mechanism (CDM) projects carried out in developing countries, ENDESA has agreed to purchase 100% of the certified reductions in greenhouse gas emissions through to 2012 in three projects to be carried out at the Chinese company Jiangsu Shagang; this will involve CO₂ emissions reductions of over five million tonnes in this period.

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

Meanwhile, in September 2008, ENDESA acquired the US company AHL (Asin Holdings Limited) for Euro 14 million. AHL is involved in identifying clean development projects which generate carbon dioxide (CO₂) emission rights for companies which are affected by the Kyoto Protocol targets. ENDESA then transferred this company to Endesa Carbono, which is 82.5% owned by ENDESA, with the remaining 17.5% being owned by the previous owners of AHL. The corporate purpose of Endesa Carbono is to promote and develop projects which contribute to the reduction of CO₂ emissions.

01.2.1.3. REVENUES

ENDESA reported revenues of Euro 13,489 million from its business in Spain and Portugal in 2008, an increase of 31.3%. Of this amount, sales accounted for Euro 12,632 million, year-on-year growth of 28%.

Spain and Portugal sales

	Euro million			
	2008	2007	Difference	% chg.
Mainland generation under Ordinary Regime	5,072	4,056	1,016	25.0
Sales to deregulated customers	3,292	2,499	793	31.7
Sales in auctions	827	252	575	228.2
Sales in the OMEL	1,375	1,060	315	29.7
Deductions under RDL 11/2007 and 3/2006	(422)	(24)	(398)	n/a
At the bilateral contract price agreed with EDE	—	269	(269)	n/a
CHP/renewables generation	380	253	127	50.2
Regulated revenues from distribution	2,115	2,034	81	4.0
Non-mainland generation and supply	2,890	2,302	588	25.5
Supply to deregulated customers outside Spain	179	305	(126)	-41.3
Gas supply	1,203	714	489	68.5
Regulated revenues from gas distribution	62	59	3	5.1
Other sales and services rendered	731	148	583	393.9
TOTAL	12,632	9,871	2,761	28.0

Mainland generation

The average pool price was Euro 70.81/MWh during the period, up 52.7% vs. 2007.

ENDESA sold 13,985 GWh of power in auctions held in the year. At these auctions, the average sale price was Euro 61.47/MWh.

These prices, in addition to the 14.3% increase in the price applied to deregulated market customers, triggered a 25.0% rise in mainland generation sales under the ordinary regime compared to 2007, even though the revenue

figure includes a deduction of Euro 422 million as a result of the application of Royal Decree 11/2007, compared to a deduction of Euro 24 million in 2007 for the same concept.

Supply to deregulated customers

Sales to deregulated customers in Spain (excluding tolls paid to Endesa Distribución) totalled Euro 3,582 million, a 34.8% increase on 2007. Of this amount, Euro 3,292 million corresponded to the mainland deregulated market and Euro 290 million to the non-mainland system.

Revenues from supply to deregulated European markets other than Spain amounted to Euro 179 million.

As stated earlier, the average sale price to end customers rose 14.3% in 2008.

CHP/renewables generation

Revenues from sales of CHP/renewable energy generated by consolidated companies totalled Euro 380 million, 50.2% more than in 2007. EBITDA in this segment rose 70.2% to Euro 291 million.

Non-mainland generation

Related sales rose 16% to Euro 2,600 million, as sales prices internalised higher generation costs.

Electricity distribution

Revenues from regulated distribution activities totalled Euro 2,115 million, up 4.0%.

Gas distribution and supply

Revenues from gas sales in the deregulated market rose to Euro 1,203 million (68.5%) compared to 2007.

Other operating revenues

Other operating revenues in 2008 totalled Euro 857 million, up Euro 455 million on 2007.

This item includes Euro 605 million corresponding to the 2008 portion of CO₂ emission rights allocated to ENDESA within the scope of the Spanish National Allocation Plan for emissions (NAP), which are recorded under revenues.

This figure is Euro 603 million higher than that recognised under revenues in 2007, due mainly to the sharp increase in the market price of these rights. However, this jump in revenues was fully offset by the higher expense recognised for the use of the emission rights allocated under the NAP.

01.2.3. Operating expenses

The breakdown of operating expenses in the Spanish and Portuguese business in 2008 is provided below:

Operating expenses in Spain and Portugal

	Euro million			
	2008	2007	Difference	% chg.
Supplies and services	7,188	4,229	2,959	70.0
Power purchases	2,044	1,032	1,012	98.1
Fuel consumption	3,058	2,206	852	38.6
Power transmission expenses	623	517	106	20.5
Other supplies and services	1,463	474	989	208.6
Personnel expenses	1,230	1,187	43	3.6
Other operating expenses	1,313	1,239	74	6.0
Depreciation and amortisation charges	1,096	1,127	(31)	-2.8
TOTAL	10,827	7,782	3,045	39.1

Power purchases

Power purchases rose 98.1% year-on-year to Euro 2,044 million.

This growth reflects the impact of the increased cost of operating in the wholesale generation market as a result of the higher average pool price, as well as increased gas purchases for supply to the deregulated market, compounded by higher gas prices.

Fuel consumption

Despite the lower thermal output during the period, fuel consumption was Euro 3,058 million in 2008, an increase of 38.6%, as a result of the higher average cost of raw materials over the year on the international markets.

Other supplies and services

Expenses under this heading totalled Euro 1,463 million in 2008, up Euro 989 million.

Of this amount, Euro 675 million related to higher costs for CO₂ emission rights for 2008 compared to the costs for 2007, basically as a result of the increased market price of such rights.

It should be noted that ENDESA has started to apply CERs relating to CDM projects to cover its emissions deficit. These rights are already in the company's accounts in the pertinent international organisms and have triggered a substantial reduction in emission costs, in a context where the price of emission rights is rising.

Personnel and other fixed operating expenses

Fixed costs stood at Euro 2,543 million in 2008, an increase of 4.8% on 2007.

Personnel expenses rose 3.6% to Euro 1,230 million, with "Other fixed operating expenses" increasing 6.0% to Euro 1,313 million.

Depreciation and amortisation charges

Depreciation and amortisation charges amounted to Euro 1,096 million, Euro 31 million lower than in 2007. This decrease was the result of the recognition in 2007 of a Euro 82 million charge to restate the value of CO₂ emission rights acquired from third parties to fair value at current market prices (Euro 58 million in 2008) and the fact that the renewable assets that were to be contributed to a joint venture in which Acciona would have held at least a 51% stake were not depreciated; in 2007, this amounted to Euro 32 million.

01.2.4. Net Finance Expense

The net finance expense in 2008 was Euro 442 million, 2% down on 2007.

This consists of net finance expenses of Euro 488 million, Euro 71 million higher than 2008, and net exchange-rate gains of Euro 46 million, compared to a net exchange-rate loss of Euro 34 million in 2007.

The exchange-rate differences related mainly to the valuation of derivatives contracted by the group to hedge exchange-rate risks relating to fuel purchases denominated in dollars, which do not meet the IFRS requirements to be accounted for as hedges.

The Euro 71 million increase in the net finance expense was due to the Euro 76 million gain recorded under this heading in 2007 as a result of the reduction in the present value of provisions recognised, mainly to cover commitments under employment restructuring programmes, as a result of the increase in the interest rate used to up-date these between 31 December 2006 and 31 December 2007. However, the rate for up-dating these provisions at 31 December 2008 was lower than at 31 December 2007, resulting in a negative impact on the net finance expense of Euro 28 million. Stripping out this effect, the net finance expense decreased by Euro 33 million (6.7%) despite the higher average cost of debt in 2008, due to the significant decrease in net debt during the year.

Net financial debt for the Spain and Portugal business at 31 December 2008 stood at Euro 8,395 million, down from Euro 14,015 million at year-end 2007. Of this amount, Euro 5,138 million was incurred to finance regulatory receivables: Euro 3,034 million to finance the revenue shortfall from regulated activities and Euro 2,104 million to fund the non-mainland generation deficit.

01.2.5. Cash flow

Cash flow from operating activities in the Spanish and Portuguese electricity business totalled Euro 3,007 million in 2008, an increase of 12%.

01.2.6. Investment

Investments in Spain and Portugal totalled Euro 2,628 million in 2008, 0.9% higher than in 2007. Of this figure, 90.7% corresponds to capex for the development or improvement of electricity generation and distribution facilities. ENDESA also invested Euro 595 million in renewable energy assets, which were going to be contributed to the joint venture with Acciona in which the latter would have held a stake of at least 51%.

Total investment in Spain and Portugal

	Euro million		
	2008	2007	% chg.
Capex	2,384	2,352	1.4
Intangible	76	86	-11.6
Financial	168	166	1.2
TOTAL INVESTMENTS	2,628	2,604	0.9

Capex in Spain and Portugal

	Euro million		
	2008	2007	% chg.
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

[*] Excludes investment in the renewable energy assets which were going to be contributed to a joint venture with Acciona.

The breakdown of capex reflects the substantial effort the company is making to improve service quality in Spain and to increase generation capacity.

01.2.2. THE LATIN AMERICAN BUSINESS

01.2.2.1. NET INCOME - LATIN AMERICA

ENDESA's Latin America business reported a 7.4% rise in net income year-on-year in 2008 to Euro 506 million euros.

01.2.2.2. HIGHLIGHTS

Improvement in generation and distribution margins

Lower rainfall in part of the year triggered higher load factors at ENDESA's thermal plants. Gas supply problems, resulting in increased use of liquid fuels, in turn pushed generation costs higher.

Nonetheless, ENDESA's favourable generation mix in Latin America and higher sales prices in most of the markets where its subsidiaries operate led to a 34.8% increase in the unit margin to USD 39.0/MWh. Significant increases in US dollars were made in most countries: Chile (53.2%), Brazil (24.9%), Argentina (19.9%) and Colombia (18.8%). In contrast, in Peru, the higher thermal output, the backlog in the Camisea pipeline and the drop in the average sales price, due to changes in the customer mix, led to a 3.1% drop in the average unit margin for generation.

The unit margin for distribution stood at USD 46.4/MWh, an increase of 13.4% on 2007. This rise is due to the improvement in unit margins in all countries, except Argentina, where the distribution company Edesur booked the retroactive impact of the tariff hike in 2007.

Takeover bids for Peruvian subsidiaries

Subsequent to Enel and Acciona taking control of ENDESA in October 2007, ENDESA was required under Peruvian law to launch compulsory ex post facto takeover bids for the percentage of its three listed Peruvian subsidiaries that it does not control.

The operation was carried out through Generalima, a 100% owned Endesa Group company, which has acquired 23.78% of Edegel and 24% of Edelnor for an investment of EUR 324 million.

A final price of approximately Euro 26 million was agreed in December 2008 for the 24% stake in Empresa Eléctrica de Piura. The company is currently exploring the various alternatives offered by its stake under Peruvian stock market law.

01.2.3. EBITDA

EBITDA in ENDESA's Latin American business totalled Euro 2,968 million in 2008, a 16.8% increase on 2007. EBIT rose 25.5% to Euro 2,408 million.

EBITDA & EBIT in the Latin American business

	EBITDA (Euro million)			EBIT (Euro million)		
	2008	2007	% chg.	2008	2007	% chg.
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)	n/a	(65)	(63)	n/a
TOTAL	2,968	2,541	16.8	2,408	1,919	25.5

Earnings performance in the generation and distribution businesses reflect the risk mitigation and earnings stability created as a result of ENDESA's portfolio of holdings in the region.

*Breakdown of EBITDA and EBIT in Latin America by business line***Generation and transmission**

	EBITDA (Euro million)			EBIT (Euro million)		
	2008	2007	% chg.	2008	2007	% chg.
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 (Euro million)			EBIT (Euro million)		
	2008	2007	% chg.	2008	2007	% chg.
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

01.2.4. Generation and transmission**Chile**

Rising prices pushed up fuel costs by 52.4%. However, the higher sales, node and spot prices and the heavier rainfall in recent months boosted EBITDA and EBIT by 45.8% and 86% year-on-year, to Euro 863 million and Euro 742 million, respectively.

Colombia

The Colombian generation business reported EBITDA of Euro 321 million and EBIT of Euro 281 million in 2008, a year-on-year increase of 23.5% and 31.9%, respectively, due mainly to the higher gross margin on electricity sales resulting from the 8.1% increase in power generated and the higher sales prices in the system.

Brazil

High spot prices in the early months of the year provided a very significant boost to ENDESA's revenues from hydro generation in Brazil, driving EBITDA to Euro 184 million and EBIT to Euro 165 million in 2008, year-on-year growth of 12.9% and 13.8%, respectively.

Peru

Higher usage of liquid fuels due to the backlog in the Camisea pipeline, along with higher prices, pushed up the overall cost of fuels by 44.6% compared to a 6.2% increase in sales. This in turn led to a 7.6% reduction in EBITDA to Euro 134 million and a 13.5% reduction in EBIT to Euro 83 million.

Argentina

Lower sales due to lesser rainfall, in addition to the negative performance marked by the Argentine peso against the euro, triggered a drop in the gross margin. This stood at Euro 151 million, 0.7% less than in 2007. EBITDA in turn fell 1.7% to Euro 118 million while EBIT rose 2.7% to Euro 75 million.

The Argentina - Brazil interconnection

In the second quarter of 2008, Cien and Cammesa signed an agreement to export power from Brazil to Argentina. Exports were made between May and August at a rate of up to 1,500 MW/month, returning to Argentina the power imported between September and November at a rate of up to 2,000 MW/month.

As a result of this agreement, the interconnection registered a year-on-year increase of 7.6% in EBITDA to Euro 85 million in 2008, while EBIT was unchanged vs. 2007 at Euro 62 million.

01.2.5. Distribution

Chile

The distribution business in Chile reported EBITDA of Euro 306 million, an increase of 60.2% year-on-year. Meanwhile, EBIT grew 70.3% to Euro 281 million.

A significant part of this growth is due to the approval of the Decree establishing subtransmission tariffs in Chile with no retroactive effect. This led to a reversal of the Euro 55 million provision allocated to cover the potential application of this measure to years preceding 2008. Excluding the reversal of this provision and its allocation in 2007, EBITDA reported by the Chilean distribution business would have risen by 2% and EBIT by 2.7%.

Power sold in 2008 fell by 3%. This drop was due mainly to the rationing decree in effect between March and August designed to foster energy savings. The aim of this decree was to mitigate potential problems affecting energy production in the country.

However, the higher unit margin led to the aforementioned rises in EBITDA and EBIT.

Colombia

EBITDA and EBIT in the distribution business rose 11.2% and 15.2%, respectively, due mainly to higher sales volumes (3.3%), and a more favourable indexation of tariffs to power purchase prices and revenues from ancillary services.

Brazil

The higher spot electricity price and increase in energy sales prompted a 17.3% rise in the cost of energy acquired. This higher cost was only partially passed on to the customer tariff, resulting in a 10.4% increase in sales. As a result EBITDA dropped 5.1% year-on-year to Euro 504 million, and EBIT fell 8.9% to Euro 397 million.

Peru

The unit margin in the distribution business remained virtually unchanged from 2007, with the 7.7% increase in electricity sold resulting in a 8.0% jump in EBITDA to Euro 95 million. EBIT totalled Euro 70 million, a rise of 16.7% year-on-year.

Argentina

EBITDA and EBIT both fell by Euro 50 million year-on-year. These decreases reflect the recognition in 2007 of Euro 40 million of prior year revenues in connection with the retroactive application to November 2005 of the tariff hike finally enacted that year.

Stripping out this effect, 2008 EBITDA and EBIT fell by 11% and 14.5% year-on-year, respectively. These declines are due to the inflation-linked increase in fixed costs, which was not offset by the corresponding tariff increase.

Net Finance Expense

ENDESA's Latin American business generated a net finance expense of Euro 557 million in 2008, Euro 80 million more than in 2007. Some Euro 27 million of this increase correspond to the higher negative exchange differences recorded in 2008 vs. 2007 and the remaining Euro 53 million correspond to a higher net finance expense resulting from the higher average cost of debt.

Net debt at ENDESA's Latin American business stood at Euro 5,271 million at 31 December 2008, a reduction of Euro 299 million since year-end 2007.

Cash flow

Cash flow generated by ENDESA's business in Latin America totalled Euro 1,965 million in 2008, an increase of 9.1% year-on-year.

Cash returns

Cash returns from ENDESA's Latin American business to the parent company in 2008 totalled Euro 269 million.

Investment

Investment in Latin America in 2008 totalled Euro 1,442 million, of which Euro 1,058 million corresponded to capex.

Capital expenditure in Latin America

	Euro million		% chg.
	2008	2007	
Generation	361	295	22.4
Distribution and Transmission	599	539	11.1
Other	98	41	141.5
TOTAL	1,058	875	20.9

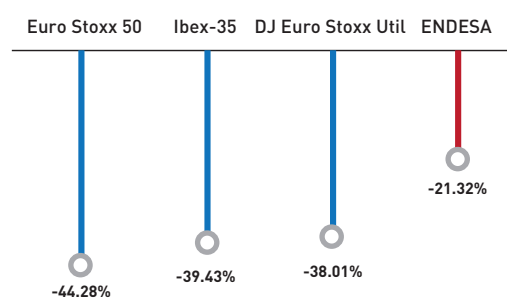
The investment figure includes Euro 324 million corresponding to the acquisition of minority stakes in Peruvian subsidiaries as a consequence of the ex post facto takeover bids required after Acciona and Enel took control of ENDESA. Of this amount, Euro 228 million corresponded to the acquisition of 23.78% of Edegel and the remaining Euro 96 million to the acquisition of 24% of Edelnor.

02. SHARE PRICE PERFORMANCE AND INVESTOR RELATIONS

02.1. ENDESA ON THE STOCK MARKET

As a result of the financial crisis which began in mid-2007, 2008 was the worst in the history of the Spanish stock market.

*Share price performance:
ENDESA versus benchmark indices. 2008*



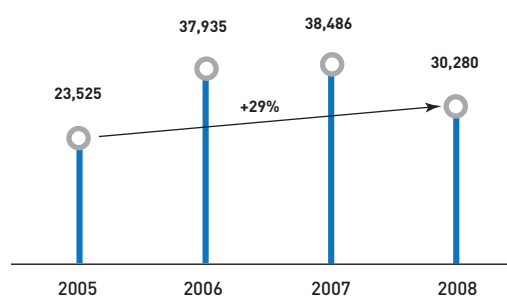
Interest rate cuts and the economic-stimulus packages introduced by most governments in developed countries did not succeed in bringing about a recovery in the economy and this was clearly reflected in stock market trends.

The main Spanish index, the Ibex-35, fell 39.43% in 2008, in line with the drops experienced by other European stock markets. The German Dax Xetra lost 40.4% in the year, while Britain's FTSE fell by 31.3% and the France's CAC by 42.7%. Meanwhile the Dow Jones Eurostoxx 50 index closed 44.28% down.

ENDESA's share performance was seriously affected by the impact of the world financial crisis on Spain, which was especially noticeable after the summer of 2008. One of its most marked effects was an unprecedented level of volatility in the market.

After a first half year in which prices declined slightly, the company's shares fell sharply in July, coinciding with the first bankruptcies of major players in the international financial sector. The shares recovered part of this loss in September but in October there were sharper downturns in all sectors, leading to ENDESA closing at a low of Euro 18.63 per share on October 10, a level similar to that recorded in September 2005 shortly before the first takeover bid was launched for the company by Gas Natural.

*ENDESA's stock market capitalisation
(Euro million)*



The last quarter of 2008 was still marked by extremely volatile conditions, although the share price managed to climb away from lows to end the year at Euro 28.6, 21.32% lower than a year earlier.

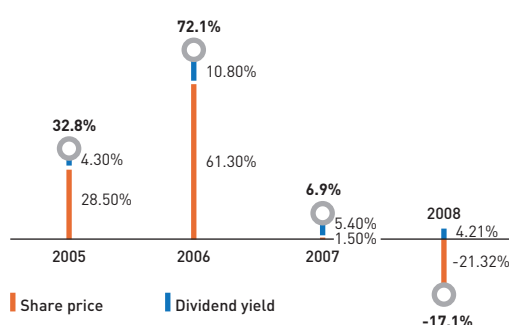
It should be noted that of the 35 companies listed on the Ibex-35 only Unión Fenosa ended the year with gains (up 15.13% as a result of Gas Natural's takeover bid for the company at Euro 18.33 per share in July). Other companies in the Spanish electricity sector ended the year with losses which were even greater than that sustained by ENDESA, in line with Ibex-35 averages.

Although ENDESA's share price fell in this unfavourable economic climate, it performed better than market benchmark indices (the Ibex-35 was down by 39.43% while the Eurostoxx 50 fell by 44.28%) and sector benchmark indices, such as the Eurostoxx Utilities (down by 38.01%).

As a result of falling share prices in 2008, the company's market capitalisation stood at Euro 30,280 million at year-end 2008. However, over the period 2005-2008, the years during which successive takeover bids were made for the company, its capitalisation increased by a total of 29%.

02.2. TOTAL RETURNS FOR ENDESA SHAREHOLDERS

Total ENDESA shareholder remuneration



As a result of the stock market movements described above, total returns for ENDESA shareholders were negative for the first time since 2002.

Nevertheless, the company's shareholders were able to partly offset the stock market losses incurred during the year thanks to the dividend of Euro 1.53 per share, equivalent to a return of 4.21%. The meant the total return for the year fell by 17.1%.

Extending our analysis to the four years during which successive takeover bids were launched for the company, the total average annual return for ENDESA shareholders was 23.7%.

02.3. ENDESA ON THE MAIN BENCHMARK INDICES

Following Enel and Acciona's successful takeover bid in October 2007, ENDESA returned to the Ibex-35 index, although with a free float market cap of 5%, reflecting its free float of 7.94%.

Despite this low free float factor, ENDESA ended the year ranked 29th by market capitalisation.

02.3.1. Liquidity

One of the reasons the Technical Advisory Committee decided to keep ENDESA in the Ibex-35 after the takeover bid was the share's high liquidity levels. However, given its current free float level of 7.94% (84.1 million shares), as mentioned above, like-for-like comparison with shares traded in previous years is not meaningful.

In absolute terms, the average number of shares traded daily in 2008 was 927,717, which is 92.6% lower than in 2007, when a figure of 12.5 million was recorded.

The trading volume for 2008 was 0.22 times the company's capital. However, trading volume was 2.8 times the market capitalisation represented by the real number of outstanding shares (i.e. free float), a figure more in line with previous years.

The effective volume traded in 2008 was Euro 6,962 million, 94.4% lower than in 2007.

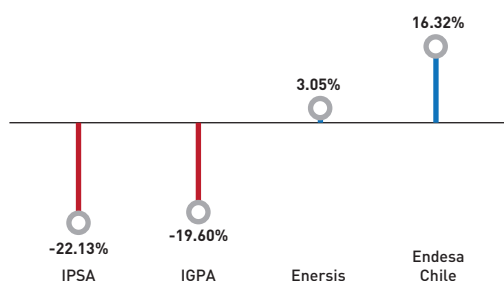
02.4. ENERSIS AND ENDESA CHILE SHARE PRICE PERFORMANCE

02.4.1. The Chilean Stock Exchange

The world financial crisis also triggered substantial falls in the Chilean stock market, which ended 2008 at its lowest level in ten years. The stock market was not only affected by the serious problems afflicting the international financial markets, but also by sharp drops in commodity prices, especially copper, which is the country's main export.

The main Chilean indicators, the IPSA and the IGPA, went through extremely volatile periods, in line with world markets, and ended the year with losses of 22.13% and 19.6% respectively.

Share price performance: Enersis and Endesa Chile on the Santiago (Chile) stock market versus benchmark indices in 2008



Despite the adverse economic environment, ENDESA's main subsidiaries in Chile closed the year with positive results. Enersis' share price rose 3.05% to 164.73 pesos per share while Endesa Chile performed even better, rising 16.32% to 733.96 pesos per share at the year end.

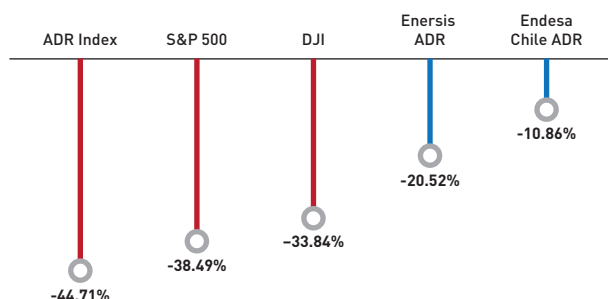
Enersis and Endesa Chile were once again two of the most traded shares in the Chilean stock market in 2008. Measured in US dollars, only the chemical company SQM achieved a higher total effective trading volume. Enersis shares saw a total trading volume of USD 2,563 million and Endesa Chile USD 1,958 million.

Average daily trading volume for Enersis was 38.84 million shares per day, 16.4% less than in the figure of 41.68 million seen in 2007, while Endesa Chile's trading volume was virtually

unchanged, increasing from 6.46 million shares per day in 2007 to 6.56 million per day in 2008.

02.4.2. New York Stock Exchange

ADR performance: Enersis and Endesa Chile on the NYSE versus benchmark indices. 2008

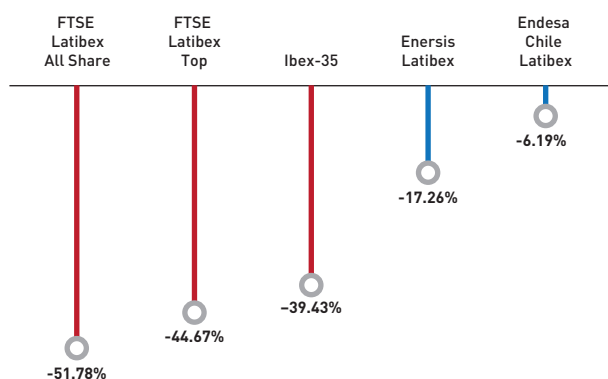


The stock market performance of Enersis and Endesa Chile in dollars was different from in local currency. Enersis' ADR (American Depositary Receipt) closed the year down 20.52% at USD 12.74. Endesa Chile's ADR lost 10.86% in 2008, closing the year at USD 33.49.

Despite these losses, both outperformed the benchmark indices. The Standard & Poor's ADR index closed the year down by 44.7%, while the S&P 500 dropped 38.49% and the Dow Jones Industrial Average fell by 33.84%.

02.4.3. Latibex

Share price performance: Enersis and Endesa Chile on the Latibex versus benchmark indices in 2008



On the Latibex market, Enersis fell by 17.26% to Euro 9.11 per share, and Endesa Chile dropped 6.19% to close the year at Euro 24.37 per share.

Both shares also performed better than the benchmark indices for this market (the FTSE Latibex, down 51.8% and the FTSE Latibex Top -44.7%).

02.4.3. Rating confirmed

The main agencies ratified their debt ratings for Enersis and Endesa Chile in 2008. In July 2007, Standard & Poor's upgraded its rating on both companies by one notch from BBB- to BBB, both with a stable outlook. In the same month, Fitch and Feller Rate upgraded their ratings of Enersis from A+ to AA- for its local debt.

These ratings were confirmed in 2008. In December S&P drew attention to both companies' satisfactory risk profile, their sound competitive position in the countries in which they operate, and the favourable economic conditions and growing demand for electricity in the region.

Key share price data for ENDESA, Enersis and Endesa Chile in 2008

	Maximum	Minimum	Average	Close	% change (annual)	No. shares traded
Madrid stock exchange						
ENDESA (€/sh)	37.2	18.63	29.69	28.6	-21.32%	235,640,055
Chilean stock exchange						
Enersis (pesos/sh)	188.48	113	163.87	164.73	3.05%	8,709,067,583
Endesa Chile (pesos/sh)	833.73	500.11	722.61	733.96	16.32%	1,639,854,018
NYSE						
Enersis (USD/ADR)	19.93	11.3	15.95	12.74	-20.52%	190,301,912
Endesa Chile (USD/ADR)	52.33	30.52	42.06	33.49	-10.86%	52,710,219

02.5. DIVIDENDS

ENDESA upheld its commitment to increase shareholder returns via dividends in 2008.

At the General Shareholders' Meeting held on 30 June, the company agreed to pay a gross dividend of Euro 1.531 per share against 2007 results, as previously mentioned, entailing a total payment of Euro 1,621 million.

This amount is the sum of the interim dividend paid on 2 January 2008 of Euro 0.5 per share and the final dividend of Euro 1.031 per share paid on 8 July.

This total dividend of Euro 1.531 per share implies a payout of 60.6%.

The Board of Directors of ENDESA, at its meeting on 20 February 2009, approved the payment of a gross interim dividend against 2008 earnings of Euro 5.897 per share, coinciding with the total amount the Board of Directors will propose to the 2009 General Shareholders' Meeting for the distribution of 2008 earnings.

This interim dividend, which was paid on 16 March 2009, brings total shareholder remuneration to Euro 6,243 million. It represents the payment of 100% of the net capital gains obtained by the group in 2008 on the sale of assets to the German company E.On, totalling Euro 4,556 million, and Euro 1,687 million in dividends to be charged against ordinary profit.

This ordinary dividend, equivalent to a distribution of Euro 1.5934 gross per share, represents a 12% increase on the total ordinary dividend paid to shareholders against 2007 earnings.

02.6. INVESTOR RELATIONS AND SHAREHOLDERS' OFFICE

02.6.1. Investor relations

ENDESA maintains ongoing relationships with its shareholders, both private and institutional investors, as well as with the leading stock market analysts, and provides them with a steady stream of detailed information. For this purpose, ENDESA has an Investor Relations Department and a Shareholders' Office in Madrid.

We would also point out that 45 financial institutions carry out regular research on ENDESA, making it one of the electric utilities most closely followed by the market in the world.

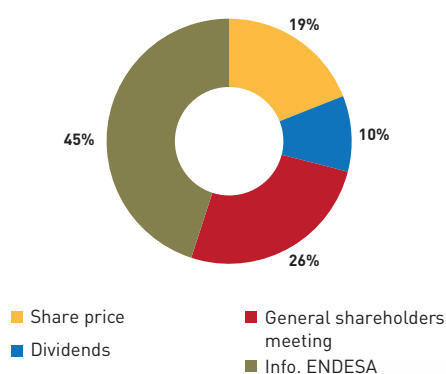
The activities of the Investor Relations Department in 2008 included five public presentations to analysts and investors.

Four of these focused on the company's quarterly results and the fifth gave details of the ENDESA assets sold to Germany's E.On AG under an agreement signed on 2 April 2007 between Acciona, S.A., Enel S.p.A. and E.On AG. The sale took place on 28 June 2008, with ENDESA selling to E.On its entire shareholding in Endesa Europa (excluding the trading business and assets located outside Italy, France, Poland and Turkey), plus the Los Barrios and Tarragona thermal plants in Spain.

The General Shareholders' Meeting on 20 June achieved a record quorum of 93.8% of the share capital.

02.6.2. Shareholders' Office

Information requested by ENDESA's private shareholders in 2008



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

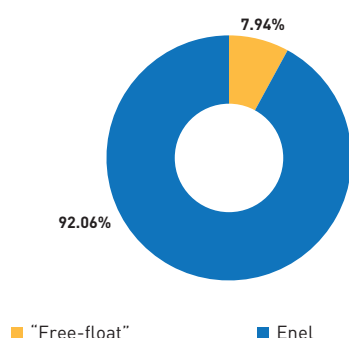
In 2008, the Shareholders' Office handled some 4,500 telephone enquiries and 260 visits, most regarding the General Shareholders' Meeting, and sent more than 1,025 information mailings by post or e-mail.

One of the main sources of information for shareholders is the "Investors" section of ENDESA's website (www.endesa.es).

This provides access to its main financial documents and publications, summaries of reports issued by top analysts, investment banks or rating agencies, documents related to the General Shareholders' Meeting and information on corporate governance, etc. In addition, the conference calls on quarterly earnings are broadcast in real-time via this channel.

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

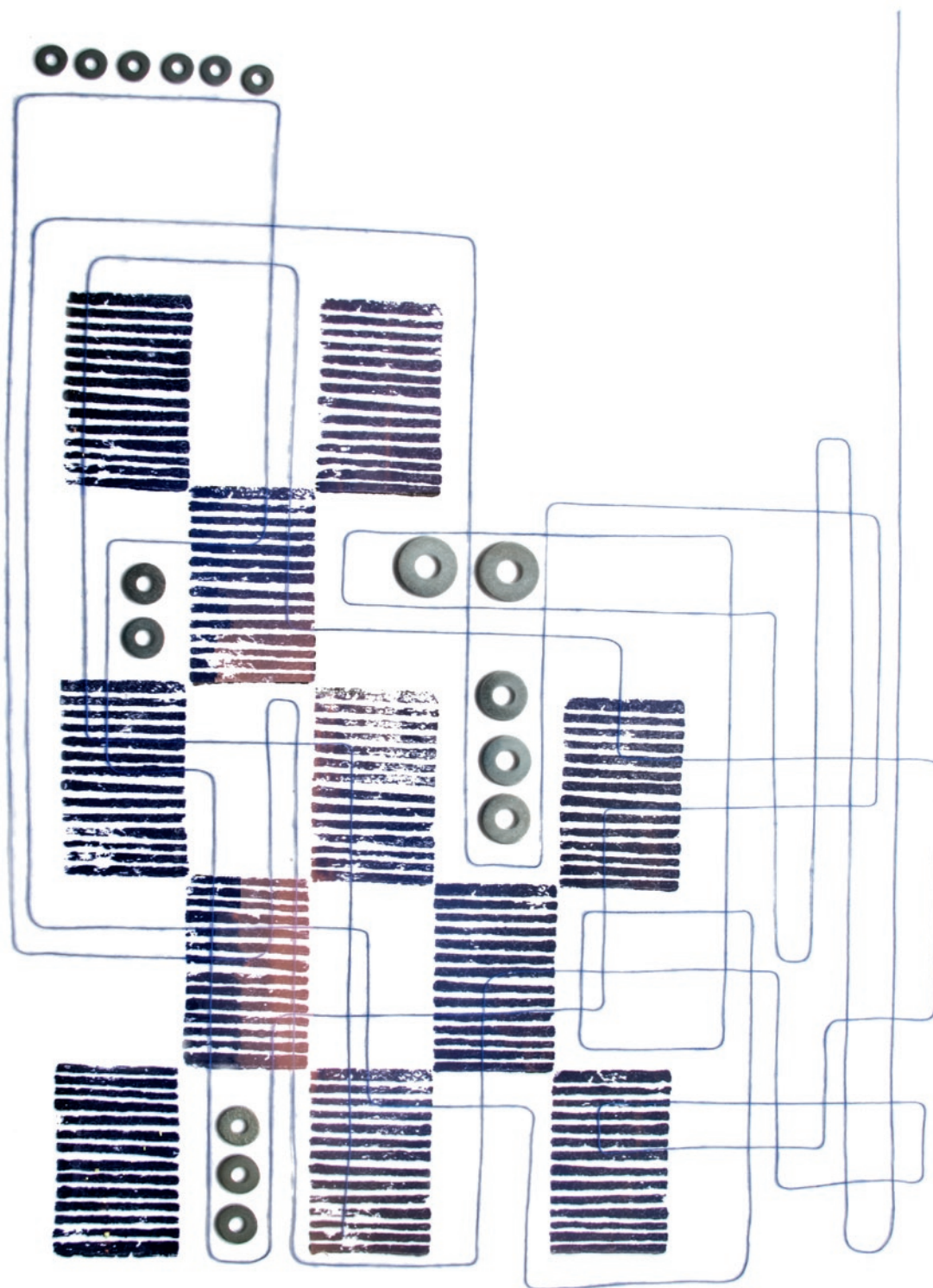
02.6.3. ENDESA shareholder structure



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

However, on 20 February 2009, Enel and Acciona signed an agreement under which Enel acquired Acciona's entire stake in ENDESA. After the completion of this sale, which will take place no later than the end of August 2009, Enel will own 92.06% of ENDESA's share capital and the shareholder structure will be as follows:

ENDESA's strategy: an overview



On 12 March 2009, ENDESA filed a document describing the "General Principles of ENDESA's Strategic Plan" with the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores* or CNMV), in order to offer the markets a preview of the plan's highlights.

The basic aim of these principles is to bring the Strategic Plan into line with the conditions of a market seriously affected by the current financial crisis, establishing the strategic priorities detailed below.

On 24 March the company's Board of Directors approved ENDESA'S Strategic Plan – Business Plan, which follows the guidelines set out in the afore-mentioned document.

01. LEADERSHIP IN KEY MARKETS

In Spain and Portugal the company aims to gain a leading position through outstanding operational quality and adapting our capacity plan to new market conditions, where there has been an appreciable slowing of demand.

The company's distribution service quality is higher than average in the Spanish electricity sector and it aims to maintain these levels. By 2015, 100% of ENDESA's metering is expected to be digital. The know-how of Enel, ENDESA's majority shareholder and a pioneer in the use of this technology, will be of great value in achieving this goal.

In Latin America, especially in Chile, Colombia and Peru, where ENDESA already holds a leading position, the company plans to take advantage of opportunities for organic growth.

In Chile, ENDESA will also continue to invest in long-term projects, such as the Aysén scheme, which will add nearly 2,750 MW of hydro capacity to the Chilean electricity grid, reducing dependence on external energy supplies through the use of the country's own natural resources.

In Brazil and Argentina the priority objective is to maximise the return on our asset portfolio.

Another of ENDESA's strategic priorities is to guarantee satisfactory standards of quality of supply in all the Latin American markets in which it operates.

Turning to Europe, in Ireland, where ENDESA is currently the second largest operator, with generation assets of 1,068 MW, the company will roll out a plan for industrial repowering and improving efficiency in power plants, which is expected to be completed by the first half of 2012.

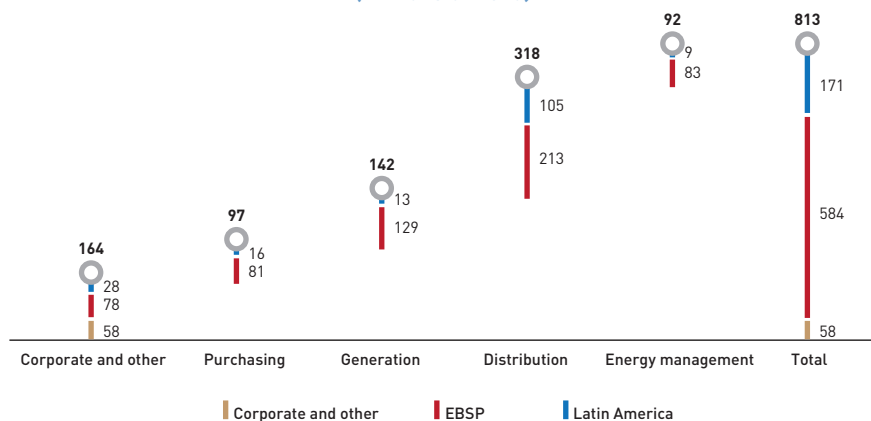
02. EXPANDED SYNERGIES PLAN TO ENSURE MAXIMUM EFFICIENCY

In December 2007, after Enel became its major shareholder, ENDESA launched a synergy and efficiency plan, under which it was estimated that recurrent synergies of Euro 630 million could be achieved by 2012. In June 2008 this figure was revised upwards to Euro 734 million.

It should be noted that in 2008 synergies of Euro 266 million were achieved. Of this total, Euro 224 million are recurrent, 43% higher than the Euro 157 million target set for 2008.

ENDESA continued to identify additional sources of synergy with its core shareholder, made possible through the closer integration of their activities. An initial study identified additional sources of savings, allowing a new synergies target of Euro 813 million to be set for 2012. Furthermore, ENDESA will continue work on identifying other sources of efficiency in addition to those to which it is already committed.

*Revised plan for yearly synergy and efficiency savings to 2012
 (Millions of Euro)*



03. INVESTMENT PLAN

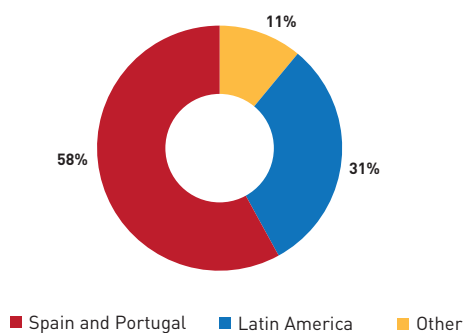
To pursue the strategic priorities set out above, ENDESA plans to invest Euro 13,500 million in the period 2009-2013.

58% of this amount (Euro 8,000 million) will be invested in Spain and Portugal, 31% in Latin America, and the remaining 11% will be mostly used to develop the industrial platform in Ireland.

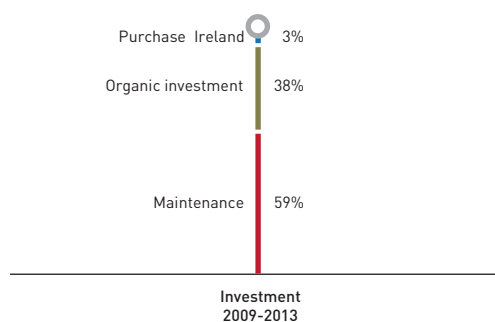
This investment plan, focused on investment in organic growth and maintenance, will enable ENDESA to strengthen its leadership in the key markets in which it operates.

The plan also reflects market conditions, which have been severely hit by the present recession, with a direct effect on demand for energy, resulting in a reduction in the need for new power infrastructure – both generation and distribution.

*Geographical breakdown of investment:
13.5 Millions of Euro*



*Total investment plan 2009-2013:
13.5 Millions of Euro*

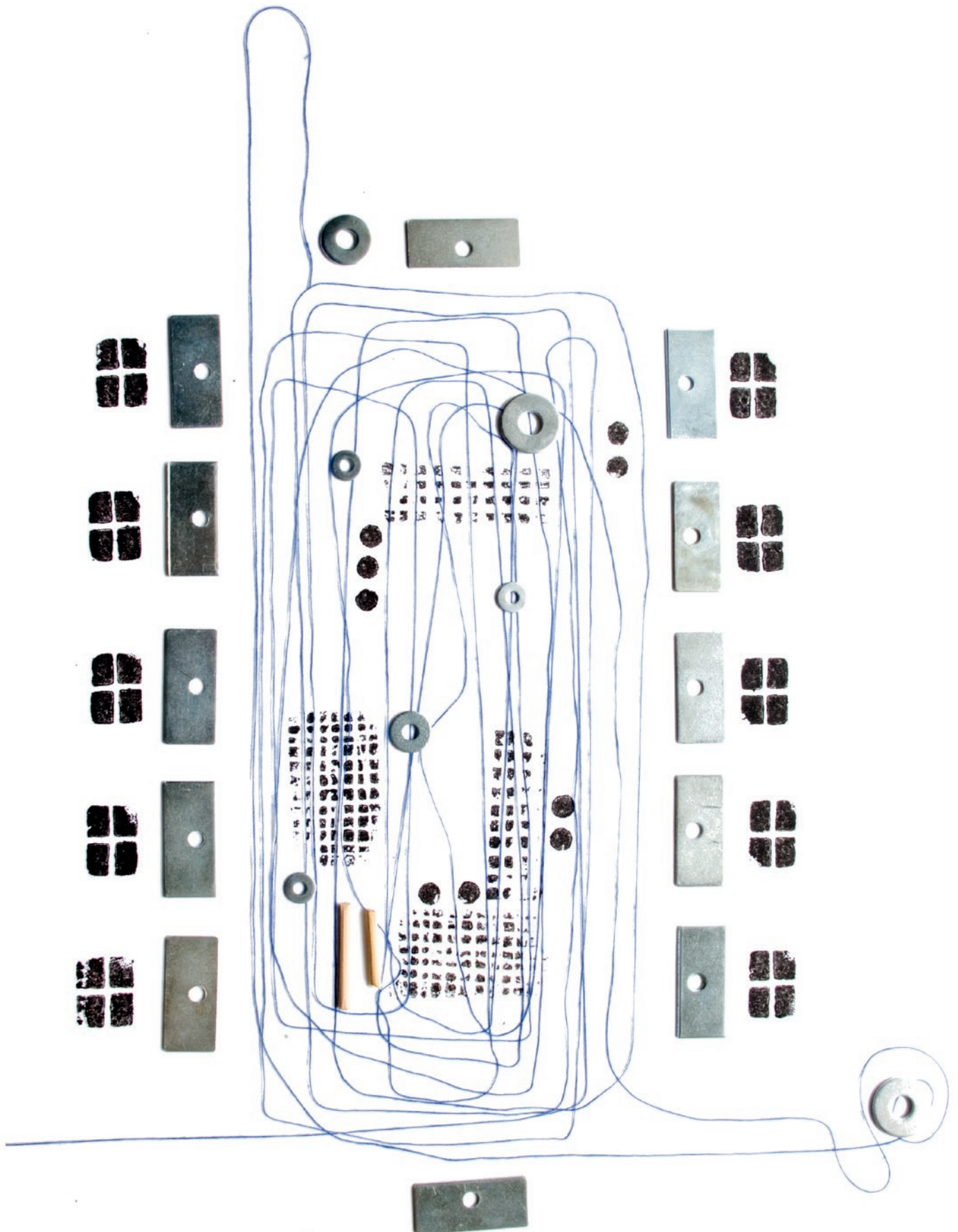


04. MAINTAINING A SOUND FINANCIAL BASE

Finally, we would point out that ENDESA will carry out its Strategic Plan for 2009-2013 without endangering the financial strength and flexibility which are the hallmarks of the company and will continue to ensure value creation for its shareholders.



Businesses



01. BUSINESS IN SPAIN AND PORTUGAL

01.1. KEY DATA

01.1.1. Presence in Spain

At the end of 2008, ENDESA had 21,949 MW of ordinary regime capacity in Spain and 1,845 MW total capacity in renewable and CHP. Ordinary regime output totalled 83,242 GWh and accounting output for renewable and CHP was 3,158 GWh.

Power sold on the deregulated market totalled 45,211 GWh. At year end ENDESA had 1,353,372 supply points in the Spanish deregulated market. In the regulated market, i.e., customers who receive their electricity supply at the tariffs established by the Government, ENDESA sold 61,327 GWh in 2008 and distributed 109,096 GWh to end customers.

ENDESA also has a sizeable presence in the natural gas sector. In the regulated market the company supplied gas to over 397,000 clients at the end of 2008 and distributed 7,373 GWh. Gas sales in the deregulated market were 40,937 GWh, 30% up on 2007, with over 846,000 supply points.

01.1.2. Presence in Portugal

At the end of 2008, ENDESA had 244 MW of installed capacity under the ordinary regime and 190 MW in renewable and CHP capacity. In the year as a whole, ordinary regime output totalled 1,360 GWh and renewable and CHP output was 428 GWh.

The company continued to pursue its policy of supplying the deregulated market in Portugal, maintaining its presence there despite the limitations of the interconnection with Spain and the unfavourable regulated tariffs set by the Portuguese government for 2008.

01.2. ENDESA'S ACTIVITIES IN THE SPANISH ELECTRICITY SECTOR IN 2008

01.2.1. The Spanish electricity sector in 2008

The Spanish electricity system was affected by a severe drought in 2008, which was even more serious than that of the previous year. Rainfall was distributed very unevenly during the year with heavy falls in April and May.

Output for the hydro sector as a whole was 20,971 GWh, 19.4% lower than 2007, although this fall was fully offset by increased wind-generation output, which rose 15.4% to 31,135 GWh.

As for other technologies, coal-based output decreased by 35%, while output from combined cycle gas turbine plants rose by 34%, the contribution of gas to the mainland generation mix now being twice that of coal.

Higher CO₂ prices and relative changes in the price of fuel severely penalised imported coal, and the effect was more pronounced due to the implementation of the Community Directive on Large Combustion Plants. This Directive limits sulphur emissions from power plants, which has led companies to install desulphurisers and, in some cases, restrict production with domestic coal.

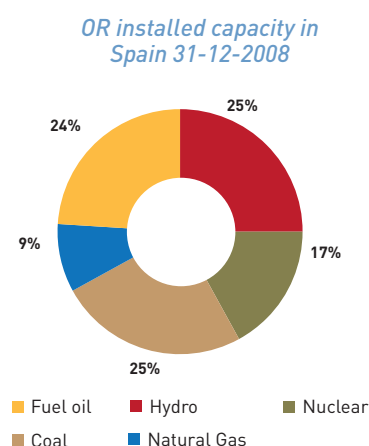
Plants using fuel-oil/gas still account for only a token percentage of output and production fell by 13.6%. Output from renewables/CHP plants was 20.4% higher than in 2007, covering 25.3% of system demand.

The sizeable increase in renewables/CHP generation and limited growth in demand (1.3%), mainly due to the economic crisis, contributed to a 1.5% fall in ordinary regime output compared to 2007.

01.2.2. ENDESA's electricity generation

01.2.2.1. ORDINARY REGIME

Ordinary regime capacity



At the end of 2008 ENDESA's total installed capacity under the ordinary regime in Spain was 21,949 MW. Of this amount, 17,278 MW corresponded to the mainland electricity system and the remaining 4,671 MW to the Balearic and Canary Islands and the Spanish enclaves of Ceuta and Melilla.

The broad diversification of ENDESA's generation assets allowed the company to increase output in a year which was particularly difficult because of substantial fluctuations in fuel prices, the effects of the drought and limitations on SO₂ emissions.

Ordinary regime electricity output

Total net output in 2008 from ENDESA's ordinary regime generation plants in Spain was 83,242 GWh, 0.6% less than in 2007.

On the mainland, output fell by 618 GWh, as a result of the 11,344 GWh reduction in output from domestic coal-fired plants and the greater use of all other generating technologies. Combined cycle gas turbine plants showed a particularly large increase (66%), compared with 2007.

Non-mainland output stood at 15,001 GWh, 0.9% higher than in 2007.

OR electricity generation by ENDESA according to busbar cost (GWh)

	2008	2007 proforma	% chg.	% s/total
Hydro electric	7,548.4	7,149.3	5.6	9.1
Nuclear	26,112.0	24,651.6	5.9	31.4
Domestic coal	11,169.9	22,513.9	-50.4	13.4
Imported coal	13,086.2	8,189.2	59.8	15.7
Fuel- gas	427.2	379.5	12.6	0.5
Combined cycle	9,897.5	5,975.3	65.6	11.9
Total mainland	68,241.1	68,858.9	-0.9	82.0
Non mainland	15,001.4	14,864.3	0.9	18.0
TOTAL	83,242.5	83,723.2	-0.6	

New facilities, extensions and operational upgrades

The following infrastructure projects were completed, developed or undertaken by ENDESA in Spain during 2008.

Mainland system

- Start up of the As Pontes (La Coruña) 849 MW combined cycle plant.
- Conversion of group 1 to imported coal and completion of a new controlled deposit for non-hazardous waste at the As Pontes thermal power station
- Completion of on-load operating trials of new 43,000 tn/day coal unloading facilities at the port of Ferrol (La Coruña).
- Combustion gas desulphurisation plant for groups 4 and 5 installed and brought on stream at the Compostilla 2 power station in León.
- Work started on construction of Besós 5 (Barcelona) 800 MW CCGT plant.
- Commissioning and start up of the project to install two 400 MW CCGT plants: Compostilla 6 and Compostilla 7.
- Commissioning and start up of the project to modify the coal-fired operation at Compostilla thermal plant.
- Commissioning and start up of projects to install low-emission NO_x burners at the Litoral 1 (Almería) and Teruel 1 (Teruel) thermal units.

Balearic Islands

- Start up of a 25 MW gas turbine at the Ibiza plant and a 50 MW gas turbine at Mahón (Menorca).
- Start of building work to install a 234 MW CCGT plant at Ca's Tresorer 2 (Mallorca).
- Commissioning and start up of a project to install a 25 MW gas turbine at the Ibiza power station and a 58 MW unit at the Mahón plant.
- Commissioning and start up of projects to install natural gas regulation and measuring stations for plants at Son Reus (Mallorca), Ca's Tresorer and Ibiza.
- Further work on modifying substations at Ibiza and Mahón plants to cover increases in generating capacity.

Canary Islands

- 75 MW steam turbine at Barranco 2 CCGT plant in Gran Canaria brought on stream.
- Further engineering and production work for project to install 224 MW CCGT unit at Granadilla 2 (Tenerife); modification of fuel tanks at Jinámar thermal plant in Gran Canaria, and improvements to two 3.5 MW diesel engines at El Palmar plant in La Gomera.

Ceuta and Melilla

- Further engineering and production work for project to install a 14 MW gas turbine at the Ceuta plant; installation of piping for new water cooling system at Melilla plant, and start of engineering and production activities for the project to install a 12 MW diesel unit at the Ceuta plant.

01.2.2.2. RENEWABLES/CHP

ENDESA brought over 340 MW of gross renewable energy capacity on stream in 2008, bringing total capacity up to 2,423 MW at year end, an increase of 15% on 2007.

If cogeneration facilities are included, ENDESA had capacity of 2,695 MW in renewables and CHP at the end of 2008. Net cogeneration and renewable energy output for the whole year was 3,593 GWh.

Breakdown by technology

In 2008 nine new wind farms in which ENDESA has a stake were built, with total capacity of 333.8 MW. As a result, the total installed wind capacity in which the company has a stake reached 2,029 MW at the end of the year, representing a 10% market share.

Another significant development was the purchase by ENDESA of an additional 45% of Proyectos Eólicos Valencianos, S.A., 55% of which it already held. The company owns 295 MW of operational wind farm capacity.

At the end of 2008 ENDESA had interests in 39 mini-hydro plants, with a total capacity of 251 MW, its average stake being 82%.

In the field of solar power, 13 MW of photovoltaic capacity was brought into service, subject to the remuneration scheme provided for by Royal Decree 661/2007. ENDESA is also participating in four solar thermal projects, in which it has a majority holding. These have a total capacity of 200 MW and are expected to be brought on stream by the end of 2011.

ENDESA has interests in six operational biomass and biogas plants, with installed capacity of 57 MW; it also part owns three waste treatment plants (Tirme, Tirmadrid and TRM) with a total capacity of 71 MW.

At the end of 2008 the company had ownership interests in a number of cogeneration plants with a total gross capacity of 272 MW.

Green Fuel Corporation, a company set up to build and operate biodiesel production facilities, and in which ENDESA has held a stake since 2005, finished work on a plant in Extremadura, which is now undergoing tests.

01.2.3. Mining: coal extraction

In 2008 ENDESA's mining activities focused on five coal mining operations, all of them open cast: two mines in the region of Andorra (Teruel), the Barrabasa Oeste and Gargallo Oeste pits; the Cervantes and Ballesta Este pits in the Guadiato basin (Cordoba); and, finally, the Emma pit at Puertollano (Ciudad Real).

In 2008, ENDESA extracted a total of 1.9 million tonnes of coal, equivalent to 6,182 million therms: 57.2% less than in 2007 measured in tonnes and 48.0% less in therms. This amounts to around 13% of domestic coal production measured in tonnes.

ENDESA mining output by type of coal

Millions of therms LHV

Producer	Type of coal	2008	2007	% chg.
Endesa Generación	Brown lignite	0	5,045	-100.0
Endesa Generación	Black lignite	2,009	2,113	-4.9
Encasur	Bituminous	3,347	3,831	-12.6
Encasur	Anthracite	826	902	-8.4
Total		6,182	11,891	-48.0

LHV: Lower Heating Value

In 2008 ENDESA's total coal sales measured in therms fell by 48.1% vs. 2007, which was slightly below output. 39% of these supplies went to Endesa Generación, 10% to the subsidiary Elcogas and 51% to E.On Generación.

The significant decrease in both output and sales in 2008 was due, as it was in 2007, to the adjustment of ENDESA's mining activities to the regulatory framework set out in the New Coal Mining Plan 2006/2012 and to the planned termination of brown lignite mining at As Pontes (La Coruña). From now on activity there will be restricted to a major restoration project to create a lake in the pit left at the end of mining operations.

01.2.4. ENDESA in the regulated electricity market

In Spain, ENDESA distributes electricity to a market covering 20 provinces in seven autonomous regions (Catalonia, Andalusia, the Balearic Islands, the Canary Islands, Aragon, Extremadura and Castilla/Leon), with a total population of around 22 million.

In 2008, the total number of ENDESA customers exceeded 11.6 million, an increase of 1.5% vs. 2007. This number includes those who were supplied at the regulated tariff as well as those who, being located in one of ENDESA's distribution areas, availed themselves of the option to choose their supplier.

The total energy supplied through ENDESA's distribution grids to end customers rose to 109,096 GWh, 1.6% up on 2007.

The proportion of total energy, calculated by busbar cost, supplied by ENDESA's grids to deregulated market customers stood at 42.8% in 2008, vs. 31.7% in 2007. This substantial increase is due to the suppression of regulated tariffs for high voltage supplies during the year.

	2008	2007	
GWh (according to busbar cost)	%	%	2008 vs. 2007
Endesa Red customers in regulated market	57.20	68.40	-15.30
Endesa Energía customers in deregulated market	32.80	26.70	24.70
Other companies in deregulated market	10.00	5.00	102.80

ENDESA's electricity sales to end customers on the regulated tariff market stood at 61,327 GWh in 2008.

01.2.4.1. DEVELOPMENT OF DISTRIBUTION INFRASTRUCTURE

In 2008 the lines making up ENDESA's distribution grids were extended by 1%, to 305,113 km. Underground lines account for 38.6% of this total.

Also during the year, 36 new substations, 4,737 medium-to-low voltage transformation centres and 546 metering centres for medium-voltage customers were brought into operation. As a result, by the end of the year ENDESA had 990 substations, 119,880 transformation centres and 37,076. At the same time, installed transformation capacity increased by 783 MVA.

In addition to the development of this infrastructure, a number of activities to improve power supply quality were carried out. These include stepping up maintenance work, renovating facilities and increasing the automation of the medium-voltage (i.e. >36 kV) grid. In 2008, 476 remote control devices were put into operation under the company's Medium Voltage Network Automation Plan, representing a 6.6% increase over the number previously in use.

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

ENDESA electricity distribution facilities¹

	2008	2007	% chg.
High voltage overhead lines (km)	20,257	20,106	0.7
High voltage underground lines (km)	958	867	10.6
Medium voltage overhead lines (km)	79,893	79,254	0.8
Medium voltage underground lines (km)	35,225	32,905	7.0
Substations (n°)	988	947	4.3
Substations (MVA)	79,803	79,021	1.0
Transformer centres (n°)	119,880	115,143	4.1

¹ Data for 2007 may differ in certain cases from that published in the notes to the annual report for that year due to post-publication inventory updates. At the close of 2008, the total length of low-voltage lines stood at 168,780 km.

The main projects carried out by ENDESA in 2008 to develop its distribution infrastructure in each of its Spanish regional markets, were as follows:

- In Andalusia and Extremadura 35 new transformers came on stream, providing a total capacity of 766 MVA. In addition, three substations were extended with three new transformers coming on stream, providing a total capacity of 63 MVA. 339.3 km of new circuits were built, including 36 km for the 220 kV Cartuja-Puerto de Santa María I and II circuits; 231.5 km of line were repowered, including the 38.54 km long 220 kV Torrearenillas-Rocío circuit; and within the framework of the Medium-Voltage Grid Remote Control Plan, 245 new remote control points were installed.
- In Aragon the following substations were brought into operation: Alfamen 45/15 kV, Huesca Sur 45/10 kV, Expo 132/15 kV, La Paz 132/15 kV, Centrovía 132/15 kV, Platea 132/20 kV, el Portillo 132/45 kV, Aragonia 45/10 kV, Valdepilas 132/25 kV, Valenzuela 45/15 kV, Zuera Oeste 132/45/15 kV and la Loteta 66 kV. In addition, 25 new transformers came on stream, providing total capacity of 1,052.5 MVA, while five substations were extended, providing an additional 97 MVA.
- 6.1 km of new circuits were also built to feed the substations constructed to ensure the power supply to Expo 2008, while 76.21 km were repowered. 70 new remote control points were installed under the Medium-Voltage Grid Remote Control Plan.
- In the Balearic Islands, the new Santa María 66/MV and Llätzer 66/MV substations came on stream with four new transformers and a total capacity of 100 MVA. The Formentera 66/MV substation was extended, with a new 20 MVA transformer being brought into operation, 50.75 km of line was repowered, and 14 new remote control points installed within the framework of the Medium-Voltage Grid Remote Control Plan.
- In Catalonia, the Empordanet 132/MV substation, with 40 MVA total installed capacity, and a new 20 MVA transformer at the Pradell substation came on stream; three substations were extended with three new 220/25 kV transformers, with a total capacity of 100 MVA; 83.1 km of new circuits were built, 8.8 km of which were 220 kV, and 74.9 km of lines were repowered. 159 new remote control points were installed as part of the Medium-Voltage Grid Remote Control Plan.
- In the Canary Islands the transformation centre at the Corralejo substation was extended, increasing capacity by 22 MVA, and a partial connection was made with the Arico wind farm. 43.3 km of transmission line circuits were repowered (Buenos Aires-Candelaria 66 kV and the first San Mateo-Guía 66 kV circuit). These play a key role in guaranteeing quality of service on the islands of Tenerife and Gran Canaria. Lastly, as part of the Medium-Voltage Grid Remote Control Plan, 22 new remote control points were installed.

01.2.4.2. TRANSMISSION

ENDESA is carrying out major measures to maintain its transmission business, increasing and maintaining its ownership of transmission assets.

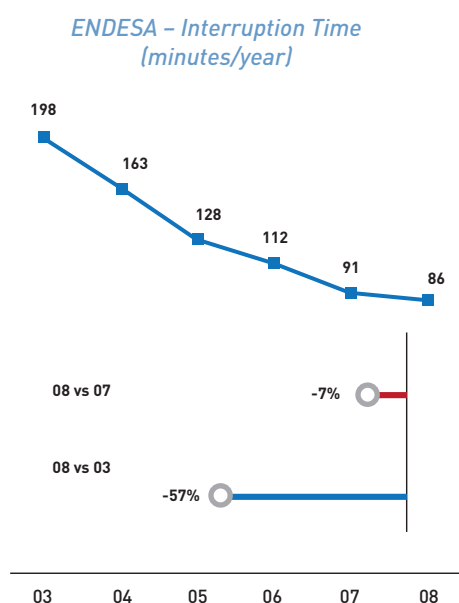
Law 54/1997 concerning the electricity sector has been modified by Law 17/2007, which stipulates in Art. 35.2 that the transmission network manager, Red Eléctrica de España will be the sole transmission system operator, on an exclusive basis. However, Art. 35.2 also says that the Ministry of Industry, Tourism and Commerce may authorise the distributor in a given area to own certain transmission facilities of up to 220 kV, depending on their characteristics and functions. The ninth transitory provision of Law 17/2007 also allows for companies owning transmission facilities which were operative, or for which planning permission had been requested, before 1 January 2007 to retain ownership for three years.

ENDESA considers that, in order to maintain and improve the quality of the service it provides in its distribution areas, it is essential to control the transmission facilities closest to its market, and has therefore been active in this area since Law 17/2007 came into force. On the one hand, it has continued to develop and operate the facilities covered by Transitory Provision 9, referred to above, and, on the other, it has requested the Ministry of Industry, Tourism and Commerce to grant the exceptional status provided for in the Law to the facilities it is developing which have the greatest impact on the distribution grid that it owns.

01.2.4.3. CONTINUITY OF SUPPLY

The basic purpose of ENDESA's distribution grid is to ensure continuity of electricity supply to its 11.6 million customers.

The indicator which measures the continuity of supply is Average Interruption Time, and the procedure for calculating this is regulated by Royal Decree 1955/2000. The results are audited annually by an independent company.



In 2008 the Average Interruption Time for ENDESA customers was 86 minutes, an improvement of 5 minutes (7%) on the previous year and beating the company's own previous record.

In the regions of Spain where ENDESA is the main distributor, the best Average Interruption Time was recorded in the Canary Islands (44 minutes), followed by the Balearic Islands (56), Catalonia (68), Aragon (73), and Andalusia (119).

In Andalusia the figure represents a 50% improvement over the last five years, thus fulfilling the commitment made by the company to the regional government in 2003.

On 13 November 2008 an incident occurred which affected the electricity supply throughout Mallorca and Menorca. Originating in the Alcudia thermal power plant, it set off a chain reaction, putting all the other power plants out of service and leading to an

interruption in supply to all the customers on the two islands. Work on resuming service began immediately with power being restored to 100% of customers in Menorca within two hours. The incident increased ENDESA's average interruption time for the year by 5 minutes.

01.2.5. ENDESA in the deregulated market

The Spanish electricity market has been fully deregulated since 1 January 2003 and any customer may choose a supplier who is not the same as the local distributor. Customers who have actually exercised this right, accounted for 40.4% of the total market, measured in energy terms, at the end of 2008.

On 1 July 2008 most medium-voltage regulated tariffs were suppressed and customers obtaining power on these terms had necessarily to contract supplies in the deregulated market. As a result, on 31 December 2008 over 50% of all electricity supplied in ENDESA's distribution areas corresponded to this market.

In 2008 ENDESA supplied a total of 45,211 GWh to customers in the deregulated market, representing a 43.1% share. It is worth noting that the company's market share in those areas not covered by its distribution grid exceeded 18%.

The number of customers supplied by the company in the deregulated market grew by 206,192 in 2008, bringing the number of supply points up to 1,353,372.

In order to provide the best customer care ENDESA has a wide network of face-to-face customer service points while assistance is also available by phone and on internet. Year after year the main indicators of customer satisfaction have shown improvements thanks to its Customer Service Excellence Plan.

01.2.5.1. ENDESA'S CUSTOMER SERVICE CHANNELS IN 2008

In 2008, ENDESA continued enhancing and improving its sales channels, and began the process of integrating them with the aim of standardising the service customers receive in all their dealings with the company. This has been carried out on the basis of a thorough segmentation of these customers, according to size, sector and region.

The customer service channels dedicated to business customers are staffed by over 400 sales managers across the country, and there is also a dedicated telephone line and an internet channel.

The customer service channels for domestic customers are:

- Face-to-face service, consisting of 43 sales offices and 420 service points.
- Telephone service which dealt with more than 12 million calls in 2008.
- On-line service (www.endesaonline.es) with over 300,000 registered users, who made over 3 million transactions and queries in 2008.

01.2.5.2. CUSTOMER SERVICE EXCELLENCE PLAN

In 2008, ENDESA's Customer Service Excellence Plan, originally launched in 2003, had three main focuses: optimising contracting processes in the domestic market, improving the telephone service for business customers and enhancing the on-line sales office.

The achievements of the plan include a 30% reduction in the time for gas contracts in the deregulated market to be approved, a 10% increase in overall satisfaction levels of business customers with the telephone line, and a 30% increase in the number of residential customers registered with the on-line service.

01.2.6. ENDESA's Customer Ombudsman

ENDESA's Customer Ombudsman works independently from the company's management teams and was appointed to provide customers with an additional means of dialogue in connection with the services that ENDESA provides in the market; to listen to the views of those wishing to address the organisation either from inside or outside, and to make recommendations for new ways of discovering customer needs and expectations and methods of improving customer service.

José Luis Oller Ariño has been ENDESA's Customer Ombudsman since June 2005.

The Ombudsman's activities cover three main areas: processing and managing complaints, drawing up recommendations, and developing projects and activities.

In 2008, the Ombudsman's recommendations to the company focused on improving the information and advice given to customers on the changes brought about by the deregulation of the energy market and on the new legal framework, governing such issues as contracting, the disappearance of the night rate, customers' installations and the management of complaints regarding metering.

In order to obtain better knowledge of the Spanish energy market and to provide more information on consumer rights and better protection, the Ombudsman's Office organised a survey, based on a sample of 1,000 customers, on their awareness, opinion of and attitude to the energy market deregulation process in Spain.

In 2007 a series of informative talks were held around Spain, a process that continued in 2008. The talks, given with the support of an external expert, are intended to improve communication and relations with customers.

On an international level, the Ombudsman took part in a number of events organised by the European Union:

- In May a meeting was held in Brussels to discuss the creation of a charter on the rights of energy consumers, as proposed by the European Commission in July 2007. At the meeting, ENDESA's Ombudsman gave a presentation on his Office's mission and how it functions.
- In October the Ombudsman took part in the first European Citizen's Energy Forum in London, at which representatives of the EU member countries' main consumers' associations, national regulatory bodies and European power and gas companies discussed the EU's third package of energy market legislation. The Forum's conclusions included a recommendation that all energy companies in the EU should create a post such as ENDESA's Customer Ombudsman.
- Finally, the Ombudsman attended a meeting in Sweden of the Forum for European Energy Companies' Customer Ombudsmen to launch a comparative study of the consequences of deregulation for customers.

As in previous years, ENDESA's Customer Ombudsman continued to foster relationships with public administration representatives, consumer organisations and regulatory bodies, as well as with a range of internal contacts.

01.2.6.1. COMPLAINTS MANAGEMENT

In the course of 2008, the Customer Ombudsman handled 919 complaints, 66% of which were resolved directly.

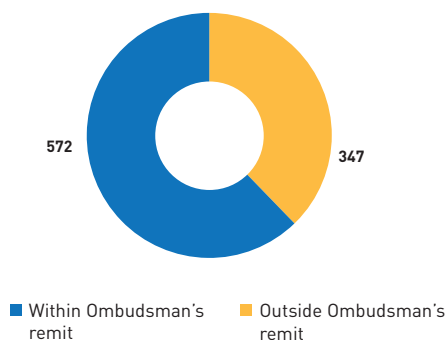
The remainder, once they had been studied and initial contact had been made with the customers involved, were passed on for final processing to the usual service channels made available by the company.

Of the complaints that met the requirements for being dealt with by the Ombudsman, 78% were satisfactorily resolved by mediation between the company and the customer. The remaining 22% were resolved by rulings from the Ombudsman, 54% of which upheld the customer's claim either fully or in part.

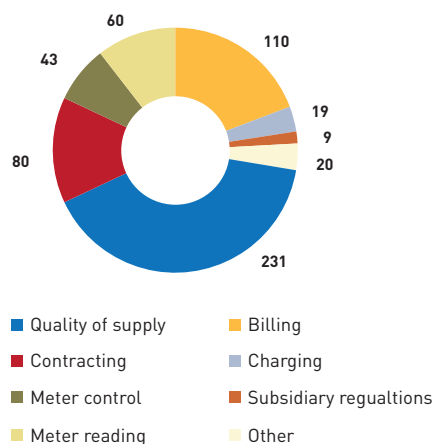
Of the complaints falling within the Ombudsman's direct remit, 40% related to issues of supply quality, 33% to meter reading, billing and charging issues, 14% to contracting, and the remainder to other issues.

90% of the complaints dealt with by the Ombudsman were submitted by household customers. 84% of the complaints received were related to the supply of electricity, 13% to the supply of gas and the rest to other services.

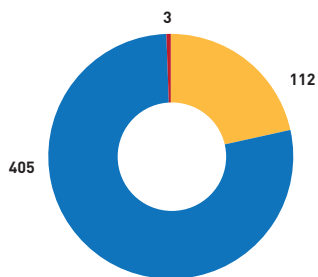
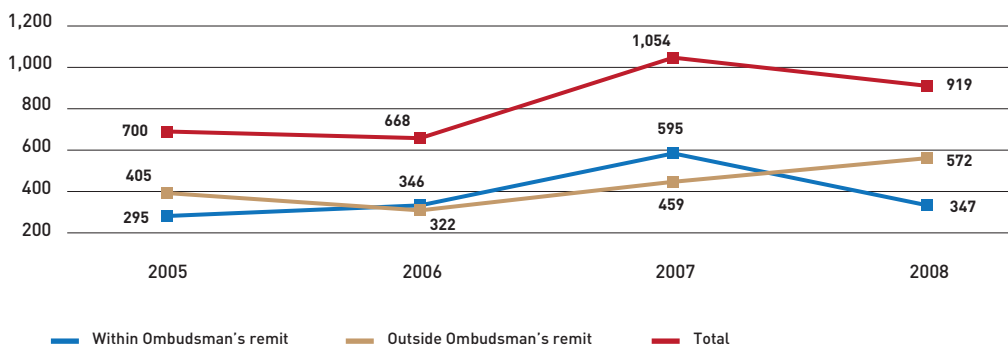
ENDESA: Total complaints received



ENDESA: Total complaints by type



Complaints received 2005-2008



■ Ruling ■ Mediation ■ Other

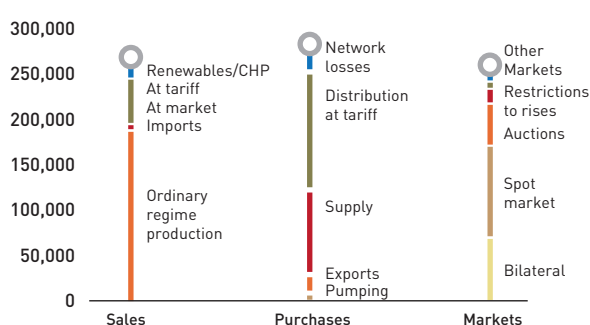
	Number	% of total
Ruling	112	22
Mediation	405	78
Other	3	1
TOTAL	520	100

01.2.7. ENDESA in the wholesale market

01.2.7.1. THE SPANISH ELECTRICITY WHOLESALE MARKET IN 2008

In 2008, 263,054 GWh were made available for sale to end customers through distributors and suppliers; for export; and to cover the consumption of the system itself (grid losses, auxiliary consumption by power stations; and pumping consumption). Pumping consumption and exports totalled 15,301 GWh.

Sales and purchases in Spanish mainland grid (GWh)

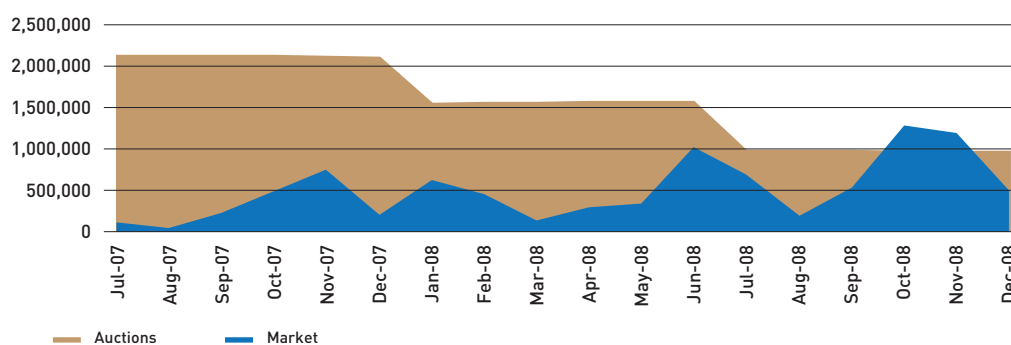


Of this amount, 40% of power supplies were obtained in the day ahead market managed by the Electricity Market Operator (OMEL), 27% from bilateral contracts, 23% from primary energy emission auctions (VPPs) with physical delivery and CESUR auctions (Last Resort Power Supply Contracts), 6% in the operations markets run by Red Eléctrica de España (REE) and the rest, some 4% of output, was acquired directly from distributors at the renewables/ CHP tariff rate.

31,595 GWh were purchased through the OMIP forward contracts market in the year, 48% in auctions, and the remainder through continuous trading.

OTC forward contracting through financial contracts also accounted for 9,152 GWh.

Volume traded OMIP (MWh)



01.2.7.2. ELECTRICITY AUCTIONS IN THE WHOLESALE MARKET

The two main market operators are obliged to hold primary energy emission auctions (VPPs), three of which took place in 2008. Through these ENDESA sold 8,689 GWh (7,446 GWh with physical delivery), deliverable over time periods of up to 12 months

Meanwhile, the distributors buying energy at the CESUR auctions in 2008 were ENDESA (34%), Iberdrola (35%), EDP (12%), Unión Fenosa (11%), Hidrocarbónico-EDP (6%) and E.On Viesgo (2%) Four auctions were held at which 12,200 GWh were sold for delivery in 2008 and 4,100 GWh for delivery in 2009. The average prices were Euro 65.56 MWh and Euro 62.05/MWh, respectively.

Capacity auctions were also held in Portugal, similar to the VPPs in Spain, with REN and EDP as sellers. ENDESA took part in these auctions, buying approximately 16% of the energy on offer.

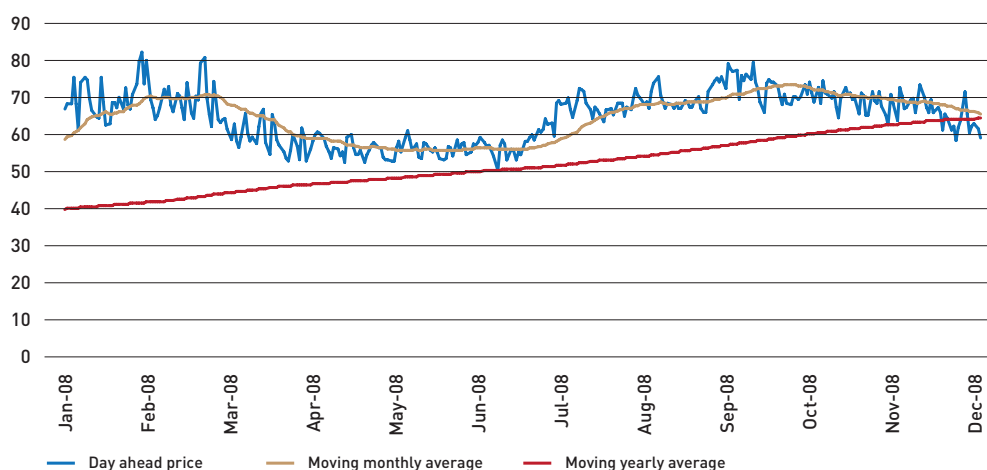
01.2.7.3. ELECTRICITY PRICES IN THE WHOLESALE MARKET

The weighted average price on the day ahead market was Euro 65.70/MWh in 2008, compared with Euro 40.83/MWh in 2007.

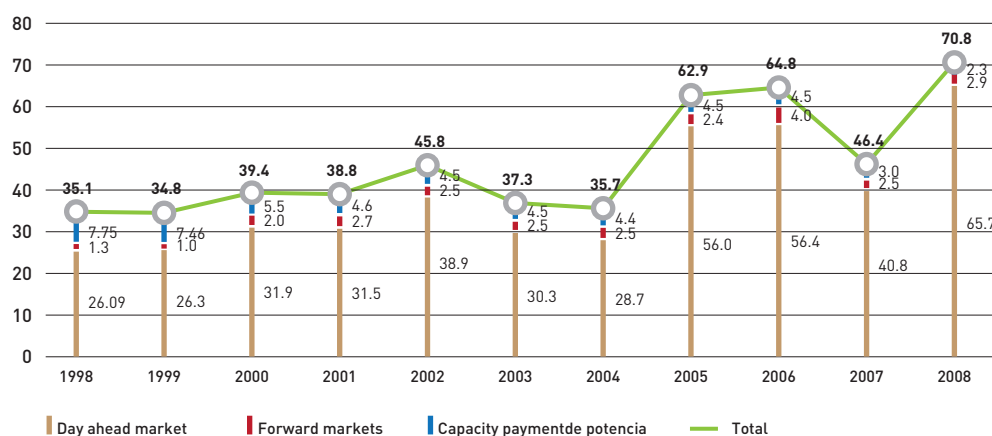
In 2008, with stranded costs in forward markets adding Euro 2.85/MWh to the average price and capacity payments Euro 2.26/MWh, the final year-end price was Euro 70.8/MWh: a year-on-year increase of 61%.

This increase was significantly driven by CO₂ prices which averaged Euro 22.31/MWh in 2008, while they were near zero at the end of 2007.

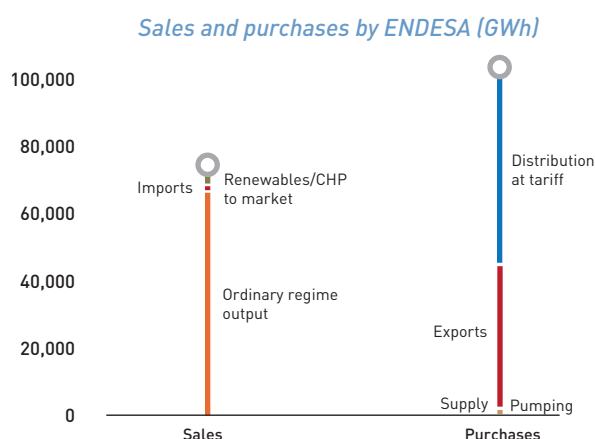
Average day ahead price 2008 (€/MWh)



Price structure (€/MWh)



01.2.7.4. ENDESA SALES AND PURCHASES IN THE WHOLESALE MARKET



In 2008, ENDESA sold 72,089 GWh on the wholesale market; 26.4% of total mainland energy supply (output in ordinary regime, renewables/CHP output and imports).

Approximately 78% of sales was from bilateral contracts, including 11,563 GWh from auctions (VPPs and CESUR); while the remaining 22% was sold through the OMEL and REE markets.

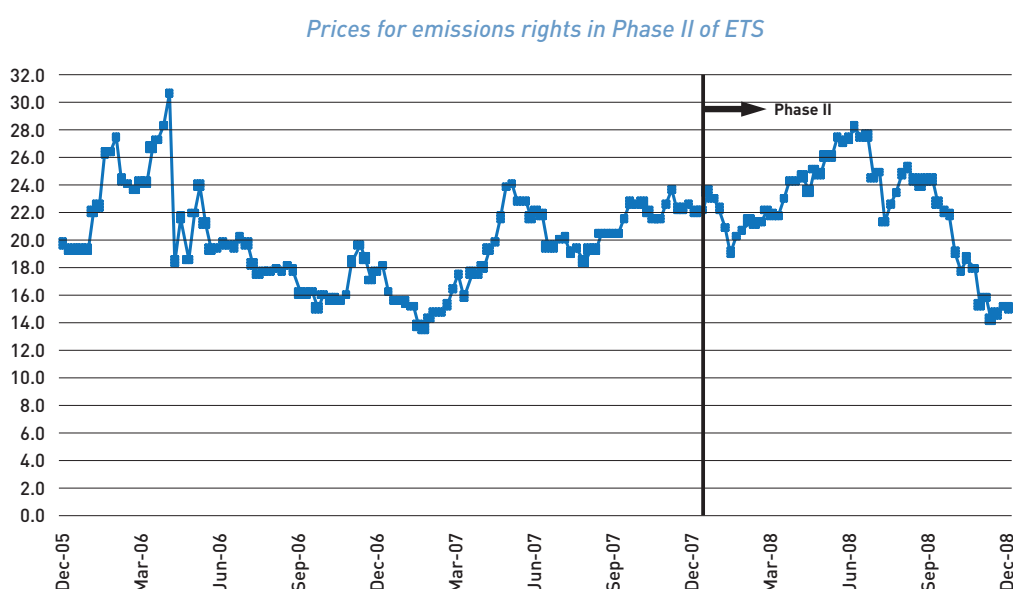
Bilateral contracts with suppliers grew 21% to represent 43.6% of total sales. Forward contracts effected via capacity auctions and for purchases by distributors (VPP and CESUR respectively) accounted for 16% of sales.

ENDESA acquired 103,557 GWh on the wholesale market, of which 43% went to supply, 55% to distribution and the rest to pumping consumption (1%) and exports (1%).

01.2.7.5. THE CO₂ MARKET: MEETING ETS COMMITMENTS

In 2008, ENDESA continued to apply its environmental policy within the framework of the European emissions trading scheme (ETS) to comply with the objectives of the Kyoto Protocol.

The company plays an active role in the main European markets (NordPool, Powernext and ECX) and has accounts open in registers in Denmark, France and Spain (RENADE) to optimise the management of its emissions rights position.



ENDESA's allocation under the Spanish National Allocation Plan for emissions (NAP) was 27 million tonnes in 2008 (including non-mainland facilities but excluding the Los Barrios and Tarragona plants). This was lower than the emissions actually needed which, added to low hydro output during the year, led ENDESA to exceed its allocation.

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

01.2.8. Fuel procurement

Higher CO₂ prices and relative changes in the price of fuel severely penalised imported coal in 2008, the effect being more pronounced because of the implementation of the EC Directive on Large Combustion Plants.

This Directive limits sulphur emissions from power plants, which has led companies to install desulphurisers and, in some cases where these have not been sufficient, to restrict production with domestic coal.

As a result, ENDESA took out one-year forward contracts for supplies from certain countries (Colombia, South Africa), along with shorter term and spot contracts. Following the general market trend, price indexing using the API2 and API4 indices was quite common, encouraging the use of hedging operations in financial markets.

ENDESA fuel supplies, including own output

	2008	2007	% chg.
Domestic coal (kt.)	5,081	7,413	-31,5
Imported coal (kt.)	8,801	10,411	-15,5
Oil coke (kt.)	242	266	-9,1
Liquid fuel (kt.)	2,897	2,959	-2,1
Nat Gas Bi-comb plants (mn m ³)	151	128	-18,0
Nat Ga combined cycle (mn m ³)	2,165	1,532	-41,3

* Includes non mainland and assets for sale

ENDESA handled 14.12 million tonnes of coal in 2008, a year-on-year decrease of 21.9%. With regard to liquid fuels, the company handled 1.73 million tonnes of fuel-oil (1.5% more than in 2007) and 1.16 million tonnes of diesel (down 7%). These decreases in the quantities of coal and liquid fuels used were due to lower consumption as demand for electricity decreased. ENDESA also supplied 1.6 million tonnes of coal to third parties.

Finally, Endesa Generación managed 2.16 bcm of gas for CCGT consumption and 0.15 bcm for consumption by bi-combustible thermal power plants. Gas supplied for sale by Endesa Energía stood at 3.29 bcm and the volume supplied to third parties was 0.08 bcm.

01.2.9. Risk management in the electricity business

Results of the electricity business in Spain and Portugal are subject to uncertainty because of their exposure to electricity, fuel and CO₂ emission rights markets, etc.

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

In 2008, an appropriate balance was achieved between margin and risk in a situation of fluctuating prices and great uncertainty. This was largely thanks to good market risk evaluation and integrated portfolio management in forward markets for a period of no less than three years. Managing credit risk was particularly crucial given the global credit crisis.

The strategy of selling electricity through the various forward power sales channels and directly to the end customer, together with coordinated agreements on commodity costs (fuel), allowed risk levels to be held down to within the established limits at all times, while continuing to achieve target margins.

In the CO₂ emissions rights markets, ENDESA has an extensive portfolio of CDM projects which will generate sufficient ERcs at competitive prices for 2008-2012.

01.3. ENDESA'S ACTIVITIES IN THE PORTUGUESE ELECTRICITY SECTOR IN 2008

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

01.3.1. Generation

ENDESA holds a 38.9% stake in Tejo Energía, the company which owns the Pego coal-fired thermal plant. This 628 MW plant is one of the largest in the country and has pre-sold its energy long term to the Portuguese grid.

The plant's output in 2008 was 3,496 GWh, representing 7% of total consumption in Portugal. The installation of new desulphurisation and denitrification equipment was completed at year-end. Euro 150 million were invested in this equipment which will reduce emissions (SO_x, NO_x, particles) from the plant by almost 90%.

ENDESA also wholly owns Finerge, which at the end of 2008 had gross capacity of 184 MW in operation in wind farms, and 37 MW in cogeneration, plus another 36 MW in wind farms under construction. Finerge's output in 2008 was 348 GWh from wind farms and 164 GWh from cogeneration.

Finerge has a 38% holding in Empreendimentos Eólicos do Vale do Minho (EEVM), which had capacity of 292 MW and output of 435 GWh in 2008.

In addition, ENDESA and Sonae, one of Portugal's largest industrial groups, jointly (50/50) own Sociedade Térmica Portuguesa, which had capacity of 57 MW in cogeneration and renewables and output of 211 GWh in 2008.

01.3.1.1. PROJECTS UNDER DEVELOPMENT

Also noteworthy is the 1,200 MW wind power contract awarded by the Portuguese government in 2006 via tender to the Eólicas de Portugal consortium in which ENDESA has a 30% stake through its shareholdings in Termica Portuguesa and Finerge. The first 266 MW will come on stream in 2009 and the entire 1,200 MW is slated to become operational by 2012. A total of over Euro 1,500 million will be invested between 2007 and 2012 in the Eólicas de Portugal project to develop 48 wind farms with capacity of between 20 and 25 MW each and the resulting creation of 1,500 new jobs.

In addition, in 2007 ENDESA and International Power obtained a licence to build and operate an 800 MW CCGT plant in the Tajo region, near Abrantes. The project was started in 2008 and will involve an investment of Euro 600 million. The plant will begin operating in 2011 and its projected output will be equivalent to 8-10% of total electricity consumption in Portugal.

Finally, at the end of 2008 ENDESA was awarded a 65 year concession to operate the Girabolhos hydro project on the Mondego River, in central Portugal. It will be the second largest project in the Portuguese Government's Dams Plan and one of the ten largest in the country. It will have capacity of 355 MW and its estimated annual output will be around 450 GWh. The project should come into operation between 2013 and 2015, and will give ENDESA control of 20% of the reversible hydro output in Portugal.

01.3.2. Supply in the deregulated market

The company continued to pursue its policy of supplying the deregulated market in Portugal, maintaining its presence there despite the limitations of the interconnection with Spain and the unfavourable regulated tariffs set for 2008.

The prospects for growth in this business in 2009 are positive and the company therefore intends to strengthen its presence there.

01.4. GAS BUSINESS IN SPAIN

ENDESA is present in both the regulated and deregulated markets of the Spanish gas sector.

The company has significantly increased its operations in this area in recent years, achieving a particularly strong position in combined electricity and gas sales to end customers.

01.4.1. The Spanish natural gas market in 2008

Consumption of natural gas rose further in 2008, with total sales of 450 TWh (including consumption in power generation plants, which represented 41% of the total), a 10% year-on-year increase.

99.7% of total Spanish market demand was covered by imports: 36% from Algeria; 20% from Nigeria; 13% from Persian Gulf countries; 12% from Egypt; 11% from Trinidad and Tobago; 7% from Norway and 1% from Libya.

The progressive elimination of regulated tariffs culminated on 1 July 2008 with the disappearance of the low pressure tariff (low consuming businesses and the residential sector). The tariff of last resort was created at the same time, a rate set by the government as being the maximum price a supplier can charge its customers. Following the elimination of these low pressure tariffs, the great majority of low pressure customers who had been on a regulated tariff on 30 June 2008 transferred to the last resort supplier for their area and are supplied at the tariff of last resort.

01.4.2. ENDESA in the Spanish natural gas market

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

01.4.2.1. GAS SALES IN THE DEREGULATED MARKET

Conventional deregulated market

As of 31 December 2008, ENDESA's customer portfolio in the conventional deregulated gas market (excluding sales for electricity generation) contained 846,000 supply points, with annual consumption of 43.8 TWh, a year-on-year increase of 2%.

ENDESA supplied a total of 37,744 GWh in the year, 25% more than in 2007.

Electricity generation market

Natural gas sales to electricity generation plants (bi-combustible and combined cycle plants) amounted to 26.5 TWh in 2008.

ENDESA's share of the Spanish deregulated market (including the generation market and the conventional deregulated market) rose to 14.9%.

01.4.2.2. ENDESA IN THE REGULATED GAS MARKET

ENDESA is active in the Spanish gas distribution sector through the wholly-owned subsidiary Endesa Gas, the umbrella for ENDESA's natural gas distribution business and, until 30 June 2008, its tariff sales business.

Distribution areas and markets served

Endesa Gas operates in nine Spanish regions and is authorised to distribute piped gas in over 300 towns and cities.

At the end of 2008, Endesa Gas supplied gas to 397,224 consumers, distributing 7,373 GWh.

The number of consumers was 6% up on 2007, with an increase of 4% in volume of energy distributed.

Endesa Gas holdings in gas companies

Endesa Gas distributes natural gas through its stakes in the following companies: Gas Aragón (Aragon, 60.67% holding); Distribuidora Regional del Gas (Castilla/León, 50% holding); D.C. Gas Extremadura (47%) and Gasificadora Regional Canaria (Canaries, 65%). It also operates through Gesa Gas (Balearic Islands) and Endesa Gas Distribución (Andalusia, Castile-La Mancha and Valencia region), which are wholly-owned companies.

	Consumers	GWh
Gas Aragón	193,684	3,850.9
Gesa Gas	92,084	567.7
D. Regional del Gas	23,421	1,457.1
D.C. Gas Extremadura	54,929	1,144.0
Endesa Gas Distribución	33,100	350.3
Gasificadora Reg. Canaria	6	3.0
TOTAL*	397,224	7,373.0

* Figures for December 2008

Transport and distribution infrastructure

ENDESA is present in the natural gas transport sector through Endesa Gas Transportista, S.L. (wholly-owned subsidiary); Transportista Regional del Gas, S.A. (in which it has a 50% stake) and Gas Extremadura Transportista, S.L. (in which it has a 40% stake). Together, these three companies operate 554 km of the transport network.

ENDESA currently has a number of pipelines under construction or at the planning phase which will extend this network to 859 km by the end of 2009. Endesa Gas' distributors built 416 km of pipeline in 2008, extending its distribution network in Spain to 4,049 km, a 7% increase on the previous year.

	km built in 2008	Total km in 2008
Gas Aragón	117	1,524
Gesa Gas	32	736
D. Regional del Gas	80	415
D.C. Gas Extremadura	58	652
Endesa Gas Distribución	128	719
Gasificadora Reg. Canaria	1	3
TOTAL	416	4,049

* Figures for December 2008

Gas pipelines that began operating in 2008 include the Baeza-Úbeda pipeline (9 km), Fraga-Mequinenza Phase I (11 km), Medina-Arévalo (31 km) and the branch to Cáceres (15 km).

01.4.2.3. RECEIPT, STORAGE AND REGASIFICATION PROJECTS

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

- Reganosa in Mugardos (La Coruña), in which it holds a 21% stake. Work has begun on extending this plant, which will double its regasification capacity to 825,000 m³(n)/h
- Sagunto, S.A. regasification plant in Sagunto (Valencia), in which it has a 20% stake. Work is currently underway to build a third tank which will increase storage capacity by 150,000 m³ of LNG and a fifth vaporiser has been installed, with 200,000 m³(n)/h of natural gas regasification capacity. Work has also begun on building a fourth LNG storage tank (150,000 m³) and a new LNG vaporiser (200,000 m³(n)/h).

The company has a 47.18% stake in two LNG reception, storage and regasification plants being developed by Compañía Transportista de Gas Canarias, S.A. (Gascan) in the Canary Islands.

The preliminary studies and groundwork are currently underway for the launch of these projects located in Gran Canaria and Tenerife, respectively. The Tenerife plant has been awarded a favourable Environmental Impact Statement by the Ministry of the Environment (MARM). Each of these plants has a planned storage capacity of 150,000 m³ of LNG and a natural gas regasification capacity of 150,000 m³(n)/h (1.31 bcm/year).

Finally, ENDESA has a 12% holding in the Medgaz project to construct a direct gas pipeline between Algeria and Spain, via Almería, which will carry 8 bcm of natural gas a year. The work to lay the undersea cable was completed in 2008. The pipeline is scheduled to start operating by October 2009.

02. THE LATIN AMERICAN BUSINESS

ENDESA is the leading private electricity multinational in Latin America and the largest electricity utility in Chile, Argentina, Colombia and Peru. It supplies electricity to five of the region's six largest cities (Buenos Aires, Bogota, Santiago, Lima and Rio de Janeiro), it owns the CIEN interconnection line between Argentina and Brazil, and has a stake in the SIEPAC electricity interconnection system that will link six Central American countries.

ENDESA's strategy in Latin America is to build up a broad business platform which will allow it to leverage the huge potential for growth and profitability the region offers. Its investments reflect a determination to build a long-term presence there, working in collaboration with national authorities and within existing regulatory frameworks, with the aim of providing the best electricity service possible to its customers.

02.1. KEY TECHNICAL DATA

The electric utilities in which ENDESA has interests in Latin America had total capacity of 15,284 MW at the close of 2008. Their aggregate output in the year was 60,690 GWh, 2% up on the previous year, in spite of low levels of rainfall and gas supply problems in various countries, with sales of 62,805 GWh (1.9% up on 2007) to a total of 12.4 million customers.

ENDESA is present in Latin America through its 60.62% stake in Chilean multinational Enersis and its direct holdings in other operators in the region.

ENDESA is firmly committed to protecting the environment in the Latin American countries in which it operates. As evidence of this, at the end of 2008 practically all of ENDESA's installed capacity in Latin America and that of its six distributors in the region were ISO 14001 certified.

ENDESA has also made a clear commitment to Corporate Social Responsibility in Latin America. Internally, the Group is working proactively to steadily improve the health and safety conditions of its investees' workforces. It has worked to obtain certification of its health and safety at work management systems at its workplaces according to the OHSAS 18001 standard and at the end of 2008 all of ENDESA's generation and distribution companies held this certification.

Externally, ENDESA carried out a wide range of social initiatives in which it invested Euro 13.4 million in 2008.

02.2. FINANCIAL STRATEGY

A key feature of ENDESA's Latin American business strategy in recent years has been an ongoing effort to strengthen its subsidiaries' financial bases and to implement efficient debt and hedging policies in order to raise their financial standards into line with those of an investment grade company.

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

02.2.1. Solvency

In spite of the financial crisis affecting markets from the second half of 2008, ENDESA companies accessed the capital markets successfully allowing them to prepay debt, refinance maturities and extend the average life of their debt. The application of prudent financing policies has been key in guaranteeing the financial soundness of Endesa Latin America.

In order to obtain liquidity providing instruments, during the year Enersis registered in Chile a line of domestic bonds totalling UF 12.5 million (Unidades de Fomento: Chilean pesos indexed to inflation) or USD 450 million which it did not draw on. In addition, thanks to cash flows from its subsidiaries and the company's own cash generation, Enersis prepaid USD 200 million on a revolving credit line, leaving these funds available for use at any time.

Endesa Chile contracted a USD 400 million bank loan over six years, of which it drew USD 200 million, leaving the other half available as a revolving credit. It took out a further USD 234 million in bank loans to cover its 2008 financing needs.

In December, Endesa Chile also issued a 21-year bond in the local market for UF 10 million (approximately USD 360 million). This was the most significant and successful issue made on this market in 2008, in terms of both size and the demand it generated.

ENDESA's other Latin American investees carried out financial operations including refinancing, new issues and hedging worth a total of USD 2,209 million, of which USD 125 million corresponded to Argentina, USD 594 million to Brazil, USD 793 million to Colombia and USD 697 million to Peru.

02.2.2. Foreign currency hedging policy

The group's foreign currency hedging policy in Latin America is based on cash flows and is intended to maintain a balance between flows indexed to foreign currencies (USD) and asset and liability levels in that currency.

Energis' financial operations in 2008 enabled it to maintain dollar-denominated liabilities, at consolidated level, adjusted for expected cash flows in that currency.

Companies in Chile, Brazil, Colombia and Peru balance the currency of their cash flow with their debts. In Argentina, when terms of maturity and market rates allow, financing in dollars is being replaced with local currency debt.

02.2.3. Liquidity

The group's liquidity policy in Latin America consists of arranging long-term committed credit facilities and current financial assets for amounts sufficient to cover forecast liquidity needs for a given period based on the current situation and expectations for the debt and capital markets.

At the end of 2008, the Energis Group held cash and cash equivalents of USD 2,045 million and USD 849 million in undrawn sums on unconditional credit lines.

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

02.3.1. Chile

37.5% of ENDESA's consolidated assets in Latin America are located in Chile and the company's workforce in this country numbers 3,295.

ENDESA is present in the Chilean market through Energis, in which it holds a controlling stake of 60.62%.

Through this holding in Energis, ENDESA has an interest in Endesa Chile, the main generator in Chile, which owns 5,283 MW of capacity either directly or through its investees. Energis holds a 59.98% stake in Endesa Chile.

In turn, Endesa Chile holds stakes in other Chilean generators, such as San Isidro, Pangué, Celta and Pehuenche, and owns 50% of GasAtacama, which has 781 MW of thermal energy capacity. Endesa Chile exercises joint control of this company with one other shareholder, and, therefore, since 1 January 2008 it has been 50% consolidated in ENDESA's figures for Latin America.

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

Energis and Endesa Chile are listed on the Santiago (Chile) and New York Stock Exchanges.

02.3.2. Brazil

The group's investments in Brazil are grouped together in the Endesa Brasil holding company. 23.8% of ENDESA's consolidated assets in Latin America are located Brazil. The company employs 3,296 people in the country.

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

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

In the distribution segment, ENDESA manages Ampla and Coelce in which it has controlling interests of 91.94% and 58.86%, respectively. Ampla distributes electricity to 2.5 million customers in the state of Río de Janeiro, while Coelce, which is listed on the Sao Paulo stock exchange, sells energy to 2.8 million customers in the state of Ceará.

02.3.3. Colombia

20.8% of ENDESA's consolidated assets in Latin America are located in Colombia where it has 1,771 employees.

ENDESA holds a 48.48% controlling stake in Emgesa, the country's largest generating company, with 2,895 MW of installed capacity. It also has a 48.48% controlling interest in Codensa, which distributes electricity to 2.3 million customers.

ENDESA's partner in both Codensa and Emgesa is Empresa Eléctrica de Bogotá (EEB). This is a mainly publicly-owned utility belonging to the city of Santa Fé de Bogotá, which owns 51.52% of both companies.

02.3.4. Peru

10.2 % of ENDESA's consolidated assets in Latin America are in Peru, where the company employs 1,295 people.

ENDESA manages 1,597 MW of capacity there. It has an 83.60% controlling interest in the generator Edegel, which has capacity of 1,467 MW, and 60% of Empresa Eléctrica de Piura (Eepsa), with capacity of 131 MW.

ENDESA also holds an 84% controlling stake in Edelnor, which distributes electricity to 1 million customers in the northern part of Lima.

In 2008 ENDESA increased its holdings in Edegel and Edelnor, which are both listed on the Lima stock exchange, to the percentages mentioned above, via two takeover bids.

02.3.5. Argentina

7.7% of ENDESA's consolidated assets in Latin America are located in Argentina where the company employs 3,193 people.

In the generation business, ENDESA holds a 69.99% controlling stake in Central Dock Sud, a plant which has two units with joint capacity of 870 MW. Through Enersis and Endesa Chile it also controls 69.77% of the 2,324 MW capacity Costanera thermal plant and 67.67% of the 1,328 MW El Chocón hydro plant.

In the distribution business, the group holds a 72.10% stake in Edesur, which supplies electricity to 2.3 million customers in the southern part of Buenos Aires.

In the transmission business, ENDESA also holds a 22.22% stake in Yacylec, a company which operates and maintains the 282 km Yaciretá line and the Resistencia switching station.

02.3.4. Central America

ENDESA is the shareholder supervising development of the infrastructure for the SIEPAC Project. It is responsible for building the 1,800 km backbone line for the electrical grid interconnection between six Central American countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama). This 230 kV dual circuit line will increase the power transmission capacity in those countries from 50 MW to 600 MW.

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

SIEPAC also involves the launching of the Central American regional electricity market (MER) and setting up the bodies responsible for regulation and operations: the Regional Electricity Interconnection Commission (CRIE) and the Regional Operator Agency (EOR).

02.4. GENERATION

02.4.1. Key Data

At year end 2008 ENDESA's holdings in Latin America had a total installed capacity of 15,284 MW.

ENDESA installed capacity in Latin America

	MW		
	2008	2007	% chg.
Chile	5,283*	4,779	10.5
Argentina	4,522	4,513	0.2
Colombia	2,895	2,829	2.3
Peru	1,597	1,599	-0.1
Brazil	987	987	0.0
TOTAL	15,284	14,707	3.9

* Includes 390 MW from GasAtacama, which has been accounted for under the proportional consolidation method since 1 January 2008.

During the year 187 MW of new capacity came on stream, plus 390 MW from the GasAtacama plant, which has accounted for using the proportional consolidation method since January 2008, producing a net increase in capacity of 577 MW for the year. During the year the cycle at the San Isidro II plant was completed, increasing its capacity by 105 MW to 353 MW; the Ojos de Agua run-of-river power plant came on stream, providing an additional 9 MW; work on raising the water level of the Arroyito dam in Argentina was completed, increasing the plant's output by 8 MW; and lastly, the capacity of the Termocartagena plant was increased by 66 MW.

ENDESA's total electricity output in Latin America was 60,690 GWh in 2008, a year-on-year increase of 2%. This increase was achieved despite low rainfall and gas supply problems in Chile, Brazil and Argentina.

ENDESA power generation in Latin America

	GWh		
	2008	2007	% chg.
Chile	21,266*	18,773	13.3
Argentina	14,350	16,606	-13.6
Colombia	12,905	11,942	8.1
Peru	8,780	8,237	6.6
Brazil	3,389	3,954	-14.3
TOTAL	60,690	59,512	2.0

Includes GasAtacama, which has been accounted for under the proportional consolidation method since 1 January 2008.

02.4.2. New plants and projects

02.4.2.1. CHILE

San Isidro II

Endesa Chile's San Isidro II plant had been operating as an open cycle plant since April 2007, with 248 MW capacity. In January 2008, as previously indicated, it came on stream as a complete combined cycle plant using fuel oil, and its capacity increased to 353 MW. The plant's definitive output will be 377 MW when it begins operating with gas from the LNG regasification terminal at Quintero.

Bocamina II

In 2008, work continued on building the Bocamina II coal-fired plant. When it comes on stream in 2010 it will contribute 370 MW of capacity ensuring Chile security of supply.

Quintero GT

In 2008 work started on the Quintero 250 MW open cycle Gas Turbine plant, which will come on stream in 2009.

Quintero regasification terminal

Endesa Chile hold a stake, jointly with Metrogas, ENAP and British Gas, in the company constructing the LNG regasification plant in Quintero bay.

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

Building work is at an advanced stage and the plant is slated to come on stream in mid-2009. It will be able to process 9.6 million m³ of gas a day and will have an LNG storage capacity of 320,000 m³ in two large tanks.

The Aysén project

In 2008, further progress was made on this project which could supply hydroelectric power to the Aysén region (XI Region of Chile). In August, the Environmental Impact Study was submitted to the Chilean authorities.

Endesa Chile holds a 51% stake in Centrales Hidroeléctricas Aysén, S.A. (Hydroaysén), the company developing this project. The remaining 49% is owned by the Chilean electricity company Colbún.

If this project is given the go-ahead, 2,750 MW of hydroelectric power will be added to the Chilean grid, split between five plants, making a very significant contribution to securing the country's electricity supply.

The project includes the construction of a 2,000 km high-voltage transmission line, which would be carried out by a third party.

Other hydro projects

Endesa Chile is studying the Los Cóndores project, a 150 MW run-of-river power plant which would make use of water from the Maule lagoon, coming on stream in 2014.

Endesa Chile is also considering hydro projects at Neltume (470 MW capacity) and Choshuenco (130 MW capacity), part of the Neltume hydro series, which will use the planned link for the Neltume plant. These projects are expected to come on stream in or around 2014.

02.4.2.2. PERU

Expansion of the Santa Rosa plant

In 2008 work began on the expansion plan for the Santa Rosa plant in Peru, which currently has installed capacity of 229 MW and three open-cycle turbines running on natural gas.

The expansion plan involves the installation of a new gas turbine with capacity of 189 MW. This is expected to come on stream in 2010.

02.4.2.3. COLOMBIA

Quimbo Plant

Emgesa is developing the 400 MW El Quimbo hydro project on the Magdalena river.

In March 2008 Emgesa presented the Environmental Impact Study for the project to the Colombian Ministry of the Environment, Housing and Regional Development.

In June 2008, as part of the Allocation of Firm Energy Obligations to GPPS plants and units in Colombia, 1650 GWh of firm energy were allocated to this project over a period of 20 years. Compliance with its obligations will begin in December 2014.

02.4.3. **Endesa Eco**

Endesa Eco, a wholly-owned subsidiary of Endesa Chile, manages renewable energy projects in Latin America.

In June 2008 the company brought the Ojos de Agua run-of-river power plant into operation, in the Maule river area (Chile), with 9 MW installed capacity. This plant was recognised as a Clean Development Mechanism (CDM) project in 2007 and its construction is expected to lead to a 20,870 tonne annual reduction in CO₂ emissions.

Endesa Eco is also developing the Canela II wind farm project in the vicinity of the existing Canela wind farm, which has a capacity of 18 MW. Canela II will have installed capacity of 59 MW and it is expected to come on stream in 2009.

02.5. **TRANSMISSION**

02.5.1. **CIEN**

As mentioned previously ENDESA owns CIEN, the 2,100 MW high-voltage electricity interconnection between Brazil and Argentina.

02.5.2. **SIEPAC**

In 2008, 98% of the rights of way were established for the Central American electricity interconnection, and foundations laid for 70% of the 4,800 pylons to be erected.

The first sections between substations are expected to come on stream in the second half of 2009.

02.5.3. Other transmission assets

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

02.6. DISTRIBUTION

02.6.1. Key figures

ENDESA's Latin American distribution subsidiaries sold a total of 62,805 GWh in 2008, a year-on-year increase of 1.9%.

ENDESA electricity distribution in Latin America

	GWh		
	2008	2007	% chg.
Chile	12,535	12,923	-3.0
Argentina	16,159	15,833	2.1
Colombia	11,822	11,441	3.3
Peru	5,599	5,201	7.7
Brazil	16,690	16,212	2.9
TOTAL	62,805	61,610	1.9

The sales generated by Edelnor in Peru, with 7.7% growth, and by Coelce in Brazil, up 4.8% were especially significant.

02.6.2. Customers and quality of service

At the end of 2008 ENDESA had over 12.4 million customers in the five Latin American countries in which it has distribution operations, an increase of 3.7% on 2007.

ENDESA customers in Latin America

	thousand customers		
	2008	2007	% chg.
Chile	1,534	1,483	3.4
Argentina	2,262	2,228	1.5
Colombia	2,285	2,209	3.4
Peru	1,028	986	4.3
Brazil	5,308	5,067	4.8
TOTAL	12,417	11,973	3.7

Continuing the trend seen in previous years, in 2008 ENDESA subsidiaries continued to step up the quality of services provided. Average interruption time per customer improved by 11.4% to 8.5 hours for the year.

02.6.3. Managing distribution losses

Distribution losses suffered by ENDESA companies throughout the region in 2008 stood at 10.8%, an improvement of 0.4 percentage points on the previous year.

Work continued on a project to reduce energy losses in the Río de Janeiro distribution area operated by Ampla. In 2008 Euro 29.8 million were invested in this project, known as Red Ampla, which involves installing the latest technology on the grid to combat theft, achieving significant advances in the management of losses. For example, the introduction of Red Ampla metering technology has reduced losses to less than 10% in areas where losses of over 50% were previously recorded. 54,000 new customers were connected to this grid in 2008, bringing the total number of new customers since the programme started to over 500,000.

The good technical results achieved and the short time scale over which the investment will be recovered (just three and a half years) make this one of ENDESA's most successful groundbreaking projects in the field of electricity distribution in Latin America.

02.7. CORPORATE STREAMLINING STRATEGY

Since it began operating in Latin America, ENDESA's strategy has focused on simplifying its corporate structure. This policy is intended to streamline asset management, obtain synergies wherever possible and to facilitate cash flow to the parent company.

With this aim in mind, the following operations have been carried out in 2008:

02.7.1. Chile

Unwinding of Compañía Eléctrica Cono Sur, S.A.

Compañía Eléctrica Cono Sur, S.A., with registered office in Panama, wholly owned by Endesa Chile, S.A. and its investment vehicle in Brazil, Peru and Colombia, was dissolved on 26 September 2008 and its assets transferred to Endesa Chile, S.A.

Merger of GasAtacama Generación, S.A. and Gasoducto Atacama Chile, S.A.

The merger by absorption of Gasoducto Atacama, S.A. by GasAtacama Generación, S.A. took place on 28 November. The new company is called GasAtacama Chile, S.A.

02.7.2. Brazil

Unwinding of Endesa Brasil Participações Ltda.

As part of the corporate streamlining policy, Endesa Brasil Participações, whose only shareholders were Endesa Chile and Endesa Argentina, was dissolved on 22 December 2008.

Absorption of Luz del Río Ltda.

On 17 December 2008, Luz del Río Ltda. (owned by Chilectra Agencia, Enersis Agencia and Chilectra Inversud), whose only asset was a 3.4% holding in Endesa Brasil, S.A., was absorbed by said company. As a result, this 3.4% interest was acquired by shareholders in proportion to their respective holdings.

02.7.3. Peru***Reorganisation of Yanango and Chimay assets***

During 2009, the assets and liabilities of the Yanango and Chimay plants will be transferred to Chinango, S.A.C., incorporated on 25 March 2008.

Ex post facto takeover bids (Edelnor and Edegel)

As a result of Enel and Acciona taking control of ENDESA, the company was required under Peruvian law to launch takeover bids for certain Peruvian subsidiaries of Endesa Latinoamérica, S.A.

These takeover bids were carried out at the end of October 2008 by Generalima, S.A.C. (a Peruvian company owned by Endesa Latinoamérica, S.A., whose only asset was a 6.62% holding in Edegel, S.A.A.) for 23.78% of Edegel, S.A.A. and 24% of Edelnor, S.A.A. Following this operation, Generalima, S.A.C. holds 29.4% of Edegel, S.A.A. and 24% of Edelnor, S.A.A.

Spin-off of Generandes

The spin-off of this company was agreed on 30 May 2008 at the Annual General Meeting of Generandes (an investment vehicle for Edegel), so that the Scotiabank Group now holds 1.24% of Edegel shares (previously 2.24%).

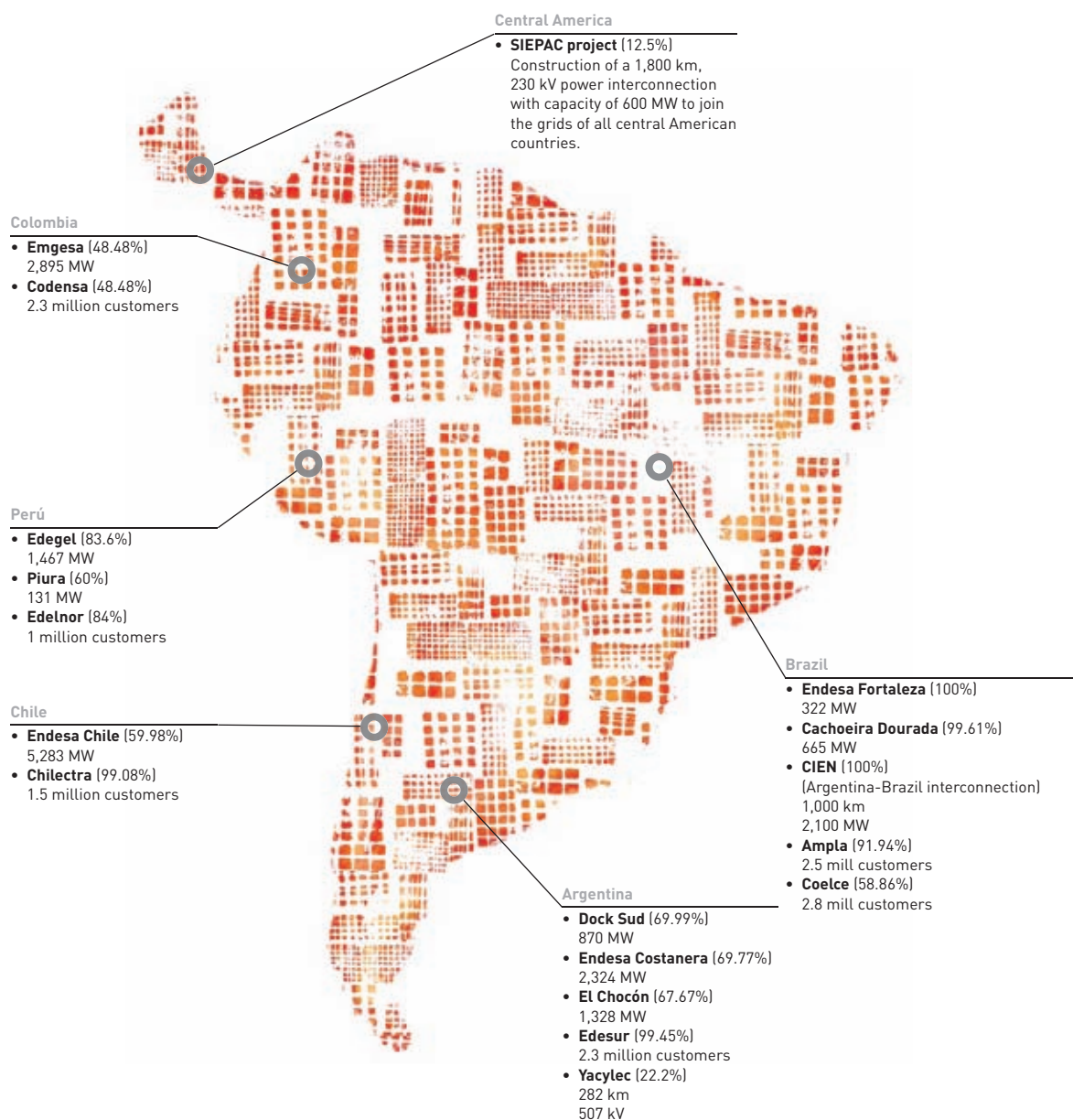
The group in turn increased its holding in Generandes by 1.34% although, as a result of Scotiabank's entry into Edegel's shareholder base, Generandes' holding in Edegel was diluted from 55.44% to 54.2%.

02.7.4. Central America

Incorporation of REDCA

On 30 June 2008, with a view to the future development of the fibre optic cable business in Central America, Empresa Propietaria de la Red, S.A. (managed by Endesa Latinoamérica, S.A.) incorporated REDCA, S.A., a wholly owned subsidiary with registered office in Panama. The company has no operations at present.

ENDESA IN LATIN AMERICA



04. BUSINESS IN OTHER COUNTRIES

04.1. KEY DATA

On 26 June 2008, subsequent to the agreement reached in April 2007 between Enel, Acciona and E.On, ENDESA sold its stake Endesa Europa to E.On. With this sale ENDESA no longer has a presence in four European countries: Italy, France, Poland and Turkey.

At present, the main activities carried out by ENDESA outside the Iberian Peninsula and Latin America are as follows.

04.2. IRELAND

ENDESA has been operating in the Irish Republic since January 2009 through Endesa Ireland. The Spanish utility acquired 20% of the assets put up for sale by ESB in the summer of 2008.

The assets awarded include four facilities with 1,068 MW in operation as well as two additional sites, giving the company some 16% of the total installed capacity in the Republic. ENDESA is therefore now the second power operator in the country.

04.3. MOROCCO

ENDESA is present in Morocco through the 32% stake it holds in Energie Electrique de Tahaddart, the company which owns the 384 MW CCGT plant in Tahaddart. The other shareholders in this company are Office National d'Electricité (ONE) which has a 48% stake and Siemens, with 20%. Output in 2008 totalled 2,868 GWh.

In May 2008, Energie Electrique de Tahaddart distributed dividends against 2007 income; Euro 5.2 million of this went to ENDESA.

Also, in 2007 ENDESA won the international bid to advise the Moroccan National Electricity Office (ONE) on the creation of its trading room, ONE-Trading. The first phase of this project ended in 2008 which entailed setting up an organisational system and advising ONE personnel so they could acquire the necessary training in the different management areas.

04.4. POWER MANAGEMENT AND WHOLESALE MARKETS

04.4.1. European wholesale activities

ENDESA operates in several European wholesale markets to manage its generation and supply activities outside the Iberian region. Among other targets, this gives the group the necessary power supply to meet its contracts with European customers and balance out risk positions in those areas where it operates. Endesa Trading, S.A.U. is the subsidiary responsible for this area of business.

Endesa Trading carries out its activities against a backdrop of a growing trend towards the removal of barriers between countries via interconnections and the creation of pan-European markets such as the Dutch APX, Powernext in France and Belpex in Belgium.

In 2008 a new company, Capacity Allocation Service Centre for the Central West European Electricity Market (CASC-CWE), was set up to aid interconnections in the region.

During the year wholesale markets in Europe were shaped by the impact of highly volatile oil prices. Brent began the year at USD 90/bbl, hitting a high of USD150/bbl in the summer before plunging to USD40/bbl in December due to the global recession.

Electricity prices were also extremely volatile. For example, having reached highs of Euro 90/MWh, the base price for 2008 in Germany ended the year at Euro 60/MWh. Average spot prices however rose in France and Germany in 2008. The average base price in France was Euro 69.1/MWh in 2008 while in Germany it was Euro 65.8/MWh, compared to average prices of approximately Euro 40/MWh the previous year.

Under these conditions, Endesa Trading managed a total volume of 34.7 TWh of energy. Activity primarily focused on its Tollings and VPP (Virtual Power Plant) interconnections in France and Germany as well as collaborating with Endesa Energía to win customers in France, Germany and the Netherlands.

04.4.2. **Managed capacity and international exchanges**

In 2008, Endesa Trading strengthened its Virtual Assets and Interconnections portfolio, managing 800 MW and 215 MW of capacity, respectively.

Another highlight was the energy obtained by Endesa Trading at the various Virtual Power Plant auctions (VPPs) held by EDF in France (1,100 GWh) and DONG ENERGY in Denmark (81 GWh). This power has enabled a more efficient management of the different interconnection capacities.

The energy transmitted in 2008 from France to Italy as a result of cross-border operations amounted to 94 GWh. With regard to interconnections between Spain and France, exports reached 446 GWh. There were, however, no imports as the current regulatory framework prevents the major operators in Spain from importing energy from its neighbour.

04.4.3. **CO₂ emissions market**

In 2008, Endesa Trading contracted 5.5 million tonnes of CO₂/ERC swaps to manage its positions arising from virtual asset contracts.

The CO₂ emissions market was highly volatile during the year with emission prices rising from Euro 20/t at the beginning of the year to Euro 29/t halfway through the year only to end the year at around Euro 15/t. This decline was due to the fall in generation and the subsequent reduction in the use of emission rights which led to the sale of surpluses by generators.

05. **SERVICES AND OTHER ACTIVITIES**

ENDESA lends support to its different business activities with a broad range of extremely diverse services. This effort is spearheaded by the Corporate Services and Technology Department, which is responsible for systems and telecommunications, corporate wealth management and technology and innovation, and the Purchasing Department, which manages corporate procurements and acquisitions.

Their mission is to turn these functions into value-creation tools in order to harness the economies of scale resulting from the company's size, to ensure these functions are leveraging best practices in the industry, promote synergy capture and cost optimisation, and stimulate technology and innovation.

05.1. PROCUREMENT

In 2008, ENDESA managed the acquisition of materials, equipment, works and services for a total of Euro 4,867 million, a 2.4% reduction on the figure for the previous year. Savings achieved by the procurement department were approximately 6.4%.

The main initiatives undertaken during the year are as follows:

05.1.1. Corporate activities

These are business initiatives of a transverse nature which generate synergies. The main activities carried out in 2008 were:

- *Organisational change.* A new organisational model was implemented in the area of procurement across all companies within the group. This implied the creation of a new Purchasing Department which will foster and intensify this corporate function. The new configuration aims to strengthen and optimise purchasing processes, capture synergies and opportunities arising from the combined purchasing potential of ENDESA and its main shareholder Enel, and apply common, integrated processes.
- *Synergies.* The new organisational scheme entailed the creation of the Synergistic Purchasing Department, with the primary objective of generating and capturing new price-reduction opportunities in the ENDESA Group's materials and services, thus enhancing the value of the group worldwide. The first tasks undertaken by the department were to review the technical specifications of equipment and investment projects and procurement and supplier strategies, transferring best practices between companies within the group and its core shareholders, and promoting global tenders.
- *Systems and Telecommunications Purchasing.* A further element introduced by the new organisational scheme was the Systems and Telecommunications Purchasing Division, created to serve all the company's business lines and to secure price reductions deriving from larger purchase volumes.
- *SAGA.* The Corporate Procurement Management System (SAGA) was implemented in Spain and Peru to optimise procurement operations. This will allow the further automation and integration of purchasing and contracting processes.
- *Regulations.* A new single set of Regulations was introduced to govern the purchase of products, work and services throughout the ENDESA Group. The new Regulations override the individual procedures previously followed in Spain and Latin America. This regulatory scheme simplifies processes, stimulates collaboration between business units and the purchasing division, and is adapted to ENDESA's current situation and new commitments.

05.1.2. Business in Spain and Portugal

ENDESA's total purchasing volume in Spain and Portugal amounted to Euro 3,285 million in 2008, an 8% reduction on the previous year. The main contracts during the year include:

- Supply and construction of a combined cycle facility on the site of the Compostilla II thermal plant (Leon) (units 6 and 7).
- Agreement with Enercon for the supply and purchase of 390.4 MW in 2008 and 2009, included in the Framework Agreement (2007-2010) for the supply, transport and assembly of 550 wind generators (1,100 MW).
- Contractual Service Agreement for maintenance of the Besós 5 combined cycle plant.
- Contracting of electricity engineering projects for E. Energía – Section 2 – for the period 2007-2009.

- Agreement with Gamesa Eólica for the supply and purchase of 166 MW in 2008, included in the Multi-year Agreement (2008-2010) for the supply, transport, assembly and maintenance of wind generators (500 MW) during the warranty period.
- Incorporation of the two new combined cycles at Ca's Tresorer 2 and Granadilla 2 into the Contractual Service Agreements of Gesa and Unelco for maintenance of the 6FA fleet.
- Sales Force Services contract extended (TASK FORCE and PdS) to 2008.

05.1.3. Business in Latin America

The volume of purchases in ENDESA's Latin American business totalled Euro 1,412 million in 2008, a 1% decrease year-on-year. The main activities carried out during the year include:

- Third stage of the Technical Specification Standardisation Project, including meters, HV/MV/LV insulators, low voltage circuit breakers, instrument transformers and power transformers, with a view to capturing synergies in joint purchase operations in the region.
- Development of the project for the Application of Best Practices in Substation Network Design Criteria, which has enabled the identification of criteria and best practices that may be transferred between the different distribution companies, while also securing financial gains and cost reductions.
- Development of the main tender processes for the procurement of the services required to support the technical and commercial operations of distribution companies in Latin America under the new model for Managing Relations with Collaborating Companies (ENLACE).
- Contracts awarded for the civil works and equipment of the Canela II wind farm (Chile).
- Procurement by tender of aluminium cables and conductors according to the requirements of Edelnor (Peru), Chilectra (Chile), Ampla and Coelce (Brazil).

05.1.4. Key activities in systems and telecommunications purchasing

ENDESA's total purchasing volume in Spain and Portugal amounted to Euro 170 million in 2008, a 2% reduction on the previous year. The main purchasing operations closed during the year were the following:

- Global Operation of IT Infrastructure in Spain, Portugal and Latin America was awarded to IBM for a term of seven years.
- Pay-per-Use Printing Services for all ENDESA buildings and sites in Spain was awarded to Hewlett Packard for a term of five years.
- 125V and 48V battery and rectifiers for distribution and telecommunications.
- Supply of 30,000 GPRS and ADSL modems for the Endesa Group's Remote Control and Telemetry departments.
- Updating of 5,700 fixed PC and 2,000 portable PC in Spain and Latin America.

05.2. SYSTEMS AND TELECOMMUNICATIONS

ENDESA's Systems and Telecommunications Department aims to bring maximum value to the company's businesses by providing the necessary systems and telecommunications channels to operate with an optimal quality/cost ratio.

Among the initiatives carried out in this field in 2008, it is worth noting the progress achieved in the Globalisation Project started in 2007, which aims to leverage significant synergies with Enel over a period of five years in order to secure savings of Euro 219 million, i.e. a 22% reduction on the budget for that period. As part of this project, four RFPs were launched for a value of Euro 500 million, and the HW Operations and Infrastructure Globalisation contract was signed.

This service contract covers the management by a single provider of the company's IT systems in Spain and Latin America for the next seven years. The provider will be IBM and the total value of the contract will be Euro 360 million. Thanks to this agreement, it will be possible to implement a unified IT management model, allowing the company to step up investment in IT activities which are fundamental to its business.

05.2.1. Commercial Systems

In the field of Commercial Systems, the company's main activities of 2008 were heavily influenced by regulatory changes and the need to adapt to an evolving scenario in the company's business. The following activities may be highlighted:

- The introduction of last-resort gas supply led to the implementation of the Gas 2008 project, with the aim of acquiring the necessary capabilities to deal with the discontinuation of regulated gas rates, managing the comprehensive migration of contracts to the new market scenario.
- Adaptation within six weeks starting 1 November 2008 of the Monthly Billing Commercial Systems, a process carried out to comply with additional provision 7 of Royal Decree 1578/2008, which involved the migration of 9.5 million contracts.
- Work continued on the Electricity Programme to adapt systems to the discontinuation of regulated electricity rates and the introduction of last-resort rates, due to become effective in July 2009.
- Implementation of the DIANA project was finalised across all territories, optimising customer service capacity, field work, web access for contractors, the reduction of administrative tasks, monitoring automation, mobility and the integration of applications and technologies.
- Implementation of the Knowing the Customer project was completed. This provided the sales force and the marketing departments of Endesa Energia with tools such as DataMart Comercial, the new Customer Datasheet and specific reports to improve sales interaction and customer care.
- The GPS Coordinates project came on-stream, introducing geo-reference mechanisms into Commercial Systems. This allows the accurate location of addresses and supplies, the optimisation of meter reading routes, and the traceability of field work and billing operations.
- The functional definition stage of the New Supplies project was completed, simplifying this process.

05.2.2. Internal corporate management

In 2008, work in this area focused on attaining the common management of corporate services through a shared-service architecture. The most significant projects completed during the year were as follows:

- A new Electronic Banking platform based on the SWIFT international network was implemented to integrate statements issued by Spanish and international banks.
- Adaptation of the corporate systems to the new Spanish Generally Accepted Accounting Principles was completed. This allows quarterly reports to be presented with the financial statements required under the new scheme.
- SAGA continued its deployment in Peru and Spain. As mentioned above, this is a common platform to support procurement processes throughout all ENDESA companies, thereby improving the procurement cycle in terms of automation, integration and efficiency.
- RFID technology was implemented at the Argualas storage site (Aragon). This proved successful in optimising the logistic management of company assets, since it allows automatic identification and authorised access to the facilities, registration and deregistration in the system from the supplier vehicle, real-time location of any asset, etc.
- The Communications Agenda was implemented - a system for coordination, monitoring and management control for use by the Communication Department.
- Early in the year, the New Personnel Administration System NOMINA-SAP went into operation. This helps towards unifying the process of payroll preparation, while providing improved process control and integration with other corporate platforms.
- Work continued on the deployment of the DELFOS system for the management of occupational risk prevention and occupational healthcare, as a single and corporate management model to cover all companies and businesses within ENDESA.

05.2.3. Distribution systems

A major achievement in the area of Distribution Systems was the successful conclusion of the Globalise IT Plan, which will help to establish a common system for all distribution companies within the Endesa Group, covering over 70% of the tasks concerned and allowing for reductions in maintenance costs.

Among the other projects and activities finalised in this area in 2008, the following may be highlighted:

- The ALTADIS project has provided ENDESA's distribution system with high availability and business continuity in the event of disasters. The solution implemented trebles the processing capacity of the production environment and allows the recovery of the main data processing centre database in case of emergency.
- The Planannual project was concluded with the last elements requested coming into operation. This is an essential instrument for generating Endesa Red's annual investment plan.
- The DEJUEX project was finalised, in response to information requests made under the quality regulations of the Autonomous Regional Government of Extremadura.
- The SINEA project was completed. This project enables the legal requirement to provide information on the electricity network in Andalusia to be observed, as well as any information on incidents necessary for the proper operation of the Energy Information System of the Autonomous Regional Government of Andalusia.

05.2.4. Generation systems

One of the most significant challenges in this area is the need to renovate the Generation Units Control Systems. The pilot project implemented to address this was the replacement of the control system of the Northwest Hydroelectric Production Unit (Monteareñas). A major effort was made to overcome the considerable outdated nature of the system previously in place and successfully implement a modern, high-availability system with the degree of rigour required by changes in the real-time critical system.

Other significant projects finalised in this area in 2008 include the following:

- The GESCOMBUS System application was reengineered to improve information traceability, speed of management, report auditing and the functionality of the application.
- The SGE Portal – Hydroelectric Production Website was implemented, allowing real-time display of the state of the facilities at the three Hydroelectric Production Units.

05.2.5. Energy management systems

Activity in the area of Energy Management Systems was heavily influenced during 2008 by changes in market regulations, procedures and protocols. The main projects concluded in 2008 were:

- Business Continuity Plan for the Daily Market, which provides the business with an emergency system to ensure continuity of operations regardless of external conditions. This involved the implementation of high availability systems and the creation of a Support Centre for emergency situations.
- Non-mainland Calculation Project, which allows the energy sale-purchase balance for markets outside the Spanish mainland electricity system to be determined.
- Incorporation into SIEGE of the new mechanism for bilateral contracts, which regulates agreements on the sale or purchase of energy with prices, amounts and time limits, between players in the energy market.
- Implementation of the new System for Communications with Red Eléctrica de España (REE), following the changes introduced by REE, the operator of the electricity system, in its protocols for communication with electricity companies, through which measurement information is received and transmitted.
- Conclusion of the operation reporting system (SIMELEC) relating to real-time monitoring information of the daily electricity market obtained through use of control panels.

05.2.6. Corporate operations and infrastructure

Telecommunications and remote control

The most relevant projects finalised in 2008 in the area of telecommunications and remote control, are as follows:

- Remote control of over 460 remote medium voltage installations as part of the Electricity Supply Quality Technical Improvement Plan.
- Implementation of telecommunications infrastructure and services for remote control of 35 new substations.
- Implementation of a new telephone platform at the Call Centre.

IT systems

The most significant projects carried out in 2008 in the area of corporate infrastructure and operations were as follows:

- The contract with IBM marked the end of the tender process for global Outsourcing of Operations and Infrastructure, which started in 2007. The contract, which encompasses operations and infrastructure services for the Endesa Group in Spain, Chile, Brazil, Colombia and Peru, aims to consolidate operations and infrastructure management services for all businesses and geographical areas around the most suitable IT provider, in order to achieve the following:

- Reducing global operation costs through synergies, improved efficiency and economies of scale.
- Optimising management through the implementation of a global array of optimally managed operation services.
- Adapting services to business needs through cooperation with the best technology partner, innovative management mechanisms to ensure providers' interests are in line with ENDESA's, heightened service standards and improved support for applications and business continuity.

- Successful conclusion of the Downsizing project for the commercial system serving E.On Spain.
- Full rollout of the BSM platform, which allows infrastructure to be monitored: from the perspective of the business services they provide to applications committed to SLAs.
- Over 800 virtual PCs were rolled out for ENDESA's commercial system.
- All Madrid email infrastructure was consolidated and all domains changed and standardised.
- A new print-on-request service was rolled out for 80% of users and 70% of devices, which offers ENDESA state-of-the-art, multi-function equipment, increasing its capacity, allowing cost monitoring and adhering to the strictest environmental standards on consumable and hardware recycling.

Lastly, this area played a key in the ALTADIS project, the Business Continuity Plan for the Market and project ASCPEC, mentioned above.

IT security

The most significant projects completed in this area in 2008 were the following:

- Single Sign-On project, which takes the current security solution (Accede) one step further. User management stage completed.
- Securing of the remote-control systems grid, to increase the level of security of this grid and its systems. Security review completed. Centralised management of firewalls also included.

05.3. PROPERTY ASSET MANAGEMENT: BOLONIA REAL ESTATE

Bolonia Real Estate, S.L., a company fully owned by ENDESA, is directly responsible for the company's real estate activity in Spain, and delegates Latin American activities in this field to Inmobiliaria Manso de Velasco Ltda., a company fully owned by Enersis.

Through these companies, ENDESA promotes the regeneration of industrial areas housing idle electrical installations and promotes the value of its real estate assets, through transformation of land into buildable areas, management of own or leased buildings, and implementation of development models creating sustainable value in land with high environmental worth. This last objective is carried out through the Endesa Natural Surroundings programme (Endesa Entornos Naturales), whose activities are laid out in a different section of this report.

A number of company-wide projects were launched in 2008, aimed at identifying land with value-enhancement prospects. Specifically, 78 plots with potential for financially viable development were analysed, of which 48 were incorporated into the managed assets portfolio, thereby increasing their potential value by over Euro 200 million. At the end of the year this portfolio included over 60 assets, which are continually monitored in terms of their potential for urban development.

In Spain, the company's property portfolio is particularly attractive due to the exceptional location of the facilities concerned, be it on the coast, in developed or developing urban areas or in mountain areas with a good potential for

development. In order to develop each property in a manner that is optimally suited to its characteristics, Bolonia has a team of specialists in technical and urban land management, as well as regional and local advisers.

Despite the current recession in the real estate market, ENDESA's property division closed transactions in 2008 for a total value of Euro 48 million, Euro 20.5 million of which were managed in Latin America.

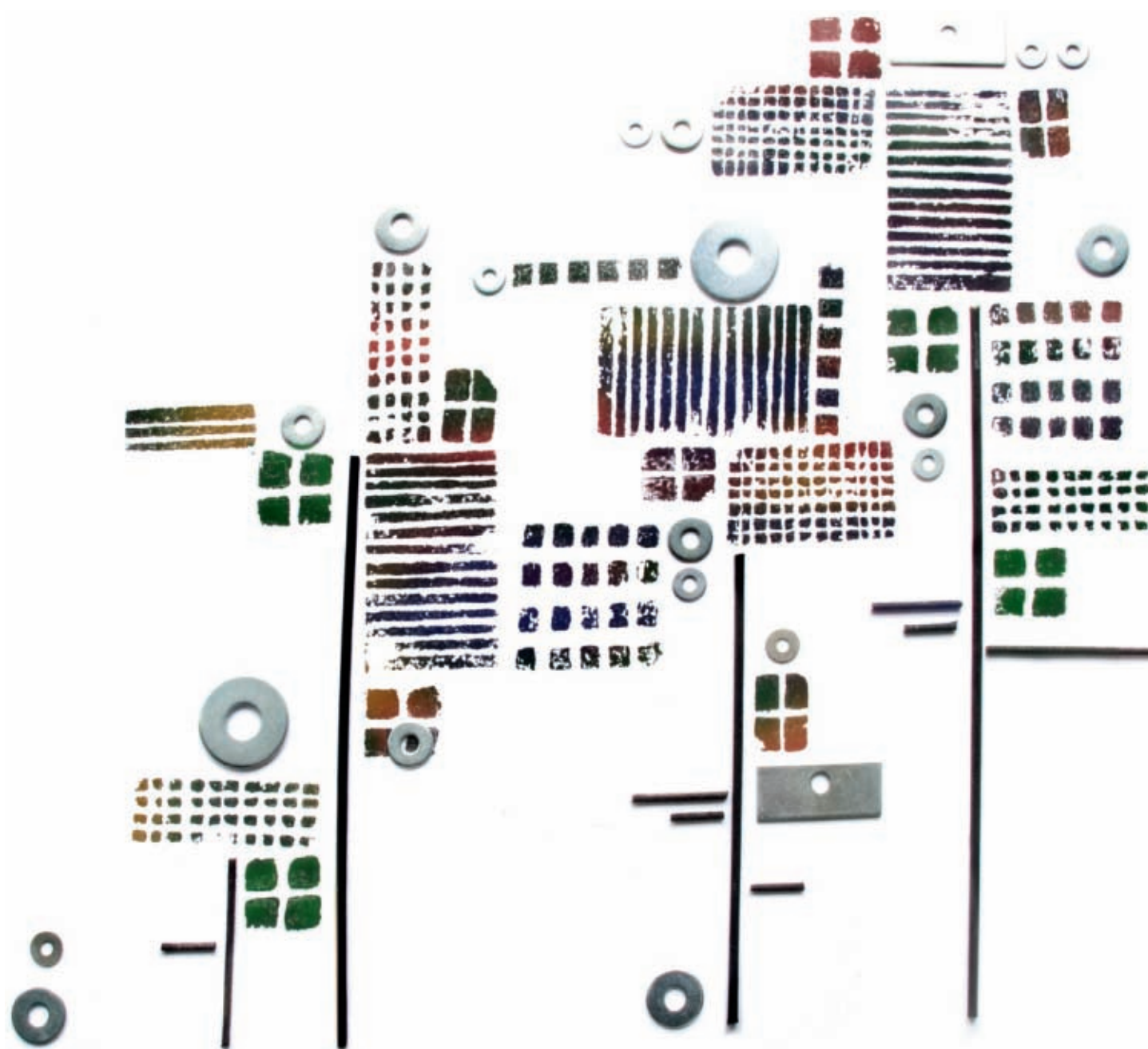
With regard to this region, it is worth mentioning the sale of the former headquarters of Edelnor in Peru for Euro 8 million and the sale of several plots in the ENEA Business Park in Santiago de Chile for Euro 12.5 million, an estate with a total surface of 1,040 hectares, 55% of which is owned by the property company Inmobiliaria Manso de Velasco. 407 hectares of this business complex were rezoned, changing status from agricultural land to mixed residential and industrial.

In Spain, ENDESA has holdings in two real estate developers: Nueva Marina Real Estate, S.L., which owns the 156,000 m² site of the former Malaga city thermal plant in the Playa de la Misericordia area, and Neinver Bolonia, S.L., the owner of 186,000 m² of buildable land along Palma de Mallorca's eastern coastline.

ENDESA is joint holder of 60% of the former of the two developers with two other partners: Caja Granada and Compañía Europea de Finanzas. Malaga's General Urban Development Plan was provisionally approved in August 2008, designating 81,777 m² of the Nueva Marina plot as buildable. As for Neinver Bolonia, S.L., ENDESA's holding in this company amounts to 45% of its share capital, the remainder being owned by Neinver, a property company specialising in the development of business complexes across Europe.

In the area of building, in 2008 Bolonia completed the construction of ENDESA's new headquarters in the Balearic Islands in the San Juan de Dios area of Palma de Mallorca, which was classified as type B in the official energy scheme, with a 51% emissions savings and an award for accessibility and mobility. A further project commenced in 2008 was the construction of the new Palma Work Centre adjoining the company headquarters. Lastly, work was completed on the demolition of Plant 3 and Son Molines Gas in Palma de Mallorca, opening the way for the development of the plots, which are currently owned by Neinver Bolonia.

Sustainable development and the environment



ENDESA's strategy in the area of sustainable development is set out in the company's 2008-2012 Sustainability Plan (PES), which lays down corporate policies aimed at achieving full integration between the three aspects of sustainability (financial, social and environmental) and generating value for the company.

The programmes contained in the PES are long term in scope, which means their results will be seen in 2011-2012. However, already in its first year of execution the Plan has offered proof of the soundness of its ideas and premises, and of its capacity to gain a solid position for ENDESA in certain key vectors for the future of the electricity industry. One such priority area is new technologies, given their instrumental value in the transition towards low-carbon economies and efficient energy use.

The following is a summary of ENDESA's activities in the field of sustainable development and the environment carried out under the PES in the year 2008. A more detailed description of these activities is offered in the company's 2008 Sustainability Report.

01. ENDESA'S 2008-2012 SUSTAINABILITY PLAN

ENDESA's 2008-2012 Sustainability Plan has been designed on the basis of the company's Sustainability Policy and its Seven Commitments to Sustainable Development, and builds on the results achieved by the 2003-2007 Strategic Environment and Sustainable Development Plan (PEMADS). The new Plan also takes into account the results of a comprehensive process of consultation with the company's different stakeholders and a detailed analysis of their expectations of ENDESA's corporate behaviour.

This analysis has allowed two different spheres of action to be established. Firstly, the need to consolidate the achievements of the 2003-2007 PEMADS as regards ENDESA's Seven Commitments to Sustainable Development; secondly, the urgency to devote special attention to two crucial challenges that will be key in determining the group's medium to long-term success: the fight against climate change and forging links with local communities in the countries and territories where it operates.

The most outstanding aspects of the PES are therefore the following:

- Seven Basic Lines, based on the Seven Commitments to Sustainable Development mentioned above, which were approved by the company's management in 2003. Given the substantial progress made in these basic lines since that time, the PES is geared to the systematic identification of opportunities for improvement and the consolidation of achievements gained.
To tackle these Basic Lines, the Plan puts forward over 100 work programmes, all of them aimed at making ENDESA a leader in service quality by the end of its effective term; ensuring that its corporate culture is unmistakably based on innovation, commitment and the excellence of its workforce; that it has the best ratios in health, safety, commitment and talent management; that it is a model of good corporate governance; that it is *the* electricity company for investors concerned about climate change; that its environmental management excels above the rest; that it is a technology leader in the industry, and that it successfully spreads these principles to its entire chain of supply.
- Two challenges the fight against climate change and the need to strengthen local ties in the countries and territories where the company operates. These two issues will be critical for ENDESA in the coming years.

The PES is currently being implemented across the company's businesses and countries in which it operates. Given that the creation of ties with local communities is a key objective for the coming years, ENDESA has made special efforts to incorporate regional perspectives into the Plan. These local perspectives will be more clearly applied in country-specific and regional plans.

The 2008-2012 PES covers a five-year period. Annual sustainable development action plans will be drawn up describing the activities to be carried out each year, and ENDESA will report at the end of such one-year periods on the progress achieved in the execution of the Plan through Sustainability Reports and other communication channels.

01.1. THE CLIMATE CHANGE CHALLENGE

The PES contains five strategic programmes aimed at meeting this challenge successfully and seizing the opportunities that are generated by the commitment to combat climate change:

- Playing an active role in the development of renewable energies.
- Spearheading new developments in technology that lead to reduced CO₂ emissions. This implies rolling out one of the 12 European projects for carbon capture and storage (CCS) by 2015, developing combined cycles and installing peak capacity, among other activities.
- Taking advantage of energy efficiency and cogeneration opportunities in all business lines.
- Leading the sustainable transport model based on electric vehicles.
- Building a portfolio of Clean Development Mechanisms that allow the company to strengthen its position of leadership in this market, ensuring emissions hedging and generating surplus.

01.2. THE LOCAL COMMUNITIES CHALLENGE

To tackle the challenge of establishing strong ties with local communities, the PES envisages the implementation of a number of country-specific plans in 2009 and 2010 with the following objectives:

- Stepping up contact with local businesses, offering a unified image of the company.
- Boosting our ability to respond to local energy needs.
- Strengthening relations of proximity.
- Promoting ENDESA's position as a key partner in projects which help resolve the environmental, social and energy challenges facing each of the countries where the company operates.

ENDESA's operation scenarios are essentially two, which differ in terms of their socio-economic conditions:

- The first of these is Europe, where our primary objective consists of reinforcing ties with the communities and social legitimacy, and raising local support for the company's projects. In Spain, island territories have certain peculiarities that differentiate them from the mainland. In these areas it is particularly important to guarantee the necessary infrastructure for the supply of energy.
- The second scenario is Latin America, where issues relating to the security of supply, excellence in operations, regulatory stability and collaboration in social issues, are particularly relevant.

02. KEY SUSTAINABILITY ACHIEVEMENTS OF 2008

In 2008 ENDESA was once again listed in the Dow Jones Sustainability Indices (DJSI), which single out companies that occupy a significant place in their respective European or worldwide sectors and implement advanced sustainability practices.

Other sustainability achievements during the year were as follows:

- Launch of the Energy Efficiency and Responsible Use plan with the aim of positioning the company as leader in eco-efficiency and contribute to its commitment to reduce CO₂ emissions.
- Launch of Endesa Carbono, a company created as a result of the acquisition of AHL and its integration with ENDESA, with two chief objectives: firstly, to provide ENDESA, S.A. with the necessary CERs/ERUs to ensure its targets for 2008/2020 will be met; secondly, to seize new business opportunities in the emerging carbon markets across the globe. Endesa Carbono currently has projects in Argentina, Bolivia, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Peru, South Africa, the Philippines and China. The company's project portfolio includes wind, geothermal and hydroelectric power CDMs, cogeneration, sanitary landfills, water treatment, natural gas, clinker and cement, as well as methane capture in coal mines.
- Consolidation of the solid international position gained in the area of CDMs, becoming the first electricity company and one of the five most active companies in this field worldwide (receiving 6% of the total credits granted by the UN).
- Design of the PE³ energy efficiency programme (Endesa Energy Efficiency Plan), which strongly promotes additional services relating to efficiency and clean energy.
- Presentation of ENDESA's candidacy, with CO₂ capture and storage projects, in response to the proposal from the European Parliament Committee on the Environment.
- Participation in research platforms on CO₂ capture and storage alongside Spanish European companies: CENIT CO₂, Cachet, Cenit Openaer, Geocapacity, Dynamis, C3-Capture and Nanoglowa.
- Winner of the 2008 Award for Enterprise Sponsorship and Patronage in the Environment category, granted by the Spanish Association for Enterprise Sponsorship and Patronage (ÆDME) for the biodiversity recovery and conservation project at the Termocartagena plant in Colombia. This project focuses on the recovery and conservation of the indigenous biodiversity of the lake adjoining the plant and its tropical wetland, the mangrove swamps. These areas, a part of which are within the plant site boundaries, are home to valuable plant and animal species.
- Rollout of a 2007-2008 Climate-Commitment Study in all countries in which ENDESA operates, aimed at ascertaining employees' views on key aspects of management, work environment, management style and people management. The results of this study will be used to prepare specific improvement plans.
- Successful conclusion of the certification of Integrated Management Systems according to standards ISO 9001, ISO 14001 and OHSAS 18001, a process started in 2007 and co-funded by the Corporation for the Promotion of Production (CORFO) for the SMEs providing services to Endesa Chile. Eight companies within this group obtained certification and a further seven contractors embarked on the process.
- ENDESA's quality of supply indicator (SAIDI: system average interruption duration index) in Spain was an all-time best for the company, at 1:26 hours for the entire year, 16% lower than the previous record achieved in 2007. ENDESA's interruption index in Latin America was also substantially improved across all countries in the region: Chile (-12.65%), Argentina (-4.23%), Colombia (-10.16%), Peru (-15.42%), Brazil Ampla (-8.78%) and Brasil Coelce (-12.77%).
- Approval of the new ENDESA internal regulations on the procurement of goods, work and services, a single set of prescriptions covering the entire corporate group which repeals the individual procedures in place in Spain and Latin America with immediate effect. These regulations substantially simplify procurement processes and are adapted to the company's current situation and commitments, such as Law 31/07, the principles of Corporate Social Responsibility and the obligations arising from the UN Global Compact.

03. ENVIRONMENTAL ACTIVITIES

ENDESA is committed to the protection and improvement of the environment in all the territories where it operates.

The company's financial efforts in this field during 2008 were of a similar scale to those of the foregoing years: cumulative investment in environmental activities reached Euro 1,158 million, while environmental expenses were Euro 62 million.

ENDESA's environmental investments were mainly earmarked for waste management infrastructure, reducing the visual impact of its installations, purchase of carbon certificates, environmental improvements in the quality of service and reducing internal losses on the transformation and distribution of electricity.

Environmental expenses mainly relate to environmental protection activities, regeneration of areas with high ecological value (dump clean-up, reforestation, etc.), environmental studies, implementation of environmental management systems, and management of waste, gas emissions and industrial dumping.

03.1. CLIMATE CHANGE

ENDESA's carbon emissions have fallen from 695 g of CO₂/kWh in 1990 to 352 g of CO₂/kWh in 2008, a 50% reduction.

This improvement is mainly due to actions carried out in the following five areas:

03.1.1. Renewable energies

At the close of 2008, ENDESA had a total installed capacity of 2,423 MW in renewable energies. During that year, ENDESA increased output by 347 MW at its renewable energy installations: 334 MW in wind farms and 13 MW in mini-hydroelectric plants.

03.1.2. Emissions trading

At the end of 2008, ENDESA's emissions amounted to 54.2 Mt of CO₂. In Spain, emissions were 39.7 Mt of CO₂. Since the NAP allocation for the year was 24.3 Mt, the company had a deficit of approximately 15 Mt, which was offset through the purchase of emission rights in the markets where it operates and emission-reduction projects.

ENDESA is currently active on the main European wholesale emissions markets (NordPool, Powernext and ECX) and is present on emission rights registries in Denmark, France and Spain (RENADE) to optimise its emission rights trading strategies.

Under the NAP for 2008-2012, the company has been allocated emission rights for an average of 24.3 million Mt of CO₂ per year to be distributed between all its thermal plants. This figure represents a 38% reduction on the allocation for 2005-2007. Taking into account the 42% flexibility margin, ENDESA's installations will be permitted to use 10 Mt/year of credits obtained via emission reduction projects.

03.1.3. Clean Development Mechanisms and Joint Action projects

Cutting emissions through reduction projects is an important part of ENDESA's strategy to fight climate change. In the implementation of this strategy, a significant role is to be played by Endesa Carbono mentioned above, which was created in 2008 to provide ENDESA with the necessary CERs/ERUs to ensure that its targets for 2008/2020 are met, and also to seize new business opportunities in the emerging carbon markets across the globe.

ENDESA's CDM portfolio stood at 89 million CERs, of which 78 million were ERPAs and 11 million were Lols. The portfolio consisted of 46 projects, of which 37 were ERPAs and 9 were Lols. The company registered five new CDM

projects under the UN programme in 2008, setting the total number at the end of the year at 20. These registered projects issued 12 million emission reduction credits during the year, which have already been reflected in the accounts of Endesa Generación. Projects underway include the repowering of the Callahuanca hydroelectric plant (Peru), the Ojos de Agua hydroelectric plant (Chile), the Canela wind farm (Chile) and SIEPAC, the Central American interconnection line.

In addition, ENDESA participates in a number of carbon funds, including the Clean Development Carbon Fund, the Spanish Carbon Fund and the Umbrella Carbon Facility of the World Bank, the MCCF Fund, co-managed by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

03.1.4. Technologies to combat climate change

ENDESA is currently at the forefront in the development of technology for the capture and storage of CO₂. From this position of leadership, the company promotes and collaborates in research projects, demonstration projects, strategic actions and other CO₂ capture and storage initiatives. The following is a summary of some of the key initiatives in this area, which is covered in greater detail in the section on Technological Innovation in this report.

It is worth mentioning, simply by way of an example, that ENDESA also plays an active role in a number of European Union CO₂ capture and storage projects, such as Dynamis, Cachet, C3-Capture, Geocapacity and Nanoglowa.

In Spain, ENDESA chairs the Spanish CO₂ Association, and heads the CENIT CO₂ project (National Strategic Consortium for Technical Research into CO₂), one of the most notable R&D initiatives carried out in Spain in the fight against climate change.

In Europe as a whole, ENDESA is a member of the Advisory Board and several work groups within the European Zero Emissions technology platform (ZEP) and a component of Eurelectric's CO₂ capture and storage task force.

The company also participates in the Green Fuel Corporation, which builds and operates biodiesel production plants, and plays a leading role, along with the Centre for Research on Energy Resources and Consumables (Circe), in Spain's research efforts to promote future clean carbon generation.

03.2. ENVIRONMENTAL MANAGEMENT

03.2.1. Environmental management systems

In 2008 ENDESA made progress in its commitment to implement and certify environmental management systems at its main installations: power plants, distribution centres, renewable energy installations, port terminals, corporate headquarters, etc.

At the end of the year, 91.4% of energy produced by the company worldwide was certified under ISO 14001: 85.5% of the energy generated at ENDESA's facilities in Spain and Portugal, and 99.65% of that was generated in Latin America.

Specifically, all of ENDESA's hydro-electric production plants in Spain and Latin America are certified under ISO 14001.

Five wind farms and two port terminals were certified in 2008, and the Andorra mining complex (Teruel) extended the scope of its certification.

A further achievement in 2008 was the completion of the certification process for the entire system of distribution in Spanish territory. Thus, given that all distribution companies operating in Latin America are certified, the totality of the energy distributed to ENDESA's 24.4 million customers worldwide is certified according to this international standard.

03.2.2. Air quality

ENDESA closely monitors all its emissions to verify the characteristics and the amounts released. The company ensures that all emissions meet applicable regulations, implements technologies to minimise emissions, and designs corrective measures for the impacts generated.

In 2008, ENDESA continued its projects to install desulphurisation and denitrification systems at various thermal plants (Compostilla, Los Barrios, Litoral, Alcudia) and to apply Abaco technology, which improves efficiency in large combustion installations, at a number of thermal energy plants in Spain.

The company's SO₂ emissions during the year in all countries in which it operates reached 0.85 gSO₂/kWh, down 73% on 2007. NO_x emissions rose 13% to 1.09 gNO_x/kWh, while particle emissions were reduced to 0.05 g/kWh (48% improvement).

In Spain and Portugal, SO₂ emissions were 1.11 g/kWh, a 79% reduction on 2007, while NO_x emissions amounted to 1.57 g/kWh, down 19%, and particle emissions fell 44% to 0.09 g/kWh.

Latin American facilities reported small increases in SO₂ and NO_x emissions due to the growth in demand and electricity production in Chile, Peru and Colombia. In contrast to this, there was a noticeable reduction in particle emissions, mainly as a result of the sleeve filter put into operation at the Bocamina thermal plant in Chile.

03.2.3. Waste management and dumping control

ENDESA's internal regulations on waste management and dumping at the facilities lay down specific criteria and procedures for the necessary treatments, as well as for contracting proper management services.

Endesa Ingeniería's dielectric oil laboratory monitors the quality of oils used in ENDESA's transformers by testing PCB levels in the oils.

In 2008, the company's facilities in Latin America continued developing the Strategic Plan for PCB elimination at Endesa Chile and its subsidiaries in South America. Six transformers which were contaminated with PCB (16.74 Mt) were disposed of from the Termocartagena plant in Colombia. The elimination of the contaminated devices was carried out at facilities in France, in compliance with all applicable international legislation.

ENDESA's in-house procedures help control and reduce spillage into water systems and improve water quality, mainly through waste water treatment facilities. In 2008 there were no large-scale spillages at any company installation. As regards dumping, this was mainly industrial, and originated in the refrigeration systems of thermal power plants. All dumping activity was monitored regularly in accordance with applicable local legislation, and complied with the established restrictions.

03.2.4. Conservation of biodiversity

ENDESA's Biodiversity Conservation Programme promotes convergence between biodiversity (species and environments) and the company's various spheres of action.

The goals of the programme focus on knowledge management (investigation), recovery and restoration, the conservation of species and environments, the development of all environmental aspects relating to such conservation efforts, the promotion of alliances and collaborative work, and assessment of the results obtained.

Noteworthy steps taken in this area in 2008 include the following:

In Spain, the company continued developing the As Pontes project (La Coruña). This project is reconditioning the waste tip of the As Pontes mine to eventually turn the emptied site into a large lake. After several years of work, native animal species which had been long absent from the area have been naturally re-introduced. Similar initiatives are being implemented at the Emma mines in Puertollano (Ciudad Real), Andorra (Teruel), Peñarroya (Cordoba) and Es Fangar in Sineu (Majorca). A further completed development was the restoration of the lakes located in the vicinity of hydroelectric

systems in the central Aragonese Pyrenees. These projects, which vary as to the progress they have achieved in physically restoring the environment, are offering some good results in the recovery of biodiversity.

In addition to the above, the company has taken further action to gradually improve the rivers whose waters are regulated by its hydroelectric plants, by applying minimum environmental water flows, building fishways and maintaining agreements with the environmental authorities for the conservation of their fish populations.

Actions have also been undertaken to minimise the impact of company installations on the surrounding birdlife, vegetation and scenery through European Union LIFE programmes, in the five territories where ENDESA distributes electricity within Spain.

Latin America:

- In Chile, the San Ignacio de Huinay Foundation continued its preservation work on the world's last remaining temperate rainforests in the Comau fjord. The foundation performs microbiological studies of thermal sources, plant and animal life inventories and limnological studies of water bodies which had never before been analysed, as well as investigating marine fjords and their plant and animal life. The result of these scientific endeavours is a sizeable amount of new species and singular ecosystems which may prove of great value in terms of the biodiversity information they generate.
- Also in Chile, the surrounding areas of a number of facilities are being restored. One such case is Isla Grande de Pilmaquén, where several programmes are currently underway, with a specific focus on research, conservation, eco-tourism and education.
- The most significant initiative in this area in Colombia is the project for the recovery and conservation of biodiversity in the surroundings of the Termocartagena plant, already mentioned above.
- In Brazil, work continued on the projects for research into the fish life of the Paranaíba river in collaboration with the Sao Carlos Federal University and the local fishermen's associations. These activities aim to study, develop and improve the river's ecosystem, its fish population and fishing as a source of income for the area; improving habitats and generating biodiversity through preservation of the biota in Serra do Baturité, and donating land for the creation of the Mata Atlántica natural park.
- Activity in Peru focused on the study of the physical habitat for fish colonies in the Tulumayo river, and the forestation of the Chillón river with a view to creating a safety area that will protect communities living in the vicinity from floods.
- In Argentina, it is worth highlighting the conservation activities being carried out at the Arroyito hydroelectric plant, focusing mainly on the indigenous bird population.

03.3. ENDESA NATURAL SURROUNDINGS

Endesa Natural Surroundings is an initiative of Bolonia Real Estate, ENDESA's subsidiary responsible for managing the Company's real estate assets, which aims to encourage an inventive approach to environmental management. The programme provides a framework for the coordination and execution of activities aimed at protecting natural areas and promotes the conservation of biodiversity. Currently, a number of ENDESA units and companies are working to recover areas with great ecological value, restore dumps, maintain water resources and agricultural areas, reforest land, carry out scientific research, and develop low-impact renewable energies.

03.3.1. Agreements

Following the provisions of the Law on Natural Heritage and Biodiversity, ENDESA signed a framework agreement with the Department for the Environment of the Autonomous Regional Government of Andalusia and the Network for Custody of the Territory of Andalusia for the performance of custody and protection activities at the company's sites in that autonomous region. The agreement lays down the guiding principles to be followed in subsequent specific deals with entities specialising in this field. 2008 saw the execution of all the projects envisaged in forest fire prevention plans for ENDESA's sites located in forest areas in Andalusia.

The company also signed an agreement with the Catalan L'Esplai Foundation which provides for the demise of certain tracts of land in the area of the Camara reservoir, to be used as a setting for environmental education projects that will enable young people to gain greater awareness of the problems facing the natural world.

A further agreement has been signed with the Sierra Nevada National Park for the plantation of indigenous birch trees in the Barranco de los Alisos and the Loma de las Corzas areas, in estates owned by the company in the municipalities of Durcal and Dilar. It is worth mentioning that the only colonies of *Betula pendula* subspecies *fontqueri* var. *fontqueri* remaining in Andalusia have few individuals and are widely scattered throughout the mountains of Sierra de Segura and Sierra Nevada. This tree species has been included in the red list of Andalusia's vascular flora in the endangered species category, according to the criteria established by the UICN.

Another significant agreement was signed with the Rio Tinto town council for the demise of the Bella Vista Presbyterian chapel, which will be subject to renovation work with a view to hosting socio-cultural activities.

03.3.2. Other activities

2008 was the year in which the Offset Plan for CO₂ emissions resulting from energy consumption at the company headquarters was launched. This initiative will allow the full offset of these compensations through the reforestation of some 600 hectares of land. A Technical Forestry Plan has been drawn up and work has already begun on the preparation of the sites.

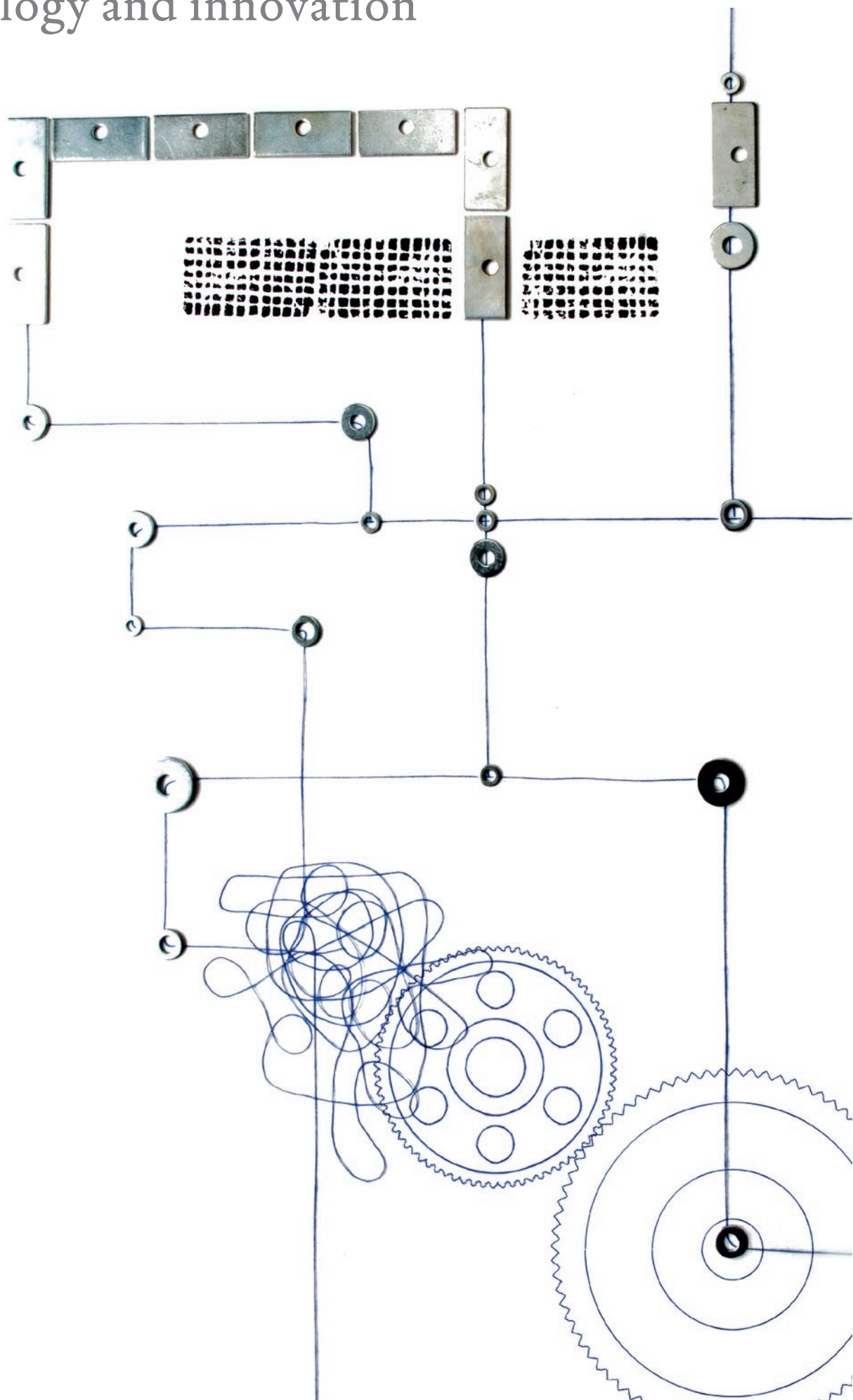
In addition to this, a project has been launched as part of the Plan for the environmental enhancement of Bolonia (Cadiz), for the improvement of gallery forests and thickets.

Other initiatives carried out as part of the Endesa Natural Surroundings programme in 2008 were as follows:

- Completion of the first species inventory of the former waste tip of the As Pontes plant (La Coruña).
- Project for environmental improvements in the Sineu Lake (Majorca).
- Preliminary project for the creation of a Biodiversity Research Centre at the Bolonia Bay (Cadiz).
- Implementation of Endesa Chile's Biodiversity Programme.



Technology and innovation



01. ENDESA: TECHNOLOGY AND INNOVATION ACTIVITIES

ENDESA strengthened its technology and innovation activity in 2008 with the introduction of the new 2008-2012 Technology Plan, a scheme comprising a wide range of initiatives, from R&D&I projects for the different business lines within the company to corporate technology developments.

ENDESA's strategy in the field of technology addresses three different time frames:

- In the short term, initiatives in the area of technology will focus primarily on providing solutions for the challenges faced by the company's businesses through R&D&I projects aimed at maximising the efficiency of their present activity.
- For the mid term, ENDESA is currently working with its most innovative suppliers and leading international research centres to achieve disruptive improvements, promoting projects and partnerships oriented towards new technology and business solutions with a time horizon of 3 to 5 years.
- For the long term, ENDESA engages in technology monitoring and intelligence activities with a view to building future prospects that will contribute to maintaining the company's position of technological leadership and open up new business opportunities.

The strategic objectives of ENDESA's Technology Plan may be outlined as follows:

- Mobilising 1.2% of the company's EBITDA for R&D&I. The company will strive to maximise collaboration and contributions from third parties.
- Establishing an optimal R&D&I project portfolio aimed at providing solutions for the challenges faced by the company's businesses and opening new prospects for the future.
- Creating an environment that favours collaboration with suppliers, universities and technology centres for the development of new technology.
- Boosting the company's technology know-how and promoting its dissemination to the maximum possible extent.
- Consolidating the management system to maximise its efficiency in R&D&I activities.
- ENDESA's innovation and technology activities are coordinated firstly by the Services and Technology Department, which works alongside the different business lines within the Company in all the geographical areas where it operates, and secondly by Endesa Network Factory, a subsidiary specialising in R&D&I projects and activities.

ENDESA's Innovation Management Model has been repeatedly certified since 2006 by the Spanish Certification Agency AENOR according to the UNE 166002 standard, which ensures the quality and efficiency of integral research, development and innovation management systems by setting requirements for tools, procedures, documents and the relationships between business units. ENDESA is the first Spanish electricity utility to have attained this mark of excellence.

In 2008, ENDESA consolidated its regional model of innovation and new business development for Latin America, which unifies management processes albeit taking into account the regulatory and business particularities found in each country.

The company's total investments in R&D&I projects and consortiums under its leadership in 2008 totalled Euro 78 million. Of this amount, direct investments amounted to Euro 51 million, a 19% increase on 2007.

02. KEY TECHNOLOGY AND INNOVATION INITIATIVES IN 2008

02.1. INTERNATIONAL UTILITIES ALLIANCE (IUA)

ENDESA has promoted the creation of the International Utilities Alliance (IUA), an association with the European utility companies ENEL, EDF, EDP and RWE, all of which are at the vanguard of technology in their respective countries, as an expansion of the Endesa Innovation Circles (CIDE). This model allows demand for innovation in the electricity industry to

be channelled to the suppliers taking part in the initiative, while also offering companies a privileged forum in which to exchange experiences and engage in collaborative projects.

The objectives of this alliance include meeting European electricity regulations ahead of schedule, collaboration in energy efficiency projects, and the establishment of several commitments relating to the security of electricity supply and the reduction of CO₂ emissions.

Five work groups were set in motion under the umbrella of the alliance in 2008: Smart Metering, Energy Storage, Electric Vehicles, Intelligent Networks and New designs under IEC 61850.

02.2. PARTICIPATION IN TECHNOLOGY PLATFORMS

ENDESA is an active participant in all the major national and international technology platforms:

02.2.1. Capture and storage of CO₂ and clean coal combustion

- *European Zero Emissions Fossil Fuel Power Plants (ZEP)* technology platform. The main objective of this platform is to promote future clean coal generation to facilitate renewal and growth in current thermal generation, implementing zero-emission generation plants in Europe by 2020.
- In Spain, ENDESA holds the office of Technical Secretary of the Spanish CO₂ Technology Platform (PETCO₂). This initiative, promoted by private companies, universities and public bodies, aims to contribute to the development of technologies for capturing, transporting, storing and utilising CO₂, with a view to achieving their widespread use in the industry. The Spanish CO₂ Association was created to provide a legal framework and support for PETCO₂. ENDESA is a member of the Association, and currently manages its Technical Secretariat.

02.2.2. Intelligent networks and Power Line Communications (PLC)

ENDESA takes over the office of Technical Secretary of the Spanish Platform of Electricity Networks (FUTURED), an initiative for the technological advancement of Spanish electricity transport and distribution networks.

At the European scale, ENDESA plays an active role in the Smartgrids platform, an entity that aims to increase automation, efficiency and safety in electricity networks, harnessing the full potential of information and communication technologies, and changing their model of operation to encourage decentralised decision taking and remote action.

Endesa Network Factory (ENF) participates in the Broadband PLC Standardisation and Regulation Bodies: CENELEC, ETSI PLT and CISPR/I.

The company is also a member of the PLC Utilities Alliance (PUA), which encompasses three major European electricity companies with a market potential in excess of 100 million customers. ENDESA has presided over the alliance since its creation.

02.2.3. Energy efficiency

- ENDESA holds the presidency of the Spanish Technological Platform for Energy Efficiency, which groups the most prominent industrial companies, research centres, universities and national and regional entities related to the promotion of research and development of energy efficiency technology. The aim of this Technological Platform is to encourage collaboration between the public, industrial and scientific sectors to increase the level of energy efficiency in Spanish industry.
- In the regional sphere, ENDESA is a founding sponsor and an active member of the Catalan Institute for Energy Research (IREC) and the Efficiency Cluster. In Andalusia, the company is a member of the Andalusian Technology Corporation and the Advanced Technology Centre for Renewable Energies (CTAER).

02.2.4. Electric vehicles

ENDESA has launched a number of initiatives in the field of electric vehicles, aimed at finding solutions to the challenges involved in the development and operation of such vehicles. The company has joined the work group created by the Ministry for Industry and Tourism to analyse and expedite the introduction of electric vehicles in Spain, and has embarked on collaborative projects with public agencies and transport departments with a view to stimulating the spread of this technology.

02.2.5. Technological Intelligence Model

Project MINERVA has allowed ENDESA to consolidate the Intelligence Cell established in previous years. The company now has an advanced system for technology-related strategic decision taking, and the most advanced methods and tools for information research and technical documentation management.

In 2008 a wealth of IT reports and essential intelligence elements were produced covering the technology-related areas most relevant to the company's strategic decision-taking needs.

02.2.6. Endesa Energy Education

The mission of Endesa Energy Education is to boost the company's capacity to generate and share knowledge and innovation and to foster fruitful relations with the international scientific community, in order to become a centre of excellence, quality and intelligence responsible for managing the company's intangible assets.

The following were the most significant projects and activities established in 2008 by Endesa Energy Education:

ENDESA Electrical Technology Master's Degree-ICAI

This master's degree study programme is organised jointly by ENDESA and the Higher Engineering School (ICAI) of the Comillas Pontifical University, in collaboration with a number of Spanish and international universities, including the Massachusetts Institute of Technology (MIT), the Polytechnic University of Catalonia, and the Universities of Seville and Zaragoza. It is the only European master's degree with 60 ECTS credits (600 class hours) providing a global perspective of the electricity industry.

The Master's Degree is aimed at qualified engineers and holders of first degrees in science, economics or business studies, as well energy specialists employed by ENDESA or by any other company in the sector.

2008 was the year in which the first official degrees for the master's programme were granted by the Comillas Pontifical University. The programme started its second year in the last quarter, with all places covered. 100% of the external students enrolled on the course joined ENDESA upon completion.

Innovation Week

Innovation Week was held in early December 2008 at ENDESA's headquarters in Madrid. The main focus of the event was an exhibition that covered three areas: Suppliers, Electric Vehicles and ENDESA's Businesses. The most significant research projects currently being undertaken by the company and its key collaborators were presented.

4 December was Innovation Day, which featured the second edition of the NOVARE awards ceremony for employees, the CIDE awards for suppliers and the NOVARE awards for the scientific community.

Technological seminars

Endesa Energy Education organised two technology seminars in 2008, with the participation of leading industry figures.

The first seminar, which was held in Seville, analysed the evolution of electric vehicle technology, both mixed and hybrid, and its future prospects. The second seminar, held in Malaga, focused on the *Present and Future of Decentralised Generation*, and was co-organised with the Malaga City Council Energy Agency.

A further event of 2008 was the 2nd ENDESA-MIT Conference, which focused on *Strategic Challenges in the Energy Industry*. Among the topics addressed in this event hosted in Madrid, were efficiency and sustainability, electric vehicles and mobility and decentralised energy systems. The conference is one of the activities organised by ENDESA as part of the Massachusetts Institute of Technology Industrial Liaison Programme (MIT ILP).

Barcelona Tech Summer Sessions

In 2008, Endesa Energy Education was once again Honorary Sponsor of the International Technical Seminars on Energy, Water and Mobility organised by the b_TEC Foundation, where the company delivered a number of presentations.

02.3. NOVARE AWARDS

Novare Scientific Awards

In 2008, ENDESA held a new edition of the NOVARE SCIENTIFIC Awards, which recognise the investigative work of the international scientific community. A total of 40 entries were analysed, which were received from universities, laboratories, private individuals and businesses from 10 different countries. The winners in the four categories were as follows:

- Project HYDRO for the use of satellite technology to predict hydro resources, submitted by Starlab and the Pontifical Catholic University of Chile.
- Project CO₂ SOLSORB for the reduction of CO₂ emissions at thermal plants, submitted by Centro Elettrotecnico Sperimentale Italiano (Cesi Ricerca S.p.A.).
- Project SMARTIE to improve the integration of renewable energies in electricity networks, submitted by the University of Seville.
- Project SUPERCABLE for the design of a new power superconductor cable, submitted by the Material Science Institute of the Spanish Scientific Research Council CSIC and the French company Nexans.

Implementation of the NOVARE employee ideas management system in Latin America

In 2008, the use of the computer application to collect employees' ideas spread to Latin America. The system allows employees to directly submit their ideas for improvement. 4,500 ideas have been processed through this tool since its implementation.

02.4. ENDESA INNOVATION CIRCLES (CIDE)

ENDESA's CIDE projects, which take the form of forum events in which the company participates with its key suppliers, continued making progress in 2008 under the coordination of Endesa Network Factory (ENF).

There are seven Forums, in which 29 innovation initiatives have been developed to date. These are the following: High-Voltage Lines and Cables Forum, Electric Substations Forum, Medium and Low Voltage Forum, Network Automation Forum, Telecommunications Forum, Sales Forum and Thermal and Hydroelectric Plant Forum.

03. ENDESA INNOVATION PROJECTS: TECHNOLOGICAL CORNERSTONES

ENDESA's key technology innovation projects are based on the six technological cornerstones listed below:

03.1. CLEAN COMBUSTION

03.1.1. Capture and storage of CO₂

- *Storage of CO₂*. This project is aimed at the defining and confirming deep geological structures that may be used for storing CO₂ in safe, stable conditions.
- *Cenit CO₂*. Since 2006, ENDESA has spearheaded project CENIT CO₂ (Strategic National Consortium for Technical Research on CO₂). 13 companies and 16 research centres take part in this initiative, which constitutes Spain's foremost R&D effort in the fight against climate change.
- *CIUDEN*. In late 2008, ENDESA signed a strategic agreement with CIUDEN (Energy City Foundation) for the establishment of a global demonstration programme on CO₂ capture and storage technologies.

03.1.2. Emission reduction

- *Novare Plasmacol*. This project focuses on developing technology to treat combustion gases from coal-powered thermal plants through a combination of hybrid filters and non-thermal plasma.
- *Novare CO₂ SOLSORB*. This project aims to develop and demonstrate a new type of sorbent based on a solid substrate with amines that may be used to capture CO₂ from conventional thermal plants.
- *RFCS NoDioxCom*. This focuses on designing and implementing a continuous monitoring system for heavy metals, with particular emphasis on mercury.

03.1.3. Efficiency and process improvement

- *CFB500*. A European project to develop a supercritical fluids platform. This involves the conversion of various boilers to new types of fuel, thereby improving efficiency and reducing CO₂, SO₂ and NO_x emissions.
- *Project CMD*. A system of distributed servers, interconnected through the Chilean corporate network, enabling the monitoring, processing and storage of the operation variables of all ENDESA generation plants in Latin America. This will result in fewer failures and improved management of plant maintenance and operation.
- *CIDE Condition-based Maintenance project*. The project title defines its purpose: attaining and implementing a maintenance system for Chilean Hydroelectric plants that is based on the condition of the plant. This will allow determining the best time to conduct equipment maintenance operations.

03.1.4. Fuel

- *Novare Biohydrogen*. A project for producing hydrogen from the organic fraction of certain waste products. Different biological techniques are being applied that allow simultaneously producing methane and stabilised biomass.

03.2. RENEWABLES AND ENERGY STORAGE

03.2.1. Renewables

- *Novare Hydro*. A Chilean-based project that aims to develop a hydrological forecast model using satellite-supplied data, to support the country's hydroelectric power generation, taking into account the best predictions on snow and water reserves.
- *Hidráulica*. Project for the optimised production of hydrogen through wind power.

- *GDV 500*. System for direct heat generation through high temperature solar energy. This process delivers higher efficiency while lowering environmental risks. ENDESA is a founding partner of the PROTERMOSOLAR Association, which promotes the technological and industrial development of solar energy in Spain.

03.2.2. Energy storage

- *El Hierro*. ENDESA is working in collaboration with the Island Authority of El Hierro and the Technology Institute of the Canary Islands (ITC) to attain a totally renewable energy production system for the island based on wind and hydroelectric power generation, which will guarantee the offshore territory's fully sustainable development. The project is a pioneering experience worldwide.
- *STORE*. The purpose of this initiative is to validate the electricity storage technologies available for scaling adequate for generation on island territories. Application consists in storing energy in trough hours and outputting during peaks in demand, thus avoiding generation at peak hours through gas turbines or electrogen groups.

03.3. EFFICIENCY IN THE FINAL USE OF ENERGY

03.3.1. Active Management of Demand

Novare OPTIGES. The purpose of this project is to analyse the possibilities for large-scale active management of demand in the SME sector, and developing the necessary infrastructure for its implementation. The necessary prototypes for the OPTIGES local controller were developed in 2008, as well as the algorithms executed in the central controller.

03.3.2. Electric vehicles

- The electric vehicle Working Package was designed for the Smart City project proposal. The objective is to deploy a small fleet of electrically-driven cars and motorcycles, and managing their charge intelligently through use of renewable energies. The project envisages the design of intelligent urban charge points, the application of V2G technology in demonstrations and the integration of vehicle charges in the low voltage network.
- *G4V*. This European project, included under the 7th Framework Programme of the European Union, evaluates the impact of the mass introduction of EVs, the possibilities opened by demand management and the storage of energy through V2G technology, the definition of recommendations on ICT use, auxiliary services, integration of renewables, impact on power prices and impact on energy sales.

03.3.3. Sustainable urban planning

- Project MASH (Malaga Smart House). The purpose of this project is to lay down the basis for a new standard of collective social housing from an eco-effective perspective.
- Project for Eco-Digital Public Lighting. Its purpose is to design and implement a high-efficiency street lighting solution using LED lamps and an advanced control system. This will allow a reduction in energy consumption in the region of 50%, resulting in CO₂ emission reductions throughout the useful life of the installation.

03.4. IT/ SMART GRIDS

03.4.1. Telecoms

- *Project "Knowledge is Power-KIP"*. This project encompasses all ENDESA's initiatives focusing on the development of an intelligent, safe and sustainable electricity network, both in financial and environmental terms. The tasks involved are structured into two phases: Basic Smart Grid (remote management, basic virtual operator, Failure Mode Effects and Analysis) and Advanced Smart Grid (RCM, CGUM, automatic network resumption).

- *PRÓXIMA*. A modular, scalable, flexible, easily extendable solution that may eventually cover all the needs of the distributor in a MV/LV transformer centre, from a simple fault bypass detector to full remote control.
- *Project Telegestión* (Remote management). This project aims to define, specify and develop a system for the automatic, remote control and management of electricity supply to domestic customers. Once its technical viability has been established, it will gradually bring about the transformation of some 10,700,000 home meters, thereby achieving a substantial improvement in the management, control, analysis and efficiency of electricity supply. The system will also trigger an increase the economic efficiency and sustainability of the electricity system, as well as improving the management of non-technical losses.
- *Project CENIT DENISE (Intelligent, Safe and Efficient Energy Distribution)*. This is the chief Spanish initiative in the area of intelligent networks. The project involves the creation of a national consortium of 16 companies and 9 research agencies under ENDESA's leadership, which research and develop technologies and information systems to achieve a new generation of energy distribution.

03.4.2. Network Intelligence

- *Smart City*. Preparation of the proposal for a demonstration project of different technologies to be applied in a Smart Grid, concentrated in one urban centre, including intelligent distribution, mini-generation and micro-generation, energy efficiency devices and active management of demand in homes and SMEs, and electric vehicles.

03.5. NETWORKS

03.5.1. Network automation

- *Project ICONO*. This project aims to automate, assist and improve the work of network operators by forecasting network conditions and specifying the control measures to be taken to assure network safety and stability and to achieve an optimal balance between loss reduction and operation costs.

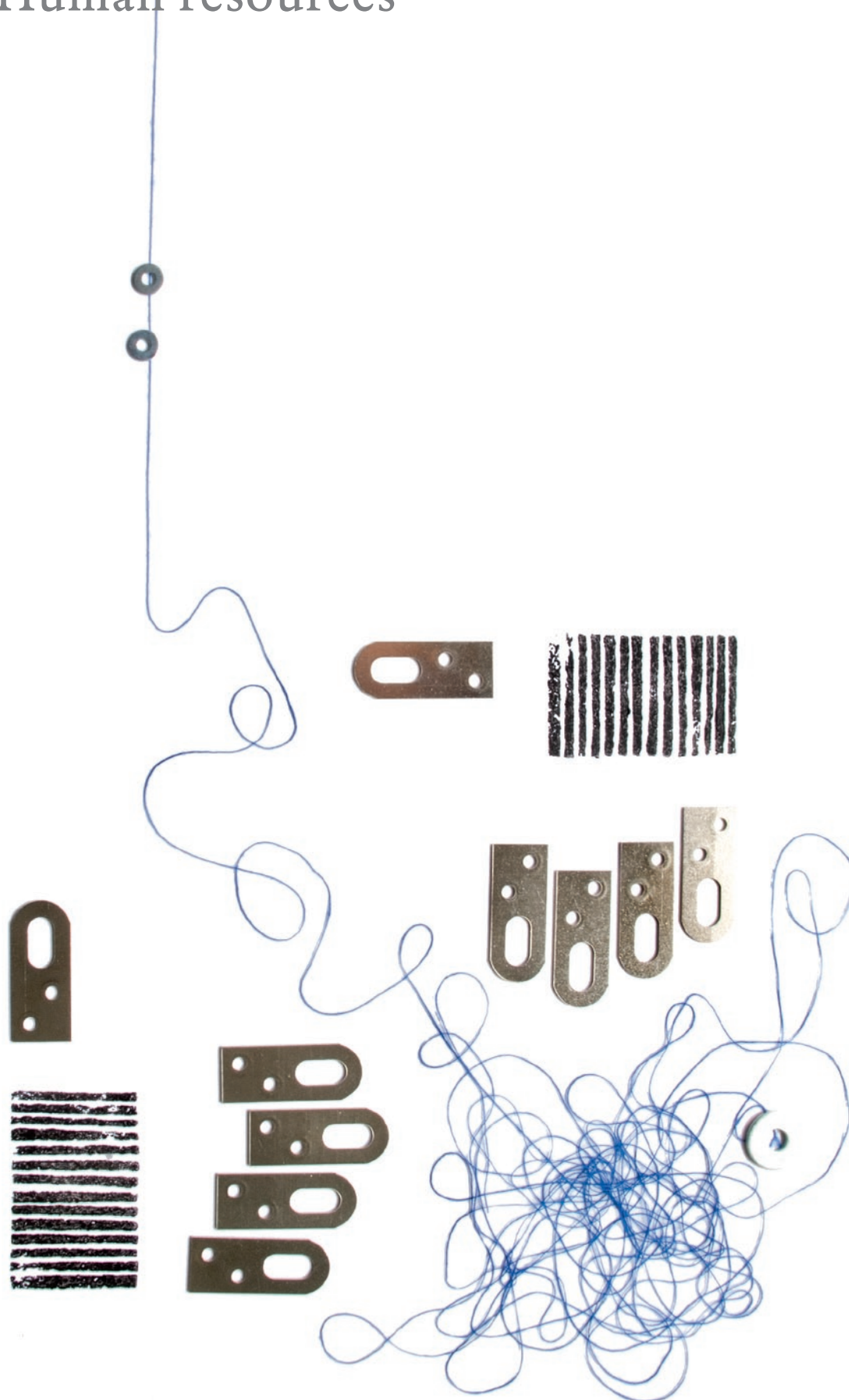
03.5.2. New materials

- *Deployment of new High-Capacity Conductors* on the most relevant sections of the network, along with a new Superconductivity project: Novare Supercable.

03.5.3. Process improvement

- *Project DIANA*. This project consists in designing and developing a new module of Tasks carried out at the Customer's Home, which will constitute a substantial advancement on the current Service Order Module of ENDESA's commercial system.
- *ALMA*. This project aims to promote meter reading management with a view to achieving improvements in terms of quality and communications with suppliers.
- *Strategic Asset Management Plan*. This is oriented to improving the quality of service and electricity distribution, optimising key electricity infrastructure.

Human resources



ENDESA's corporate values reflect the company's belief that human resources are one of its most valuable assets.

ENDESA is responsible for ensuring development opportunities, based on both merit and professional contribution, for all company employees and is committed to encouraging their involvement in attaining common goals by sharing information and know-how.

ENDESA's commitment to these values can be seen in its daily endeavour to promote the optimum management of talent, health and safety, a work-life balance, diversity, ongoing training, and the design and application of fair and motivating evaluation and compensation systems.

This compliance is expressly built into the company's appraisal and compensation systems for its key professionals.

01. MAIN INITIATIVES IN 2008

Within the framework of ENDESA's commitment to the Sustainable Management of Human Resources the following are some of the main initiatives in 2008:

- Progress on the implementation of the Integrated Global Talent Management System, which includes: The evaluation of general management competencies, a leadership model, performance management, and an identification and validation system.
- Progress towards the goal of achieving excellence in Workplace Health and Safety Management, underlined by a 67% reduction in the accident rate between 2004 and 2008.
- Further evidence of ENDESA's commitment to social dialogue with the signing in 2008 of the 2008-2012 Framework Collective Agreement in Spain.

02. WORKFORCE OF ENDESA AND SUBSIDIARIES

ENDESA's total workforce totalled 26,587 at the end of 2008, an increase of 1.6% from the previous year. 18.4% of the workforce is female.

ENDESA's workforce in Spain and Portugal rose from 12,677 at year-end 2007 to 13,561 at year-end 2008, an increase of 7% as a result of the change in the scope of consolidation; in the Latin American business, it stood at 12,896 people at the end of 2008, up 6%, while in other countries, the workforce consisted of 101 employees, down 95.3% on 2008, due to the asset sales made to E.ON over the year.

Workforce at year end	2004	2005	2006	2007	2008	2008 / 2007 % change	2008 / 2004 % change
Spain and Portugal (*)	12,889	12,709	12,625	12,677	13,561	7.0	5.2
Latin America	11,735	12,317	11,962	12,169	12,896	6.0	9.9
Other countries (**)	2,436	2,153	2,130	2,147	101	-95.3	-95.9
Other businesses (Net Factory and Bolonia Real Estate)	93	25	41	26	29	11.5	-68.8
TOTAL	27,153	27,204	26,758	27,019	26,587	-1.6	2.1

Average workforce	2004	2005	2006	2007	2008	2008 / 2007 % change	2008 / 2004 % change
Spain and Portugal	13,659	12,883	12,663	12,666	13,646	7.7	-0.1
Latin America	11,703	12,105	12,078	12,111	12,699	4.9	8.5
Other countries	1,523	2,333	2,172	2,172	80	-44.3	-20.6
Other businesses (Endesa Net Factory and Bolonia Real Estate)	100	23	35	32	26	-18.8	-74.0
TOTAL	26,985	27,294	26,948	26,981	27,581	2.2	2.2

(*) The workforce in Spain and Portugal includes Corporation and Services employees (546 and 495 people, respectively).
 (**) Includes Endesa Hellas (51) and Energie Electrique de Tahaddart (1) people.

Age pyramid for employees in Spain and Portugal 2008 (*)

Range	%
< 35	14.1
35-44	26.4
45-54	47.7
55-59	10.8
> 60	1.1
TOTAL	100.0

(*) Includes Corporation, Services and other businesses (Endesa Net Factory and Bolonia Real State) employees. Does not include information on companies whose workforces are not managed, though they may be consolidated as part of this business.

Age pyramid for the Latin American business 2008

Range	%
< 35	33.2
35-44	32.6
45-54	24.7
55-59	6.5
> 60	3.0
TOTAL	100.0

03. EXECUTIVE MANAGEMENT AND DEVELOPMENT

In 2008, the company's Executive Management Model was also applied. Highlights were as follows:

Integrity

Significant progress was made in two areas of work:

- Spreading the company's corporate culture through the Code of Conduct and the collection of personal data on active and retired executives for verification at the Mercantile Registry.
- Approval of two specific initiatives: Methods of spreading the culture of Corporate Integrity and the design of an online training module.

Talent Management

Strengthening of the processes related to Talent Management (general management competencies, performance and potential)

ENDESA makes a special effort to align its management team with company strategy and thereby to boost its development. The following initiatives were focussed on achieving this objective:

- 2007 Performance Management Evaluation Process, which affected 3,343 people.
- Agreement of 2008 objectives.
- Evaluation of Competencies.
- Management of potential: launch of the process at executive level with the participation of 663 people. 23 potential evaluation committees were held on a global scale.

Training

The following activities were carried out in 2008:

- Leadership Extension Programme: based on the initial Personal Leadership and Environmental Leadership programme. 229 executives took part.
- Participation of selected candidates (executive and non-executive) in Management Development postgraduate courses.
- Organisation of workshops, conferences and international programmes.

Individual Development Plans

Advancement and improvement of the process of individual development, in particular the new appointments made.

- 48 individual development interviews were carried out to suggest and direct personalised support initiatives.
- Setting up two assessment centres, for a specific group of executives, in order to assign the best to key posts.
- Strengthening of the International Development Plan: this programme aims to strengthen the multinational culture, transfer the best practices and contribute to the professional development of Endesa Group employees.

Selection Processes

In 2008, a further step was taken in the executive selection policy, adding value to the process through the global supply of alternative candidates and the increased knowledge of executives and potential executives.

- 65 selection processes were held with 208 candidates attending, 91 interviews taking place with 34 external and 57 internal candidates.
- All of the new executive appointments in Spain resulted from the special team (highly-trusted personnel).
- 53 people (41 internal and 12 external promotions) were appointed to the management team.

Compensation

Changes in remuneration policy issues and reactivation of the total compensation policy. The main initiatives with regard to compensation were as follows:

- The setting up of a strategic group of experts in compensation of leading sector companies.
- The launch of new executive benefits.

Communication

Global reinforcement of communication, with particular focus on interrelationship through the management website.

- Management website: launch of the Management Meeting Point, Management Updates and improvement of the Management Section.
- 87 Latin American executives participated in 12 meetings, which aimed to communicate the Human Resources policies they are involved in and to gather opinions.

Internal Customers

The following initiatives were carried out:

- Identification of critical factors in internal customer service, outlining an improvement plan focussing on greater efficiency and satisfaction, which will be assessed through a quality survey.
- 2008 Satisfaction Survey for employees on international assignment.

Number of ENDESA executives (December 2008)

Level	Europe	Latin America	Rest	Total
Senior Management	32	6	—	38
General Sub-Directors	18	—	—	18
Directors	111	60	—	171
Sub-directors	311	189	1	501
TOTAL	472	255	1	728

04. OCCUPATIONAL HEALTH AND SAFETY (OHS)

04.1. PRINCIPLES OF ENDESA'S OCCUPATIONAL HEALTH AND SAFETY POLICY

ENDESA believes that Occupational Health and Safety (OHS) is a basic principle which should be guaranteed across the board and has publicly stated its commitment to the health, safety and personal and professional development of those people who work for the company, whether they are ENDESA's own employees or workers employed by its associates.

As referred to in the corresponding section of this report, this commitment is clearly reflected in ENDESA's Corporate Vision and Values.

In 2008, all accident rates showed a significant improvement on the previous year's figures. The frequency index for accidents among ENDESA employees, which measures the number of accidents requiring sick leave for each million hours worked, stood at 3.02% in 2008, an improvement of 66.8% since 2004. This means that the targets set by ENDESA for 2012 had practically been achieved by 2008, putting the company among the world's best electric utilities in this respect.

04.2. MAIN OCCUPATIONAL HEALTH AND SAFETY INITIATIVES IN 2008

ENDESA undertakes a wide range of activities with the aim of achieving excellence and becoming an international benchmark in the field of Occupational Health and Safety, which are carried out under the umbrella of the *Apolo* Project; a long-term corporate objective (2005-2012).

Various initiatives are underway in Latin America as part of this project under the Latin American *Apolo* sub-project.

In addition, in Spain and Portugal, in light of the successful application of its Occupational Risk Management Strategy Plan (*Praevenio* Plan 2005-2009) it was decided in 2008 to bring forward the preparation of the second edition of this plan. The *Praevenio* Plan 2008-2012 is of a more proactive nature than its precursor. It combines prevention with a social approach and adopts, as a key pillar of both focuses, the idea of occupational health as "social wellbeing" and not just as absence due to sickness.

04.3. APOLO PROJECT INITIATIVES

Initiatives under this plan focused on the following areas:

Common policy

The first project initiative consists of preparing and publishing ENDESA's Corporate Occupational Health and Safety (OHS) Policy as a public expression of the company's commitment to this issue with regard to its own workers, sub-contractors and society in general. All policies ENDESA sets for its businesses and subsidiaries are in line with this Health and Safety Policy.

Common management systems

The second area of activity centre on ENDESA putting two common management tools at the disposal of all its companies and businesses: the ENDESA OHS Management Model and the Corporate OHS Management Information System (Delfos).

The first of these outlines the conceptual and management framework to which all management systems and OHS management in particular, must be adapted and the second provides the common computer software for day-to-day management and the management of OHS information.

The ultimate aim of these two tools is that all ENDESA's companies and businesses will share a common OHS philosophy and carry out OHS activities in accordance with standardised processes of proven quality.

In addition, all ENDESA's main Latin American installations and practically all its European installations are OHSAS 18001 certified.

Common management

The third area of activity focuses on establishing criteria to assess and encourage good OHS practice in the company's various business units and among both its own and sub-contractors' employees, and setting up common management indicators and parameters.

A system exists for setting OHS targets which mainly affects all ENDESA's management and, in particular, its senior management.

In 2008 the international *Apolo* Prizes, which aim to promote excellence in OHS management and the development of new OHS initiatives among participating companies, were held for the second time and the NOVARE-OHS prizes for ENDESA employees were awarded for the first time.

Last year, 17 OHS training days were held for ENDESA management personnel in Spain, Chile, Colombia, Brazil, Peru and Argentina, in which 553 executives took part.

Also, as part of the *Praevenio* Plan in Spain and Portugal, four awareness workshops were held for 480 executives and team managers and a number of prevention and health and safety courses totalling 150,000 training hours (28.1% of all training hours provided in 2008).

Most of the OHS training in Latin America took place as part of the respective company management programmes. Some countries organised or took part in so called OHS "rodeos" which aimed to improve safety performance through competition.

Finally, 2008 saw the Third Corporate OHS Meeting held in Seville with over 150 business line managers and experts in workplace safety and accident prevention from ENDESA's Spanish and Latin American businesses, contractors and various bodies concerned with these issues.

Monitoring and improvement of all initiatives undertaken

Implementation of the *Apolo* project is monitored through reviews and audits. In 2008, the Corporate OHS Audit Plan was approved. This will be rolled out over a 3 year cycle with the aim of monitoring the difference between the levels of OHS excellence achieved and the targets set.

04.4. TRENDS IN THE MAIN OCCUPATIONAL HEALTH AND SAFETY INDICATORS

In 2008, ENDESA's OHS indicators continued the positive trend shown in previous years.

- The accident frequency index among ENDESA employees, which measures the number of accidents requiring sick leave for each million hours worked, stood at 3.02% in 2008, a 40.2% improvement compared to 2007 (5.05%).
- The index of severity of workplace accidents involving ENDESA employees, which measures the number of days of accident-related sick leave for each million hours worked, showed a 41.2% improvement (121.57 in 2008 against 206.58 in 2007). A total of 5,794 calendar days were lost due to workplace accidents, approximately 0.1% of total time worked.

- Absenteeism for non-work related accidents and common illness among ENDESA employees, measured as a percentage of work days lost for such causes, stood at 2.54, a fall of 12.7% on 2007's figure of 2.91.
- There were 12 workplace fatalities in 2008: one ENDESA employee, who died from natural causes and eleven sub-contracted workers. This is down 25% on the average of the last four years.

Highlights of the performance of OHS indicators by business were as follows:

- The accident frequency index fell 50.6% (2008: 3.75 versus 2007: 7.59) in ENDESA's Spanish electricity and mining business and 10.2% in the Latin American business (2.47 versus 2.75).
- The severity rate dropped 43.2% in the Spanish electricity and mining business (230.68 versus 406.13) and 14.2% in Latin America (38.84 versus 45.26).
- Absenteeism for non-work related accidents and common illness fell 7.7% in the Spanish electricity and mining business (2.98 versus 3.23) and 19.6% in Latin America (2.09 versus 2.60).

Accident rate (frequency index) – ENDESA employees

	2004	2005	2006	2007	2008	% change 2008/07
Spain (electricity & mining businesses)	14.26	11.94	9.38	7.59	3.75	-50.6
Europe	14.25	9.04	13.85	8.04	—	—
Latin America	3.81	4.76	3.19	2.75	2.47	-10.2
TOTAL	9.13	8.11	6.45	5.05	3.02	-40.2

Number of accidents resulting in sick leave of more than one day, per million hours worked.

Severity Rate – ENDESA employees

	2004	2005	2006	2007	2008	% change 2008/07
Spain (electricity & mining businesses)	771.71	710.22	451.09	406.13	230.68	-43.2
Europe	820.90	630.10	429.20	245.13	—	—
Latin America	79.00	232.10	58.00	45.26	38.84	-14.2
TOTAL	429.72	385.87	245.00	206.58	121.57	-41.2

Number of sick leave days resulting from workplace accidents, per million hours worked.

Number of fatalities – ENDESA and sub-contracted employees

		2004	2005	2006	2007	2008
Spain (electricity & mining businesses)	ENDESA employees	1	0	4	0	1*
	Sub-contracted workers	8	6	4	2	1
Europe	ENDESA employees	0	0	0	0	—
	Sub-contracted workers	1	0	0	0	—
Latin America	ENDESA employees	0	0	0	0	0
	Sub-contracted workers	4	15	10	7	10
TOTAL	ENDESA employees	1	0	4	0	1*
	Sub-contracted workers	13	21	14	9	11

* Workplace fatality, due to natural causes.

Absence due to common illnesses and non-work related accidents - ENDESA employees

	2004	2005	2006	2007	2008
Spain (electricity & mining businesses)	2,97	3,17	3,23	3,23	2,98
Europe	2,68	3,62	3,53	2,81	—
Latin America	2,24	2,48	1,94	2,56	2,09
TOTAL	2,88	3,18	2,92	2,91	2,54

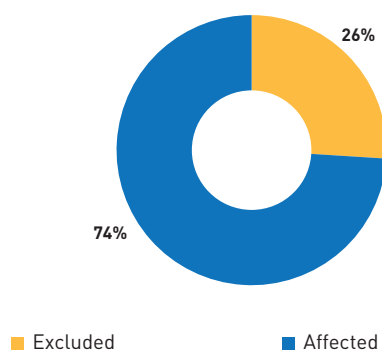
Percentage of work days lost due to common illnesses and non-work related accidents.

05. STRATEGIC MANAGEMENT OF EMPLOYEE RELATIONS

05.1. COLLECTIVE BARGAINING

ENDESA maintains a policy of dialogue and collective agreement within a framework of long-standing respect for freedom of association.

Percentage of work days lost due to common illnesses and non-work related accidents



In 2008, the company drew up its Social Dialogue Policy, which helped to consolidate its Labour Relations Model and includes the five principles which it applies to collective agreements in the Company: legality, equality, trust and good faith, freedom of association and consensus.

At 31 December, 2008, there were 49 collective bargaining agreements in place at ENDESA companies in its six most important countries of operation. Of these agreements, 43 were still valid and the other six were being negotiated. These agreements apply to a total of 19,578 employees.

Last year, collective bargaining agreements affecting 51% of ENDESA's workforce were renegotiated.

In Spain, there were 5 collective agreements in force at the end of 2008; two in force and three being negotiated. In all, these agreements affect 11,683 people.

Also during the year, the III ENDESA Group Framework Agreement was signed in Spain, which affected 20 subsidiaries and extended its period of validity until 31 December 2012. Particular areas of innovation relate to job categories, occupational mobility, the process of filling job vacancies, an equal opportunities and work-life balance plan and job creation. In addition, two agreements were signed relating to the rights and guarantees of workers affected by the sale of assets in Endesa Europe and the Los Barrios and Tarragona thermal plants.

In Latin America, as of 31 December 2008, there were 44 collective agreements, of which 41 were still in force and 3 of which were under negotiation. These agreements affect a total of 7,895 employees. 20 new collective agreements were signed in Brazil, Chile and Peru during the year.

	LATIN AMERICA		SPAIN		TOTAL	
	Collective agreements	No. of workers affected	Collective agreements	No. of workers affected	Collective agreements	No. of workers affected
Collective agreements	44	7,895	5	11,683	49	19,578
Collective agreements in force	41	7,317	2	11,337	43	18,654
Collective agreements under negotiation	3	578	3	346	6	924

05.2. TRADE UNION REPRESENTATION

ENDESA respects the work and responsibilities undertaken by trade unions. Union membership among the workforce of ENDESA and its subsidiary companies in Spain and Latin America stood at 50% and 62%, respectively. ENDESA companies in its six most important countries of operation had 956 workers' representatives: 713 in Spain and 243 in Latin America.

Membership of international labour federations breaks down as follows: International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) 21%; Union Network International (UNI) 11%; Public Services International (PSI) 4%. In addition, 21% of union members are also joint members of both the ICEM and the ISP. The remaining 43% are members of other unions.

Structure of union membership at ENDESA (%)

ICEM	21
ICEM AND ISP	21
UNI	11
ISP	4
Other	43

05.3. CLIMATE OF DIALOGUE AND COLLECTIVE AGREEMENT

The number of hours lost as a result of strike action in Spain in 2008 was equivalent to 0.03% of total hours worked.

Labour agreements and initiatives were reached at ENDESA amid a positive working climate.

05.4. MANAGEMENT OF SUB-CONTRACTORS

Because of the size and importance of the sub-contracted workforce, the health and safety of this group requires a comprehensive and multi-departmental approach. To this end, based on the general principles of its Management of Sub-contractors, in 2006, ENDESA drew up a protocol to provide its businesses with guidelines adaptable to each local scenario and to secure relevant management information regarding contracting of works and services. This regulation, called N.020 for Management of Sub-contractors, was approved by the Executive Management Committee in 2007.

05.5. RULES ON CORPORATE INTEGRITY

ENDESA's rules on corporate integrity include the Senior Management Charter, the Executive Charter and the Employees' Code of Conduct, which establish the principles for the behaviour and actions of the groups at which they are aimed and are always in line with ENDESA's values.

These general regulations relate to prohibition of commercial competition and rendering of services in ENDESA companies, conflicts of interest (general collaboration with suppliers, purchasing of ENDESA goods) and exclusive dedication.

In 2004, the company set up an Interpretation and Monitoring Committee of the Executive Charter and Employee Code of Conduct for employees, in compliance with the requirements of these regulations. This committee's main tasks include the interpretation of both these sets of regulations, answering queries, requests for authorisation, the adoption of measures to be taken in case of any breaches and the publishing of reports. The committee comprises the General Managers of the Auditing, Legal and Human Resources departments of ENDESA.

Its main tasks include approving regulations for the Executive Charter, the Employees' Code of Conduct, Conflict of Interests/Non-Competition Agreements and looking at 146 possible cases of incompatibility of activities of ENDESA personnel.

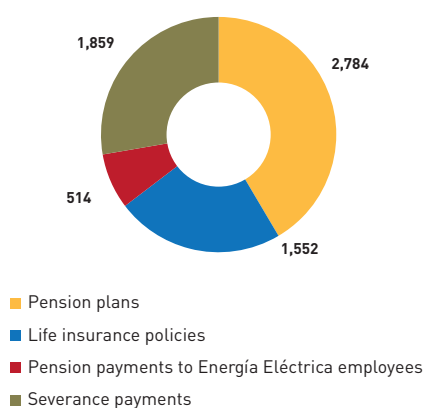
06. PENSION MANAGEMENT

At the end of 2008, ENDESA had pension commitments totalling Euro 6,709 million to over 62,500 active employees and retired former employees.

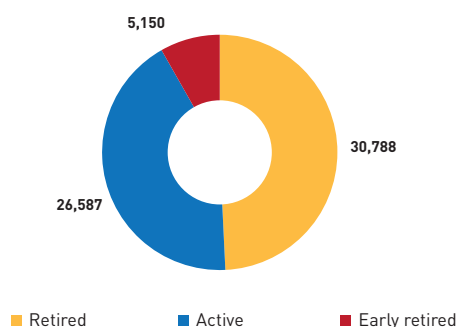
The company has contracted out all its pension commitments in those countries where this is mandatory. The total involved at year-end 2008 was Euro 4,219 million, of which over Euro 2,266 million related to commitments to the 23,470 members and beneficiaries of the Endesa Group employees pension plan; Euro 298 million corresponded to pension plans in Brazil and the rest of the contracted out pension liabilities related to insurance policies.

Pension commitments not contracted out of Euro 2,490 million were recorded in the company's balance sheet and cover the following agreed obligations: Euro 1,739 million for severance payments in Spain, Euro 514 million to Energía Eléctrica for retirement pensions and the remaining Euro 237 million mainly correspond to internal pension funds in Latin America and, to a lesser degree, commitments to defined benefit pension schemes in Spain resulting from a rise in index-linked pension costs in Spain resulting from an increase in the CPI.

Structure of union membership at ENDESA (%)



Pension and severance commitments with personnel at 31-12-08



07. INTEGRATED TALENT MANAGEMENT

In 2008, ENDESA continued to intensify and extend its talent management systems. A fundamental tool for this is the Human Resources Management System, Nostrum, which uses SAP technology and is currently in use in all subsidiaries in every country where the company operates.

The main objectives set for the extension of this system were as follows:

- To integrate management and efficient processes for Human Resources development.
- The decentralisation of the HR function to managers and workers.

In 2008, the main efforts in this area centred on the selection process, identifying potential and managing individual development plans.

07.1. ATTRACTING TALENT

ENDESA is developing a Global Talent Attraction Policy within the framework of its Talent Management Policy to ensure that it continues to keep its value proposition for future employees up-to-date; increasing differentials and ensuring it remains credible and consistent with internal practices.

In 2008, a total of 2,300 professionals joined the various Endesa Group companies.

	<35	35-44	45-54	55-59	>= 60
Company	61.6%	27.4%	8.2%	1.4%	1.4%
Spain and Portugal	78.7%	13.4%	5.7%	2.2%	0.0%
Latin America	72.3%	17.7%	5.7%	1.9%	2.3%
Corporate Development	66.7%	33.3%	0.0%	0.0%	0.0%

In 2008 a total of 1,500 professionals left the employment of the Company, either voluntarily or as a result of dismissal or retirement.

	< 35	35-44	45-54	55-59	>= 60
Company	53.8%	30.8%	7.7%	0.0%	7.7%
Spain and Portugal	6.9%	9.8%	48.4%	7.9%	27.0%
Latin America	44.3%	24.6%	14.8%	7.5%	8.8%

As a result of these changes to the workforce in 2008, the number of women employed by ENDESA and its subsidiaries in Spain rose by 0.7%, the number of employees under 35 years of age increased by 0.5% and those over 55 years of age by 1.3%.

07.2. IDENTIFICATION, VALIDATION AND MANAGEMENT OF POTENTIAL

In 2008, ENDESA developed action plans in relation to its Talent Management Policies. As part of these initiatives, the process of identification and validation of potential began in the final quarter of the year. This process involved the evaluation and validation of the potential of 658 of the company's executives. The main outputs were:

- Segmentation of company management, validated by the respective Executive Committees,
- Various guidelines and decisions made in development areas, deriving from management team evaluation sessions.

To carry out this process, functionalities were developed using the SAP-Nostrum system which permitted:

- Managers to evaluate each of their employees (Evaluation of Potential).
- The management of the various development initiatives resulting from the decisions made by management teams (Individual Development Plans).
- To integrate all segmented information deriving from the process of Validation of Potential into the HR system.

07.3. REVIEW OF GENERAL/MANAGERIAL COMPETENCIES

ENDESA's Competencies Model is used by all group companies and provides the organisation with a common language for identifying and managing talent. Through this model 120 technical and functional competencies and ten generic

management competencies are associated with each occupation/job, which allows the necessary competencies required to be identified, with the aim of objectively assessing employee's suitability for the position they hold. The model also helps establish performance standards in line with demanding strategic objectives, as well as individual development plans -which aim to increase competencies- and promotion and occupational mobility plans.

07.4. EXTENSION OF THE PERFORMANCE MANAGEMENT SYSTEM

In 2008, the Performance Management System (PMS) was extended to new groups of employees in more of ENDESA's subsidiaries. Currently a total of 5,684 (or 22.4%) of the company's employees are evaluated using this system.

	Total PMS/Competencies	Total Workforce	% of Total Workforce
Spain	2,986	12,765	23.4
Colombia	1,076	1,361	79.1
Peru	870	870	100
Brazil	76	2,754	2.8
Argentina	84	3,012	2.8
Chile	113	2,299	4.9
Latin American Services (1)	479	2,268	21.1
TOTAL	5,684	25,329(1)	22.4

(1) Services include Synapsis and Cam: companies present in all Latin American countries in which ENDESA operates.

08. TRAINING AND DEVELOPMENT POLICIES

ENDESA considers it vital to promote the development of the individuals and teams that make up its organisation, as well as those workers who provide services through third parties. This development is implemented through two lines of action:

- Firstly, *People Leadership*, to drive the development of talent at all levels of the organisation through the leaders.
- Secondly, *Expert Leadership*, to strengthen the development and retention of the most critical expert knowledge for the business.

08.1. PEOPLE LEADERSHIP

ENDESA considers the development of leadership as a process that occurs at all levels of the organisation and which begins when a person first joins the company. This helps its employees develop self-awareness through the processes of feed-back, 360° evaluation and coaching; and encourages self-development through a joint-responsibility plan between employees and the company.

People Leadership includes both the professional and personal life of the employee. Health and Safety at work, diversity management and the attainment of a work-life balance are the priorities of this model.

08.2. EXPERT LEADERSHIP

ENDESA is also aware of the need to develop and maintain the most advanced technical knowledge in its organisation. The competencies management model, the development of professional career paths and the certification processes for both individual and occupational competencies are aimed at ensuring both the employability of individual employees

and the improvement in the quality and efficiency of their work, and to ensure the sustainability of the company through the capture and transmission of the most critical knowledge for the operation and development of its businesses.

08.3. APPLICATION

One of the strategic focuses initiated in 2008 within the framework of the Integrated Talent Management Model was the identification of those people with critical skills and knowledge in the areas of People Leadership and Expert Leadership. Initially, this process was applied at executive level in all of the company's businesses in all of the countries in which it is present. The following activities were implemented:

- Training on appraisal, evaluation and development of potential given to 285 people over 2,300 hours.
- Training for members of the Management Committees which evaluate and validate decisions. A total of 23 management teams consisting of over 140 people took part in these sessions which lasted a total of 420 hours.
- 1,200 hours of training for 30 HR coordination and support staff working in ENDESA's various different businesses.

Staff development at ENDESA takes place through global models available through the Endesa Leadership School (development of people leadership) and Endesa Energy School (development of technological and innovation leadership at ENDESA) platforms.

- Endesa Leadership School is a web-based centre of excellence in the field of leadership and opened in 2008 with the aim of ensuring that all ENDESA training units:
 - Share a common vision of leadership development.
 - Share knowledge, content, methodologies and best practice in leadership matters.
 - Use common tools for leadership development in their own particular fields.

During 2008, in excess of 400 people took part in the leadership development programme, with more than 4,000 360° evaluations and over 800 coaching sessions taking place.

- The main objective of the Endesa Energía School is to develop technological leadership at ENDESA. The school plans to set up a technological network of knowledge and talent which combines the work of various universities and research centres, suppliers that participate in ENDESA Innovation Circles and the company's own employees.

08.4. TRAINING MANAGEMENT RESULTS

In general terms the training indicators recorded in 2008 were similar to those of 2007 in terms of investment and added value and lower in terms of training hours and participants.

- A total of Euro 15.7 million was invested in training in 2008, with an average investment per employee of Euro 602.
- A total of 853.6 thousand training hours took place; an average of 32.8 for each employee.
- A total of 73,700 participants took part in training events, with an average participation of 2.8 events per employee.
- The value added per employee, measured in terms of gross profit was Euro 396,000.

Training	Spain & Portugal	Argentina	Chile	Brazil	Peru	Colombia	Others
Training hours/employee (distance) (hours)	43.6	16.5	24.6	9.6	26.6	48.3	2.97
Total training hours (presential and distance) ('000)	586.7	53.1	74.2	31.3	32.9	83.0	6.4
Total training hours (distance) ('000 hours)							
-> corporately managed training hours	87.5	1.3	16.0	0.0	1.1	7.0	0.0
Total Training hours (presential) ('000 hours)							
-> corporately managed training hours	499.2	51.8	58.1	31.3	31.7	75.9	6.4
Training costs (Euro '000)							
-> corporate investment carried out in countries	9,113.0	701.5	2,363.8	3,352.8	496.3	333.4	2.1

09. WORKING CLIMATE AND COMMITMENT

In the first half of 2008, more than 30 presentations were made in the various Businesses, Business Lines and Company Management Committees on the results of the Working Climate and Commitment Survey and the proposal of the possible critical areas for action. The main areas for improvement identified, which formed the global Working Climate and Commitment Action Plan, were the following:

- Increase and improve communication: managers to communicate strategy and guidelines for action within the organisation.
- Increase and improve cross-organisation collaboration: optimise knowledge of projects and functions and collaboration between units.
- Improved efficiency: internal management processes, resource allocation and time management.
- Development of a merit recognition culture (financial and non-financial).
- Piloting of a Global and Integrated Working Climate and Commitment Balanced Scorecard: management and monitoring of objectives, indicators, goals and action plans at all levels of the organisation, linked to planning and performance management.
- Identification of improvement plans for the local community: (Business Lines-Region/Country-Company).

In this way the rollout of local action plans can take place:

- Communication of the results of the Working Climate and Commitment Survey to all company employees.
- Methodology to identify actions (local community):
 - Draw up key questions for businesses.
 - Hold workshops with employees at different departmental levels to identify issues, offer solutions, define action plans on three levels: individual, team and organisational.
 - Hold workshops with Management Committee (on methodology of team coaching).
 - Consolidation of action plans in every area through the Balanced Scorecard management tool.
- Monitoring. The Balanced Scorecard is being used to collect the basic information for the management of objectives, indicators, goals and action plans related to the Working Climate and Commitment Survey. The objectives of the Corporate Strategic Map 2008-2012 linked to Working Climate and Commitment are from a perspective of learning and growth.

10. DIVERSITY AND WORK-LIFE BALANCE MANAGEMENT POLICIES

The objective of ENDESA's Corporate Diversity Management Policy is to make diversity management a key part of the corporate culture and thereby attract, develop and retain talent, ensure innovation and operational excellence, develop organisational learning and generate commitment to the business project.

The following bodies were set up in 2008:

- A Diversity Strategy Committee, to lead the rollout of the policy and to define strategic priorities in diversity, inclusion and equal opportunities.
- A Diversity Observatory, created together with BBVA and Telefónica, to develop and communicate knowledge, identify and spread best practice, train managers and other professionals, and provide support to management teams on these matters.
- A Global Diversity Balanced Scorecard, to discover ENDESA's diversity profile and to ensure compliance with equal opportunities in talent management.

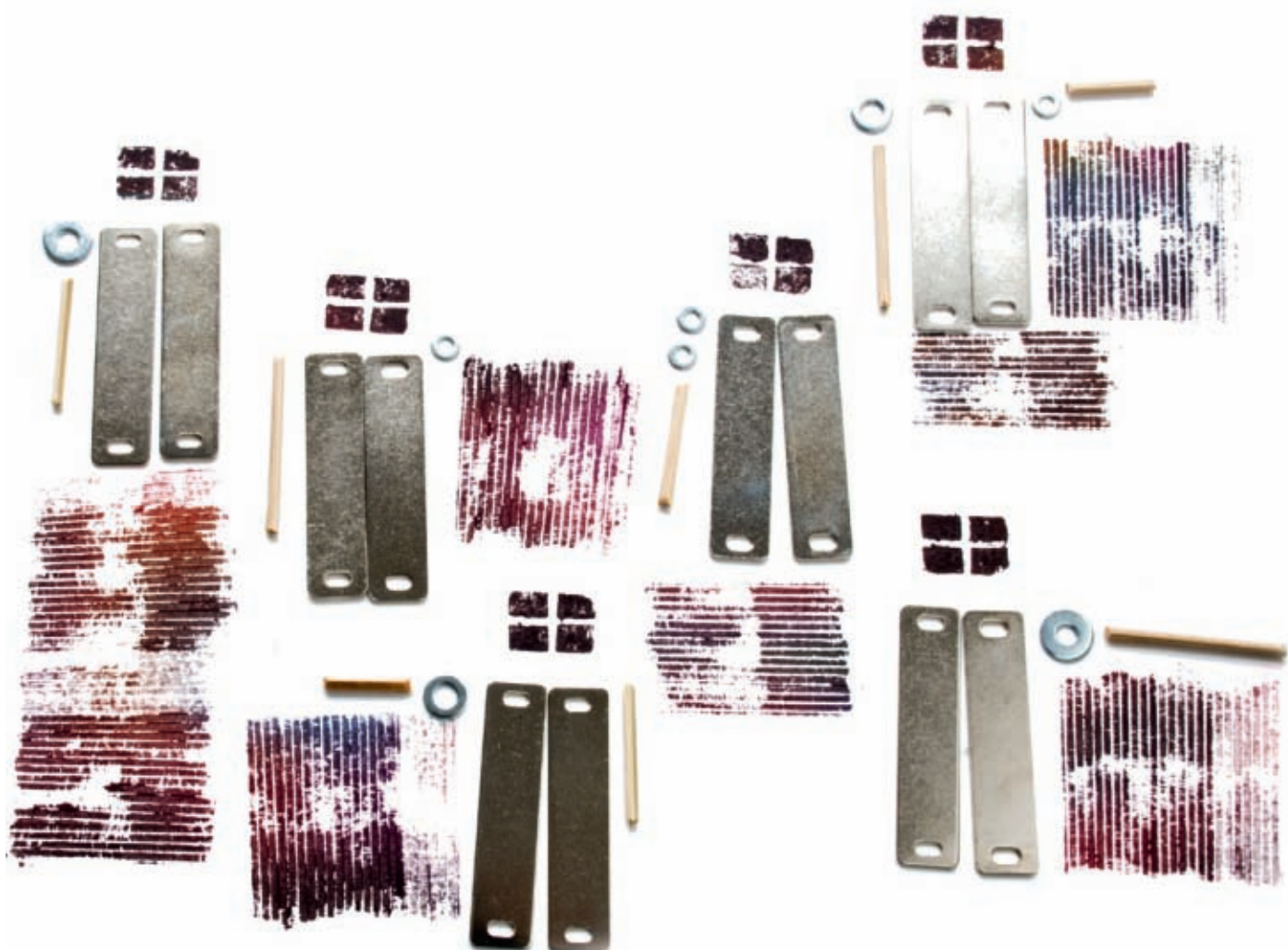
The Spain and Portugal business has developed an Equal Opportunities Plan aimed at not only providing women with the same opportunities as men, but also improving the work-life balance. This reflects the commitment of the company and trade unions to promote effective equal opportunities for employees. Among others, this plan includes measures to protect rights in relation to pregnant employees, maternity and paternity leave and victims of gender-based violence, with specific action guidelines to prevent and eradicate sexual harassment.

Of particular note in this area in 2008, were the efforts carried out by ENDESA and its subsidiaries in Spain, Colombia, Argentina and Chile to guarantee equality of opportunity in the selection process. A good example of this is the composition of the Endesa Peru Management Committee, 50% of who are women.

As part of the practices in Latin America aimed at increasing equal opportunities for women and enhancing the quality of life, the following projects stood out:

- The Company and Family Programme run by Edesur (Argentina) since 2003, which aims to stimulate the development of tools to make it easier for women to access the world of work.
- Endesa Brazil's policy of hiring and promoting employees during pregnancy and the maternity period and providing maternity leave of 180 days. These work practices have led the distribution company Ampla to be ranked as one of the best companies for working women by the Great Place to Work Institute.
- In Chile, Enersis, Endesa Chile and Chilectra were included among the 'Ten Best Companies for Working Parents'. Such recognition results from practices such as the inclusion in all the company's internal regulations and Code of Conduct of the principle of equality of opportunity and the removal of discrimination; the signing of a "Good working practices and gender equality" agreement with SERNAM, and various measures relating to the gradual return to work from maternity leave, flexible hours, breast feeding facilities and education and support for parents and their families.

Community Initiatives



ENDESA considers that an integral part of its business activities is to actively assume the consequences of the relationships it maintains with the regions and communities in which it operates; responding to their needs and contributing to their development through a variety of community actions.

This has been ENDESA's philosophy since its incorporation and is embodied in the corporate values and commitments to sustainable development the company has made public. Employees are formally required to comply with these values and commitments, and their performance in this regard is regularly assessed in employee remuneration schemes.

01. ENDESA'S SOCIAL POLICY

ENDESA applies the following basic criteria with regard to its community initiatives:

- The company's community initiatives must be underpinned by the belief that supplying electricity is a basic public service. ENDESA's foremost commitment to society is therefore to supply electricity in the best possible terms and conditions. Accordingly, community initiatives must under no circumstances be seen as replacing or reducing the obligations that stem from this commitment.
- ENDESA's community initiatives are closely linked to the nature and characteristics of the company's day-to-day business operations, with what it does best, and with the needs of the main communities with which it has direct relationships.
- Notwithstanding the above, in the case of particularly disadvantaged environments or communities ENDESA will endeavour to respond to urgent social needs that cannot be adequately met by other institutions.
- The company endeavours to perform such initiatives in close partnership with the social representatives of the areas or communities which benefit from them.
- ENDESA is aware that, because of its economic weight and the service it provides, it ranks among the leading companies in many of the markets where it operates. Special emphasis is therefore placed on collaboration in unique and emblematic projects in those areas.
- ENDESA provides transparent and systematic information on its community initiatives through various communication channels and in line with general disclosure principles accepted both in Spain and abroad.

Community initiatives stemming from the above criteria are carried out through the corporate centre, Spanish regional operators, the different foundations created by ENDESA and its subsidiaries in various countries and through direct initiatives undertaken by these subsidiaries. The projects can be classified into four categories: cooperation, education, culture and socio-environmental initiatives.

A summary of ENDESA's community initiatives in 2008 is provided below. A more detailed description is provided in the company's 2008 Sustainability Report.

02. INVESTMENTS IN COMMUNITY INITIATIVES IN 2008

ENDESA allocated a total of Euro 35.3 million for the implementation and promotion of various community initiatives in 2008. This equals 1.49% of its net income for the year.

However, this amount did not include the investments made in rural electrification (Euro 69.1 million) or the contribution to the Adaptation Fund of the United Nations Framework Convention on Climate Change (Euro 4.39 million) as, although these were investments in social initiatives, they were also directly related to the company's business activities.

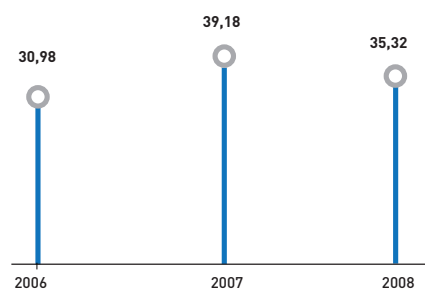
ENDESA'S Investments in community and general interest initiatives in 2008 (Thousands of Euro)

Spain	21,955
Corporate Centre initiatives	13,025
Endesa Foundation initiatives	6,000
Regional operator initiatives	2,936
Latin America	13,359
TOTAL	35,320

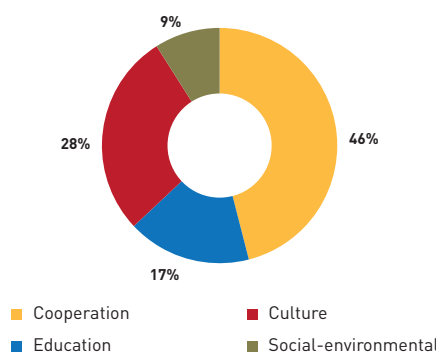
Of the Euro 22 million invested in Spain, Euro 6 million was used in programmes operated by the ENDESA Foundation and Euro 16 million was channelled directly through the company. Of this latter amount, Euro 3 million was used for programmes carried out by Spanish regional operators, such as Fecsa Endesa (Catalonia), Sevillana Endesa (Andalusia and Badajoz), Gesa Endesa (Balearic Islands), Unelco Endesa (Canary Islands), ERZ Endesa (Aragón), or by some of its largest power plants, such as Compostilla, As Pontes, Andorra, Carboneras, Ascó, Vandellós, etc.

ENDESA's Latin American subsidiaries earmarked a total of Euro 13.4 million for community initiatives in 2008.

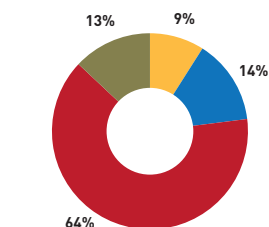
ENDESA's total investments in community initiatives (Millions of Euro)



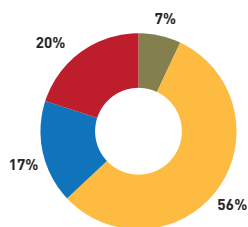
ENDESA's 2008 community initiatives by category



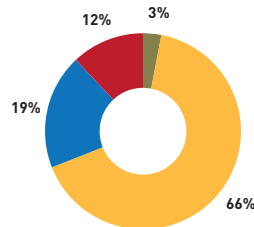
ENDESA Foundations: investment in community initiatives in Spain in 2008



ENDESA: investment in community initiatives in Spain via corporate centre and regional operators in 2008



ENDESA: investment in community initiatives in Latin America in 2008



Cooperation Culture Education Social-environmental

02.1. COOPERATION

In 2008, 46% of ENDESA's social initiatives related to cooperation programmes with local communities within the regions in which it operates.

Some of the main initiatives in this area in 2008 were as follows:

- Although, in accordance with principles of transparency, investment in rural electrification programmes has not been included in the figures above, it should be mentioned as it involves initiatives clearly linked to economic and social development and its objective is to provide rural communities and underprivileged neighbourhoods with access to a basic service, such as electricity. In 2008, ENDESA's Latin American subsidiaries invested Euro 69.1 million in these initiatives.

One highlight of these initiatives involves the activities performed by Brazilian companies, Ampla and Coelce, as part of the *Electricity for All (Luz para Todos)* Programme, to help rural areas meet the objectives set out in the Brazilian regulator's Mainstreaming Scheme. Other electrification and lighting schemes, which will benefit thousands of people for many years to come, were carried out by Codensa in Colombia, Edelnor in Peru and Edesur in Argentina.

These projects not only include programmes to extend supply, but also to improve and restructure the electricity grid power lines. They are also accompanied by educational activities on the efficient use of energy.

- In 2007, the distribution company Chilectra launched its Community Initiatives Programme, aimed at improving the quality of household service and is working together with the community in this connection. The initial success of this experiment has led to it being increased fivefold in 2008, with over 10,000 people benefiting.

Based on a philosophy of participation, the programme aims to establish processes of communication and inclusion to enable a socio-cultural exchange with customers in poor townships.

- In Brazil, the distribution company Coelce encourages its customers to look after the environment by reducing their electricity bills by an amount equivalent to the value of the selectively collected household waste they collect.

The most important results of this project are the reduction in disease caused by inadequate disposal of waste products into the environment, the lower environmental impact of these waste products, the fostering and development of industrial recycling, and the creation of dozens of jobs both directly and indirectly.

In 2008, more than 107,000 families took part in the programme, obtaining discounts on their electricity bills worth around Euro 220,000 and recycling 4.8 million tonnes of waste through 61 collection points.

This project was a prize winner at the United Nations' 2008 World Business and Development Awards, which are the major world awards recognising the role played by private companies in meeting Millennium Development Goals.

- Codensa Hogar is an initiative of the Colombian company Codensa offering financing for household appliances and home improvements through low-cost loans. Customer profiles of Codensa Hogar's customers are: over 100,000 female heads of household, 83,000 customers on minimum wage and 54,000 pensioners. 70,000 new loans were approved in 2008 and the range of insurance policies on offer was widened to include home cover and insurance to provide financial support in the event of death of the homeowner.
- Over the 2008 Christmas period, ENDESA's supplier in Spain, Endesa Energía, carried out a charity campaign. Every new customer to its Digital Billing service was asked to choose one of three community projects to which they would like the company to make a Euro 5 contribution on their behalf. A total of Euro 11,500 was raised.
- In 2008, Chilectra began to provide copies of its bills in Braille for blind customers. The initiative started with a list of 75 people furnished by the Blind Association of Chile; the aim being to extend this to all customers requiring the service.
- Other ENDESA's Latin American subsidiaries have offered this service for some time. For example, since 2003, the Brazilian company Ampla has provided all of its customers with serious visual handicaps a summary of their bill in Braille.
- In the field of volunteer projects, a highlight in 2008 was the second *Endesa Solidarios* initiative held in Spain. This initiative involves setting up a collaboration channel for ENDESA staff through which they can collect donations for community projects, chosen and led by the employees themselves, and provide training in voluntary work. Over 500 employees took part in the *Endesa Solidarios* programme in 2008 and raised a total of over Euro 60,000, including

contributions from the company itself. This benefited community initiatives in senior citizen care, support for the terminally ill, aid for special education for autistic children, job opportunities for young people at risk of social exclusion and the eradication of child labour.

- Employees at Edelnor (Peru) donated their time and money to help build and open the *Fe y Alegría* School in San Clemente and to the Christmas project at the *Sagrada Familia* Children's Home in the Puente Piedra district. In addition, the electrification of 23 homes in the *Sarita Colonia* neighbourhood of the Pariñas district in Talara province was carried out.
- *Compartir Voluntariado* is a programme created by Ampla to encourage its employees to take part in charity work. The company undertakes to donate eight hours of its employees' time to allow them to take part in voluntary activities within this programme.
- Chilectra employees take part in the Chilectra Cup; a community initiative in collaboration with UNICEF, CONACE and the Iván Zamorano Foundation. It involves a children's football and volleyball tournament that each year brings together around 6,000 boys and girls from the metropolitan area in the sports grounds, which have been lit by the company since 1994 as part of its commitment to reclaiming public spaces for the community.
- The Pehuén Foundation (Chile) contributes to the socio-economic development of the indigenous Pehuenche communities through a programme of manufacturing and infrastructure development, education, professional training and maintaining traditions and cultural identity. The Foundation's management model encourages the people involved to participate at all levels: from membership of the board of directors to decision-making.
- In 2008, the Argentine generation company Hidroeléctrica de El Chocón took part in the Neuquén Volleyball Project for the third year running. The aim of this initiative is to encourage children to practise this sport in order to foster the values of fair competition, integration and personal effort and team work.

02.2. EDUCATION

17% of the community initiatives undertaken by ENDESA and its subsidiaries in 2008 were of an educational nature. These activities are generally carried out under collaboration agreements with a wide range of institutions, from basic learning centres to universities. The initiatives are also varied and include: organisation of courses; promotion of economic, social and technological studies; donation of books and materials to schools; education in efficient and safe use of electricity, etc.

One of the most important initiatives in this field is the *Endesa Educa* programme in Spain, which promotes the efficient and rational use of electricity among schoolchildren. The programme provides teachers with activities related to energy resources, the use of electricity, etc. Last year, *Endesa Educa* carried out 568 such activities with the participation of over 20,000 students.

Another large-scale educational initiative was launched at the Pachacútec Higher Technology Institute (Peru) through the collaboration of the distributor Edelnor and the International Labour Organisation (ILO). The programme's objective is to train young people from disadvantaged backgrounds to become electricity sector professionals and provide them with work experience.

02.3. CULTURE

In 2008, 28% of ENDESA's community initiatives were in the field of culture, where ENDESA and its subsidiaries help promote and preserve the national heritage, maintain expressions of indigenous peoples' culture and support festivals and other cultural events in those countries in which they operate.

One important feature of the company's efforts in this area is the lighting of historical monuments in Spain and Latin America. ENDESA and its subsidiaries provide both financial and technical support to these initiatives, in order to ensure that the buildings have safe and efficient electrical systems. A total of 75 monuments were illuminated in 2008.

Another initiative of cultural interest is the *Consciência Ampla Superação* programme, which has visited numerous towns and cities and reached thousands of families in Brazil since it began in 2004. This family initiative enables children to enjoy activities as painting and drawing, group games, educational computer games, etc., while parents take part in workshops and discussions on how to use energy more efficiently. They also have the chance to sign up for public utility services with local agents.

Another Brazilian company, Coelce, set up workshops in the suburbs of the city of Fortaleza so that children and young people can enjoy educational cartoon films on recycling and the safe and efficient use of energy. These films are later shown in various parts of the city and the metropolitan area.

02.4. SOCIO-ENVIRONMENTAL INITIATIVES

ENDESA's socio-environmental initiatives include initiatives aimed at fostering awareness and values in connection with conserving natural spaces in communities, protecting endangered species of animals and plants, and reforestation and conserving areas of ecological value. In 2008, 9% of the company's community initiatives centred on this type of activity.

They do not include activities directly related to the protection of the natural environment, which ENDESA and its subsidiaries carry out in the framework of the daily management of their industrial activities.

ENDESA contributes Euro 4.4 million to the Adaptation Fund of the United Nations Framework Convention on Climate Change (UNFCCC) to help those developing countries that have signed up to the Kyoto Protocol to combat the adverse effects of climate change. 2% of Certified Emission Reductions (CERs) issued to ENDESA's Clean Development Mechanism (CDM) projects are used to help finance this adaptation fund.

Elsewhere, the Huinay Foundation's Science Centre, which is backed by Endesa Chile, undertook 12 research projects in 2008. Of particular note was the Huinay Fjords 6 Expedition and studies on the circulation of matter in the Comau fjord. In addition, the Foundation has logged over 40 new marine species, set up workshops for the children at Huinay School and organised community programmes for the inhabitants of this region of southern Chile.

Appendices

MAIN COMPANIES OF THE ENDESA GROUP

ENDESA GENERACIÓN

Sociedad Anónima Unipersonal

Date of incorporation: 22 September 1999

Registered office: Avenida de la Borbolla, 5.

41004 Seville

Tax ID: A 82434697

Endesa Generación was created as a holding vehicle for ENDESA's power generation and mining activities in Spain following the integration of all subsidiaries, as well as those in Portugal, previously held by Endesa Cogeneración y Renovables (ECyR), except Gas y Electricidad Generación, S.A.U., and Unión Eléctrica de Canarias Generación, S.A.U., which are 100%-owned by Endesa Generación. These subsidiaries may be incorporated within the company at a later date, if deemed appropriate on the basis of the status of generating activity in isolated systems at the time.

Chairman-General Manager

Manuel Morán Casero

ENDESA RED

Sociedad Anónima Unipersonal

Date of incorporation: 22 September 1999

Registered office: Avenida del Paralelo, 51.

08004 Barcelona

Tax ID: A 82434663

The creation of Endesa Red marked the culmination of the integration of ENDESA's regional distribution companies in Spain. The companies grouped under this umbrella include Endesa Distribución Eléctrica, S.L., Endesa Operaciones y Servicios Comerciales, S.L. and Endesa Gas, S.A. Endesa Distribución Eléctrica, S.L. manages ENDESA's activities in the regulated electricity transmission and distribution activities as well as power supply to customers who receive their electricity at the rates set by the Spanish government. Endesa Operaciones y Servicios Comerciales, S.L. provides commercial support to ENDESA's power companies, while Endesa Gas, S.A., brings together ENDESA's holdings in companies operating in the regulated natural gas market. It also has a controlling stake in Endesa Ingeniería. This organisational structure places ENDESA in a better position to take advantage of the close relationships existing between the electricity and gas markets, both of which have been fully open to competition since 1 January 2003.

Chairman-General Manager

José Luis Marín López-Otero



ENDESA ENERGÍA

Sociedad Anónima Unipersonal

Date of incorporation: 3 February 1998

Registered office: C/ Ribera del Loira, 60.

28042 Madrid

Tax ID: B 81948077

Endesa Energía supplies energy on the deregulated market, responding to the post-deregulation requirements of the Spanish electricity sector. The company supplies energy and value-added services to customers exercising their right to choose an energy supplier and receive services on the deregulated market. Endesa Energía also supplies energy on the deregulated markets of various other European countries, such as Portugal, France, Italy, Germany, and Belgium.

Chairman-General Manager

Javier Uriarte Monereo

ENDESA LATINOAMÉRICA*

Sociedad Anónima Unipersonal

Date of incorporation: 26 January 1998

Registered office: C/ Ribera del Loira, 60.

28042 Madrid

Tax ID: A 81932873

Endesa Latinoamérica was created to channel ENDESA's presence in the Latin American market through the management of a large number of companies in which ENDESA has controlling interests, namely: Enersis, Endesa Chile and Chilectra (Chile), Edesur, Endesa Costanera, Hidroeléctrica El Chocón, Endesa Cemsá and Dock Sud (Argentina), Endesa Brasil, Ampla Energia e Serviços, Endesa Cachoeira, CIEN, Endesa Fortaleza and Coelce (Brazil), Emgesa and Codensa (Colombia), Edegel, Edelnor and Empresa Eléctrica de Piura (Peru).

Chairman and General Manager

Pedro Larrea Paguaga

[*] On 27 June 2008, the company's Extraordinary General Shareholders' Meeting resolved to change the name of Endesa Internacional, S.A. to its current name of Endesa Latinoamérica, S.A.

KEY FINANCIAL DATA

BALANCE SHEET DATA (Millions of Euro)	2004	2005	2006	2007	2008
TOTAL ASSETS	47,182	55,365	54,088	58,522	58,546
Business in Spain and Portugal	24,878	30,204	30,254	32,753	40,652
Business in Latin America	14,284	17,136	16,595	17,590	16,878
Rest	8,020	8,025	7,239	8,179	1,016
FIXED ASSETS	28,910	32,313	33,714	30,595	31,528
Business in Spain and Portugal	16,657	18,176	19,758	20,035	21,537
Business in Latin America	8,715	10,565	10,084	10,463	9,801
Rest	3,538	3,572	3,872	97	190
EQUITY OF PARENT COMPANY	8,728	11,590	11,291	11,989	17,082
Business in Spain and Portugal	4,819	5,918	5,936	6,045	14,333
Business in Latin America	2,341	3,164	3,022	3,367	2,757
Rest	1,568	2,508	2,333	2,577	(8)
EQUITY CORRESPONDING TO MINORITY SHAREHOLDERS	3,831*	4,737	4,645	5,141	3,682
Business in Spain and Portugal	116	119	44	51	68
Business in Latin America	3,077	3,763	3,642	3,907	3,482
Rest	638	855	959	1,183	132
FINANCIAL DEBT	18,698*	18,281	19,840	20,834	14,003
Business in Spain and Portugal	9,586	11,461	12,548	14,017	8,395
Business in Latin America	5,350	6,109	5,618	5,570	5,271
Rest	3,762	711	1,674	1,247	337

* Data as of 1 January 2005.

KEY INCOME STATEMENT LINES (Millions of Euro)	2004	2005	2006	2007	2008
OPERATING REVENUES	13,665	18,229	20,580	18,073	22,836
Business in Spain and Portugal	6,719	9,274	10,090	10,273	13,489
Electricity business in Latin America	4,357	5,232	6,079	7,308	8,354
Rest	2,589	3,723	4,411	492	993
EBIT	2,846	4,244	5,239	4,619	5,234
Business in Spain and Portugal	1,432	2,264	2,705	2,663	2,834
Business in Latin America	1,054	1,376	1,688	1,919	2,408
Rest	360	604	846	37	(8)
INCOME AFTER TAXES AND MINORITIES	1,253	3,182	2,969	2,675	7,169
Business in Spain and Portugal	888	1,358	1,843	1,785	2,217
Business in Latin America	127	262	462	471	506
Rest	238	1,562	664	419	4,446
EBITDA	4,521	6,020	7,139	6,368	6,895
Business in Spain and Portugal	2,472	3,266	3,835	3,790	3,930
Business in Latin America	1,522	1,878	2,188	2,541	2,968
Rest	527	876	1,116	37	(3)

KEY ECONOMIC FLOWS (Millions of Euro)	2004	2005	2006	2007	2008
CASH FLOW FROM OPERATIONS	3,418	4,209	4,643	5,317	5,214
Business in Spain and Portugal	1,978	2,66	2,721	2,684	3,007
Business in Latin America	942	1,180	1,218	1,801	1,965
Rest	498	360	704	832	242
TOTAL INVESTMENT	3,449	3,640	4,336	4,746*	4,150**
Business in Spain and Portugal	2,030	2,660	2,921	3,079	2,628
Business in Latin America	522	670	952	1,047	1,442
Rest	897	310	463	620	80
DIVIDENDS PAID	782	2,541	1,736	1,621	6,243***

PER SHARE DATA (Euro)	2004	2005	2006	2007	2008
Earnings	1.19	3.01	2.80	2.53	6.77
Dividend	0.74	2.40	1.64	1.53	5.90***
Cash flow	3.25	4.00	4.40	5.02	4.92
Shareholders' equity	8.11	10.95	10.66	11.32	16.13
Total shareholder remuneration (%)	18.00	32.80	72.10	6.90	(17.10)***
P/E ratio (Price/Earnings (x))	14.53	7.38	12.80	14.37	4.22

* Including ongoing and discontinued operations.

** Excluding amounts corresponding to renewable assets to be contributed to a joint venture with Acciona, S.A. (Euro 595 million).

*** Pending approval at the General Shareholders' Meeting.

KEY OPERATING DATA

All data have been prepared under International Financial Reporting Standards (IFRS). The sharp year-on-year declines observed in several lines are due to the sale of specific assets in Spain and Portugal to E.On as a result of the agreement signed by Enel and Acciona with that company in April 2007.

	2004	2005	2006	2007	2008
Workforce	27,153	27,204	26,758	27,019	26,587
Spain and Portugal (2)	12,889	12,709	12,625	12,677	13,590 (1)
Latin America	11,735	12,317	11,962	12,169	12,896
Europe and other	2,529	2,178	2,171	2,173	101
Installed capacity (MW)	45,850	45,908	47,113	49,187	39,656
Spain and Portugal	22,503	22,416	23,021	24,490	24,228
Hydro	5,368	5,379	5,362	5,363	5,417
Conventional thermal (3)	12,884	12,632	13,089	14,100	13,135
Thermal - nuclear (3)	3,393	3,397	3,397	3,397	3,641
Cogeneration and renewables (3)	858	1,007	1,173	1,630	2,035
LatAm (4)	14,053	14,095	14,317	14,707	15,284
Europe (3)	9,294	9,397	9,775	9,990	144
Output (GWh)	175,838	185,264	186,411	183,946	149,830
Spain and Portugal (5)	95,679	93,625	88,808	91,058	88,189
Hydro	10,311	7,479	7,571	7,149	7,548
Conventional thermal	58,029	61,006	54,372	58,126	50,942
Thermal - nuclear (3)	25,567	23,020	24,389	22,906	26,112
Cogeneration and renewables (3)	1,772	2,120	2,476	2,877	3,587
Latin America (4)	55,106	57,890	62,028	59,512	60,690
Europe (3)	25,053	33,749	35,575	33,396	951
Sales (GWh)	181,217	203,335	220,299	227,502	172,788
Spain and Portugal	96,731	100,868	109,412	113,375	109,032
Regulated market	65,762	64,095	71,599	72,746	61,327
Deregulated market (6)	30,969	36,773	37,813	40,629	47,705
Latin America	52,314	55,246	58,281	61,610	62,805
Europe (3)	32,172	47,221	52,606	52,517	951
Customers (thousands)	21,463	21,936	22,701	23,454	24,428
Spain and Portugal	10,577	10,714	11,120	11,481	11,649
Regulated market (7)	10,023	9,716	10,042	10,326	10,296
Deregulated market	554	998	1,078	1,155	1,353
Latin America	10,886	11,222	11,581	11,973	12,417
Europe	—	—	—	—	—

(1) In contrast to previous years, includes Spain's Other Business workforce.

(2) In contrast to previous years, 2008 data include figures for Asociación Nuclear Ascó-Vandellós, Carbopego, Nuclenor, Pegop Energía Eléctrica, Tejo Energía, Endesa Ingeniería, Endesa Gas Distribución and Endesa Gas Transportista due to changes in the consolidation scope deriving from the joint control of the two main shareholders in the company in that year.

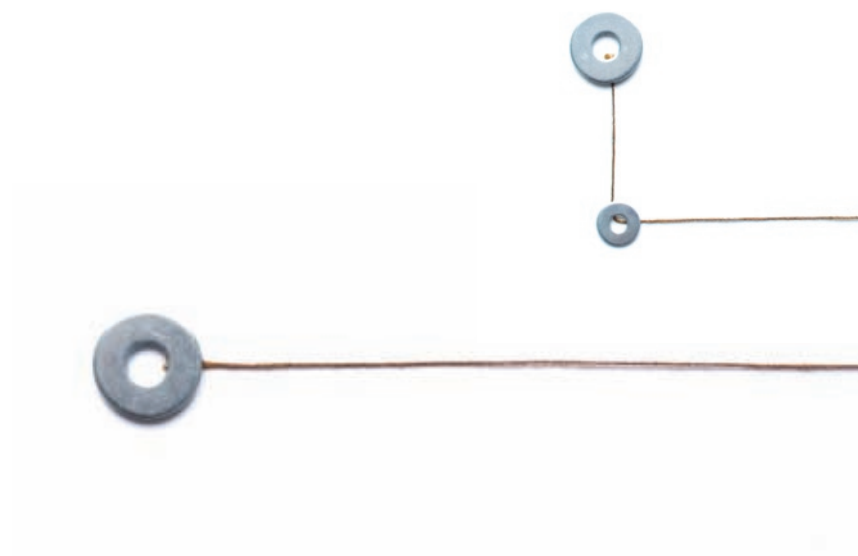
(3) Data consolidated by ENDESA.

(4) Includes the Chilean plant GasAtacama, which has been accounted for using proportionate consolidation from 1 January 2008.

(5) Data measured according to busbar cost. In 2008 output from the As Pontes CCGT plant is included from June; output from the Los Barrios thermal plant and the Tarragona CCGT is included to June – when these assets were sold to E.On – and output from Nuclenor and Tejo Energía is included throughout the year as these assets were accounted for using proportionate consolidation.

(6) To coincide with economic data for this business we include sales made by Endesa Energía in European countries outside of Spain and Portugal.

(7) Tariff customers. Does not include toll customers.



ENDESA'S GENERATION FACILITIES IN SPAIN AT 31 DECEMBER 2008 (ORDINARY REGIME) MW B.A.

	Location	Type of fuel	No of groups	Capacity (MW)	% ENDESA	Capacity corresponding to ENDESA (MW)
MAINLAND SYSTEM						
THERMAL PLANTS						
Coal						
Compostilla	Cubillos del Sil-León	H-A	4	1,199.6	100.0	1,199.6
Anllares	Anllares-León	H-A	1	365.2	33.3	121.7
As Pontes	As Pontes-La Coruña	BRL	4	1,468.5	100.0	1,468.5
Teruel	Andorra-Teruel	BL	3	1,101.4	100.0	1,101.4
Litoral	Carboneras-Almería	IC	2	1,159.0	100.0	1,159.0
TOTAL COAL			14	5,293.7		5,050.2
Conventional fuel-gas						
Foix	Cubelles-Barcelona	F-NG	1	520.0	100.0	520.0
San Adrian 1 & 3	San Adrián-Barcelona	F-NG	2	575.5	100.0	575.5
CCGT						
San Roque 2	San Roque-Cádiz	CCGT	1	408.3	100.0	408.3
Besós 3	Besós-Barcelona	CCGT	1	419.3	100.0	419.3
Colón 4	Huelva	CCGT	1	397.8	100.0	397.8
As Pontes	As Pontes-La Coruña	IC	3	849.1	100.0	849.1
TOTAL FUEL-GAS			9	3,169.9		3,169.9
TOTAL CONVENTIONAL THERMAL			23	8,463.6		8,220.1
Nuclear						
Asco I	Ascó-Tarragona	N	1	1,032.5	100.0	1,032.5
Asco II	Ascó-Tarragona	N	1	1,027.2	85.0	873.1
Vandellós II	Vandellós-Tarragona	N	1	1,087.1	72.0	782.7
Garóña	Stª Mª Garóña-Burgos	N	1	466.0	50.0	233.0
Almaraz I	Almaraz-Cáceres	N	1	981.6	36.02	353.6
Almaraz II	Almaraz-Cáceres	N	1	987.9	36.02	355.8
Trillo	Trillo-Guadalajara	N	1	1,067.5	1.0	10.7
TOTAL THERMAL - NUCLEAR			7	6,649.8		3,641.4
Hydroelectric						
Conventional hydroelectric						
U. de Prod. Hidr. Noroeste		H	31	758.7	100.0	758.7
U. de Prod. Hidr. Ebro-Pirineos						
U. Territorial Pont de Suert		H	51	712.3	100.0	712.3
U. Territorial Zaragoza		H	64	593.3	100.0	593.3
U. Territorial Lleida		H	64	1,250.6	100.0	1,250.6
U. de Prod. Hidr. Sur						
U. Territorial Córdoba		H	48	395.7	100.0	395.7
U. Territorial Antequera		H	52	266.6	100.0	266.6
Pumping plants						
Moralets		H	3	221.0	100.0	221.0
Sallente y Montamara		H	6	539.8	100.0	539.8
Ip		H	3	88.9	100.0	88.9
Tajo Encantada y Guillena		H	7	589.8	100.0	589.8
TOTAL HYDROELECTRIC				5,416.6		5,416.6
TOTAL MAINLAND				20,530.0		17,278.2

	Location	Type of fuel	No of groups	Capacity (MW)	% ENDESA	Capacity corresponding to ENDESA (MW)
NON MAINLAND SYSTEMS						
BALEARIC ISLANDS						
Coal						
Alcudia	Mallorca	IC	4	510.0	100.0	510.0
Fuel-Gas						
Alcudia	Mallorca	G	2	75.0	100.0	75.0
Son Reus	Mallorca	G	11	613.0	100.0	613.0
Ca's Tresorer	Mallorca	G	3	239.0	100.0	239.0
Mahón	Menorca	F-G	6	218.0	100.0	218.0
Ibiza	Ibiza	F-G	17	291.0	100.0	291.0
Formentera	Formentera	G	1	14.0	100.0	14.0
TOTAL BALEARIC ISLANDS				1,960.0		1,960.0
CANARY ISLANDS						
Fuel-Gas						
Jinamar	Gran Canaria	F-G	13	415.6	100.0	415.6
Barranco de Tirajana	Gran Canaria	F-G	10	697.0	100.0	697.0
Candelaria	Tenerife	F-G	10	288.2	100.0	288.2
Guia De Isora	Tenerife	G	1	48.6	100.0	48.6
Granadilla	Tenerife	F-G	9	513.6	100.0	513.6
Arona	Tenerife	G	2	48.6	100.0	48.6
Punta Grande	Lanzarote	D-G	12	212.5	100.0	212.5
Las Salinas	Fuerteventura	D-G	12	186.6	100.0	186.6
El Palmar	La Gomera	D	10	22.9	100.0	22.9
Llanos Blancos	El Hierro	D	9	12.7	100.0	12.7
Los Guinchos	La Palma	D-G	11	108.7	100.0	108.7
Hydro	La Palma	H	1	0.8	100.0	0.8
TOTAL CANARY ISLANDS				2,555.9		2,555.9
CEUTA & MELILLA						
Ceuta	Ceuta	F-D	8	71.1	100.0	71.1
Melilla	Melilla	F-G	7	84.4	100.0	84.4
TOTAL CEUTA & MELILLA				155.5		155.5
TOTAL MAINLAND AND NON MAINLAND				4,671.4		4,671.4
TOTAL ENDESA PLANTS IN SPAIN				25,201.4		21,949.6

Fuel: H-A (hard coal-anthracite), Brl (brown lignite), BL (black lignite), IC (imported coal), F (fuel oil), G (gasoil), NG (natural gas), CCGT (combined cycle –gas turbine) D (diesel), N (nuclear), H (hydroelectric).

ENDESA'S GENERATION FACILITIES IN LATIN AMERICA

		Installed capacity 31/12/08 (MW)	Hydro	Fuel Gas	Coal	CCGT	Wind	Stake held Endesa Latinoamérica	Capacity equivalent to stake held (MW)
Los Molles	Chile	18.0	18.0					36.36%	6.5
Rapel	Chile	377.0	377.0					36.36%	137.1
Sauzal	Chile	76.8	76.8					36.36%	27.9
Sauzalito	Chile	12.0	12.0					36.36%	4.4
Cipreses	Chile	106.0	106.0					36.36%	38.5
Isla	Chile	68.0	68.0					36.36%	24.7
Pehuenche	Chile	570.0	570.0					33.69%	192.0
Curillínque	Chile	89.0	89.0					33.69%	30.0
Loma Alta	Chile	40.0	40.0					33.69%	13.5
Abanico	Chile	136.0	136.0					36.36%	49.4
El Toro	Chile	450.0	450.0					36.36%	163.6
Antuco	Chile	320.0	320.0					36.36%	116.4
Pangue:	Chile	467.0	467.0					39.55%	184.7
Ralco	Chile	690.0	690.0					36.36%	250.9
Tarapacá tg	Chile	24.0		24.0				36.36%	8.7
Tarapacá (coal)	Chile	158.0			158.0			36.36%	57.4
Atacama*	Chile	390.3				390.3		18.18%	141.9
Tal Tal	Chile	244.9		244.9				36.36%	89.0
Diego de Almagro	Chile	46.8		46.8				36.36%	17.0
Huasco (gas turbine)	Chile	64.2		64.2				36.36%	23.3
Huasco (steam turbine)	Chile	16.0			16.0			36.36%	5.8
San Isidro	Chile	379.0				379.0		36.36%	137.8
San Isidro II	Chile	353.0				353.0		36.36%	128.4
Bocamina	Chile	128.0			128.0			36.36%	46.5
Palmucho	Chile	32.0	32.0					36.36%	11.6
Canela	Chile	18.2					18.2	27.27%	4.9
Ojos de Agua	Chile	9.0	9.0					36.36%	3.3
TOTAL CHILE*		5,283.2	3,460.8	379.9	302.0	1,122.3	18.2	—	1,915.2
Costanera (Steam)	Argentina	1,138.1		1138.1				25.36%	288.6
Costanera (CCGT)	Argentina	859.0				859.0		25.36%	217.8
CBA	Argentina	327.0				327.0		25.36%	82.9
Dock Sud (CCGT – closed cycle)	Argentina	797.5				797.5		39.99%	318.9
Dock Sud (CCGT – open cycle)	Argentina	72.0		72.0				39.99%	28.8
El Chocón	Argentina	1,200.0	1,200.0					23.77%	285.2
Arroyito	Argentina	128.0	128.0					23.77%	30.4
TOTAL ARGENTINA		4,521.6	1,328.0	1210.1	—	1,983.5	—	—	1,252.6
Cachoeira Dourada	Brazil	665.2	665.2					61.94%	412.0
Fortaleza	Brazil	321.6				321.6		62.18%	200.0
TOTAL BRAZIL		986.8	665.2	—	—	321.6	—	—	612.0

		Installed capacity 31/12/08 (MW)	Hydro	Fuel Gas	Coal	CCGT	Wind	Stake held Endesa Latinoamérica	Capacity equivalent to stake held (MW)
El Guavio	Colombia	1,213.0	1,213.0					34.57%	419.3
Charquito-Limonar- Tinta-Tequendama	Colombia	76.6	76.6					34.57%	26.5
La Junca	Colombia	19.5	19.5					34.57%	6.7
Cadena Pagua (Guaca and Paraiso)	Colombia	601.2	601.2					34.57%	207.8
Termozipa	Colombia	235.5			235.5			34.57%	81.4
Betania	Colombia	540.9	540.9					34.57%	187.0
Cartagena	Colombia	208.0		208.0				34.57%	71.9
TOTAL COLOMBIA		2,894.7	2,451.2	208.0	235.5	—	—	—	1,000.6
Ventanilla	Peru	492.7				492.7		41.42%	204.1
Piura (Malacas)	Peru	130.7		130.7				48.00%	62.7
Huinco	Peru	247.3	247.3					41.42%	102.4
Matucana	Peru	128.6	128.6					41.42%	53.3
Callahuanca	Peru	80.4	80.4					41.42%	33.3
Moyopampa	Peru	64.7	64.7					41.42%	26.8
Huampaní	Peru	30.2	30.2					41.42%	12.5
Santa Rosa	Peru	229.3		229.3				41.42%	95.0
Yanango	Peru	42.6	42.6					41.42%	17.6
Chimay	Peru	150.9	150.9					41.42%	62.5
TOTAL PERU		1,597.4	744.7	360.0	0.0	492.7	—	—	670.2
		15,283.7	8,649.9	2,158.0	537.5	3,920.1	18.2	—	5,450.6

* Includes the 390 MW Chilean plant GasAtacama, proportionately consolidated from 1 January 2008.

ENDESA'S GENERATION FACILITIES IN OTHER COUNTRIES

Power station	Country	Type of plant	Installed capacity (MW) at 31.12.08 (*)
Tahaddart (proportionately consolidated 32%)	Morocco	CCGT	384
Tarbert	Ireland (**)	Thermal	620
Great Island	Ireland (**)	Thermal	240
Rhode	Ireland (**)	Thermal	104
Tawnaghmore	Ireland (**)	Thermal	104

(*) 100 % of the plant.

(**) The purchase of these assets was completed in January 2009

SIGNIFICANT EVENTS FOR 2008 AND JANUARY-APRIL 2009

2008

4 January	The re-powering of the Callahuanca plant in Peru achieves certification from the UN Convention on Climate Change to obtain ERCs, in recognition of its contribution to cutting greenhouse gases.
11 January	Edegel (Peru) signs a turnkey agreement with Siemens Power Generation, Inc. to enlarge the Santa Rosa thermal plant by 189 MW.
16 January	ENDESA takes over the presidency of SIEPAC, the project for electricity interconnection between the six Central American countries.
21 January	The San Isidro II power plant in Chile comes on stream with a fuel oil combined cycle, totalling 353 MW of installed capacity.
22 January	ENDESA opens a representative office in Shanghai (China).
23 January	ENDESA inaugurates its first two wind farms in the Valencia Region (Alto Palancia I and II), with a combined capacity of 74 MW.
14 February	The first towers of the SIEPAC project are inaugurated in the Nicaragua-Costa Rica section.
18 February	ENDESA begins selling electricity to large customers in the Netherlands.
19 February	ENDESA and HUNOSA sign an agreement to promote wind power in Asturias.
4 March	ENDESA offers e-billing services to all its customers.
5, 6 and 14 March	ENDESA's holdings in Endesa Trading, Tahaddart and Endesa Hellas are transferred from Endesa Europa to Endesa Desarrollo. These assets are not affected by the agreement signed by Enel, Acciona and E.On in April 2007.
11 March	ENDESA is awarded a licence to sell gas in Portugal.
19 March	Conversion commences at unit 1 of the Tal Tal plant in Chile owned by Endesa Chile, which will have a continuous diesel-based operation.
27 March	Enel and Acciona reach a deal with E.On on the value of the assets to be transferred to the latter following the agreement signed by the three companies in April 2007. The total value agreed is Euro 11,500 million.
18 April	ENDESA signs an energy innovation collaboration agreement with EDF, EDP and RWE.
23 April	ENDESA is awarded 20% of the first auction of natural gas storage capacity held in Spain.
24 April	Unit 2 of the Termocartagena plant in Colombia comes on stream, with installed capacity of 65.9 MW.
9 May	ENDESA's Board of Directors approves several appointments and internal functional changes to enhance the company's operating capacity, including the creation of a new Nuclear Energy unit.
21 May	ENDESA reduces its accident rate in Spain by 80% as compared to 2005 thanks to the Praevenio Plan. The company's accident rate is now lower than the European average for the electricity sector.
3 June	The As Pontes (A Coruña) combined cycle plant comes on stream.
13 June	Emgesa's 400 MW El Quimbo hydroelectric project obtains 1,650 GWh in the Allocation of Firm Energy Obligations to GPPS plants and units in Colombia.
20 June	ENDESA concludes the conversion of the As Pontes (La Coruña) thermal plant, improving its environmental performance.

23 June	Financing of USD1,100 million for the construction of the Quintero (Chile) LNG regasification terminal is awarded to a bank consortium. The new facility will have a capacity of 9.6 million m ³ /day.
26 June	Agreement signed for the sale of Endesa Europe and other ENDESA assets to E.On.
27 June	Endesa Eco's Ojos de Agua hydro power plant (Chile), with capacity of 9 MW, comes on stream.
14 July	ENDESA launches a technology transfer project for the Italian utility A2A.
16 September	ENDESA acquires AHL (Asin Holdings Limited), a US-based company engaging in the identification of clean development projects that generate CO ₂ emission rights. ENDESA then transfers AHL to Endesa Carbono, a subsidiary that promotes and develops projects that contribute to the reduction of CO ₂ emissions.
17 September	The As Pontes plant and the El Ferrol coal terminal renew compliance with the EMAS environmental regulatory system.
25 September	The distribution company Coelce (Brazil) receives a World Business and Development award from the UNO for a project offering discounts in electricity bills in exchange for recycling refuse.
26 September	ENDESA launched takeover bids for 24% of the Peruvian companies Edegel y Edelnor, which it already controlled.
29 September	ENDESA receives the first vessel at its new coal terminal in Ferrol to commence testing of its unloading cranes.
1 October	ENDESA draws up a plan to ensure the availability of critical corporate information systems in the event of an incident at the main data processing centre.
8 October	ENDESA joins the <i>Caring for Climate</i> initiative to fight climate change.
15 October	Work concludes on the project to raise the water level of the Arroyito dam in Argentina, owned by Hidroeléctrica El Chocón. The project has increased the plant output by 7.84 MW.
27 and 31 October	Closing of the subscription period in the takeover bids for the Peruvian subsidiaries Edegel and Edelnor. ENDESA acquires an additional 23.78% of the former and an additional 24% of the latter.
17 November	Conclusion of the first stage in the provision of consultancy services to the National Electricity Office of Morocco (ONE) for the creation of its trading business.
20 November	ENDESA launches its own brand of electric heaters. These are energy-efficient heating products designed to help regulate power consumption.
19 December	ENDESA reaches 770,000 customers in the deregulated Spanish gas market.
23 December	ENDESA and the Spanish government sponsored Energy City Foundation (CIUDEN) sign an agreement to develop technologies for capturing CO ₂ .

2009

8 January	ENDESA acquires 20% of the Irish utility ESB's generation assets after a public tender process. The assets concerned total 1,068 MW already on stream in four sites, and two additional sites with evacuation capacity of up to 300 MW, making ENDESA the second largest power operator in the Republic of Ireland.
29 January	ENDESA unifies the management of the operations and infrastructure services for its information systems in Europe and Latin America.
20 February	ENDESA's Board of Directors approves payment of a gross interim dividend of Euro 5.897 per share against 2008 earnings.
21 February	Enel reaches an agreement with Acciona for the purchase of its entire stake in Endesa, S.A., whereby Enel will become the majority shareholder in the company with 92.06% of its capital once all the transactions due to be carried out during the course of 2009 have been effected. According to the terms of the agreement, ENDESA undertakes to sell certain wind farm and hydro generation assets to Acciona for a total of Euro 2,890 million, although this amount may be adjusted in accordance with specific criteria.
26 February	Distribuidora de Energia de Cundinamarca, the company owned by Empresa de Energia de Bogotá and Codensa, acquires 82.34% of Empresa de Energia de Cundinamarca in a public tender, thereby attaining control of the company.
3 March	ENDESA starts work on planting 700,000 trees in Spain to compensate for the emissions made by its company headquarters during the next 25 years. For the second consecutive year, ENDESA receives the AUTELSI award in the Social and Environmental Commitment category.
12 March	ENDESA sends the document containing the General Principles of its Strategic Plan to the Spanish Securities Exchange Commission (CNMV).
23 March	ENDESA receives two awards from the US-based Electric Power Research Institute (EPRI) in recognition of its operational excellence in programme application at its thermal power stations.
24 March	ENDESA's Board of Directors elects Borja Prado Eulate as Chairman of the company and appoints Jorge Vega-Penichet López as a new director. It is also decided that the powers delegated to the Board of Directors will be exercised jointly by the Vice-Chairman, Andrea Brentan, and the CEO, Rafael Miranda.
17 April	Endesa Carbono and AENOR sign an agreement to certify the company's Clean Development Mechanism (CDM) and Joint Implementation (JI) projects for the reduction of greenhouse gas emissions.
28 April	The Carbon Disclosure Project (CDP) leadership index, the undisputed benchmark for climate change, awards ENDESA the highest score of all electric companies worldwide.
15 May	FALTA TRADUCIR

ENDESA SINCE ITS INCORPORATION

1944

ENDESA is incorporated on 18 November.

1945/1957

The Compostilla I thermal plant in Ponferrada (León) is built and comes on stream.

1961/1972

The first three units of the Compostilla II thermal plant in Ponferrada (León) are built and begin production.

1964

The hydro plant at Cornatel (León) comes on stream.

1972

Merger with Hidrogalicia.

Acquisition of the As Pontes (La Coruña) open pit coal mine and the Andorra underground (Teruel) coal mines from Empresa Nacional Calvo Sotelo.

1972/1979

The As Pontes (La Coruña) thermal plant is built and comes on stream.

1976/1980

The Andorra (Teruel) thermal plant is built and starts production.

1979/1984

The new groups of the Compostilla II thermal plants are built and come on stream.

1980

The Ceuta and Melilla diesel groups come into operation.

1980/1984

The first groups at the Litoral and Puerto de Carboneras thermal plants (both in Almería) are built and come on stream.

1981

Mining begins at the Corta Alloza open pit coal mine in Andorra (Teruel).

1983

The Endesa Group is created following the acquisition of the Spanish National Institute of Industry's (INI) holdings in Enher, Gesa, Unelco and Encasur.

1985

The Electricity Asset Swap Agreement is signed with other companies in the sector leading to a significant increase in the company's installed capacity.

1986

The Ascó II (Tarragona) nuclear power station starts production.

Mining begins at the Corta Barrabasa mine in Andorra (Teruel).

1987

The Vandellós II nuclear power plant is connected to the national grid.

1988

Initial Public Offering of ENDESA shares, which reduces the state's holding to 75.6%.

ENDESA's shares are traded for the first time on the New York Stock Exchange.

1990

Completion of the Escatrón thermal plant (Teruel).

1991

Acquisition of 87.6% of Electra de Viesgo, 40% of Fecsa, 33.5% of Sevillana and 24.9% of Saltos del Nansa.

1992

Acquisition of 61.9% of Carboex.

ENDESA increases its holdings in Fecsa and Nansa to 44.9% and 37.5% respectively.

Elcogas is incorporated to build the first gasification plant integrated into a CCGT unit in Puertollano.

ENDESA acquires its first foreign holdings, acquiring stakes in two Argentine companies.

1993

Acquisition of a 55% stake in Hidroeléctrica de Cataluña.

Acquisition of a shareholding in Tejo Energía (Portugal), which owns the Pego thermal plant.

1994

Public Offering of ENDESA shares which sees the state's ownership reduced to 66.89%.

ENDESA takes a stake in Compañía Peruana de Electricidad y de Distilima at its incorporation.

Acquisition of 11.78% of Sociedad General de Aguas de Barcelona (AGBAR).

1995

ENDESA acquires a 9.7% holding in Edenor, the Argentine electricity distributor, and a 7.2% holding in Airtel, Spain's second largest mobile operator.

Enher acquires 100% of Hidroeléctrica de Cataluña.

1996

ENDESA increases its stake in Fecsa to 75%.

Increases its stake in Sevillana to 75%.

Signs the Protocol for the new Spanish Electricity System Regulation.

1997

4x1-split of ENDESA shares, with the par value established at Ptas 200 (€1.20).

A consortium in which ENDESA participates is awarded the second telephony operating licence (Retevisión).

Public Offering for an additional 25% of ENDESA.

ENDESA acquires 31.9% of the Latin American group Enersis

1998

Public Offering of an additional 33% of ENDESA's shares.

ENDESA's Corporate Bylaws are amended and a new Board of Directors appointed.

ENDESA makes a capital reduction of 8.19%.

1999

ENDESA completes its corporate consolidation process by incorporating minority shareholders from its Spanish electricity subsidiaries into the shareholder structure of Endesa, Sociedad Anónima. The merger is approved at the respective General Shareholders' Meetings on 27 April.

ENDESA acquires an additional 32% of Enersis and becomes the controlling shareholder.

ENDESA sells its stake in Airtel.

2000

The telecommunications holding Auna is set up in which ENDESA holds an initial 27.8% stake.

ENDESA acquires Smartcom, a Chilean mobile telephony company.

ENDESA's shares are traded for the first time on the Santiago de Chile Off-Shore Stock Exchange.

2001

ENDESA agrees to sell its stake in Argentine distributor, Edenor.

ENDESA acquires 30% of French electricity generator, Snet.

A consortium led by ENDESA, and in which it holds a 45% stake, is awarded the Italian generation company Elettrogen.

Viesgo's generation and distribution assets are awarded to the Italian company, Enel, in a competitive tender.

2002

ENDESA is included in the Dow Jones Sustainability World Index (DJSI).

ENDESA's first CCGT power plants come on stream: Besós, San Roque and Son Reus

ENDESA sets up Sodesa, a joint venture with Sonae of Portugal to sell electricity in the Portuguese market.

ENDESA's Customer Ombudsman's Office commences its activities.

2003

ENDESA sells its electricity transmission network to Red Eléctrica, S.A.

ENDESA sells its 3.01% stake in Repsol YPF, 7% of Red Eléctrica, S.A and 100% of Made, a company that manufactures wind generators and solar panels.

ENDESA's Board of Directors modifies its Regulations and approves the Internal Code of Conduct in Stock Markets.

ENDESA relocates the registered offices of ENDESA Generación to Seville and ENDESA Red to Barcelona.

The Fortaleza power plant came on stream in Brazil.

2004

The 400 MW Tahaddart plant in Morocco, the country's first CCGT plant, in which ENDESA owns 32%, is synchronised to the grid.

ENDESA sells its 11.64% stake in Aguas de Barcelona, as well as its NETCO Redes shareholding and its subsidiaries Senda Ambiental and Enditel.

ENDESA becomes the first Spanish company to submit a Clean Development Mechanism project to the Spanish Office for Climate Change.

2005

ENDESA sells its holding in Moroccan company, Lydec

ENDESA joins Nordpool, the most active trading market for emissions rights in Europe.

Gas Natural launches a hostile takeover bid for 100% of ENDESA's capital.

ENDESA joins Green Fuel to promote biodiesel power production in Spain.

ENDESA creates Endesa Brasil, a holding company for all its Brazilian operating assets.

ENDESA sells France Telecom a 27.7% stake in the telecommunications group Auna.

ENDESA sells its 40% stake in CEPM, the Dominican Republic based generation company.

ENDESA sells its remaining 5.01% stake in Auna to Deutsche Bank.

Endesa Chile acquired 25% of the San Isidro plant, assuming outright ownership of the facility.

2006

E.On of Germany launches a takeover bid for 100% of ENDESA.

ENDESA sells 49% of Portuguese company NQF Gas.

ENDESA signs an agreement with Algerian company Sonatrach to supply natural gas through the MedGaz gas pipeline.

International Finance Corporation (IFC), a World Bank affiliate, acquires 2.7% of the Endesa Brasil holding company.

ENDESA is rated the leading electric utility in the world for its commitment to sustainable development, according to the Dow Jones Sustainability World Index.

Acciona acquires 10% of ENDESA.

The Eólicas de Portugal consortium, in which ENDESA holds a 30% stake, is awarded the tender to construct and operate 1,200 MW of wind capacity in Portugal.

2007

Acciona notifies the CNMV that its total stake in ENDESA is 23.03%.

Gas Natural withdraws its takeover bid for 100% of ENDESA.

Enel acquires a 9.993% stake in ENDESA.

ENDESA signs an agreement with International Power to build an 830 MW combined cycle plant next to the Pego plant (Portugal).

ENDESA sold 2,705,400 shares in Red Eléctrica de España, representing 2% of the company's share capital.

Enel confirms that its direct and indirect stake in ENDESA now totals 24.973%.

E.On withdraws its takeover bid for ENDESA.

Enel and Acciona request that the CNMV authorise their joint takeover bid for 100% of ENDESA.

Colombian utilities Emgesa and Betania merge. The newco becomes the country's leading electricity generator.

The CNMV announces the successful outcome of the takeover bid launched by Enel and Acciona for ENDESA.

Endesa Eco inaugurates Canela I, ENDESA's first wind farm in Latin America.



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