

# ANNUAL REPORT LEGAL DOCUMENTATION

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# Endesa, S.A. and Subsidiaries

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**CONSOLIDATED ANNUAL ACCOUNTS FOR 2009**

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# Endesa, S.A. and Subsidiaries

## **AUDITORS' REPORT**

**(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)**



**KPMG Auditores S.L.**  
 Edificio Torre Europa  
 Paseo de la Castellana, 95  
 28046 Madrid

### Auditors' Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish.

In the event of discrepancy, the original Spanish version prevails)

To the Shareholders of  
 Endesa, S.A.

1. We have audited the consolidated annual accounts of Endesa, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the consolidated notes thereto, the preparation of which is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the consolidated accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating their overall presentation, as well as the appropriateness of the accounting principles used and the reasonableness of the estimates made. Our work did not include the examination of the annual accounts or financial statements, as appropriate, of several subsidiaries, jointly-controlled entities and associates, the assets and net profits of which represent 21% and 17% of the consolidated figures at 31 December 2009, respectively. The annual accounts or financial statements of the aforementioned subsidiaries, jointly-controlled companies and associates have been examined by other auditors (see Appendices I and II of the accompanying notes), and our opinion expressed in this report on the consolidated annual accounts of Endesa, S.A. and subsidiaries is based, insofar as it relates to these subsidiaries, jointly-controlled companies and associates, solely on the report of other auditors.
  
2. In accordance with prevailing Spanish legislation, the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year ended 31 December 2009 and the consolidated notes thereto include comparative figures for the prior year. The presentation of these figures differs from those included in the approved consolidated annual accounts for 2008 as a result of the first-time application of Revised International Accounting Standard 1, Presentation of Financial Statements, as detailed in Note 2.1 to the accompanying consolidated annual accounts. We express our opinion solely on the consolidated annual accounts for 2009. On 23 February 2009 other auditors issued their unqualified audit report on the 2008 consolidated annual accounts.

3. In our opinion, based on our audit and on the reports of other auditors mentioned in paragraph 1 above, these consolidated annual accounts for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Endesa, S.A. and subsidiaries at 31 December 2009, the consolidated results of its operations, changes in consolidated comprehensive income, changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with the International Financial Reporting Standards adopted by the European Union applied on a basis consistent with that used in the preparation of the consolidated annual accounts for the preceding year, which have been included in the 2009 consolidated annual accounts for comparative purposes.
4. The accompanying consolidated directors' report for 2009 contains such explanations as the directors of Endesa, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2009. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Endesa, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed)

Julián Martín Blasco  
Partner

23 February 2010





# Endesa, S.A. and Subsidiaries

## **CONSOLIDATED ANNUAL ACCOUNTS FOR 2009**

**(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)**

**ENDESA, S.A. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Millions of Euros	
	31/12/2009	31/12/2008
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	<b>48,827</b>	<b>43,253</b>
Property, plant and equipment (Note 5)	35,059	31,528
Investment property (Note 6)	58	47
Intangible assets (Note 7)	1,025	1,183
Goodwill (Note 8)	2,815	2,053
Investments accounted for using the equity method (Note 9)	293	196
Non-current financial assets (Note 10)	7,533	6,088
Deferred tax assets (Note 21)	2,044	2,158
<b>CURRENT ASSETS</b>	<b>11,368</b>	<b>15,293</b>
Inventories (Note 11)	1,057	1,092
Trade and other receivables (Note 12)	6,914	6,628
Current financial assets	907	188
Cash and cash equivalents (Note 13)	1,838	4,787
Non-current assets held for sale and discontinued operations (Note 28)	652	2,598
<b>TOTAL ASSETS</b>	<b>60,195</b>	<b>58,546</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY (Note 14)</b>	<b>18,970</b>	<b>20,764</b>
Of the Parent	14,231	17,082
Of non-controlling interests	4,739	3,682
<b>NON-CURRENT LIABILITIES</b>	<b>29,991</b>	<b>26,936</b>
Deferred income (Note 15)	3,905	3,398
Non-current provisions (Note 16)	4,446	3,957
Non-current borrowings (Note 17)	19,494	17,486
Other non-current liabilities	581	637
Deferred tax liabilities (Note 21)	1,565	1,458
<b>CURRENT LIABILITIES</b>	<b>11,234</b>	<b>10,846</b>
Current borrowings (Note 17)	929	1,381
Trade payables and other current liabilities (Note 20)	10,081	8,535
Liabilities related with non-current assets held for sale and discontinued operations (Note 28)	224	930
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60,195</b>	<b>58,546</b>

The accompanying notes 1 to 33 form an integral part of the consolidated annual accounts at 31 December 2009 and 2008

**ENDESA, S.A. AND SUBSIDIARIES****CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Millions of Euros	
	2009	2008
<b>REVENUE (Note 22)</b>	<b>25,692</b>	<b>22,836</b>
<i>Sales (Note 22)</i>	24,433	21,728
<i>Other operating income (Note 22)</i>	1,259	1,108
<b>PROCUREMENTS AND SERVICES</b>	<b>(14,477)</b>	<b>(12,516)</b>
<i>Power purchased</i>	(6,013)	(5,231)
<i>Cost of fuel consumed</i>	(2,783)	(4,152)
<i>Transmission expenses</i>	(3,603)	(1,034)
<i>Other variable procurements and services</i>	(2,078)	(2,099)
<b>CONTRIBUTION MARGIN</b>	<b>11,215</b>	<b>10,320</b>
Self-constructed assets	188	214
Personnel expenses (Note 23)	(1,994)	(1,693)
Other fixed operating expenses (Note 24)	(2,181)	(1,946)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>7,228</b>	<b>6,895</b>
Amortisation, depreciation and impairment losses (Note 25)	(2,176)	(1,661)
<b>PROFIT FROM OPERATIONS</b>	<b>5,052</b>	<b>5,234</b>
<b>NET FINANCE EXPENSE (Note 26)</b>	<b>(1,018)</b>	<b>(1,009)</b>
<i>Finance income (Note 26)</i>	639	536
<i>Finance expense (Note 26)</i>	(1,623)	(1,552)
<i>Net exchange differences (Note 26)</i>	(34)	7
Net profit of companies accounted for using the equity method (Note 9)	45	51
Gains/(losses) from other investments	(2)	10
Gains/(losses) on asset disposals (Note 27)	1,513	22
<b>PROFIT BEFORE TAX</b>	<b>5,590</b>	<b>4,308</b>
Income tax (Note 21)	(1,230)	(1,082)
<b>PROFIT AFTER TAX OF CONTINUING OPERATIONS</b>	<b>4,360</b>	<b>3,226</b>
<b>PROFIT AFTER TAX OF DISCONTINUED OPERATIONS (Note 28)</b>	<b>—</b>	<b>4,884</b>
<b>PROFIT FOR THE YEAR</b>	<b>4,360</b>	<b>8,110</b>
<i>Parent company</i>	3,430	7,169
<i>Non-controlling interest</i>	930	941
<b>BASIC NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in Euros)</b>	<b>3.24</b>	<b>2.25</b>
<b>DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in Euros)</b>	<b>3.24</b>	<b>2.25</b>
<b>BASIC NET EARNINGS PER SHARE (in Euros)</b>	<b>3.24</b>	<b>6.77</b>
<b>DILUTED NET EARNINGS PER SHARE (in Euros)</b>	<b>3.24</b>	<b>6.77</b>

The accompanying notes 1 to 33 form an integral part of the consolidated annual accounts at 31 December 2009 and 2008

**ENDESA, S.A. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Millions of Euros					
	2009			2008		
	Parent	Non-controlling interests	Total	Parent	Non-controlling interests	Total
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>3,430</b>	<b>930</b>	<b>4,360</b>	<b>7,169</b>	<b>941</b>	<b>8,110</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	<b>337</b>	<b>400</b>	<b>737</b>	<b>(866)</b>	<b>(448)</b>	<b>(1,314)</b>
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	—	—	—	—	—	—
From measurement of financial instruments:	3	—	3	(11)	—	(11)
<i>Available-for-sale financial assets</i>	3	—	3	(11)	—	(11)
<i>Other income/(expense)</i>	—	—	—	—	—	—
From cash flow hedges	(199)	(66)	(265)	(46)	33	(13)
From foreign currency translation differences	664	468	1,132	(685)	(472)	(1,157)
From actuarial gains and losses and other adjustments	(248)	(14)	(262)	(167)	(22)	(189)
Companies accounted for using the equity method	—	—	—	—	—	—
Other income and expense recognised directly in equity	—	—	—	—	—	—
Tax effect	117	12	129	43	13	56
<b>AMOUNTS TRANSFERRED TO INCOME STATEMENT</b>	<b>155</b>	<b>193</b>	<b>348</b>	<b>(119)</b>	<b>(230)</b>	<b>(349)</b>
From measurement of financial instruments:	(6)	—	(6)	—	—	—
<i>Available-for-sale financial assets</i>	(6)	—	(6)	—	—	—
<i>Other income/(expense)</i>	—	—	—	—	—	—
From cash flow hedges	196	233	429	(162)	(284)	(446)
From foreign currency translation differences	—	—	—	(9)	(3)	(12)
Companies accounted for using the equity method	—	—	—	—	—	—
Other income and expense recognised directly in equity	—	—	—	—	—	—
Tax effect	(35)	(40)	(75)	52	57	109
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,922</b>	<b>1,523</b>	<b>5,445</b>	<b>6,184</b>	<b>263</b>	<b>6,447</b>

The accompanying notes 1 to 33 form an integral part of the consolidated annual accounts at 31 December 2009 and 2008.

**ENDESA, S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Millions of Euros

	Equity attributable to equity holders of the Parent							
	Equity							Total equity
	Share capital	Share premium and reserves	Treasury shares and own equity instruments	Profit for the year	Other equity instruments	Adjustments for changes in value	Of non-controlling interests	
<b>Balance at 1 January 2009</b>	<b>1,271</b>	<b>9,079</b>	<b>—</b>	<b>7,169</b>	<b>—</b>	<b>(437)</b>	<b>3,682</b>	<b>20,764</b>
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—
Adjustments for errors	—	—	—	—	—	—	—	—
<b>Adjusted balance at 1 January 2009</b>	<b>1,271</b>	<b>9,079</b>	<b>—</b>	<b>7,169</b>	<b>—</b>	<b>(437)</b>	<b>3,682</b>	<b>20,764</b>
<b>Total comprehensive income</b>	<b>—</b>	<b>(180)</b>	<b>—</b>	<b>3,430</b>	<b>—</b>	<b>672</b>	<b>1,523</b>	<b>5,445</b>
<b>Transactions with shareholders and owners</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6,773)</b>	<b>—</b>	<b>—</b>	<b>(466)</b>	<b>(7,239)</b>
Capital increases/(reductions)	—	—	—	—	—	—	—	—
Conversion of liabilities into equity	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(6,773)	—	—	(479)	(7,252)
Transactions with treasury shares or own equity instruments (Net)	—	—	—	—	—	—	—	—
Increases/(reductions) due to business combinations	—	—	—	—	—	—	13	13
Other transactions with shareholders and owners	—	—	—	—	—	—	—	—
<b>Other changes in equity</b>	<b>—</b>	<b>396</b>	<b>—</b>	<b>(396)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Share-based payment transactions	—	—	—	—	—	—	—	—
Transfers between equity items	—	396	—	(396)	—	—	—	—
Other changes	—	—	—	—	—	—	—	—
<b>Balance at 31 December 2009</b>	<b>1,271</b>	<b>9,295</b>	<b>—</b>	<b>3,430</b>	<b>—</b>	<b>235</b>	<b>4,739</b>	<b>18,970</b>

The accompanying notes 1 to 33 form an integral part of the consolidated annual accounts at 31 December 2009 and 2008.

**ENDESA, S.A. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Millions of Euros

	Equity attributable to equity holders of the Parent							
	Equity							Total equity
	Share capital	Share premium and reserves	Treasury shares and own equity instruments	Profit for the year	Other equity instruments	Adjustments for changes in value	Of non-controlling interests	
<b>Balance at 1 January 2008</b>	<b>1,271</b>	<b>7,618</b>	<b>—</b>	<b>2,675</b>	<b>—</b>	<b>425</b>	<b>5,141</b>	<b>17,130</b>
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—
Adjustments for errors	—	—	—	—	—	—	—	—
<b>Adjusted balance at 1 January 2008</b>	<b>1,271</b>	<b>7,618</b>	<b>—</b>	<b>2,675</b>	<b>—</b>	<b>425</b>	<b>5,141</b>	<b>17,130</b>
<b>Total comprehensive income</b>	<b>—</b>	<b>(123)</b>	<b>—</b>	<b>7,169</b>	<b>—</b>	<b>(862)</b>	<b>263</b>	<b>6,447</b>
<b>Transactions with shareholders and owners</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,091)</b>	<b>—</b>	<b>—</b>	<b>(1,722)</b>	<b>(2,813)</b>
Capital increases/(reductions)	—	—	—	—	—	—	—	—
Conversion of liabilities into equity	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(1,091)	—	—	(486)	(1,577)
Transactions with treasury shares or own equity instruments (Net)	—	—	—	—	—	—	—	—
Increases/(reductions) due to business combinations	—	—	—	—	—	—	(1,236)	(1,236)
Other transactions with shareholders and owners	—	—	—	—	—	—	—	—
<b>Other changes in equity</b>	<b>—</b>	<b>1,584</b>	<b>—</b>	<b>(1,584)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Share-based payment transactions	—	—	—	—	—	—	—	—
Transfers between equity items	—	1,584	—	(1,584)	—	—	—	—
Other changes	—	—	—	—	—	—	—	—
<b>Balance at 31 December 2008</b>	<b>1,271</b>	<b>9,079</b>	<b>—</b>	<b>7,169</b>	<b>—</b>	<b>(437)</b>	<b>3,682</b>	<b>20,764</b>

The accompanying notes 1 to 33 form an integral part of the consolidated annual accounts at 31 December 2009 and 2008.

**ENDESA, S.A. AND SUBSIDIARIES****CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Millions of Euros	
	2009	2008
Gross profit before tax and non-controlling interests	5,590	9,369
Amortisation and depreciation	2,176	1,669
Gains on asset disposals	(1,513)	(4,570)
Income tax (Note 1)	(1,060)	(949)
Provisions paid	(573)	(402)
Other results not giving rise to cash flows	616	97
<b>Total cash flows from operating activities</b>	<b>5,236</b>	<b>5,214</b>
Change in income tax payable (1)	(106)	542
Change in operating current assets/liabilities	(163)	(427)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>4,967</b>	<b>5,329</b>
Investments in property, plant and equipment and intangible assets	(3,224)	(4,157)
Disposals of property, plant and equipment and intangible assets	2,833	928
Investments in Group companies	(479)	(453)
Disposals of investments in Group companies	20	8,285
Other investments	(2,035)	(2,679)
Disposals of other investments	746	1,002
Cash flows from changes in consolidated group	7	(266)
Grants and other deferred income	275	506
<b>NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(1,857)</b>	<b>3,166</b>
Non-current borrowings	3,801	1,784
Repayments of non-current borrowings	(461)	(2,697)
Net cash flows from current borrowings	(2,967)	(1,822)
Dividends of the Parent paid	(6,244)	(1,621)
Payments to non-controlling interests	(461)	(468)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(6,332)</b>	<b>(4,824)</b>
<b>TOTAL NET CASH FLOWS</b>	<b>(3,222)</b>	<b>3,671</b>
Effect of foreign exchange rate changes on cash and cash equivalents	249	(87)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,973)</b>	<b>3,584</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>4,833</b>	<b>1,249</b>
<i>Cash on hand and at banks</i>	3,421	436
<i>Other cash equivalents</i>	1,412	813
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>1,860</b>	<b>4,833</b>
<i>Cash on hand and at banks</i>	598	3,421
<i>Other cash equivalents</i>	1,262	1,412

(1) Income tax paid is the sum of Income tax and Change in income tax payable.

The accompanying notes 1 to 33 form an integral part of the consolidated annual accounts at 31 December 2009 and 2008.

# Endesa, S.A. and Subsidiaries

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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## 01. GROUP ACTIVITIES AND FINANCIAL STATEMENTS

Endesa, S.A. (hereinafter “the Parent” or “the Company”) and its subsidiaries form the Endesa Group (hereinafter “ENDESA” or “the Group”). The registered offices and headquarters of Endesa, S.A. are at calle Ribera del Loira, 60 in Madrid.

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

ENDESA's statutory activity is the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or supplementary to the Group's statutory activity, and the management of the corporate Group, comprising investments in other companies. The Group carries out its statutory activity in Spain and abroad directly or through its investments in other companies.

The Endesa Group's consolidated annual accounts for 2008 were approved by the shareholders at the Annual General Meeting on 30 June 2009.

The Endesa Group's 2009 consolidated annual accounts and the 2009 accounts of each of the Group companies, on which the consolidated annual accounts are based, are mostly pending approval by the shareholders at their respective Annual General Meetings. However, the directors consider that these annual accounts will be approved without any changes.

These consolidated annual accounts are presented in millions of Euros (except where stated otherwise), as the Euro is the functional currency of the principal economic area in which the Endesa Group operates. Foreign operations are included according to the accounting policies in notes 2.4 and 3 n).

## 02. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

### 02.1. BASIS OF PRESENTATION

The Endesa Group's consolidated annual accounts at 31 December 2009 were prepared by the directors at the Board meeting held on 22 February 2010, in accordance with the International Financial Reporting Standards (“IFRSs”) adopted by the European Union at the consolidated balance sheet date, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

These annual accounts present fairly the Group's equity and financial position at 31 December 2009 and 2008 and the consolidated comprehensive income from its operations, changes in consolidated equity and changes in consolidated cash flows in the Group in the years then ended.

The Endesa Group's consolidated annual accounts for 2009 and 2008 have been prepared on the basis of the accounting records of the Company and the other companies in the Group. Each company prepares its annual accounts using the accounting principles and standards prevailing in their country which it operates and, the necessary adjustments and reclassifications have therefore been made on consolidation to harmonise these principles and criteria with IFRSs.

At the date of these consolidated annual accounts, the following IFRSs and IFRIC have been published in the Official Journal of the European Union:

a) Effective from 1 January 2009:

Standards and interpretations	Obligatory application for
IAS 1 Presentation of Financial Statements (revised in 2007)	Annual periods commencing after 1 January 2009
IFRS 8 Operating Segments	Annual periods commencing after 1 January 2009
IAS 23 Borrowing Costs	Annual periods commencing after 1 January 2009
IFRIC 13 Customer Loyalty Programmes	Annual periods commencing after 1 January 2009
IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods commencing after 1 January 2009
Amendment to IFRS 2 Share-based Payment	Retroactively to years commencing after 1 January 2009
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements	Annual periods commencing after 1 January 2009
Improvements to IFRSs	Annual periods commencing after 1 January 2009
Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements	Annual periods commencing after 1 January 2009
Amendments to IFRS 7 Financial Instruments - Disclosures and IFRS 4 Insurance Contracts	Annual periods commencing after 1 January 2009
Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement	Annual periods commencing after 1 January 2009

Except where the Endesa Group adopted certain presentation requirements set out in IAS 1 Presentation of Financial Statements (revised in 2007), these standards have not had a significant effect on these consolidated annual accounts.

In 2008 the Group adopted early the amendments to IAS 23 Borrowing Costs (see note 3 a)), IFRS 2 Share-based Payment and IFRIC 13 Customer Loyalty Programmes. None have had a significant effect on the consolidated annual accounts.

b) Not effective from 1 January 2009 but which the Group plans to adopt from 1 January 2010:

Standards and interpretations	Obligatory application for
IFRIC 12 Service Concession Arrangements	Annual periods commencing after 27 March 2009
IFRIC 18 Transfers of Assets from Customers	Annual periods commencing after 31 October 2009
IFRS 3 Business Combinations (revised in 2008) and amendments to IAS 27 Consolidated and Separate Financial Statements	Annual periods commencing after 1 July 2009
Improvements to IFRSs	Annual periods commencing after 1 July 2009
IFRIC 15 Agreements for the Construction of Real Estate	Annual periods commencing after 1 July 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Annual periods commencing after 1 July 2009
Amendment to IAS 39 Financial Instruments: Recognition and Measurement	Annual periods commencing after 1 July 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	Annual periods commencing after 1 November 2009

The Group has analysed the impact of adopting IFRIC 12 Service Concession Arrangements, which is applicable with retroactive effect from 2010 and mainly affects the electricity distribution concessions in Brazil. This will initially involve reclassifying Euros 2,164 million of property, plant and equipment as Euros 2,117 million of intangible assets and Euros 47 million of financial assets and reclassifying Euros 265 million of deferred income as a reduction in intangible assets. Neither equity nor profits are significantly affected.

The Group is analysing the prospective impact of the application of IFRIC 18 from 2010. No final conclusions have been reached at the date of preparing these consolidated annual accounts.

The other standards and applications adopted by the European Union and pending application will not have a material impact on the consolidated annual accounts.

In 2009 the Group has followed the same accounting principles and measurement criteria as used in the consolidated annual accounts for 2008.

## **02.2. RESPONSIBILITY FOR INFORMATION AND ESTIMATES**

The Group's directors are responsible for the contents of these consolidated annual accounts and expressly state that all principles and criteria in IFRSs have been applied.

Group management has made certain estimates to quantify some of the assets, liabilities, income, expenses and commitments recognised in the accompanying consolidated annual accounts. These estimates were essentially as follows:

- Measurement of assets and goodwill to determine any impairment losses (see note 3 e)).
- Assumptions used in the actuarial calculation of liabilities and obligations to employees (see note 16).
- Useful lives of property, plant and equipment and intangible assets (see notes 3 a) and 3 d)).
- Assumptions used to calculate the fair value of financial instruments (see notes 3 g) and 19).
- Unmetered power supplied to customers.
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives etc. which can be used to estimate the overall settlements in the electricity system to be made in the corresponding final settlements. These settlements are pending at the date of preparing these consolidated annual accounts and could affect the assets, liabilities, income and expenses related with electricity system activities and, in particular, the deficit in revenue from regulated activities in Spain.
- Interpretation of certain electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of preparing these consolidated annual accounts.
- The probability of occurrence and amount of liabilities for uncertain amounts or contingent liabilities (see note 3 m)).

- Future costs for the closure of facilities and restoration of land (see note 3 a)).
- Tax profits or losses of the different Group companies to be declared to taxation authorities in the future, which have been used as a tax base for income tax balances recognised in the accompanying consolidated annual accounts (see note 3 o)).

Although these estimates have been based on the best information available at the date of preparing the consolidated annual accounts, future events could make it necessary to revise the estimates (up or down) in subsequent years. Changes in estimates are made prospectively and the effects recognised in the corresponding consolidated annual accounts for future years.

### **02.3. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES**

Subsidiaries are companies in which the Parent company has control over the majority of voting rights or, alternatively, the capacity to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

Companies are jointly controlled when the above situation is by agreement and in conjunction with other shareholders.

The Group's subsidiaries and jointly controlled companies are listed under Endesa Group companies in Appendix I to these notes.

#### **02.3.1. Changes in the consolidated group**

The main changes in the consolidated group in 2009 and 2008 are detailed in Appendix III to these notes.

The most significant additions to the consolidated group in 2009 are Endesa Ireland Ltd. (hereinafter, "Endesa Ireland") and Distribuidora Eléctrica de Cundinamarca, S.A. E.S.P (hereinafter, "Cundinamarca"). The acquisition of Endesa Ireland contributed assets and liabilities to the Group of Euros 193 million and Euros 64 million, respectively, generating goodwill of Euros 315 million. The acquisition of Cundinamarca contributed assets and liabilities to the Group of Euros 61 million and Euros 33 million, respectively, generating goodwill of Euros 10 million.

Most of the additions to the consolidated group in 2008 were the assets incorporated in Endesa Hellas Power Generation and Supplies, S.A. (hereinafter, "Endesa Hellas") by virtue of an agreement between ENDESA and the Mytilineos Group. Assets and liabilities of Euros 28 million and Euros 9 million, respectively, were added to the Group as a result of this transaction, giving rise to goodwill of Euros 29 million.

The financial indicators for the other companies joining the consolidated group in 2009 and 2008 are not material.

Departures from the consolidated group are mainly the sale of renewable assets to the Acciona Group (hereinafter "Acciona") in 2009 and the sale of Endesa Europa, S.L. (Solely-owned Company) to the E.On Group in 2008. These transactions are explained in note 28.

The financial indicators of the other companies departing from the consolidated group in 2009 and 2008 are not material.

#### **02.3.2. Companies fully consolidated although the percentage interest held by the Group is less than 50%**

Although the Endesa Group owns less than 50% of Codensa, S.A. E.S.P. (hereinafter, "Codensa") and Emgesa, S.A. E.S.P. (hereinafter, "Emgesa"), these are considered as subsidiaries because they are directly or indirectly controlled by the Group, by virtue of shareholder agreements or due to the shareholder structure and composition and classes of shares.

#### **02.3.3. Companies not fully consolidated although the percentage interest held by the Group is over 50%**

Although the Endesa Group owns over 50% of Centrales Hidroeléctricas de Aysén, S.A. (hereinafter, "Aysén") and Asociación Nuclear Ascó-Vandellós II, A.I.E. (hereinafter, "ANAV"), these entities are considered as jointly controlled because control is shared by the Group by virtue of shareholder agreements.

### **02.4. BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS**

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

Jointly controlled companies are proportionally consolidated and their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements in proportion to the Group's percentage of ownership of those companies, after making adjustments and eliminations relating to intra-Group transactions.

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

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

1. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values, except certain assets and liabilities which are measured according to principles set out in the IFRSs. Where the cost of acquisition of the subsidiary exceeds the fair value of the assets and liabilities, including contingent liabilities, corresponding to the Parent company's interest, this difference is recognised as goodwill. Where the cost of acquisition is lower, the difference is recognised in the consolidated income statement.
2. Non-controlling interests in the fair value of the net assets acquired and results of the fully consolidated subsidiaries are presented under equity - of non-controlling interests in the consolidated balance sheet and under profit

for the year of non-controlling interests in the consolidated statement of comprehensive income, respectively.

3. The financial statements of foreign companies with a functional currency other than the Euro are translated to Euros as follows:
  - a. Assets and liabilities are translated to Euros at the exchange rates prevailing at the date of the consolidated financial statements.
  - b. Income and expense items are translated at the average exchange rates for the year.
  - c. Equity is translated at the historical exchange rates prevailing at the date of acquisition (or at the average exchange rates for the year generated, in the case of accumulated earnings and the contributions made), as appropriate.

Exchange differences arising on translation of the financial statements are recognised, net of the related tax effect, as translation differences in the consolidated statement of comprehensive income (see note 14).

The translation differences arising prior to 1 January 2004 were reclassified under reserves because on first-time adoption of IFRSs the Company applied the exception provided for the conversion of financial statements prepared in accordance with Spanish GAAP to IFRSs.

4. All the balances and transactions between fully consolidated companies, or the related portion in the case of proportionately consolidated companies, were eliminated on consolidation.

### 03. MEASUREMENT CRITERIA

The main measurement criteria used in preparing the accompanying consolidated annual accounts were as follows:

#### A) PROPERTY, PLANT AND EQUIPMENT

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

- Borrowing costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period of time to be ready for use, such as, for example, electricity generating and distribution facilities. Interest rates applicable to specific purpose financing are applied or, in the absence thereof, the average financing rate of the company making the investment. The average financing rate depends mainly on the geographical area and ranges from 3.2% to 7.3%. Euros 86 million were capitalised for this item in 2009 (Euros 107 million in 2008).
- Personnel expenses relating directly to work in progress. The amounts capitalised are recognised in the consolidated income statement under personnel expenses and under self-constructed assets in the balance sheet. Euros 188 million of these expenses were capitalised in 2009 (Euros 214 million in 2008).
- The costs that the Group will incur in the future to close its facilities are included in the cost of the asset, at present value, and the related provision is recognised. The Group reviews its estimate of these future costs annually, increasing or decreasing the value of the related asset based on the results

of this estimate. In the case of nuclear plants, this provision includes the amount that the Group estimates it will have to pay until, the government-owned company Empresa Nacional de Residuos Radioactivos, S.A. (hereinafter, "Enresa") assumes responsibility for decommissioning these plants pursuant to Royal Decree 1349/2003, of 31 October, and Law 24/2005, of 18 November.

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

Assets under construction are transferred to property, plant and equipment in use once the trial period has ended and they are ready for use, from which time they are depreciated.

Costs of expansion, modernisation or improvements which increase the productivity, capacity or efficiency or extend the useful lives of assets are capitalised as an increase in the cost of those assets.

Replacements or renewals of complete assets that extend the useful life or economic capacity of the assets are recognised as increases in the value of property, plant and equipment and the items replaced or renewed are derecognised.

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

The indivisible assets co-owned by the Group and other parties are recognised in proportion to the Group's ownership of those assets.

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

Property, plant and equipment, less their residual value where appropriate, are depreciated on a straight-line basis over the estimated useful lives of the assets, which are the periods of expected use by the Company. Useful lives are reviewed regularly.

The useful lives of assets are as follows:

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

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

Pursuant to Law 29/1985 of 2 August,, partially amended by Law 46/1999, of 13 December, all Spanish hydroelectric power plants, are operated under temporary administrative concessions which require that the plants revert to State ownership in good working order on expiry of the concessions. The plants will revert to the State at dates between 2011 and 2061. The total carrying amount of these plants is shown in note 5.

The remaining periods for administrative concessions that are not indefinite held by the Endesa Group's electric utilities in Latin America are as follows:

Company	Activity	Country	Concession term	Period remaining
Empresa Distribuidora Sur, S.A. (hereinafter, "Edesur")	Distribution	Argentina	95 years	78 years
Hidroeléctrica El Chocón, S.A. (hereinafter, "Chocón")	Generation	Argentina	30 years	13 years
Transportadora de Energía, S.A. (hereinafter, "Tesa")	Transmission	Argentina	85 years	78 years
Compañía de Transmisión del Mercosur, S.A. (hereinafter, CTM")	Transmission	Argentina	87 years	78 years
Ampla Energia e Serviços, S.A. (hereinafter, "Ampla")	Distribution	Brazil	30 years	17 years
Companhia Energética do Ceará, S.A. (hereinafter, "Coelce")	Distribution	Brazil	30 years	19 years
Centrais Elétricas Cachoeira Dourada, S.A. (hereinafter, "Cachoeira Dourada")	Generation	Brazil	30 years	18 years
Central Geradora Termelétrica Fortaleza, S.A. (hereinafter, "Fortaleza")	Generation	Brazil	30 years	22 years
Compañía de Interconexión Energética, S.A. (Transmission Line 1) (hereinafter, "Cien")	Transmission	Brazil	20 years	11 years
Compañía de Interconexión Energética, S.A. (Transmission Line 2) (hereinafter, "Cien")	Transmission	Brazil	20 years	13 years

The Group has assessed the specific situations of each of the above concessions, which vary depending on the country, business and legal jurisdiction. Management has concluded that, except for the electricity distribution concessions in Brazil, there are no determining factors indicating that the awarding body, in all cases governmental, has control over the infrastructure and capacity to set the price of the service on a permanent basis.

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

## **B) INVESTMENT PROPERTY**

Investment property comprises the land and buildings not expected to be recovered in the ordinary course of the Group's statutory activity.

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



The market values of investment property are detailed in note 6 and were calculated based on the best estimates of Company management, considering market conditions at each date.

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

### **C) GOODWILL**

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

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

When goodwill is definitively determined in the annual accounts for the year following the acquisition of the interest, the previous year's annual accounts presented for comparison purposes are adjusted to include the value of the assets and liabilities acquired and the definitive goodwill from the date of acquisition of that interest.

Goodwill generated on the acquisition of companies with a functional currency other than the Euro is measured in the functional currency of the company acquired and translated to Euros at the exchange rate prevailing at the balance sheet date.

Goodwill acquired on or after 1 January 2004 is measured at cost of acquisition and goodwill acquired before that date is recognised at the carrying amount at 31 December 2003, in accordance with the Spanish GAAP applicable at that date. Goodwill is not amortised. At the end of each reporting period it is tested for impairment and, if its recoverable amount has been reduced below its carrying amount, written down (see note 3 e)).

Where the Group acquires an additional interest in a company that was already controlled and fully consolidated, the difference between the amount paid for the acquisition of the additional interest and the balance recognised under equity — of non-controlling interests which is derecognised as a result of the acquisition, is recorded as goodwill. Where the Group sells an interest in a controlled company and maintains control after the sale, the difference between the proceeds from the sale and the balance recognised in equity — of non-controlling interests to be derecognised as a result of the sale is recorded in profit or loss.

### **D) INTANGIBLE ASSETS**

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their useful lives, which in

most cases are estimated to be five years. Intangible assets with indefinite useful lives are not amortised.

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

The European Group companies that emit CO<sub>2</sub> in their electricity generation activity are required to deliver, in the first few months of the subsequent year, CO<sub>2</sub> emission rights equal to the volume of emissions made during the preceding year. The Group recognises CO<sub>2</sub> emission rights as non-amortisable intangible assets. Emission rights are initially recognised at cost of acquisition, and provision is made where market value falls below cost. The cost of acquisition of rights granted free of charge under the related National Allocation Plans is considered as the market price prevailing when these are received, and deferred income is recognised for the same amount. If an impairment loss is recognised to reduce the cost of these rights to their market value, provision is made and deferred income is reduced.

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

Research expenditure is recognised as an expense in the consolidated income statement. This expenditure amounts to Euros 45 million in 2009 and Euros 51 million in 2008 in the accompanying consolidated income statement.

## **E) IMPAIRMENT OF ASSETS**

Assets are tested for indications of impairment during the year and, mainly, at year end. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the identifiable asset does not generate cash flows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, which is considered to be the smallest identifiable group of assets that generates independent cash inflows.

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

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

In estimating value in use, the Group prepares projections of future pre-tax cash flows on the basis of the most recent available budgets. These budgets include Group management's best estimates of the income and expenditure of the cash-generating units, according to industry projections, past experience and future expectations. These projections are for a five year period and the flows for future years are estimated by applying reasonable growth rates that do not increase or exceed the average long-term growth rates in the relevant industry or country.

These flows are discounted at a given pre-tax rate in order to calculate their present value. This rate reflects the cost of capital of the business and its geographical area of operation. The current time value of money and the risk premiums generally used by analysts for the business and the geographical area are taken into account. The discount rates applied in 2009 and 2008 fall within the following ranges:

Country	Currency	2009		2008	
		Minimum	Maximum	Minimum	Maximum
Spain and Portugal	Euro	6.89%	7.40%	6.64%	7.52%
Rest of Europe	Euro	7.91%	8.30%	7.86%	9.41%
Latin America:	—	9.09%	19.51%	8.02%	12.85%
Chile	Chilean Peso	9.24%	9.53%	9.90%	10.40%
Argentina	Argentine Peso	19.51%		17.40%	
Brazil	Brazilian Real	11.32%		12.10%	
Peru	Peruvian Nuevo Sol	9.09%		10.00%	
Colombia	Colombian Peso	11.45%		11.90%	

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference under the caption amortisation, depreciation and impairment losses in the consolidated income statement.

Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimate of the recoverable amount of the asset, increasing the carrying amount of the asset with a credit to income, to the limit of the carrying amount of the assets had the impairment loss not been recognised. Impairment losses recognised for goodwill cannot be reversed in a subsequent period.

The following procedure is used to determine whether impairment of financial assets should be recognised:

- If the financial assets are of a trading nature, the Group companies have a general policy of recognising impairment valuation allowances based on the ageing of the past-due balance, except where specific collectability analysis is advisable, such as for past-due amounts receivable from public entities.
- In the case of receivables of a financial nature, the need to recognise impairment losses is determined by analysis of each specific case. At the date of preparation of these consolidated annual accounts all material past-due financial assets are of a trading nature.

## F) LEASES

Leases which transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

Finance leases in which the Group is the lessee are recognised at the beginning of the lease term, recognising an asset based on its type and a liability for the same amount, equal to the lower of the fair value of the leased

asset and the present value of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised as an expense and allocated to income over the lease term so as to obtain a constant interest rate each year applicable to the balance of the outstanding lease payments. The asset is depreciated in the same way as the other similar depreciable assets if there is reasonable certainty that the lessee will acquire title to the asset at the end of the lease term. If no such certainty exists, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

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

## **G) FINANCIAL INSTRUMENTS**

### **g.1. Financial assets except derivatives**

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

- *Loans and receivables*: these are measured at amortised cost, which is the initial market value, less repayments of the principal, plus the accrued interest receivable calculated using the effective interest method.
- *Held-to-maturity investments*: investments that the Endesa Group has the intention and ability to hold until maturity are recognised at amortised cost as defined above. The Group does not have significant investments of this type at 31 December 2009 and 2008.
- *Financial assets at fair value through profit or loss*: these include held-for-trading financial assets and financial assets designated as such on initial recognition, which are managed and evaluated on a fair value basis. These assets are recognised in the consolidated balance sheet at fair value and changes in fair value are recognised in the consolidated income statement.
- *Available-for-sale financial assets*: These are financial assets designated specifically as available for sale or those that do not fall into any of the above three categories. Almost all are equity investments (see note 10). These assets are recognised in the consolidated balance sheet at fair value when fair value can be determined reliably. Since it is not usually possible to determine reliably the fair value of investments in companies that are not publicly traded, such investments are measured at the cost of acquisition which is written down if there is evidence of impairment. Changes in fair value, net of the tax effect, are recognised with a debit or credit, as appropriate, to other comprehensive income in the consolidated statement of comprehensive income (see note 14) until these assets are sold, at which time the cumulative balance of this account relating to these investments is recognised in full in the consolidated income statement. If fair value is lower than the cost of acquisition and there is objective evidence that the asset is irreversibly impaired, the difference is recognised directly in the consolidated income statement.

Purchases and sales of financial assets are recognised at the transaction date.

## g.2. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other current highly liquid investments that are readily realisable in cash and subject to an insignificant risk of changes in value.

## g.3. Financial liabilities except derivatives

Financial liabilities, which include borrowings and trade and other payables, are generally recognised at the amount received, net of transaction costs. In subsequent periods, these balances are measured at amortised cost using the effective interest method.

As an exception, in specific cases where liabilities are the underlying of a fair value hedge, the portion of the hedged risk is measured at fair value.

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

## g.4. Derivatives and hedge accounting

The derivatives held by the Group relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or commodity price risk (electricity, fuel, CO<sub>2</sub> emission rights and CERs), the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are measured at their fair value at the consolidated balance sheet date. Financial derivatives and commodity derivatives are recognised under financial assets and trade and other receivables, respectively, if their value is positive. If negative, they are recognised under borrowings and trade and other payables, respectively.

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

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

comprehensive income in the consolidated statement of comprehensive income (see note 14). The cumulative gain or loss recognised in this account is transferred to the consolidated income statement to the extent that the underlying has an impact on the consolidated income statement in relation to the hedged risk, netting the effects under the same heading in the consolidated income statement. Gains or losses on the ineffective portion of the hedges are recognised directly in the consolidated income statement.

- *Hedges of a net investment in a foreign operation:* changes in fair value are recognised, in respect of the effective portion of these hedges, net of the related tax effect, as translation differences in the consolidated statement of comprehensive income (see note 14) and transferred to the consolidated income statement when the hedged investment is sold.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in a range of between 80% and 125%. Hedging is discontinued prospectively if the hedging instrument expires, is sold, cancelled or exercised, the criteria for recognition as hedges are no longer met or it is no longer designated as such.

The Group has entered into commodities sale and purchase forward contracts, mainly for electricity, fuel and CO<sub>2</sub> emission rights. In general, these contracts are carried in the consolidated balance sheet at their year-end market value, and any changes in value are recognised in the consolidated income statement, except when all the conditions below are met:

- The sole purpose of the contract is for own use, which in the case of purchases of fuel or CO<sub>2</sub> emission rights is understood as use to generate electricity; in the case of purchases of electricity or gas for retail, the sale thereof to end customers; and in the case of sales of electricity, the distribution of own production.
- The Group's projections support the purpose of these contracts as for own use.
- Past experience of the contracts shows that these have been for own use, except in those infrequent cases where another use has been necessary as a result of exceptional circumstances or associated with logistics management beyond the control or projections of the Group.
- The contract does not foresee settlement in cash and has not settled similar contracts in cash in the past.

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

Pursuant to Royal Decree 1634/2006, of 29 December, as a dominant operator in the Spanish electricity industry ENDESA is required to organise auctions of electricity call options up to a specified hourly capacity. These options are exercisable in a pre-established delivery or exercise period and in some cases have been issued for settlement through physical delivery

whereas currently all are issued for settlement financially (see note 4). These options are recognised as derivatives in the accompanying consolidated annual accounts in accordance with the general accounting policies mentioned above.

However, the Group considers these options due to be settled through physical delivery as sale contracts for own-use electricity and, therefore, does not recognise the changes in fair value in the accompanying consolidated financial statements. Premiums collected are recognised as an advance on the selling price when the following conditions are met:

- Settlement through physical delivery is obligatory.
- The exercise price practically assures that the option will ultimately be exercised.
- Past experience of options of this type is that all have been exercised on maturity, and
- The electricity delivered can be own production.

#### **g.5. Disclosure by levels of financial instruments**

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

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

Based on the above procedures, the Group classifies different financial instruments in a three-level hierarchy:

- *Level 1*: financial instruments for which fair value is calculated considering quoted prices of identical assets or liabilities in active markets.
- *Level 2*: financial instruments for which fair value is calculated considering directly or indirectly observable market inputs other than the quoted prices in Level 1.
- *Level 3*: financial instruments for which fair value is calculated considering inputs, for assets or liabilities, that are not based on observable market data.

#### **g.6. Financial guarantee contracts**

Financial guarantee contracts, which are the guarantee deposits extended to third parties by the Group, are initially recognised at fair value. Except where there is evidence to the contrary, fair value is the premium received plus, where applicable, the present value of cash flows to be received.

After initial recognition, financial guarantee contracts are measured as the difference between the following:

- The amount of the liability determined using the accounting policy described for provisions in note 3 m).
- The amount of the asset initially recognised less, where appropriate, the portion recognised in profit and loss on an accruals basis.

### **g.7. Derecognition of financial assets**

Financial assets are derecognised:

- when the contractual rights to the cash flows from the financial asset expire or have been transferred or, although retaining the rights, the Group has assumed a contractual obligation to pay the cash flows to one or more recipients, and,
- the Company has transferred substantially all the risks and rewards of ownership or, if these have not been substantially retained or transferred, when control over the asset is not retained.

The Group has entered into contracts for the transfer of accounts in 2009 which have been considered as factoring without recourse, as the risks and rewards of ownership of the financial assets have been transferred.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised in equity. Transaction costs are recognised in profit and loss using the effective interest method.

### **H) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

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

The equity method consists of recognising the investment in the consolidated balance sheet in proportion to the Group's share of net assets of the investee, adjusted, where applicable, to eliminate transactions with the Group, and unrealised gains relating to the goodwill paid on acquisition of the company.

If the resulting amount were negative, the investment is carried at zero in the Group's consolidated balance sheet, unless the Group is required to redress the company's equity, in which case the corresponding provision for liabilities and charges is recognised.

Dividends received from these companies are deducted from the value of the investment and the results of these companies that correspond to ENDESA based on its percentage of ownership are recognised under net profit of companies accounted for using the equity method in the consolidated income statement.

### **I) INVENTORIES**

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

The cost of acquisition of nuclear fuel includes the interest on its financing while in process. Finance expenses of Euros 2 million were capitalised for this item in 2008 and 2009.

Nuclear fuel in process is transferred to operating expenses when introduced in the reactor and recognised in profit and loss based on the power capacity consumed in the period.



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

Non-current assets held for sale comprise property, plant and equipment, intangible assets, investments accounted for using the equity method and disposal groups (groups of assets that will be sold together with their directly related liabilities) for which an active programme to locate a buyer has been initiated at the consolidated balance sheet date and the sale is expected to be completed within twelve months of that date.

The Group classifies as discontinued operations the business lines or geographical area constituting a segment that has been sold or disposed of by other means or which meets the criteria for classification as held for sale, including, where applicable, assets which, together with the business line, form part of the same sale programme. Companies acquired exclusively with a view to resale are also classified as discontinued operations.

These assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell and cease to be depreciated when classified as non-current assets classified as held for sale.

The non-current assets held for sale and the components of the disposal groups classified as held for sale are disclosed in the accompanying consolidated balance sheet under non-current assets held for sale and discontinued operations and under liabilities related with non-current assets held for sale and discontinued operations.

The profit after tax of discontinued operations is presented separately in the consolidated income statement.

**K) TREASURY SHARES**

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

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

No treasury shares were held at 31 December 2009 and 2008 and no transactions involving treasury shares were carried out in the years then ended.

**L) DEFERRED INCOME**

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

These amounts are recognised as deferred income in the consolidated balance sheet and as other operating income in the consolidated income statement over the useful lives of the assets, thereby offsetting the related depreciation charge.

In the case of facilities allocated to the Group, the asset and the deferred income are recognised at the fair value of the asset on the date of the assets are transferred.

The same treatment is given to the CO<sub>2</sub> emission rights granted free of charge under the National Allocation Plan (hereinafter "NAP") for emission rights approved by each country.

These rights are initially recognised as an intangible asset and deferred income at their market value when the rights are received. If the market value of the rights falls below the amount recognised at the date on which they were received intangible assets and deferred income are written down accordingly. The deferred income is taken to other operating income in the consolidated income statement when CO<sub>2</sub> is emitted, whereas the cost of the emission right is recognised as indicated in note 3 m).

## **M) PROVISIONS**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation; although the exact amount and timing of the disbursement are not known. Provision is made for the present value of the amount that the Group estimates will probably have to be disbursed to settle the obligation.

Provisions are made based on the best information available at the date of preparation of the consolidated annual accounts on the most likely outcome of the event for which provision is required and are reestimated at the end of each reporting period.

Provisions for pensions and similar obligations and for restructuring costs are the result of collective or individual agreements with the Group's employees, whereby the Company undertakes to supplement the public social security system benefits in the event of retirement, permanent disability, death or termination of employment by agreement between the parties.

### **m.1. Provisions for pensions and similar obligations**

Most of the Group companies have pension obligations with their employees, which vary depending on the Group company in which the obligations were incurred. These obligations, including both defined benefits and defined contributions, are basically formalised through pension plans or insurance policies, except as regards certain benefits in kind, mainly electricity supply obligations, which due to their nature have not been externalised and are covered by in-house provisions.

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

Defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly under other comprehensive income in the consolidated statement of comprehensive income (see note 14).

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under non-current provisions in the consolidated balance sheet. Any negative difference is recognised under non-current financial assets - loans and receivables in the consolidated balance sheet, provided that this negative difference is recoverable by the Group, usually through a reduction in future contributions taking into consideration the limits set by IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The effect of application of this limit is recognised as other comprehensive income in the consolidated statement of comprehensive income (see note 14).

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

The post-employment plans that have been fully insured and for which the Group has therefore transferred all the risk are considered to be defined contribution plans and, no actuarial liabilities or plan assets are considered.

#### **m.2. Provisions for restructuring plans**

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

The Group has restructuring plans in progress, mainly in Spain, as part of the corresponding workforce reduction plans approved by the government, which guarantee that benefits are received throughout the early retirement period.

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

#### **m.3. Provision to cover the cost of CO<sub>2</sub> emission rights**

At the beginning of the year the European Group companies that make CO<sub>2</sub> emissions in their electricity generation activity must deliver CO<sub>2</sub> emission rights equal to the volume of emissions made during the preceding year.

The obligation to deliver emission rights for the CO<sub>2</sub> emitted during the year is recognised as a current provision under trade payables and other current liabilities in the consolidated balance sheet, the related cost is recognised under other variable procurements and services in the consolidated income statement. This obligation is recognised as the same amount as the CO<sub>2</sub> emission rights

to be delivered to cover this obligation reflected under intangible assets in the consolidated balance sheet (see notes 3 d) and 3 l)).

If at the consolidated balance sheet date the Group does not hold all the CO<sub>2</sub> emission rights required to cover the emissions made, the cost and the corresponding provision are recognised on the basis of a best estimate of the price that the Group will have to pay to acquire those rights. When a more appropriate estimate does not exist, the Group estimates the acquisition price for the rights not held by the Group as the market price at the consolidated balance sheet date.

#### ***N) TRANSLATION OF FOREIGN CURRENCY BALANCES***

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

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

The Group hedges the exchange rate risk of income of the Latin American companies that is directly linked to the performance of the US dollar by obtaining financing in that currency. Since these transactions constitute cash flow hedges, the exchange differences arising on the debt in US dollars are recognised, net of the related tax effect, in equity as an unrealised asset and liability revaluation reserve (see note 14), and taken to the consolidated income statement over the period in which the hedged cash flows will materialise, which has been estimated to be ten years.

#### ***Ñ) CURRENT/NON-CURRENT CLASSIFICATION***

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

Liabilities due within 12 months are classified as non-current liabilities when long-term refinancing is assured at the Company's discretion, through existing unconditional long-term credit facilities. At 31 December 2009 and 2008, these balances amounted to Euros 3,056 million and Euros 4,448 million, respectively.

#### ***O) INCOME TAX***

The current income tax expense is calculated as the sum of the current tax of each company determined by applying the applicable tax rate to taxable profit for the year, after deducting tax credits and taking into consideration deferred

tax assets and liabilities in respect of tax loss carryforwards and deductions. Differences between the carrying amount of the assets and liabilities and their tax bases give rise to deferred tax assets and liabilities, which are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

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

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

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

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

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

In September 2008, Law 3697 establishing a progressive reduction in the income tax rate was approved in Greece. The tax rate, which is currently 25%, will decrease to 24% in 2010 and will continue to decrease by 1% in successive years until it stands at 20% in 2014. In December 2009 Law 3808 was passed establishing an additional tax applicable to companies making a net profit of over Euros 5 million in 2009. This tax will only apply in 2010 and the rate is 5%, 7% or 10% depending on whether the net profit exceeds Euros 5 million, Euros 15 million or Euros 25 million, respectively.

In Colombia, Law 1370 of 2009 has been enacted reducing the special deduction for investment in production fixed assets from 40% to 30%, creating a new wealth tax of 4.8% on liquid capital held at 1 January 2011, payable in eight equal instalments from 2011 to 2014.

## ***P) RECOGNITION OF REVENUE AND EXPENSES***

Revenue and expenses are recognised on an accruals basis.

Revenue is recognised when the gross inflow of economic benefits arising in the course of the Group's ordinary activities in the year occurs, provided that this inflow of economic benefits results in an increase in equity that is not related to

contributions from equity participants and that these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

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

The Group excludes from revenue gross inflows of economic benefits received when acting as an agent or commission agent on behalf of third parties, and only recognises revenue from its own activity.

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

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

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

#### **Q) EARNINGS PER SHARE**

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

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

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

#### **R) DIVIDENDS**

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

#### **S) CASH FLOW STATEMENT**

The cash flow statement reflects the changes in cash that took place in the year in relation to both continuing and discontinued operations, calculated using the

indirect method. The following terms are used in the consolidated cash flow statements with the meanings specified:

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

## 04. INDUSTRY REGULATION AND NATIONAL ELECTRICITY SYSTEMS

### 04.1. SPAIN

#### General aspects

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

- Electricity is generated on a free-market basis.
- Transmission, distribution and the system's economic and technical management are regulated activities.
- All consumers of electricity are eligible customers and required to contract their electricity supply from a seller. Until 30 June 2009 low-voltage consumers were able to purchase electricity from the distribution company under the regulated integral tariff, whereby the distribution company acted exclusively as the payment agent in the electricity system. From 1 July 2009 tariff-based supply by distribution companies disappeared, although consumers meeting certain conditions could opt to contract electricity from a last resort seller (hereinafter, "LRS"). The last resort tariff (hereinafter "LRT") is applicable to those customers. This tariff is an incremental tariff set half-yearly by the government considering the cost of electricity production based on futures market prices.
- Access fees are the same throughout Spain and collected by distributors, which act as payment agents in the electricity system.

#### Production market

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

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

The positions arising from these auctions at 31 December 2009 are not significant and all mature in the first quarter of 2010.

Additional provision 16 of the Electricity Industry Law enables the government to convene new auctions. No additional auctions are foreseen at the date of preparation of these consolidated annual accounts and the corresponding Royal Decree would have to be published for these auctions to proceed.

### Non-mainland electricity systems

Article 12 of the Electricity Industry Law establishes that the activities involved in the supply of electricity in non-mainland territories will be subject to specific regulations addressing the particular nature of their geographical location. In this regard, Royal Decree 1747/2003 of 19 December, and the Ministerial Orders implementing that Royal Decree were approved on 30 March 2006.

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

The remuneration of non-mainland production has been established so as to cover the costs of this activity and provide a return on capital invested. To attain the level of remuneration established, the non-mainland producers receive the corresponding compensation payments. Compensation payments accrued until 31 December 2008 will be received with a charge to electricity system earnings whereas those accrued from 2013 will be charged to Spanish General State Budgets. Royal Decree 6/2009 established a mixed system for the transition period 2009-2013, whereby a declining percentage of the cost overrun of non-mainland generation is financed by electricity system earnings and a rising percentage by General State Budgets.

The Resolutions of the Directorate-General of Energy Policy and Mines approved on 2 October 2007 and 3 December 2009 definitively determined the amount of the revision of the specific costs earmarked for remunerating the non-mainland systems for 2001-2005 and 2006-2008, respectively. As a result of the application of these Resolutions, at 31 December 2009 ENDESA has Euros 2,242 million receivable for remuneration of non-mainland generation from 2001-2008. Of that amount, Euros 1,933 million are recognised as non-current financial assets (see note 10.1) and the rest as current financial assets. Pursuant to Royal Decree Law 6/2009, these amounts are considered a deficit in the Spanish electricity system and will be recovered through earnings by the electricity system over a period not yet determined for the whole amount. Receivables can be assigned to a securitisation fund set up for that purpose.

### Deficit from regulated activities

Under Royal Decree Law 5/2005, of 11 March, if the regulated revenue of the electricity system was not sufficient to cover the costs of the regulated activities, this tariff deficit would have to be financed by the utilities named by that law on the basis of set percentages, the percentage applicable to ENDESA as Parent of the Group was 44.16%.

Royal Decree Law 6/2009 establishes that the network access tariffs set from 2013 onward have to be sufficient to cover all the costs of the electricity system



with zero deficit. Until that year, the above-mentioned Royal Decree establishes limits of Euros 3,500 million, Euros 3,000 million, Euros 2,000 million and Euros 1,000 million as the maximum deficit from the system for 2009, 2010, 2011 and 2012, respectively, requiring that access tariffs be set for sufficient amounts for those years to keep deficits within those limits.

The consolidated balance sheet reflects funding of the deficit from regulated activities for totals of Euros 4,656 million at 31 December 2009 and Euros 3,034 million at 31 December 2008. Of these amounts, Euros 4,355 million and Euros 2,807 million, respectively, are recognised as non-current financial assets (see note 10.1) and the rest as current.

All deficits in revenue from regulated activities will be settled in full with a charge to revenue from the Spanish electricity system over a period not yet determined for the total deficit, although pursuant to Royal Decree Law 6/2009 the accumulated amount of funding of the deficit in revenue from regulated activities can be assigned to a securitisation fund set up for that purpose.

### **Social discount**

Royal Decree Law 6/2009 introduced subsidised rates for which electricity consumers meeting certain conditions could apply from 1 July 2009. The rate subsidy covers the difference between the LRT and a benchmark tariff called the reduced rate. The subsidised rate is applied by last resort sellers in their billing of customers entitled to the discount and the cost is assumed by electricity producers by the percentages established by the government, with the Endesa Group assuming 36.77% of the total cost of the subsidised rate for the system.

The nature of the subsidised rate, its funding and the transitional system of initial financing will be reviewed at least every four years by Order of the Ministry of Industry, Tourism and Trade, subject to agreement from the government's Economic Affairs Subcommittee, to adapt to the circumstances of the electricity sector.

### **Costs of managing radioactive waste and fuel consumed at nuclear plants**

Royal Decree Law 6/2009 has established the mechanism for financing the costs of managing radioactive waste and fuel consumed at nuclear power plants. The companies owning the plants are charged on the basis of the kilowatts per hour generated by each of their plants.

### **Royal Decree Law 11/2007**

Under Royal Decree Law 11/2007, of 7 December, the higher revenue obtained from inclusion in the selling price of the value generated by emission rights granted under the National Allocation Plan for 2008-2012 would be deducted from the remuneration of production activity. Royal Decree Law 6/2009 revoked the Royal Decree 11/2007 eliminating this deduction from 1 July 2009.

### 2010 electricity tariff

Ministry of Industry, Tourism and Trade Order 3519/2009 reviewed access tariffs from 1 January 2010, involving an average increase of 14.5%. Access tolls for customers entitled to the last resort tariff without time restrictions were increased by an average of 9%.

The Resolution of 29 December 2009, establishing last resort tariffs applicable in the first half of 2010, increased the last resort tariff without time restrictions by an average of 2.6%.

### Distribution

Royal Decree 222/2008, of 15 February, linked the remuneration mechanism to changes in the Consumer Price Index and electricity demand, subject to a number of corrective factors, and introduced a new remuneration system for electricity distribution, the main elements of which are as follows:

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

At the date of preparation of these consolidated annual accounts, the regulations governing application of the new remuneration model for electricity distribution have not yet been enacted. The accompanying annual accounts reflect the provisional amount determined by the government as revenue from distribution activity in 2009, as the Group's directors consider that this is the best possible estimate of the definitive remuneration that will be established for the year.

### Spain's National Allocation Plan (NAP) for greenhouse gas emission rights 2008-2012

The 2008-2012 NAP for greenhouse gas emission rights was approved through Royal Decree 1402/2007, which amended Royal Decree 1370/2006.

The NAP:

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

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

The 2008-2012 NAP allocates an annual average of 24.3 million tonnes of CO<sub>2</sub> to ENDESA's nuclear plants. Applying the permitted allowance of 42%, ENDESA's facilities could use up to 10 million tonnes per year of credits obtained from emission reduction projects.

## **04.2. LATIN AMERICA**

The legislation of the Latin American countries in which the Group operates differs in each country. The main features of each of the businesses are described below.

### **Generation**

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

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

However, the governments of Argentina and Peru are currently intervening to a lesser or greater degree in setting prices in these regulated tariff markets; Argentina since the economic crisis of 2002 and Peru as a result of the recent emergency legislation in 2008 which defines an ideal marginal cost, considering that the current restrictions in the gas and electricity transmission systems do not exist. In the case of Argentina, gas is not considered to be subject to any restrictions on availability.

In Brazil, the purchase price is based on the average prices in the bids for existing power and new power, both long-term. However, the prices in the private contracts between companies that are still in force will remain unchanged until the contracts expire. In Colombia the price is determined by bids from companies, which are generally short term (up to 4 years).

Chile and Peru changed their legislation to allow the submission of long-term bids for power on the basis of distributors' requirements. This mechanism will gradually replace the base price/bus bar set periodically by regulators in these two countries and which determine the selling price for power generated for regulated demand (distribution).

In 2008 these two countries also approved legislation on non-conventional renewable energies that established similar generation commitments for these energy sources as well as respective regulation and procedures.

### **Settlement of Ministerial Resolution 88 in Chile**

The Chilean government's Ministry of Economy decreed that the regulated consumption of distributors, without power supply contracts between 19 May

2005 and 31 December 2009, should be served by the generating companies, pro rata with their contracted power.

Subsequent regulations established that generating companies will receive the prevailing base price, paid or charged any positive or negative differences, respectively, with the marginal cost. These regulations also determined that these differences cannot be higher or lower than 20% of the base price and that, if insufficient, the outstanding balance would be incorporated in successive base prices until settled in full.

The estimated outstanding balance pending recovery by the Endesa Group at 31 December 2009 is Euros 181 million. This outstanding balance will be recovered and recognised by means of additional surcharges on the tariff, which will be applied to and collected by the distributor companies from future electricity consumption of the system's regulated customers.

### Distribution

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

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

Chile, Brazil and Peru allow bids for power to be submitted on the basis of distributors' requirements.

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

Country	Minimum MW
Argentina	0.03
Brazil	3.0
Chile	0.5
Colombia	0.1
Peru	0.2

### Integration and concentration limits

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

In principle, companies can engage in different activities (generation, distribution, selling) provided that these are appropriately segregated for both accounting and corporate law purposes. However, it is in the transmission business that the

greatest restrictions are generally imposed, due mainly to its nature and the need to guarantee adequate access to all players. In Argentina, Chile and Colombia there are specific restrictions on producers or distributors being majority shareholders of transmission companies.

Additionally, in Colombia companies formed after 1994 may not be vertically integrated. In Peru companies with a share of over 5% in a given business require authorisation from the regulator to acquire a holding in a company operating in a different business.

As regards concentration in a given business, in Argentina and Chile there are no specific limits on vertical or horizontal integration. In Peru integration is subject to authorisation; 5% in the case of vertical integration and 15% in the case of horizontal integration. In Colombia, generating and selling companies may not have a market share of more than 25%. Lastly in the case of Brazil, there are no restrictions on integration in the electricity sector, although under generally applicable regulations, authorisation is required from the competent authorities for operations that represent a share of over 20% of the market or in which the annual volume of business of the companies exceeds Brazilian Reales 400 million (Euros 160 million).

### System access

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

## 05. PROPERTY, PLANT AND EQUIPMENT

Details at 31 December 2009 and 2008 and movement in the years then ended are as follows:

31 December 2009

Millions of Euros

Property, plant and equipment in use	Cost	Accumulated depreciation	Carrying amount	Property, plant and equipment under construction	Total property, plant and equipment
Land and buildings	1,128	(570)	558	76	634
Electricity generating facilities:	32,293	(17,959)	14,334	2,546	16,880
Hydroelectric power plants	9,988	(5,074)	4,914	255	5,169
Coal-fired/fuel-oil power plants	8,894	(5,963)	2,931	855	3,786
Nuclear power plants	8,838	(5,910)	2,928	184	3,112
Combined cycle plants	3,552	(825)	2,727	1,085	3,812
Renewable energy plants	1,021	(187)	834	167	1,001
Transmission and distribution facilities:	25,724	(10,284)	15,440	1,693	17,133
High-voltage	2,752	(1,074)	1,678	220	1,898
Low and medium-voltage	20,152	(7,735)	12,417	1,202	13,619
Measuring and remote control equipment	2,077	(1,239)	838	92	930
Other installations	743	(236)	507	179	686
Other property, plant and equipment	1,122	(831)	291	121	412
<b>TOTAL</b>	<b>60,267</b>	<b>(29,644)</b>	<b>30,623</b>	<b>4,436</b>	<b>35,059</b>

31 December 2008

Millions of Euros

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

Millions of Euros

Property, plant and equipment in use	Balance at 31/12/2008	Inclusion / excl. of companies	Investments	Disposals	Transfers and other	Translation differences	Balance at 31/12/2009
Land and buildings	1,077	16	—	(6)	3	38	1,128
Electricity generating facilities:	29,764	147	135	(120)	1,381	986	32,293
<i>Hydroelectric power plants</i>	9,555	3	5	(12)	(370)	807	9,988
<i>Coal-fired/fuel-oil power plants</i>	8,242	144	54	(86)	502	38	8,894
<i>Nuclear power plants</i>	8,624	—	38	(14)	190	—	8,838
<i>Combined cycle plants</i>	3,227	—	34	(4)	158	137	3,552
<i>Renewable energy plants</i>	116	—	4	(4)	901	4	1,021
Transmission and distribution facilities:	22,982	49	3	(153)	1,870	973	25,724
<i>High-voltage</i>	2,493	—	1	(6)	9	255	2,752
<i>Low and medium-voltage</i>	17,945	49	2	(116)	1,697	575	20,152
<i>Measuring and remote control equipment</i>	1,907	—	—	(31)	101	100	2,077
<i>Other installations</i>	637	—	—	—	63	43	743
Other property, plant and equipment	1,124	2	21	(100)	30	45	1,122
<b>TOTAL</b>	<b>54,947</b>	<b>214</b>	<b>159</b>	<b>(379)</b>	<b>3,284</b>	<b>2,042</b>	<b>60,267</b>

Millions of Euros

Property, plant and equipment under construction	Balance at 31/12/2008	Inclusion / excl. of companies	Investments	Disposals	Transfers and other	Translation differences	Balance at 31/12/2009
Land and buildings	104	—	35	—	(73)	10	76
Electricity generating facilities:	2,154	100	1,404	(4)	(1,197)	89	2,546
<i>Hydroelectric power plants</i>	148	36	124	(5)	(68)	20	255
<i>Coal-fired/fuel-oil power plants</i>	816	—	476	—	(486)	49	855
<i>Nuclear power plants</i>	202	—	137	—	(155)	—	184
<i>Combined cycle plants</i>	954	64	508	(2)	(450)	11	1,085
<i>Renewable energy plants</i>	34	—	159	3	(38)	9	167
Transmission and distribution facilities:	1,713	1	1,703	—	(1,792)	68	1,693
<i>High-voltage</i>	329	—	118	—	(240)	13	220
<i>Low and medium-voltage</i>	1,141	1	1,313	—	(1,307)	54	1,202
<i>Measuring and remote control equipment</i>	94	—	94	—	(97)	1	92
<i>Other installations</i>	149	—	178	—	(148)	—	179
Other property, plant and equipment	167	—	39	(1)	(99)	15	121
<b>TOTAL</b>	<b>4,138</b>	<b>101</b>	<b>3,181</b>	<b>(5)</b>	<b>(3,161)</b>	<b>182</b>	<b>4,436</b>

Millions of Euros

	Balance at 31/12/2008	Inclusion / excl. of companies	Charges	Disposals	Transfers and other	Translation differences	Balance at 31/12/2009
<b>Accumulated depreciation</b>							
Land and buildings	(549)	—	(20)	7	—	(8)	(570)
Electricity generating facilities:	(16,850)	(2)	(920)	119	139	(445)	(17,959)
<i>Hydroelectric power plants</i>	(4,696)	(2)	(220)	15	221	(392)	(5,074)
<i>Coal-fired/fuel-oil power plants</i>	(5,741)	—	(291)	85	4	(20)	(5,963)
<i>Nuclear power plants</i>	(5,729)	—	(196)	15	—	—	(5,910)
<i>Combined cycle plants</i>	(658)	—	(167)	2	30	(32)	(825)
<i>Renewable energy plants</i>	(26)	—	(46)	2	(116)	(1)	(187)
Transmission and distribution facilities:	(9,286)	(6)	(813)	136	35	(350)	(10,284)
<i>High-voltage</i>	(980)	—	(91)	6	108	(117)	(1,074)
<i>Low and medium-voltage</i>	(6,955)	(6)	(583)	99	(105)	(185)	(7,735)
<i>Measuring and remote control equipment</i>	(1,137)	—	(112)	31	15	(36)	(1,239)
<i>Other installations</i>	(214)	—	(27)	—	17	(12)	(236)
Other property, plant and equipment	(872)	(2)	(37)	98	(2)	(16)	(831)
<b>TOTAL</b>	<b>(27,557)</b>	<b>(10)</b>	<b>(1,790)</b>	<b>360</b>	<b>172</b>	<b>(819)</b>	<b>(29,644)</b>

(\*) Impairment losses of Euros 69 million were also recognised in 2009.

Millions of Euros

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

Millions of Euros

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

Millions of Euros

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

(\*) Impairment losses of Euros 69 million were also recognised in 2008.

Property, plant and equipment include the following co-owned assets:

Vandellós II nuclear plant (72%), Ascó II nuclear plant (85%), Almaraz I nuclear plant (36.02%), Almaraz II nuclear plant (36.02%), Anllares thermal power station (33.33%) and Salime hydroelectric power station (50%).

Movement in transfers and other include the transfer to non-current assets held for sale and discontinued operations of the property, plant and equipment considered as held for sale at 31 December 2009 (see notes 3 j) and 28).

Details of investments in property, plant and equipment, excluding those in investment property, in 2009 and 2008 in the various geographical areas and businesses in which the Group operates are as follows:

Millions of Euros

	2009			
	Generation	Distribution and transmission	Other	Total
Spain and Portugal	1,055	1,172	42	2,269
Latin America	476	534	61	1,071
<b>TOTAL</b>	<b>1,531</b>	<b>1,706</b>	<b>103</b>	<b>3,340</b>

Millions of Euros

	2008			
	Generation	Distribution and transmission	Other	Total
Spain and Portugal	1,091	1,296	74	2,461
Latin America	361	599	89	1,049
<b>TOTAL</b>	<b>1,452</b>	<b>1,895</b>	<b>163</b>	<b>3,510</b>

The investments in property, plant and equipment in the electricity generation business include the advances made in the new capacity programme. In Spain and Portugal these include the construction and development of wind farms, construction of the Besós 5, Elecgas, S.A., Ca's Tresorer 2 and Granadilla 2 combined cycle plants and the installation of gas turbines in Ibiza, Mahon and Ceuta and diesel units in Ceuta, Melilla, Lanzarote, La Gomera and El Hierro.



In Latin America, the second phase of construction of the Canela II (60 MW) wind farm has commenced in Chile. The Quintero (257 MW) open cycle gas turbine has entered service in Chile and the Santa Rosa (200 MW) open cycle plant in Peru, while construction continues on the Bocamina II coal-fired plant in Chile.

In September commercial operation also began, at its preliminary stage, of the Quintero regasification terminal in Chile (in which ENDESA has an interest of 20%), which will supply gas to ENDESA's San Isidro I and II power stations, amongst others.

The investments in distribution relate to network extensions and expenditure aimed at optimising the network for greater efficiency and quality of service.

At 31 December 2009 and 2008 property, plant and equipment include Euros 243 million and Euros 211 million, respectively, for the carrying amount of assets under finance leases.

At 31 December 2009 the present value of future lease payments under these contracts are as follows:

Year	Millions of Euros
2010	47
2011	46
2012	41
2013 and subsequent years	60

At 31 December 2009 the present value of future lease payments under these contracts are as follows:

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

The consolidated income statements for 2009 and 2008 include Euros 75 million and Euros 82 million, respectively, of payments accrued in those years for property, plant and equipment in use under operating leases.

At 31 December 2009 future payments under these operating leases are as follows:

Year	Millions of Euros
2010	41
2011	40
2012	37
2013 and subsequent years	61

At 31 December 2008 future payments under these operating leases are as follows:

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

At 31 December 2009 and 2008 the Group had property, plant and equipment purchase commitments amounting to Euros 1,475 million and Euros 1,873 million, respectively. Jointly controlled companies have no such commitments at those dates.

Fully depreciated property, plant and equipment in use at 31 December 2009 and 2008 are not significant.

At 31 December 2009 and 2008 property, plant and equipment securing financing from third parties amounted to Euros 651 million and Euros 598 million, respectively.

The ninth transitional provision of Law 17/2007 stipulates that companies owning electricity transmission facilities in Spain, which include the Endesa Group, are required to transfer those facilities to Red Eléctrica de España, S.A. (hereinafter, "REE") by 6 July 2010, at a market price agreed by the parties or, should no agreement be reached, a price established by an independent arbitrator appointed by the Spanish National Energy Commission (hereinafter, "CNE"). Details of the assets subject to this requirement are pending at the date of preparation of these consolidated annual accounts and therefore it has not been possible to transfer these assets to non-current assets held for sale and discontinued operations. At 31 December 2009 the Group has remunerated transmission facilities with a carrying amount of Euros 686 million. This would be the maximum value of the assets that would have to be sold, although the Group's directors consider that the final figure should be considerably lower.

ENDESA and its subsidiaries have taken out insurance policies to cover the risk of damage to their property, plant and equipment and any claims that could be filed against them in their business activities. The Company considers the coverage of these policies is sufficient. The possible loss of profits that could result from outages at the plants is also covered. In 2009 compensation for claims of Euros 74 million (Euros 20 million in 2008) was received from insurance companies.

In 2009 the Group invested Euros 20 million in environmental activities, in which the accumulated investment was Euros 432 million at 31 December 2009. Environmental expenses in 2009 totalled Euros 37 million, of which Euros 15 million were depreciation charges for the above-mentioned investments.

## 06. INVESTMENT PROPERTY

Details of investment property in 2009 and 2008 and movement during those years are as follows:

Millions of Euros							
	Balance at 31/12/2008	Investment	Transfer of properties	Disposals due to sale	Translation differences	Other	Balance at 31/12/2009
Investment property in Spain	20	1	—	—	—	(6)	15
Investment property in Latin America	27	7	—	—	8	1	43
<b>TOTAL</b>	<b>47</b>	<b>8</b>	<b>—</b>	<b>—</b>	<b>8</b>	<b>(5)</b>	<b>58</b>

Millions of Euros							
	Balance at 31/12/2007	Investment	Transfer of properties	Disposals due to sale	Translation differences	Other	Balance at 31/12/2008
Investment property in Spain	17	2	—	—	—	1	20
Investment property in Latin America	38	9	—	(9)	(12)	1	27
<b>TOTAL</b>	<b>55</b>	<b>11</b>	<b>—</b>	<b>(9)</b>	<b>(12)</b>	<b>2</b>	<b>47</b>

The market value of investment property was Euros 240 million at 31 December 2009, according to internal valuations. At 31 December 2008 the estimated value of this property was Euros 205 million.

In 2009 there were no disposals due to sales of investment property. The sale price of properties sold in 2008 was Euros 13 million.

The direct expenses relating to investment property recognised in the consolidated income statements for 2009 and 2008 are not material.

The Group has contracted insurance policies to cover the risk of damage to its investment property and any claims that could be filed against it in its business activities. The Group considers that coverage provided by these policies is sufficient.

## 07. INTANGIBLE ASSETS

Details of intangible assets and movement in 2009 and 2008 are as follows:

Millions of Euros

	Balance at 31/12/2008	Inclusion / excl. of companies	Investments	Amortisation (1)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2009
CO <sub>2</sub> emission rights and CERs	568	19	717	(37)	(859)	20	—	428
Computer software	323	—	17	(83)	(11)	110	10	366
Other	292	—	115	(9)	—	(173)	6	231
<b>TOTAL</b>	<b>1,183</b>	<b>19</b>	<b>849</b>	<b>(129)</b>	<b>(870)</b>	<b>(43)</b>	<b>16</b>	<b>1,025</b>

(1) Including impairment losses of Euros 37 million.

Millions of Euros

	Balance at 31/12/2007	Inclusion / excl. of companies	Investments	Amortisation (2)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2008
CO <sub>2</sub> emission rights and CERs	9	—	562	(28)	(39)	64	—	568
Computer software	263	—	109	(52)	(1)	3	1	323
Other	247	—	67	(7)	—	8	(23)	292
<b>TOTAL</b>	<b>519</b>	<b>—</b>	<b>738</b>	<b>(87)</b>	<b>(40)</b>	<b>75</b>	<b>(22)</b>	<b>1,183</b>

(2) Including impairment losses of Euros 28 million.

Movement in transfers and other include the transfer to non-current assets held for sale and discontinued operations of intangible assets considered as held for sale at 31 December 2009 (see notes 3 j) and 28).

On the basis of the estimates and projections available to the Group's directors, the forecast cash flows attributable to intangible assets will make it possible to recover the carrying amount of these assets recognised at 31 December 2009.

### 07.1. CO<sub>2</sub> EMISSION RIGHTS AND CERs

The amount recognised for CO<sub>2</sub> emission rights and CERs at 31 December 2009 includes Euros 272 million relating to rights granted free of charge under the National Allocation Plans of each of the European countries in which the Group operates (Euros 420 million at 31 December 2008).

Details of the emission rights allocated to the Group free of charge in 2009 and 2008, excluding those relating to discontinued operations, are as follows:

	Millions of Tonnes	
	2009	2008
Spain and Portugal	21	30
Ireland	1	—
<b>TOTAL</b>	<b>22</b>	<b>30</b>

The emission rights used by the Endesa Group in 2009 and 2008, excluding those relating to discontinued operations, amounted to 30 million tonnes and 38 million tonnes, respectively.

At 31 December 2009, the provision for the rights to be delivered to cover these emissions presented under liabilities on the consolidated balance sheet amounted to Euros 359 million (Euros 518 million at 31 December 2008) (see note 20). Of the Euros 359 million at 31 December 2009, Euros 260 million covered the emission rights received under the National Allocation Plans and Euros 58 million to the rights purchased (Euros 420 million and Euros 98 million, respectively, at 31 December 2008).

At 31 December 2009 and 2008, the commitments to acquire CO<sub>2</sub> emission rights and CERs in the future totalled Euros 648 million and Euros 744 million, respectively, if all the projects are successfully completed.

## 8. GOODWILL

Details of goodwill by the different cash-generating units or groups of CGUs to which it is allocated and movement during 2009 and 2008 are as follows:

	Millions of Euros				
	Balance at 31/12/2008	Additions	Disposals	Transfers and other	Balance at 31/12/2009
Subsidiaries in Chile	1,542	—	—	—	1,952
Endesa Ireland	—	315	—	—	315
Coelce	132	—	—	—	171
Ampla	96	—	—	—	122
Edegel, S.A. (hereinafter, "Edegel")	87	—	—	—	92
Endesa Hellas	78	2	—	(80)	—
Empresa de Distribución Eléctrica de Lima Norte, S.A.A. (hereinafter, "Edelnor")	43	—	—	—	45
Chocón	18	—	—	—	16
Endesa Carbono, S.L. (hereinafter, "Endesa Carbono")	14	—	—	—	14
Cundinamarca	—	10	—	—	10
Other	43	1	(82)	117	78
<b>TOTAL</b>	<b>2,053</b>	<b>328</b>	<b>(82)</b>	<b>37</b>	<b>2,815</b>

Millions of Euros

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

Movement in transfers and other include the transfer to non-current assets held for sale and discontinued operations of goodwill allocated to cash-generating units formed by assets held for sale at 31 December 2009 and 2008 (see notes 3 j) and 28).

In 2009 the Group acquired control over ENDESA Ireland. Goodwill of Euros 315 million arose from the valuation of the assets and liabilities acquired, detailed as follows:

Millions of Euros

	2009
Property, plant and equipment	157
Intangible assets	20
Other assets	16
Other liabilities	(26)
Non-current liabilities	(22)
Current liabilities	(16)
<b>Total net assets and liabilities</b>	<b>129</b>
Acquisition price	444
<b>Goodwill</b>	<b>315</b>

In 2009 the Group assumed joint control with another shareholder of the Colombian company Cundinamarca. Goodwill of Euros 10 million arose from the valuation of the assets and liabilities acquired, detailed as follows

Millions of Euros

	2009
Property, plant and equipment	44
Intangible assets	—
Other assets	17
Non-controlling interest	(5)
Non-current liabilities	(20)
Current liabilities	(13)
<b>Total net assets and liabilities</b>	<b>23</b>
Acquisition price	33
<b>Goodwill</b>	<b>10</b>

In 2008 control was acquired over certain companies from the ENDESA Hellas Group. Valuation of the assets and liabilities acquired gave rise to goodwill of Euros 29 million from business combinations in 2008. The assets and liabilities were carried in the 2008 balance sheet as follows:

Millions of Euros	
	2008
Property, plant and equipment	22
Intangible assets	—
Other assets	6
Non-controlling interest	(11)
Non-current liabilities	(8)
Current liabilities	(1)
<b>Total net assets and liabilities</b>	<b>8</b>
Acquisition price	37
<b>Goodwill</b>	<b>29</b>

In 2008, additions to goodwill from Edegel and Edelnor arose from the acquisition of non-controlling interests in these companies, which were already fully consolidated (see note 14.2).

According to the estimates and projections available to the Group's directors, the projected cash flows attributable to the cash-generating units (or groups of CGUs) to which the goodwill is allocated will make it possible to recover the carrying amount of each item of goodwill recognised at 31 December 2009 and 2008.

## 09. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND JOINTLY CONTROLLED COMPANIES

### 09.1. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of the main Group investees accounted for using the equity method and movement in 2009 and 2008 are as follows:

Millions of Euros									
	Balance at 31/12/2008	Inclusion / exclusion of companies	Investments	Disposals	Share of profit/(loss) of equity accounted investments	Dividends	Translation differences	Transfers and other	Balance at 31/12/2009
GNL Quintero, S.A. (hereinafter, "GNL Quintero")	28	—	—	—	(1)	—	—	(12)	15
Elcogas, S.A. (hereinafter, "Elcogas")	20	—	—	—	4	—	—	—	24
Tecnomat, S.A. (hereinafter, "Tecnomat")	12	—	—	—	7	—	—	—	19
Sadiel Tecnologías de la Información, S.A. (hereinafter, "Sadiel")	8	—	—	—	1	—	—	—	9
Other	128	3	2	(33)	34	(13)	—	105	226
<b>TOTAL</b>	<b>196</b>	<b>3</b>	<b>2</b>	<b>(33)</b>	<b>45</b>	<b>(13)</b>	<b>—</b>	<b>93</b>	<b>293</b>

Millions of Euros									
	Balance at 31/12/2007	Inclusion / exclusion of companies	Investments	Disposals	Share of profit/(loss) of equity accounted investments	Dividends	Translation differences	Transfers and other	Balance at 31/12/2008
GNL Quintero	2	—	22	—	—	—	4	—	28
Elcogas	18	—	—	—	3	—	—	(1)	20
Tecnomat	10	—	—	—	2	—	—	—	12
Sadiel	7	—	—	—	2	(1)	—	—	8
Other	254	6	18	(4)	30	(14)	—	(162)	128
<b>TOTAL</b>	<b>291</b>	<b>6</b>	<b>40</b>	<b>(4)</b>	<b>37</b>	<b>(15)</b>	<b>4</b>	<b>(163)</b>	<b>196</b>

Movement in transfers and other include the transfer to non-current assets held for sale and discontinued operations of investments accounted for using the equity method that were considered as held for sale at 31 December 2009 (see notes 3 j) and 28). The following is information at 31 December 2009 and 2008 from the financial statements of the main companies over which the Group has significant influence:

31 December 2009

Millions of Euros

	% ownership	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses	Ordinary profit
Elcogas	40.87	278	87	50	16	299	119	105	14
Tecnatom	45	47	50	43	26	28	88	81	7

31 December 2008

Millions of Euros

	% ownership	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses	Ordinary profit
Elcogas	40.87	200	175	65	—	310	163	97	66
Tecnatom	45	36	42	29	20	29	81	27	54

The financial indicators of the other companies over which the Group has significant influence are not significant.

Investees over which the Group has significant influence are disclosed in Appendix II.

## 09.2. JOINTLY CONTROLLED COMPANIES

The following is information at 31 December 2009 and 2008 from the financial statements of the main companies jointly controlled by the Group which was used in the consolidation process:

31 December 2009

Millions of Euros

	% ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor, S.A. (hereinafter, "Nuclenor")	50	184	106	122	30	134	144
Tejo Energia, Produção e Distribuição de Energia Eléctrica, S.A. (hereinafter, "Tejo")	38.9	666	188	576	75	234	185
Pegop – Energia Eléctrica S.A. (hereinafter, "Pegop")	50	—	8	—	4	—	(4)
Carbopego – Abastecimentos e Combustíveis, S.A. (hereinafter, "Carbopego")	50	—	8	—	—	80	80
GasAtacama, S.A. (hereinafter, "GasAtacama")	50	421	159	48	256	450	366
ANAV	85.4	84	183	115	133	283	260

31 December 2008

Millions of Euros

	% ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor	50	170	184	110	94	232	122
Tejo	38.9	694	224	550	123	244	206
Pegop	50	—	6	—	2	—	(6)
Carbopego	50	—	10	—	14	146	144
GasAtacama	50	446	160	259	95	590	530
ANAV	85.4	95	163	131	133	5	212

The financial indicators of the other companies jointly controlled by the Endesa Group are not significant.

## 10. NON-CURRENT FINANCIAL ASSETS

Details of non-current financial assets and movement in 2009 and 2008 are as follows:

Millions of Euros							
	Balance at 31/12/2008	Additions or charge for the year	Disposals or reductions	Valuation adjustment against equity (1)	Translation differences	Transfers and other	Balance at 31/12/2009
Loans and receivables	5,863	2,201	(317)	5	34	(365)	7,421
Available-for-sale investments	220	3	(7)	2	1	(94)	125
Derivative financial instruments	38	1	(6)	1	—	(8)	26
Impairment losses	(33)	(59)	108	—	—	(55)	(39)
<b>TOTAL</b>	<b>6,088</b>	<b>2,146</b>	<b>(222)</b>	<b>8</b>	<b>35</b>	<b>(522)</b>	<b>7,533</b>

(1) Classified under equity — unrealised asset and liability revaluation reserve or equity — of non-controlling interests, as appropriate.

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

(2) Classified under equity — unrealised asset and liability revaluation reserve or equity — of non-controlling interests, as appropriate.

Movement in transfers and other includes the transfer to non-current assets classified as held for sale and discontinued operations of the financial assets which at 31 December were considered to be assets held for sale (see notes 3 j) and 28).

### 10.1. LOANS AND RECEIVABLES

Details at 31 December 2009 and 2008 are as follows:

Millions of Euros		
	Balance at 31/12/2009	Balance at 31/12/2008
Financing of the shortfall in revenue from regulated activities in Spain (note 4.1.)	4,355	2,807
Compensation payments for extra non-mainland production costs (note 4.1.)	1,933	1,901
Guarantee deposits	529	470
Loans to associates and joint ventures	89	74
Loans to personnel	48	51
Other	467	560
<b>TOTAL</b>	<b>7,421</b>	<b>5,863</b>

The market value of these assets does not differ substantially from their carrying amount. These assets earn interest at market rates.



Details by maturity of non-current and current loans to associates at 31 December 2009 and 2008 are as follows:

Millions of Euros

	Balance at 31/12/2009	Current maturity	Non-current maturities					
		2010	2011	2012	2013	2014	Posterior	Total
Euro loans	207	118	—	1	—	2	86	89
Foreign currency loans	—	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>207</b>	<b>118</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>2</b>	<b>86</b>	<b>89</b>

Millions of Euros

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

These loans earn interest at an average annual rate of 4.44% and 7.31% in 2009 and 2008, respectively.

## 10.2. AVAILABLE-FOR-SALE INVESTMENTS

Details at 31 December 2009 and 2008 are as follows:

Millions of Euros

	Balance at 31/12/2009	Balance at 31/12/2008
Empresa Eléctrica de Bogotá, S.A. (hereinafter, "EEB")	—	73
Red Eléctrica Corporación, S.A. (hereinafter, "REC")	—	49
Euskaltel, S.A. (hereinafter, "Euskaltel")	41	41
Other	84	57
<b>TOTAL</b>	<b>125</b>	<b>220</b>

At 31 December 2008 available-for-sale investments included Euros 49 million representing the Group's 1% interest in REC. Euros 40 million of this amount were recognised as equity – unrealised asset and liability revaluation reserve (see note 14). In late 2009 the Group commenced negotiations to sell this interest, as a result of which the asset was transferred to non-current assets held for sale and discontinued operations, which reflect the fair value of assets for sale at 31 December 2009. The transaction was closed in February 2010 (see note 33).

In October 2009 ENDESA closed the sale of its 7.2% interest in EEB for Euros 170 million, reporting gross gains of Euros 98 million.

### 10.3. CLASSIFICATION OF FINANCIAL ASSETS BY NATURE AND CATEGORY

Details of financial assets by nature and category, excluding trade and other receivables, are as follows:

Millions of Euros

31 December 2009

	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments	Hedging derivatives
Equity instruments	—	—	98	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	10	—	—	—	—	16
Other financial assets	—	—	—	7,133	—	—
<b>Non-current</b>	<b>10</b>	<b>—</b>	<b>98</b>	<b>7,133</b>	<b>—</b>	<b>16</b>
Equity instruments	—	—	16	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	—	—	—	—	—	15
Other financial assets	—	—	—	876	—	—
<b>Current</b>	<b>—</b>	<b>—</b>	<b>16</b>	<b>876</b>	<b>—</b>	<b>15</b>
<b>TOTAL</b>	<b>10</b>	<b>—</b>	<b>114</b>	<b>8,009</b>	<b>—</b>	<b>31</b>

Millions of Euros

31 December 2008

	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments	Hedging derivatives
Equity instruments	—	—	212	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	—	—	—	—	—	38
Other financial assets	—	—	—	5,722	—	—
<b>Non-current</b>	<b>—</b>	<b>—</b>	<b>212</b>	<b>5,722</b>	<b>—</b>	<b>38</b>
Equity instruments	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Derivatives	33	—	—	—	—	6
Other financial assets	—	—	—	149	—	—
<b>Current</b>	<b>33</b>	<b>—</b>	<b>—</b>	<b>149</b>	<b>—</b>	<b>6</b>
<b>TOTAL</b>	<b>33</b>	<b>—</b>	<b>212</b>	<b>5,871</b>	<b>—</b>	<b>44</b>

### 10.4. FINANCIAL INVESTMENT COMMITMENTS

At 31 December 2009 the Group had not entered into any agreements that included commitments to make financial investments of significant amounts.

At 31 December 2008 the Group had commitments to make financial investments amounting to Euros 460 million, of which Euros 444 million corresponded to the acquisition of Endesa Ireland in January 2009.

**11. INVENTORIES**

Details at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	31 December 2009	31 December 2008
Fuel stocks:	897	814
<i>Nuclear fuel</i>	283	293
<i>Other payables</i>	614	521
Other inventories	174	297
Value adjustment	(14)	(19)
<b>TOTAL</b>	<b>1,057</b>	<b>1,092</b>

At 31 December 2009 and 2008 the Group had not pledged material amounts of inventories to secure the repayment of debts.

The fuel stock purchase commitments at 31 December 2009 amounted to Euros 25,382 million (Euros 23,456 million at 31 December 2008). Part of these commitments relates to natural gas purchase agreements with "take or pay" clauses. The Group's directors consider that the Group will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

**12. TRADE AND OTHER RECEIVABLES**

Details at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	31 December 2009	31 December 2008
Trade and other receivables		
Trade receivables	4,462	3,782
Tax assets:	732	620
<i>Income tax</i>	421	342
<i>Other taxes</i>	311	278
Other receivables	2,131	2,539
Valuation adjustments	(411)	(313)
<b>TOTAL</b>	<b>6,914</b>	<b>6,628</b>

During the year provisions of a net amount of Euros 98 million have been made for valuation adjustments to virtually all trade receivables.

Balances included under this caption generally do not earn interest.

The average collection period is 29 days in 2009 and 31 days in 2008 and, therefore, the fair value of trade and other receivables does not differ significantly from their carrying amount. There are no significant restrictions on the availability of collection rights of this nature.

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

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

Virtually all valuation adjustments relate to trade receivables for sales of electricity.

### 13. CASH AND CASH EQUIVALENTS

Details at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	31 December 2009	31 December 2008
Cash on hand and at banks	594	3,400
Other cash equivalents	1,244	1,387
<b>TOTAL</b>	<b>1,838</b>	<b>4,787</b>

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

### 14. EQUITY

Details at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	31 December 2009	31 December 2008
<b>Total equity of the Parent</b>	<b>14,231</b>	<b>17,082</b>
Share capital	1,271	1,271
Share premium	1,376	1,376
Legal reserve	285	285
Revaluation reserve	1,714	1,714
Mining depletion reserve	40	40
Canary Islands Investment reserve	24	24
Non-distributable reserves	106	106
Translation differences	236	(428)
Unrealised asset and liability revaluation reserve	—	(9)
Retained earnings	9,708	12,703
Interim dividend	(529)	—
<b>Equity of non-controlling interests</b>	<b>4,739</b>	<b>3,682</b>
<b>TOTAL EQUITY</b>	<b>18,970</b>	<b>20,764</b>

#### 14.1. EQUITY: OF THE PARENT

##### 14.1.1. Share capital

At 31 December 2009 the share capital of Endesa, S.A. amounted to Euros 1,270,502,540.40 and is represented by 1,058,752,117 shares of Euros 1.2 par value each, subscribed and fully paid, all of which are listed on the Spanish Stock Exchanges. There were no changes in 2009 or 2008. Endesa, S.A.'s shares are also traded on the Santiago de Chile Offshore Stock Exchange.

At 31 December 2008 the Enel Group (hereinafter, "Enel"), through Enel Energy Europe, S.L. (hereinafter, "EEE"), held a 67.053% interest in the share capital of ENDESA and Acciona, S.A. (hereinafter, "Acciona") 25.01% (5.01% directly and 20.0% indirectly through Finanzas Dos, S.A. (hereinafter, "Finanzas Dos") and, therefore, the two companies between them hold 92.063% of the share capital of ENDESA, which enables them to implement the joint management agreement over ENDESA entered into by the two companies on 26 March 2007, which was notified to the Spanish National Securities Market Commission ("CNMV") on 2 April 2007.

On 25 June 2009 Acciona transferred the shares representing its 25.01% interest in the share capital of ENDESA to EEE. This transfer resulted in the conclusion of the inter-company agreement entered into by Enel and Acciona on 26 March 2007.

At 31 December 2009, the Enel Group holds a 92.063% interest in the share capital of ENDESA through EEE, and therefore has control over the Endesa Group.

#### **14.1.2. Share premium**

The Revised Spanish Companies Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

#### **14.1.3. Legal reserve**

In accordance with the Revised Spanish Companies Act, companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Other than for the aforementioned purpose, provided that this reserve does not exceed 20% of share capital, it can be used to offset losses if no other reserves are available.

The Group's Parent company has appropriated to this reserve the minimum amount required by law.

#### **14.1.4. Revaluation reserve**

The revaluation reserve is a result of the revaluation made pursuant to Royal Decree-Law 7/1996, of 7 June.

The balance of this reserve can be used, free of tax, to offset future accounting losses and to increase share capital, or be taken to unrestricted reserves, provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related assets have been depreciated, disposed of or written off.

#### **14.1.5. Mining depletion reserve**

The Mining Depletion Factor reserve (hereinafter, "MDF") is subject to Legislative Royal Decree 4/2004, which approves the Revised Income Tax Law. This reserve is taxable if used for any purpose other than those established

by pertinent regulatory standards. At 31 December 2009 and 2008 the balance of this reserve is Euros 40 million, of which Euros 27 million are freely distributable.

#### 14.1.6. Canary Islands investments reserve

The Canary Islands Investment reserve (hereinafter, "CIIR") is subject to the regime established in article 27 of Law 19 of 6 July 1994, amending the Canary Islands Tax regime, which was modified by Royal Decree Law 12/2006 of 29 December. The Euros 24 million balance of this reserve at 31 December 2009 and 2008 derives from the merger of Endesa, S.A. and Unión Eléctrica de Canarias, S.A. in 1999 and is freely distributable at both dates.

#### 14.1.7. Unrealised asset and liability revaluation reserve

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

							Millions of Euros
	31/12/2007	Change in market value	Amount taken to income	31/12/2008	Change in market value	Amount taken to income	31/12/2009
Available-for-sale financial assets	51	(11)	—	40	3	(6)	37
Cash flow hedges	157	(46)	(162)	(51)	(199)	196	(54)
Tax effect	(49)	55	(4)	2	49	(34)	17
<b>TOTAL</b>	<b>159</b>	<b>(2)</b>	<b>(166)</b>	<b>(9)</b>	<b>(147)</b>	<b>156</b>	<b>—</b>

#### 14.1.8. Translation differences

Details of translation differences by company at 31 December 2009 and 2008 are as follows:

			Millions of Euros
			Translation differences
	31 December 2009	31 December 2008	
Codensa	72	52	
Emgesa	55	34	
Cachoeira Dourada	31	9	
Cien	38	3	
Fortaleza	39	1	
Investluz, S.A. / Coelce	67	(3)	
Ampla	68	(11)	
Empresa Eléctrica Pehuenche, S.A. (hereinafter, "Pehuenche")	3	(15)	
Chilectra, S.A. (hereinafter, "Chilectra")	46	(23)	
Edesur	(45)	(29)	
Empresa Nacional de Electricidad, S.A. (hereinafter, "Endesa Chile")	(27)	(38)	
Enersis, S.A. (hereinafter, "Enersis")	(105)	(96)	
Other subsidiaries in Chile	57	(286)	
Other	(63)	(26)	
<b>TOTAL</b>	<b>236</b>	<b>(428)</b>	

#### 14.1.9. Dividend

The 2009 interim dividend approved by the Board of Directors of Endesa, S.A. on 14 December 2009 amounts to Euros 0.5 gross per share, giving a total amount of Euros 529 million, which was deducted from the Parent's equity at 31 December 2009. Also, the Board of Directors of Endesa, S.A. agreed on 22 February 2010 to propose to the shareholders at their Annual General Meeting to pay a total dividend for 2009 of Euros 1.028 gross per share, totalling Euros 1,088 million. Considering the interim dividend paid on 4 January 2010, the supplementary dividend for 2009 would be Euros 0.528 gross per share, representing a total of Euros 559 million.

The interim dividend for 2008 approved by the Board of Directors of Endesa, S.A. on 20 February 2009 amounted to Euros 5.897 gross per share, which represented a total amount of Euros 6,243 million, paid on 16 March 2009. This amount coincides with the total dividend for 2008 approved by the shareholders at their Annual General Meeting held on 30 June 2009.

#### 14.1.10. Capital management

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

The Group's directors consider that evidence of fulfilment of the capital management targets is provided by the A long-term rating of and a leverage ratio not exceeding 140%, taken to be the result of dividing net financial debt by equity. At 31 December 2009 and 2008, the Group achieved both parameters, as shown below:

	Long-term rating	
	31 December 2009	31 December 2008
Fitch	A	A
Moody's	A3	A3
Standard & Poor's	A-	A-

  

	Leverage ratio	
	Millions of Euros	
	31 December 2009	31 December 2008
<b>Net financial debt:</b>	<b>18,544</b>	<b>14,003</b>
Non-current borrowings	19,494	17,486
Current borrowings	929	1,381
Cash and cash equivalents	(1,838)	(4,787)
Derivatives recognised as financial investments (note 10)	(41)	(77)
<b>Equity:</b>	<b>18,970</b>	<b>20,764</b>
Of the Parent	14,231	17,082
Of non-controlling interests	4,739	3,682
<b>Leverage ratio</b>	<b>97.8%</b>	<b>67.4%</b>

#### 14.1.11. Restrictions on the distribution of funds by subsidiaries

Certain Group companies have clauses in their financing contracts that have to be met in order to be able to distribute profits to shareholders. At 31 December 2009 and 2008, the assets of the companies subject to these restrictions amounted to Euros 963 million and Euros 958 million, respectively.

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

The new wording of the aforementioned Additional Provision Eleven was established by Royal Decree-Law 4/2006, of 24 February, and defines the function of the CNE as follows:

Fourteenth.- 1. Responsible for authorising the acquisition of ownership activities that are subject to administrative control which implies a special discipline relationship such as nuclear power plants, coal-fired plants of particular significance for the consumption of Spanish coal, island and non-mainland electricity systems and natural gas storage or natural gas transmission through international gas pipelines with Spain as the end destination or transit point.

Authorisation is also required when a player wishes to acquire an interest of 10% or more, or an interest that provides significant influence, in a company that, itself or through other companies in its group, engages in any of the activities described in section 1 above. Authorisation is also necessary for direct acquisition of the assets required to carry on those activities.

Subsequent to the Court of Justice of the European Communities of 17 July 2008, and as understood by the CNE, paragraph two of section one of function 14 (acquisition of regulated or strategic companies) is not applicable to EU entities. Paragraph one (acquisition by regulated or strategic companies), will be subject to restrictive application only when the acquiring company directly carries out these activities, and not when it is the parent of the group.

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

- (i) Acciona and Enel will preserve ENDESA's status as an autonomous company, with full operating responsibility in the fulfilment of its business plan and, as the Parent of its Group, maintaining its brand, its registered office, its Board of Directors and its effective centre of management and decision-taking in Spain.
- (ii) Acciona and Enel must maintain ENDESA duly capitalised at all times. For these purposes, the Endesa Group must maintain a debt service ratio in terms of net financial debt/EBITDA of less than 5.25 for three years from the acquisition of control of ENDESA. Acciona and Enel must report quarterly to the CNE on the changes in the aforementioned ratio.



- (iii) Through the control exercised over ENDESA, Acciona and Enel will assume and make all the investments in gas and electricity regulated activities, in relation to both transmission and distribution, envisaged in: (1) the latest investment plans announced by the Company for the period 2007-2011 listed in this Resolution; (2) the Planning document of the gas and electricity industries: "Development of the transmission networks 2002-2012", approved by the Council of Ministers and submitted to the Spanish Parliament; and (3) the CNE's Framework Report on electricity and natural gas demand and the coverage thereof.

This obligation is understood to exist without prejudice to any possible duly supported adaptation of ENDESA's investment plans to the regulatory conditions in the terms foreseen in the relevant legislation.

During the period 2007-2011, the ENDESA companies that engage in regulated activities may only distribute dividends when the funds generated by them (defined as cash flow or the sum of the net profit for the year and the depreciation and amortisation charge) are sufficient to meet both their investment obligations and total financial debt repayment obligations projected for the year .

- (iv) For a period of five years from the acquisition of ENDESA, Acciona and Enel will ensure that the aggregate annual consumption of each power plant owned by ENDESA, that currently consumes Spanish coal, does not fall below the aggregate annual consumption of these facilities envisaged in the 2006-2012 National Mining Plan, insofar as the current conditions and circumstances prevail.
- (v) Acciona and Enel will preserve the Endesa Group entities currently managing the transmission, distribution and generation assets of the island and non-mainland electricity systems for a period of five years from the acquisition of ENDESA.

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

In fulfilment of the aforementioned judgement, the Subsecretariat for Industry, Tourism and Trade, by order of the Secretary of State for Energy, issued a ruling on 13 November 2009 which revokes the CNE resolution of 4 July 2007, and the Spanish Cabinet, through a resolution issued also on 13 November 2009, revoked the Ministry of Industry, Tourism and Trade resolution of 19 October 2007 which resolved the appeal filed by Acciona and EEE against the resolution, legally dissolving the aforementioned conditions.

## 14.2. EQUITY - OF NON-CONTROLLING INTERESTS

In 2008, as a result of the acquisition of control over ENDESA by Acciona and Enel, in application of Peruvian legislation, the Endesa Group acquired an additional 23.78% of the share capital of Edegel for Euros 228 million and 24% of Edelnor for Euros 96 million through public share acquisitions offers. These acquisitions reduced equity of non-controlling interests by Euros 162 million.

The planned takeover bid for 24% of Empresa Eléctrica de Piura, S.A. (hereinafter, "Piura") did not finally materialise after considering that the price established by the Peruvian stock market authority (hereinafter, "Conasev") of Peruvian Sol 5.96/share (equivalent to approximately Euros 26 million for the 24% interest) did not reflect the market value of the asset at that time. Administrative appeals were filed with the Conasev to try to adjust the price established for the operation. After administrative action was exhausted, legal action was taken to defend the interests of ENDESA. On 26 January 2009 the 5<sup>th</sup> Contentious-Administrative Court of Lima approved the preventive measure requested on 21 January suspending the obligation to launch a takeover bid for the share capital of Piura until the controversy surrounding the operation were resolved. At the date of preparation of the consolidated annual accounts this legal action is still underway.

The sale of Endesa Europa to the E.On Group in 2008 also reduced equity of non-controlling interests by Euros 1,069 million.

## 15. DEFERRED INCOME

Movement in 2009 and 2008 is as follows:

	Millions of Euros		
	Grants and fixed charges for connection	Emission rights (notes 7 and 22)	Total
<b>Balance at 31 December 2007</b>	<b>2,860</b>	<b>8</b>	<b>2,868</b>
Inclusion/Exclusion of companies	3	—	3
Additions	716	445	1,161
Amount taken to income	(86)	(430)	(516)
Translation differences	(59)	—	(59)
Other	(48)	(11)	(59)
<b>Balance at 31 December 2008</b>	<b>3,386</b>	<b>12</b>	<b>3,398</b>
Inclusion/Exclusion of companies	—	5	5
Additions	542	337	879
Amount taken to income	(109)	(325)	(434)
Translation differences	57	—	57
Other	(13)	13	—
<b>Balance at 31 December 2009</b>	<b>3,863</b>	<b>42</b>	<b>3,905</b>

**16. NON-CURRENT PROVISIONS**

Details at 31 December 2009 and 2008 are as follows:

Millions of Euros		
	31 December 2009	31 December 2008
Provisions for pensions and similar obligations	1,013	730
Provisions for personnel restructuring	1,617	1,506
Other provisions	1,816	1,721
<b>TOTAL</b>	<b>4,446</b>	<b>3,957</b>

**16.1. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS**

The Group's employees in Spain included under the Framework Agreement dated 25 October 2000 are included in the Endesa Group Employee Pension Plan. Most of the employees participate in defined contribution plans for retirement and defined benefit plans for disability and death of serving employees. Insurance policies have been contracted to cover the Plan.

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

- *Electricity employees of the former ENDESA*: defined benefit pensions for retirement, disability and death, for both present and former employees. The predetermined nature of the benefits for retirement and their full coverage eliminate in full any risk relating thereto. The other benefits are also guaranteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this system does not differ significantly from that required for the mixed plans described above.
- *Fecsa/Enher/HidroEmpordá employees*: defined-benefit pension plan with annual salary increase rate tied to the increase in the CPI. This plan is treated exactly in the same way as a defined benefit system.

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

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

The assumptions used in calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2009 and 2008 were as follows:

	Spain		Other countries	
	2009	2008	2009	2008
Interest rate	3.5%	4.4%	6.5% / 11.5%	6.5% / 12.9%
Mortality tables	GRM/F 95	GRM/F 95	AT83 – ISS1980 – 89 / RV 2004	AT83 – ISS1980 – 89
Expected rate of return on plan assets	4.0%-4.1%	3.6%	11.3% / 12.6%	10.2% / 12.1%
Salary increase	2.3%	2.3%	3.0% / 6.6%	3.0% / 7.6%

Information on the actuarial liabilities for defined benefit obligations at 31 December 2009 and 2008 and in variations during the years then ended are as follows.

Millions of Euros		
	2009	2008
<b>Opening actuarial liability</b>	<b>1,909</b>	<b>2,052</b>
Finance expenses	131	112
Current service costs	25	25
Benefits paid in the period	(134)	(118)
Other changes	16	14
Actuarial (gains) losses	502	29
Translation differences	130	(130)
Changes in the scope of consolidation	8	(75)
<b>Closing actuarial liability</b>	<b>2,587</b>	<b>1,909</b>

Of the total closing actuarial liability at 31 December 2009, 72% related to defined benefit obligations in Spain (74% at 31 December 2008), 21% to obligations in Brazil (19% at 31 December 2008), and the other 7% to obligations in the other countries (10% at 31 December 2008).

Changes in the market value of plan assets in 2009 and 2008 were as follows:

Millions of Euros		
	2009	2008
<b>Opening market value</b>	<b>1,176</b>	<b>1,399</b>
Expected return	83	76
Contributions for the year	105	35
Payments	(134)	(85)
Actuarial losses or gains	254	(160)
Translation differences	97	(89)
<b>Closing market value</b>	<b>1,581</b>	<b>1,176</b>

Of the total market value of the plan assets at 31 December 2009, 70% related to assets in Spain (75% at 31 December 2008) and 30% related to assets in Brazil (25% at 31 December 2008).

The main categories of defined benefit plan assets, as a percentage of total assets, in 2009 and 2008 were as follows:

Percentage (%)		
	2009	2008
Shares	27	29
Fixed-income assets	68	66
Investment property and other	5	5
<b>TOTAL</b>	<b>100</b>	<b>100</b>

The defined benefit plan assets include shares and bonds of Endesa Group companies amounting to Euros 18 million at 31 December 2009 (Euros 6 million

at 31 December 2008), transferable accounts receivable from the Group arising from the Rebalancing Plans approved by the Directorate-General of Insurance amounting to Euros 95 million (Euros 88 million at 31 December 2008) and properties used by the Group's subsidiaries in Brazil amounting to Euros 6 million (Euros 1 million at 31 December 2008).

The expected return on the plan assets was estimated taking into account the projections relating to the principal fixed and variable-income securities markets, and assuming that the various asset categories would continue to represent similar percentages of the total plan assets to those of the preceding year. The actual return in 2009 was 12.4% in Spain and 18.3% in the other countries (-8% in Spain and -1% in the other countries in 2008).

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

Millions of Euros		
	2009	2008
Actuarial liability	2,587	1,909
Plan assets	1,581	1,176
Difference	1,006	733
Limit to surplus due to application of IFRIC 14	14	—
Shortfall recognised in respect of actuarial liability	1,020	733

At 31 December 2009, the difference between the value of the actuarial liability and the value of the plan assets was recognised under the following consolidated balance sheet headings: Euros 1,013 million (Euros 730 million at 31 December 2008) under the balance sheet liability heading current provisions — provisions for pensions and similar obligations, Euros 0 million (Euros 4 million at 31 December 2008) under non-current financial assets — loans and receivables, Euros 2 million (Euros 7 million at 31 December 2008) under current trade and other payables and Euros 5 million (Euros 0 million at 31 December 2008) under liabilities associated with non-current assets held for sale and discontinued operations.

Details of the balance included in the consolidated income statement in relation to defined benefit pension obligations are as follows:

Millions of Euros		
	2009	2008
Current cost	(25)	(20)
Finance costs	(131)	(112)
Expected return on plan assets	83	76
<b>TOTAL</b>	<b>(73)</b>	<b>(56)</b>

The current cost allocated to the consolidated income statement does not include Euros 6 million in 2009 and Euros 5 million in 2008 of the current cost relating to employees who opted to take early retirement which had previously been recognised as a provision under provision for personnel restructuring costs and which were transferred during the year to pension obligations.

Based on the best estimate available, the projected contributions to defined benefit plans in 2010 will amount to approximately Euros 99 million.

At 31 December 2009, the sensitivity of the value of the actuarial liability for personnel restructuring plans to interest rate fluctuations of 100 basis points amounts to Euros 343 million (Euros 212 million at 31 December 2008) in the case of an increase in rates and to Euros 364 million (Euros 263 million at 31 December 2008) in the case of a drop in rates.

Contributions to defined contribution plans are recognised directly under personnel expenses in the consolidated income statement. Euros 76 million and Euros 72 million were recognised for this item in 2009 and 2008, respectively. Euros 55 million and Euros 40 million were contributed in 2009 and 2008, respectively, which had previously been included under provisions for personnel restructuring costs.

## 16.2. PROVISIONS FOR PERSONNEL RESTRUCTURING COSTS

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

Movement in provisions for personnel restructuring costs in 2009 and 2008 is as follows:

	Millions of Euros	
	2009	2008
<b>Opening balance</b>	<b>1,506</b>	<b>1,904</b>
Allowances charged to the income statement		
<i>Operating expenses</i>	319	51
<i>Financial income</i>	260	110
Applications		
<i>Payments</i>	(298)	(264)
Transfers and other	(170)	(295)
<b>Closing balance</b>	<b>1,617</b>	<b>1,506</b>

At 31 December 2009 trade payables and other current liabilities also include Euros 459 million in provisions for personnel restructuring costs which will foreseeably be paid in 2010 (see note 20).

These liabilities mainly relate to personnel restructuring plans signed by Group companies in Spain.

At 31 December 2009, there are basically three types of plans in force, as follows:

1. Personnel restructuring plans approved by the former companies before the corporate restructuring in 1999.

The term in which the employees may opt to adhere to these restructuring plans has elapsed and, therefore, the obligation relates mainly to employees who have left the Company. The group considered in the valuation includes 2,769 employees (3,164 employees at 31 December 2008).

## 2. Voluntary redundancy plan approved in 2000.

The Plan affects employees with at least ten years of service at the group of companies affected at 31 December 2005.

Employees aged 50 or more at 31 December 2005 are entitled to opt for inclusion in an early retirement plan at the age of 60, of which they may avail themselves between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.

For the Plan to apply to employees younger than 50 at 31 December 2005, a written request from the employee and the acceptance thereof by the company are required.

The conditions applicable to employees who have not yet reached 50 years of age affected by the voluntary plan approved in 2000 consist of a termination benefit of 45 days' salary per year of service plus an additional amount of 1 or 2 annual salary payments on the basis of the age of the employee in question at 31 December 2005.

The total number of employees considered in the valuation is 3,928, of whom 1,755 have taken early retirement (4,223 and 1,665 employees, respectively, at 31 December 2008).

Provisions made with a charge to operating expenses in 2009 include Euros 298 million resulting from bringing forward the retirement date forecast for certain groups affected by this plan.

## 3. Mining Plans for 2006-2012.

The employees are entitled to opt for inclusion in the Plans on reaching 52 years of age (physically or equivalent) in 2006-2012, provided that at that date they have at least three years of service and eight years in a position with a reducing coefficient. Employees can be included in the Plans by mutual agreement between the employee and the company.

The total number of employees considered for this item is 900, of whom 435 have taken early retirement (902 and 334 employees, respectively, at 31 December 2008).

The economic conditions applicable to the employees who have taken early retirement are basically as follows:

- a. The company will pay the employees from the date of termination of their contract until the first date on which retirement can be taken after the unemployment benefits have come to an end and, at the very latest, until the ex-employees, reaching retirement age, vest the right, a termination benefit in periodic payments based on their last annual salary payment, which is updatable on the basis of the annual increase in the CPI.
- b. The unemployment benefits received, as well as any other amounts of official benefits for pre-retirement received prior to the date of definitive retirement, are deducted from the resulting amounts.

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

	2009	2008
Interest rate	2.7%	4.4%
CPI	2.3%	2.3%
Mortality tables	GRM/F 95	GRM/F 95

At 31 December 2009, the sensitivity of the value of the actuarial liability for labour force restructuring plans to interest rate fluctuations of 100 basis points amounts to Euros 98 million (Euros 71 million at 31 December 2008) in the case

of an increase in rates and to Euros 117 million (Euros 77 million at 31 December 2008) in the case of a drop in rates.

### 16.3. OTHER PROVISIONS

Details of other provisions and movement in 2009 and 2008 are as follows:

Millions of Euros			
	Provisions for litigation, termination benefits etc.	Provisions for plant closure costs	Total
<b>Balance at 31 December 2008</b>	<b>1,369</b>	<b>352</b>	<b>1,721</b>
Net provisions charged to profit for the year	54	29	83
<i>Operating expenses</i>	80	13	93
<i>Net finance expense</i>	12	16	28
<i>Other expenses</i>	(38)	—	(38)
Provisions charged to property, plant and equipment	—	64	64
Payments	(136)	(22)	(158)
Translation differences	65	—	65
Transfers and other	(84)	125	41
<b>Balance at 31 December 2009</b>	<b>1,268</b>	<b>548</b>	<b>1,816</b>

Millions of Euros			
	Provisions for litigation, termination benefits etc.	Provisions for plant closure costs	Total
<b>Balance at 31 December 2007</b>	<b>1,090</b>	<b>341</b>	<b>1,431</b>
Net provisions charged to profit for the year	350	18	368
<i>Operating expenses</i>	161	4	165
<i>Net finance expense</i>	48	14	62
<i>Other expenses</i>	141	—	141
Provisions charged to property, plant and equipment	2	21	23
Payments	(37)	(28)	(65)
Translation differences	(58)	—	(58)
Transfers and other	22	—	22
<b>Balance at 31 December 2008</b>	<b>1,369</b>	<b>352</b>	<b>1,721</b>

Movement in transfers and other in 2009 relates to the transfer to liabilities associated with non-current assets classified as held for sale and discontinued operations of the provisions that at 31 December 2009 were associated with assets classified as held for sale (see notes 3 j) and 28).

### Litigation and arbitration

At the date of preparation of these consolidated annual accounts, the main lawsuits or arbitration proceedings involving the Group companies are as follows:

### Litigation and arbitration

At 31 December 2009 the main lawsuits and arbitration proceedings involving Group companies are as follows:

- In 2002 EdF International (hereinafter, "EdF") filed a request for arbitration at the International Court of Arbitration of the International Chamber of



Commerce against Endesa Internacional, S.A. (now Endesa Latinoamérica, S.A. (Solely-Owned Company) (hereinafter, "Endesa Latinoamérica"), Repsol YPF, S.A. (hereinafter, "Repsol") and YPF, S.A. (hereinafter "YPF") seeking an order against Endesa Latinoamérica, S.A. to pay EdF USD 256 million plus interest, and against the Repsol YPF Group to pay USD 69 million plus interest. Endesa Latinoamérica, Repsol and YPF filed a counterclaim seeking an order for EdF to pay Endesa Latinoamérica USD 58 million and YPF, S.A. USD 14 million. This dispute arose from the sale to the French EdF Group of the investments of YPF and Endesa Latinoamérica in the Argentine companies Easa and Edenor. On 22 October 2007 the Court handed down its arbitral award. In short, the arbitral award, partially upheld both the defence and the counterclaim. As a result of the arbitral award, Endesa Latinoamérica, S.A. was ordered to pay EdF USD 100 million as net debt, plus interest, although neither party was ordered to pay costs. All parties -claimant and co-defendants- filed appeals for the partial annulment of this arbitral award. In April 2008 Endesa Latinoamérica and YPF obtained a judgment from the Argentine ordinary justice system (National Commercial Appellate Court) that suspended the effects of the arbitral award because the appeal was unfounded and, accordingly, impeded EdF from enforcing the arbitral award. Nevertheless, EdF tried to have the arbitral award enforced in the USA, France and Spain through the respective exequatur procedures. Spain and the USA ruled against enforcing the arbitral award but was accepted in France, where none of the defendants have assets or interests. On 16 December 2009 notification was received regarding the Court of Appeals ruling declaring the arbitral award issued on 22 October 2007 null and void and "not legally binding." Therefore, ENDESA is no longer obliged to pay approximately USD 100 million (excluding interest), as stipulated in the aforementioned arbitral award.

- There are three court proceedings in progress for an amount of over Euros 2 million against Endesa Distribución Eléctrica, S.L. (Solely-Owned Company) (hereinafter, "EDE") which will probably give rise to the obligation to settle various claims (damages resulting from forest fires in Cataluña), for an aggregate amount of Euros 44 million. A Euros 10 million penalty was also imposed on this company following the disciplinary proceedings initiated by the Cataluña Autonomous Community Government for the power cuts that occurred in Barcelona on 23 July 2007. An appeal was filed against this penalty seeking its suspension, which was accepted by the High Court of Cataluña with effect on 8 April 2009.
- In March 2009 Josel, S.L. filed a lawsuit against EDE seeking the cancellation of the contract for the sale of certain buildings, as a result of modifications to the land classification and the return of Euros 85 million, plus interest. On 3 April Endesa Distribución Eléctrica contested this claim for the cancellation of the sale contract. The preliminary hearing on this case was scheduled for 20 October 2009.
- On 11 May 2009 the Ministry of Industry, Tourism and Trade issued a Ministerial Order imposing four penalties totalling Euros 15 million against Endesa Generación, S.A. (Solely-Owned Company) (hereinafter, "Endesa Generación"), as the operator responsible for the Ascó I nuclear plant, related to the escape of radioactive particles at this plant in December 2007. Charges relate to four possible serious infringements against the provisions of Nuclear Power Law 25 of 29 April 1964. An appeal has been filed against this order before the National Appellate Court. Simultaneously, the Directorate-General of Energy Policy and Mines imposed two penalties with an accumulated amount of Euros 90 thousand for minor infringements deriving from incidents. An appeal has been filed before the above-mentioned court against these penalties, which is currently pending ruling.

- On 8 May 2008 a decision was handed down on the cassation appeal filed by ENDESA at the Supreme Court against a judgment of the National Appellate Court rendering null and void the Order of 29 October 2002 regulating the costs of transition to competition (hereinafter, "CTCs") for 2001, handed down in appeal for judicial review no. 825/2002 filed by Iberdrola. The Supreme Court dismissed ENDESA's cassation appeal against the judgment of the National Appellate Court. It is considered that enforcement of the judgment should not have a significant economic impact on the Company.
- The CNE initiated disciplinary proceedings against Endesa Generación, S.A. for alleged practices contrary to electricity production market rules for having halted production from 12 to 17 November 2008. The proposed resolution sent by the CNE to the Ministry of Industry recommended a fine of only Euros 300 thousand. On 6 October 2009 the Ministry notified ENDESA of its decision, imposing a fine of Euros 300 thousand on the Company, which will be appealed by ENDESA.
- The Ministry of Industry, Tourism and Trade (hereinafter, "MITYC") Order of 3 July 2009 established the definitive closure of the Santa María de Garoña nuclear plant, owned by Nuclenor (in which Endesa Generación and Iberdrola Generación, S.A. hold a 50% interest each) for 6 July 2013. In response to the request to extend the existing licences for a further 10 years, the MITYC only agreed to an extension of another four years. An appeal against this Order was filed before the National Appellate Court on 14 September 2009.
- On 24 June 2009 the Investigation Division (of the Ministry of the Economy) filed charges before the Spanish National Competition Authorities (hereinafter, "CNC") against several power distribution companies (ENDESA, Iberdrola, Hidrocantábrico, Unión Fenosa and E.On) for alleged infringement of article 1 of the Anti-Trust Law 15 of 3 July 2007 and article 81 of the EC Treaty, consisting of the alleged existence of collusive agreements, which, according to the Competition Authorities, could have been entered into to impede, restrict or falsify competition in the power supply market in Spain. The disciplinary proceedings initiated by the CNC are to analyse the existence of possible illegal agreements between the distribution companies to delay the change in retailing company. To date, no mention has been made of the possible total amount of the final penalty.
- With regard to Property Tax, the taxation authorities performed new appraisals of assets classified as "Property with Special Features" ("Bices"). These appraisals take effect as of 2008 for ports and hydroelectric, conventional heat and nuclear power plants under the ordinary regime and since 2009 for wind farms and solar power plants. The pertinent Group companies have appealed against these appraisals. In 2009 and 2008 the amount of settlements deriving from the new appraisals is Euros 67 million, although the disputed amount is Euros 31 million.
- In December 2003, ENDESA's Brazilian subsidiary Ampla Energia e Serviços, S.A. (hereinafter, "Ampla") won a claim filed against the Brazilian government arguing that Ampla did not have to pay contributions for the financing of the social security system (hereinafter, "Cofins"). This tax is levied on revenue from sales of electricity. The Court upheld the previous judgment and declared it final. In 1997 the Brazilian government filed an "Ação Rescisória", a special proceeding for reviewing final judgments. The disputed amount is approximately Euros 155 million.
- In 2005 the Brazilian tax authorities notified Ampla of a tax assessment which was appealed. The authorities consider that the special tax regime, under which interest received by subscribers of a Fixed Rate Notes issue made by Ampla in 1998 is exempt from tax in Brazil, is not applicable. On 6 December

2007, Ampla won an appeal at second instance in the administrative jurisdiction and, now, the Brazilian tax authorities may file a special appeal at the Consejo Superior de Recursos Fiscales (Upper Council of Tax Appeals). The disputed amount is Euros 272 million.

- In 2002 the State of Río de Janeiro established that ICMS (equivalent to VAT) should be determined and settled on the 10<sup>th</sup>, 20<sup>th</sup> and 30<sup>th</sup> of the month of accrual, but Ampla continued to pay ICMS in accordance with the former system (until the 5<sup>th</sup> day of the month following the month of accrual). In spite of an informal agreement with the State of Río de Janeiro and of two tax amnesty laws, in October 2004 the State taxation authorities raised additional tax assessments against Ampla to collect the fine for delayed payments, which were appealed by Ampla. In February 2007 Ampla was notified of the first instance administrative decision confirming the additional tax assessments raised by the State of Río de Janeiro taxation authorities. On 23 March an appeal was filed against this decision before the Consejo de Contribuyentes (Taxpayers' Board) of the State of Rio de Janeiro. The disputed amount is Euros 59 million.
- On 19 March 2009 the arbitration board created by the Cámara de Conciliación y Arbitraje de la Fundación Getúlio Vargas de Rio de Janeiro (Reconciliation and Arbitration Chamber of the Getúlio Vargas Foundation of Rio de Janeiro) in 2005 upon the request of Enertrade Comercializadora de Energía, S.A. in relation to an arbitration claim filed against the Brazilian subsidiary of Endesa Latinoamérica, Ampla, deriving from differences in a power supply contract, handed down its arbitral award requiring the subsidiary of ENDESA to pay the amount claimed plus delay interest, and also cancelling the supply contract in force at that date. The financial impact of the arbitration award is estimated at approximately Brazilian Real 73 million (approximately Euros 29 million). Different legal alternatives to this arbitral award are being analysed at present. This decision had been appealed and a ruling of the Civil Court no. 8 of Niteroi suspended its application.
- On 30 July 2007, at Madrid Commercial Court number 3, Iberdrola claimed purported damage and losses from ENDESA suffered as a result of the suspension of the takeover bid for ENDESA of Gas Natural and of the agreement between Gas Natural and Iberdrola to share out the assets of ENDESA agreed to by the Court. The damage and losses for which compensation is claimed amount to Euros 144 million, substantially all of which corresponds to nonpecuniary losses for damage to the reputation, good name and prestige of Iberdrola as a result of the order of protective measures.
- On 19 May 2009 the town council of Granadilla de Abona (Tenerife) gave notice of a Council Decree imposing a fine of Euros 72 million on ENDESA for building a second combined cycle power plant without a construction licence. On 2 June the Canary Islands regional government suspended the current urban development plan to allow the issue of this construction licence. Unión Eléctrica de Canarias Generación, S.A. (Solely-Owned Company) (hereinafter, "Unelco") has filed a contentious-administrative appeal against this fine.
- In its resolution of 2 April 2009, the CNC imposed a Euros 15 million fine on EDE for infringement of article 6 of the Anti-trust Law and article 82 of the Treaty on European Union, for alleged abuse of a dominant position by hindering the access of the retailing company Céntrica Energía, S.L. to "SPIS" (Supply Points Information System, created by Royal Decree 1535/2002) and hand over its customer data to the retailing company of its Group, Endesa Energía, S.A. (Solely-Owned Company) (hereinafter, "Endesa Energía"). An

appeal was filed before the Spanish National Appellate Court on 18 May. On 27 May 2009 the CNC agreed not to execute the resolution until a ruling is issued by the Spanish National Appellate Court.

- Endesa Generación is currently involved in arbitration proceedings to review the price of a long-term gas supply contract. The proceedings are not expected to be concluded until 2010. If the arbitral award were unfavourable to the interests of Endesa Generación, the price of gas already purchased since August 2008, as well as gas to be received under the same contract and until the next price review, would have to be increased. The potential effect of this claim could not be accurately measured at present.
- On 31 August 2009, the partner of Endesa Cogeneración y Renovables, S.A. (Solely-Owned Company) (hereinafter, "ECyR") in the Portuguese company TP - Sociedade Térmica Portuguesa, S.A. initiated arbitration proceedings for ECyR's alleged breach of certain terms of the Shareholders Agreement claiming indemnities of at least Euros 14 million. On 10 September 2009 ECyR contested the claim and filed a counterclaim against the aforementioned shareholder.
- On 9 September 2009, the partner of Endesa Desarrollo, S.L. (Solely-Owned Company) (hereinafter, Endesa Desarrollo) in Endesa Hellas, filed a request for arbitration against Endesa Desarrollo at the London Court of International Arbitration demanding the acquisition of ENDESA's interest in Endesa Hellas at market value less 17% discount. In the same arbitration proceeding, Endesa Desarrollo filed a counterclaim for breach of contract against Mytilineos Holdings S.A. demanding that the company purchase this interest for Euros 205 million or, subsidiarily, sell its interest to ENDESA at its market value less 17% discount.
- The CNC has been investigating alleged restrictive competition practices in the Spanish electricity market. Based on information obtained and the preliminary analysis performed, the CNC has initiated disciplinary proceedings against Endesa, S.A. and other power companies after detecting rational indications of certain power generating companies' infringement of articles 2 and 6 of the Anti-Trust Law 16 of 1989 (hereinafter, "ATL"), consisting of an abuse of a dominant position in resolving technical restrictions. The CNC also states in its resolution that the similarity of the actions of the agents involved in resolving technical restrictions and the actions of their power retailers could constitute a coordinated action which, if this was the case, breaches article 1 of Law 16/1989 and article 1 of the ATL.
- On 1 October 2009 disciplinary proceedings were initiated for alleged actions that are restricted in articles 1 and 6 of Anti-Trust Law 16 of 3 July 1989 (abuse of a dominant position) and articles 1 and 2 of the ATL (collusive practices). The possible penalty has not been quantified.
- In January 2010 Metka, the Mytilineos Group company which carried out the construction of the Viotia combined cycle power plant in the Agios Nikolaos region (Greece) for Endesa Hellas, filed a Euros 80 million claim against Endesa Hellas for direct (Euros 15 million) and indirect (Euros 65 million) damages due to project delays attributable to Endesa Hellas. Metka has not submitted any proof of these damages, and it is therefore not possible to estimate the value thereof. In any case, the contract for the construction of this plant does not stipulate the recovery of indirect damages. Endesa Hellas and Metka have initiated negotiations to reach an amicable settlement of this claim.

The directors of ENDESA consider that the provisions recognised in the accompanying consolidated balance sheet cover adequately the risks relating to

litigation, arbitration proceedings and other procedures described in this Note and, accordingly, they do not expect any liabilities other than those recognised to arise.

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

## 17. BORROWINGS

### 17.1. CURRENT AND NON-CURRENT BORROWINGS

Details of current and non-current borrowings at 31 December 2009 and 2008 are as follows:

Millions of Euros

	31 December 2009		31 December 2008	
	Current	Non-current	Current	Non-current
Preference shares	—	1,463	—	1,451
Bonds and other marketable securities	266	9,356	616	10,111
Bank loans and borrowings	359	7,929	655	5,333
Other borrowings	304	746	110	591
<b>TOTAL</b>	<b>929</b>	<b>19,494</b>	<b>1,381</b>	<b>17,486</b>

A breakdown of the Group's borrowings by currency and maturity is as follows:

Millions of Euros

	Balance at 31/12/2009	Current		Non-current				Total non-current
		2010	2011	2012	2013	2014	Subsequent years	
Euro	13,526	1	2,677	3,244	1,114	247	6,243	13,525
US Dollar	2,141	345	285	278	340	264	629	1,796
Chilean Peso/UF	1,320	21	10	26	10	394	859	1,299
Brazilian Real	1,253	313	333	368	130	78	31	940
Colombian Peso	1,102	168	149	114	55	133	483	934
Peruvian New Sol	350	35	82	58	62	53	60	315
Other	731	46	50	601	6	5	23	685
<b>TOTAL</b>	<b>20,423</b>	<b>929</b>	<b>3,586</b>	<b>4,689</b>	<b>1,717</b>	<b>1,174</b>	<b>8,328</b>	<b>19,494</b>

Millions of Euros

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

Details, by currency, of these liabilities, taking into account the effect of derivatives on this classification, are as follows:

Millions of Euros		
	31 December 2009	31 December 2008
Euro	14,559	12,978
US Dollar	1,663	2,333
Chilean Peso	1,322	1,116
Brazilian Real	1,281	982
Colombian Peso	1,102	1,020
Peruvian New Sol	342	304
Other	154	134
<b>TOTAL</b>	<b>20,423</b>	<b>18,867</b>

Borrowings bore interest at an average annual rate of 4.3% and 6.4% in 2009 and 2008, respectively.

### 17.2. PREFERENCE SHARES

In March 2003 Endesa Capital Finance LLC. (hereinafter, "Endesa Capital Finance") issued preference shares totalling Euros 1,500 million with the following features:

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

### 17.3. HEDGING DEBT

Of the Group's debt in US dollars, at 31 December 2009, Euros 1,320 million relate to future cash flow hedges on the Group's income from operations in Latin America tied to the US dollar (see note 3 n)). At 31 December 2008, this item amounted to Euros 1,920 million.

Changes in equity – asset and liability revaluation reserve in 2009 and 2008 as a result of exchange differences on this debt were as follows:

Millions of Euros		
	2009	2008
<b>Opening asset and liability revaluation reserves</b>	<b>(26)</b>	<b>109</b>
Exchange differences recognised in other comprehensive income	100	(110)
Allocation of exchange differences to income	(4)	(25)
<b>Closing asset and liability revaluation reserves</b>	<b>70</b>	<b>(26)</b>

#### 17.4. OTHER MATTERS

At 31 December 2009 and 2008, the Group companies had undrawn credit facilities totalling Euros 7,246 million and Euros 8,092 million, respectively. These credit facilities secure the refinancing of current debt presented in non-current borrowings in the accompanying consolidated balance sheet (see note 3 ñ)). The amount of these credit facilities, together with the current assets, sufficiently covers the Group's short-term payment obligations.

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

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

As regards clauses relating to credit rating, at 31 December 2009, Endesa, S.A. had arranged financial transactions amounting to Euros 531 million that might require additional guarantees or renegotiation in the event of a drop in the credit rating. At 31 December 2008, this item amounted to Euros 603 million.

Most of the contracts governing indebtedness to third parties of the companies consolidated with ENDESA's renewable energies subsidiary, ECyR, and of certain Latin American subsidiaries include standard project finance clauses relating to the achievement of certain financial ratios that have to be met in order to be able to distribute profits to shareholders. They also require that all the assets assigned to the projects be pledged to the creditors. The outstanding balance of the debt to third parties that includes clauses of this nature amounted to Euros 651 million at 31 December 2009 and Euros 930 million at 31 December 2008.

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

At 31 December 2009 and 2008, neither Endesa, S.A. nor any of its major subsidiaries were failing to comply with their financial or other obligations in such a way as might give rise to the early maturity of their financial liabilities.

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

The fair value of the Group's gross borrowings at 31 December 2009 and 2008 was Euros 21,318 million and Euros 19,677 million, respectively.

### 17.5. CLASSIFICATION OF FINANCIAL LIABILITIES BY NATURE AND CATEGORY

A breakdown of financial liabilities, excluding trade and other payables, by nature and category at 31 December 2009 and 2008 is as follows:

Millions of Euros

31 December 2009

	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss(1)	Debts and payables	Hedging derivatives
Bank loans and borrowings	—	63	7,677	—
Bonds and other marketable securities	—	1,048	9,260	—
Derivatives	4	—	—	707
Other financial liabilities	—	—	735	—
<b>Non-current financial liabilities</b>	<b>4</b>	<b>1,111</b>	<b>17,672</b>	<b>707</b>
Bank loans and borrowings	—	—	356	—
Bonds and other marketable securities	—	—	265	—
Derivatives	1	—	—	3
Other financial liabilities	—	—	304	—
<b>Current financial liabilities</b>	<b>1</b>	<b>—</b>	<b>925</b>	<b>3</b>
<b>TOTAL</b>	<b>5</b>	<b>1,111</b>	<b>18,597</b>	<b>710</b>
<b>FAIR VALUE</b>	<b>5</b>	<b>1,111</b>	<b>19,492</b>	<b>710</b>

(1) Relates to financial liabilities that are embedded in a fair value hedge since the contract date.

Millions of Euros

31 December 2008

	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss(2)	Debts and payables	Hedging derivatives
Bank loans and borrowings	—	108	5,163	—
Bonds and other marketable securities	—	1,778	9,476	—
Derivatives	—	—	—	370
Other financial liabilities	—	—	591	—
<b>Non-current financial liabilities</b>	<b>—</b>	<b>1,886</b>	<b>15,230</b>	<b>370</b>
Bank loans and borrowings	—	11	620	—
Bonds and other marketable securities	—	—	525	—
Derivatives	12	—	—	105
Other financial liabilities	—	—	108	—
<b>Current financial liabilities</b>	<b>12</b>	<b>11</b>	<b>1,253</b>	<b>105</b>
<b>TOTAL</b>	<b>12</b>	<b>1,897</b>	<b>16,483</b>	<b>475</b>
<b>FAIR VALUE</b>	<b>12</b>	<b>1,897</b>	<b>17,293</b>	<b>475</b>

(2) Relates to financial liabilities that are embedded in a fair value hedge since the contract date.

### 18. RISK MANAGEMENT POLICY

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

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

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



- The Audit and Compliance Committee is a body pertaining to the Board of Directors of Endesa, S.A. in charge of promoting and supervising risk governance in the area of regulatory compliance and internal audit.
- ENDESA's Risk Committee is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.
- Risk Governance is carried out through risk control and risk management functions, which are independent from each other.
- Each business and corporate area defines:
  - i. The markets and product lines in which it can operate on the basis of having sufficient know-how and capabilities to ensure effective risk management.
  - ii. Criteria concerning counterparties.
  - iii. The authorised operators.
- The businesses and corporate areas establish the level of risk that they are prepared to assume for each market in which they operate on a basis that is consistent with the strategy defined.
- The limits of the businesses and corporate areas are approved by the ENDESA's Risk Committee.
- All the businesses and corporate areas must conduct their business within the limits approved in each case.
- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that the transactions are performed in the markets in accordance with the policies, principles and procedures of ENDESA.

### 18.1. INTEREST RATE RISK

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

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

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

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

	Net position (millions of Euros)	
	31 December 2009	31 December 2008
Fixed interest rate	6,605	9,777
Protected interest rate (*)	1,592	1,673
Floating interest rate	10,347	2,553
<b>TOTAL</b>	<b>18,544</b>	<b>14,003</b>

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

The reference interest rates for the borrowings arranged by the Endesa Group companies are mainly Euribor and US Dollar Libor. In the case of the Latin

American currencies, the borrowings are generally tied to the local indexes customarily used in the banking industry.

### **18.2. CURRENCY RISK**

The currency risk relates mainly to the following transactions:

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

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

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

### **18.3. COMMODITY PRICE RISK**

The Endesa Group is exposed to the risk of fluctuations in commodity prices, including CO<sub>2</sub> emission rights and CERs, largely through:

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

Exposure to commodity price fluctuations is controlled through the monitoring of risk limits, which reflect predisposition to risk defined by the Risks Committee. These limits are based on expected results in line with a confidence interval of 95%.

Specific risk analyses are also performed of the impact of certain operations that are considered relevant on the Company's risk profile and on compliance with established risk limits.

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

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

### **18.4. LIQUIDITY RISK**

The Group's liquidity policy consists of the arrangement of committed long-term credit facilities and current financial assets for an amount sufficient to cater for

the projected needs for a given period based on the status and expectations of the debt and capital markets.

At 31 December 2009, the Group had liquidity of Euros 9,084 million, Euros 1,838 million in cash and cash equivalents and Euros 7,246 million in unconditionally drawable credit lines. At 31 December 2008, the Group had liquidity of Euros 12,879 million, Euros 4,787 million in cash and cash equivalents and Euros 8,092 million in unconditionally drawable credit lines.

### **18.5. CREDIT RISK**

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

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

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

- The Group and its subsidiaries place their cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading entities in the markets in which they operate.
- Interest rate and exchange rate derivatives are arranged with highly solvent entities and, accordingly, more than 95% of positive exposures relate to transactions performed with entities with a credit rating of A- or higher.
- The credit risk associated with commodities included within the scope of IAS 39 is also limited. At the end of 2009 and taking market values as a basis, more than 78% of the transactions at the end of 2009 are with entities with a credit rating of A- or higher, or an equivalent internal rating calculated in accordance with best market practices.
- Considering interest rate and exchange rate derivatives, as well as commodity derivatives, no one counterparty accounted for more than 15% of the total credit risk relating to financial instruments.

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

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

### **18.6. RISK MEASUREMENT**

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

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

- Debt and financial derivatives
- Energy derivatives

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

- Euribor
- US Dollar Libor
- In the case of borrowings in Latin American currencies, the local indexes customarily used in the banking industry
- The exchange rates of the various currencies included in the calculation
- Commodity prices (electricity, fuel and CO<sub>2</sub>)

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

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

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

Millions of Euros

	31 December 2009			31 December 2008			
	Spain and Portugal	Latin America	Total	Spain and Portugal	Latin America	Other	Total
Financial positions:	12	41	46	55	27	1	76
Interest rate	13	38	43	51	28	1	68
Foreign currency	17	5	21	11	2	1	9
Hedging portfolio	1	—	1	1	—	—	1
Energy derivatives	3	—	3	4	—	1	6
<b>TOTAL</b>	<b>15</b>	<b>41</b>	<b>49</b>	<b>59</b>	<b>27</b>	<b>2</b>	<b>82</b>

The Value at Risk positions changed in 2009 and 2008 on the basis of the maturity/arrangement of transactions as the years progressed.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company classifies its hedges as follows:

- *Cash flow hedges*: hedge the cash flows on the hedged underlying.
- *Fair value hedges*: hedge the fair value of the hedged underlying.
- *Hedges of net investments in foreign operations*: which hedge the effect of the changes in exchange rates on investments in Group companies with a functional currency other than the Euro. At 31 December 2009 and 2008, the Group had not arranged any hedges of this type.
- *Other hedges*: hedges which, because they do not meet the requirements established by IFRSs, cannot be classified as hedges for accounting purposes.

Details of the valuation of the derivative financial instruments at 31 December 2009 and 2008 are as follows:

	Millions of Euros			
	31 December 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate hedges:	29	181	33	102
<i>Cash flow hedges</i>	4	181	13	69
<i>Fair value hedges</i>	25	—	20	33
Foreign currency hedges:	2	529	14	374
<i>Cash flow hedges</i>	—	481	—	304
<i>Fair value hedges</i>	2	48	14	70
Derivatives not designated as hedging instruments	10	5	30	11
Commodity price derivatives	546	501	567	607
<b>TOTAL</b>	<b>587</b>	<b>1,216</b>	<b>644</b>	<b>1,094</b>

Details by maturity of the notional and/or contractual amounts of derivatives contracted by the Group, and their fair value at 31 December 2009 and 2008, are as follows:

31 December 2009								
Millions of Euros								
Derivatives	Fair value	Notional amount						
		2010	2011	2012	2013	2014	Subsequent years	Total
<b>FINANCIAL DERIVATIVES</b>	<b>(674)</b>	<b>2,110</b>	<b>417</b>	<b>2,841</b>	<b>2,446</b>	<b>620</b>	<b>723</b>	<b>9,157</b>
<b>Interest rate hedges</b>								
Cash flow hedges	(177)	598	184	1,964	2,419	167	112	5,444
<i>Swaps</i>	(174)	570	84	1,964	919	167	112	3,816
<i>Options</i>	(3)	28	100	—	1,500	—	—	1,628
Fair value hedges	25	500	15	—	—	—	83	598
<i>Swaps</i>	25	500	15	—	—	—	83	598
<b>Foreign currency hedges</b>								
Cash flow hedges	(481)	—	—	631	—	365	271	1,267
<i>Swaps</i>	(481)	—	—	631	—	365	271	1,267
Fair value hedges	(46)	9	45	195	3	88	182	522
<i>Swaps</i>	(46)	9	45	195	3	88	182	522
<b>Derivatives not designated as hedging instruments</b>								
Swaps	5	1,003	173	51	24	—	75	1,326
<b>COMMODITY DERIVATIVES</b>	<b>45</b>	<b>7,233</b>	<b>1,238</b>	<b>252</b>	<b>15</b>	<b>—</b>	<b>—</b>	<b>8,738</b>
<b>Foreign currency hedges</b>								
Designated as hedges	8	701	205	25	12	—	—	943
<i>Futures</i>	8	701	205	25	12	—	—	943
<i>Other</i>	—	—	—	—	—	—	—	—
<b>Commodity price derivatives</b>								
Designated as hedges	(15)	638	189	—	—	—	—	827
<i>Swaps</i>	7	248	189	—	—	—	—	437
<i>Other</i>	(22)	390	—	—	—	—	—	390
Fuel	35	1,928	429	177	3	—	—	2,537
<i>Swaps</i>	15	1,155	228	15	—	—	—	1,398
<i>Other</i>	20	773	201	162	3	—	—	1,139
Electricity	17	3,966	415	50	—	—	—	4,431
<i>Swaps</i>	5	1,913	112	33	—	—	—	2,058
<i>Other</i>	12	2,053	303	17	—	—	—	2,373
<b>TOTAL</b>	<b>(629)</b>	<b>9,343</b>	<b>1,655</b>	<b>3,093</b>	<b>2,461</b>	<b>620</b>	<b>723</b>	<b>17,895</b>

31 December 2008

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

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

The ineffective portion of cash flow hedges recognised in the consolidated income statement amounted to a loss of Euros 3 million in 2009 and a gain of Euros 2 million in 2008.

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

	Millions of Euros			
	2009		2008	
	Revenue	Expenses	Revenue	Expenses
Hedged items	2	80	—	72
Derivatives	135	68	90	—
<b>TOTAL</b>	<b>137</b>	<b>148</b>	<b>90</b>	<b>72</b>

### 19.1. CLASSIFICATION OF FINANCIAL INSTRUMENTS UNDER IFRS 7

A breakdown of financial assets measured at fair value at 31 December 2009 in accordance with IFRS 7, is as follows:

	Millions of Euros			
	31 December 2009			
	Fair value	Level 1	Level 2	Level 3
Debt securities	—	—	—	—
Cash flow hedging derivatives	17	3	14	—
Fair value hedging derivatives	12	—	12	—
Derivatives not designated as hedging instruments	109	28	81	—
Other financial assets	—	—	—	—
<b>Total non-current assets</b>	<b>138</b>	<b>31</b>	<b>107</b>	<b>—</b>
Debt securities	—	—	—	—
Cash flow hedging derivatives	25	—	25	—
Fair value hedging derivatives	15	—	15	—
Derivatives not designated as hedging instruments	409	67	342	—
Other financial assets	—	—	—	—
<b>Total current assets</b>	<b>449</b>	<b>67</b>	<b>382</b>	<b>—</b>

A breakdown of financial liabilities measured at fair value at 31 December 2009 in accordance with IFRS 7 is as follows:

	Millions of Euros			
	31 December 2009			
	Fair value	Level 1	Level 2	Level 3
Loans and borrowings	63	—	63	—
Bonds and other marketable securities	1,048	—	1,048	—
Cash flow hedging derivatives	664	—	664	—
Fair value hedging derivatives	48	—	48	—
Derivatives not designated as hedging instruments	90	81	9	—
Other financial liabilities	—	—	—	—
<b>Total non-current liabilities</b>	<b>1,913</b>	<b>81</b>	<b>1,832</b>	<b>—</b>
Loans and borrowings	—	—	—	—
Bonds and other marketable securities	—	—	—	—
Cash flow hedging derivatives	43	5	38	—
Fair value hedging derivatives	—	—	—	—
Derivatives not designated as hedging instruments	371	56	315	—
Other financial liabilities	—	—	—	—
<b>Total current liabilities</b>	<b>414</b>	<b>61</b>	<b>353</b>	<b>—</b>



**20. TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

Details at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	31 December 2009	31 December 2008
Trade payables	4,864	4,046
Tax liabilities:	1,117	1,151
<i>Income tax</i>	677	770
<i>Other taxes</i>	440	381
Accounts payable to the Market Regulator	1,467	1,446
Current provisions	962	958
Other payables	1,671	934
<b>TOTAL</b>	<b>10,081</b>	<b>8,535</b>

The average supplier payment periods were 109 days in 2009 and 82 days in 2008 and, therefore, the fair value of trade and other payables approximates their carrying amount.

Details of current provisions at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	31 December 2009	31 December 2008
Pensions and similar obligations	4	6
Personnel restructuring plans (note 16.2.)	459	304
Emission rights (note 7.1.)	359	518
Other current provisions	140	130
<b>TOTAL</b>	<b>962</b>	<b>958</b>

**21. TAXATION**

Until 2009 Endesa, S.A. headed a Group that filed consolidated income tax returns in Spain. The consolidated tax group included Endesa, S.A. as the Parent, and, as subsidiaries, the Spanish companies that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups.

At 31 December 2009, the consolidated tax group comprised 80 companies (79 companies at 31 December 2008), of which the most significant were Endesa, S.A., Endesa Generación, Gas y Electricidad Generación, S.A. (Solely-Owned Company) (hereinafter, "Gesa"), Unelco, Endesa Red, S.A. (Solely-Owned Company) (hereinafter, "ENDESA Red"), EDE, Endesa Operaciones y Servicios Comerciales, S.L. (Solely-Owned Company) (hereinafter, "EOSC"), Endesa Energía, Endesa Energía XXI, S.L. (Solely-Owned Company) (hereinafter, "Endesa Energía XXI"), Endesa Latinoamérica, ECyR and Endesa Financiación Filiales, S.A. (Solely-Owned Company) (hereinafter, "Endesa Financiación Filiales").

As a result of EEE's acquisition of a 92.063% interest in ENDESA in 2009, from 2010 onwards, most of the companies that formed part of the tax group headed by ENDESA will be integrated into the tax group to be headed by EEE, dissolving the tax group headed by ENDESA.

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

A reconciliation of the income tax resulting from the application of the standard tax rate in force in Spain with the profit before tax and the income tax expense recognised in the consolidated income statement and the reconciliation of this expense with the net income tax payable for 2009 and 2008 are as follows:

Millions of Euros		
	2009	2008
Profit before income tax	5,590	4,308
Profit before income tax of discontinued operations	—	5,061
Permanent differences	137	(4,455)
<i>Adjusted profit</i>	<i>5,727</i>	<i>4,914</i>
Tax rate (%)	30,0	30,0
<i>Adjusted profit multiplied by tax rate</i>	<i>1,718</i>	<i>1,474</i>
<i>Effect of applying different tax rates</i>	<i>(129)</i>	<i>(76)</i>
<i>Tax credits taken to profit and loss</i>	<i>(194)</i>	<i>(139)</i>
<i>Income tax expense in the consolidated income statement</i>	<i>1,396</i>	<i>1,259</i>
<i>Tax recognised directly in equity in the year</i>	<i>(54)</i>	<i>(165)</i>
<i>Total income tax expense</i>	<i>1,342</i>	<i>1,094</i>
<i>Changes in deferred taxes in the year</i>	<i>(117)</i>	<i>(213)</i>
<i>Net income tax payable</i>	<i>1,225</i>	<i>881</i>

The income tax expense recognised in the consolidated income statement for 2009 amounted to Euros 1,230 million (Euros 1,082 million in 2008). Euros 166 million relating to discontinued operations must be added to the amount for 2009 (Euros 177 million in 2007).

Euros 786 million of the net tax payable for 2008 relate to the amounts payable by companies comprising the Group at 31 December 2008 and the remaining Euros 95 million relate to the tax payable by the companies that formed part of the Group in 2008 in relation to the portion of the profit of these companies included under profit after tax of discontinued operations in the accompanying consolidated income statement.

The deferred taxes arose in 2009 and 2008 as a result of the following:

Millions of Euros		
Deferred tax assets:	2009	2008
Depreciation and amortisation charge	117	119
Provisions for pension funds and personnel restructuring plans	1,121	1,051
Other provisions	358	295
Loss carryforwards	85	118
Applicable tax credits	2	42
Other	361	533
<b>TOTAL</b>	<b>2,044</b>	<b>2,158</b>

Millions of Euros		
Deferred tax liabilities:	2009	2008
Accelerated amortisation and depreciation of assets for tax purposes	977	979
Other	588	479
<b>TOTAL</b>	<b>1,565</b>	<b>1,458</b>

Movement in deferred tax assets and deferred tax liabilities in 2009 and 2008 is as follows:

Millions of Euros				
	Deferred tax assets		Deferred tax assets	
	2009	2008	2009	2008
<b>Opening balance</b>	<b>2,158</b>	<b>2,187</b>	<b>1,458</b>	<b>1,456</b>
Inclusion/Exclusion of companies	7	—	29	(3)
Additions	496	530	125	294
Disposals	(549)	(539)	(34)	(231)
Translation differences	76	(122)	77	(92)
Transfers and other	(144)	102	(90)	34
<b>Closing balance</b>	<b>2,044</b>	<b>2,158</b>	<b>1,565</b>	<b>1,458</b>

Movement in transfers and other include the transfer to non-current assets classified as held for sale and discontinued operations and liabilities associated with non-current assets classified as held for sale and discontinued operations of the deferred tax assets and liabilities, respectively, that at 31 December were associated with assets or liabilities held for sale (see notes 3 j) and 28)

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

Details of prior years' tax loss carryforwards available for offset against future profits at 31 December 2009 and 2008 and the final year of reversal are as follows:

Millions of Euros	
Year	31 December 2009
2010	5
2011	6
2012	7
Subsequent years	538

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

The ENDESA Group has not recognised the deferred tax liabilities relating to undistributed profits of subsidiaries over which the control that it exercises enables it to decide on the timing of the reversal and therefore, for which it is considered that these deferred tax liabilities will probably not reverse in the near future. At 31 December 2009 and 2008, the total amount of these unrecognised temporary differences was not material.

Group companies in Spain have open to inspection by the taxation authorities all main applicable taxes since 2006, except income tax, which is open to inspection since 2002. For Group companies in the rest of Europe and Latin America, the years open to inspection are, in general, the last seven years in Greece, the last six years in Argentina and Chile, the last five years in Brazil and Peru, the last four years in Colombia and the last year in Ireland.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection, which cannot be quantified at present. Nevertheless, the directors do not expect that any additional liabilities would arise in the event of inspection, which could significantly affect the Group's future profits.

## 22. REVENUE

### 22.1. SALES

Details of sales in 2009 and 2008 are as follows:

Millions of Euros		
	2009	2008
Power sales	19,679	17,059
Services	4,754	4,669
<b>TOTAL</b>	<b>24,433</b>	<b>21,728</b>

## 22.2. OTHER OPERATING INCOME

Other operating income in 2009 and 2008 comprise the following:

	Millions of Euros	
	2009	2008
CO <sub>2</sub> emission rights (note 7.1.)	325	438
Grants taken to profit and loss	157	69
Other current operating income	777	601
<b>TOTAL</b>	<b>1,259</b>	<b>1,108</b>

## 23. PERSONNEL EXPENSES

Details of personnel expenses in 2009 and 2008 are as follows:

	Millions of Euros	
	2009	2008
Wages and salaries	1,240	1,186
Contributions to pension plans	107	97
Other employee benefits expense	343	305
Other non-recurring personnel expenses	304	105
<b>TOTAL</b>	<b>1,994</b>	<b>1,693</b>

## 24. OTHER FIXED OPERATING EXPENSES

Details of other fixed operating expenses in 2009 and 2008 are as follows:

	Millions of Euros	
	2009	2008
Other supplies	159	115
Leases and royalties	81	87
Taxes other than income	145	122
Other operating expenses	1,796	1,622
<b>TOTAL</b>	<b>2,181</b>	<b>1,946</b>

## 25. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Details are as follows:

	Millions of Euros	
	2009	2008
Amortisation and depreciation	1,882	1,610
Impairment losses	294	51
<b>TOTAL</b>	<b>2,176</b>	<b>1,661</b>

## 26. NET FINANCE EXPENSE

A breakdown of net finance expense is as follows:

	Millions of Euros	
	2009	2008
<b>Finance income:</b>	<b>639</b>	<b>536</b>
Cash and cash equivalents	133	219
Income from other financial assets	282	123
Other finance income	224	194
<b>Finance expense:</b>	<b>(1,623)</b>	<b>(1,552)</b>
Debt	(954)	(1,242)
Provisions	(336)	(207)
Measurement of derivatives	(190)	26
Other finance expenses	(143)	(129)
<b>Exchange differences:</b>	<b>(34)</b>	<b>7</b>
Gains	640	378
Losses	(674)	(371)
<b>Net finance expense</b>	<b>(1,018)</b>	<b>(1,009)</b>

## 27. GAINS ON ASSET DISPOSALS

A breakdown of gains on asset disposals in the accompanying consolidated income statements is as follows:

	Millions of Euros	
	2009	2008
Sale of assets to Acciona (note 28)	1,229	—
Other investments	228	—
Other	56	22
<b>TOTAL</b>	<b>1,513</b>	<b>22</b>

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

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

- The contribution by Acciona and ENDESA of their renewable energy generating assets to a jointly controlled entity in which Acciona will have an ownership interest of at least 51%.
- The sale to E.On AG (hereinafter, "E.On") of Endesa Europa's assets in Italy, France, Poland and Turkey.

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

The selling price, based on the appraisal performed by the investment banks designated by the parties involved, was Euros 769 million for the two Spanish plants and Euros 7,126 million for the shares of Endesa Europa. Together with the shares of Endesa Europa, the acquirer was also transferred the net intra-group debt position of Endesa Europa and its investees with Endesa Financiación Filiales, amounting to Euros 1,159 million.

As a result of this transaction, in 2008 ENDESA derecognised Euros 8,795 million of assets classified under non-current assets classified as held for sale and discontinued operations and Euros 3,360 million of liabilities classified under liabilities associated with non-current assets classified as held for sale and discontinued operations, and recognised a pre-tax gain of Euros 4,564 million under profit after tax of discontinued operations in the 2008 consolidated income statement.

The balance of profit after tax of discontinued operations in the 2008 consolidated income statements relates in full to the assets sold to E.On, including the gain on the sale.

Furthermore, at 31 December 2008, both Acciona and ENDESA continued to complete the formalities required for the contribution of the renewable energy assets to a jointly controlled entity.

On 20 February 2009, within the framework of the sale of ENDESA shares by Acciona to Enel, these companies cancelled a prior agreement which required ENDESA to contribute its renewable energy generating assets to an entity jointly controlled with Acciona, and subscribed to a new agreement entered into between ENDESA and Acciona, whereby ENDESA agreed to sell to Acciona, which in turn undertook to purchase, certain wind and hydroelectric power generating assets of ENDESA.

As a result of this agreement, Euros 991 million were transferred from non-current assets classified as held for sale and discontinued operations to other asset captions in the consolidated balance sheet, particularly, Euros 888 million to property, plant and equipment; whereas Euros 779 million were reclassified from liabilities associated with non-current assets classified as held for sale and discontinued operations to other liability captions, in particular, Euros 498 million to non-current borrowings. The consolidated income statement for 2009 includes Euros 43 million in amortisation, depreciation and impairment losses relating to prior years' amortisation and depreciation charges for the transferred assets.

In accordance with the agreement of 20 February 2009, during the year, ENDESA has transferred certain wind and hydroelectric power generating assets in Spain and Portugal to Acciona for a total price of Euros 2,814 million. The assets included in the transaction represent a total installed capacity of 2,079 MW, of which 1,227 MW are of wind generation and 852 MW of hydroelectric generation, 173 MW of which relate to the special regime. As a result of this transfer, Euros 1,620 million have been derecognised from non-current assets classified as held for sale and discontinued operations and Euros 42 million from liabilities associated with non-current assets classified as held for sale and discontinued operations. ENDESA recognised a gross gain of Euros 1,229 million on the whole operation under income from asset disposals for 2009.

In 2009 ENDESA also commenced negotiations for the sale of its 100% interest in Compañía Americana de Multiservicios Ltda. (hereinafter, "CAM") and its

50.01% interest in Endesa Hellas. Negotiations for the sale of its 1% interest in REC were also initiated at the end of 2009.

Consequently, in accordance with IFRS 5, the aforementioned assets have been considered as held-for-sale in the consolidated balance sheet at 31 December 2009.

Details by nature of profit after tax of discontinued operations in the accompanying 2009 and 2008 consolidated income statements and of non-current assets classified as held for sale and discontinued operations and liabilities associated with non-current assets classified as held for sale and discontinued operations in the consolidated balance sheets at 31 December 2009 and 2008, together with a breakdown thereof by segment, are as follows:

#### BREAKDOWN BY NATURE OF POST-TAX PROFIT OF DISCONTINUED OPERATIONS

	Millions of Euros						
	2009			2008			
	Spain and Portugal	Latin America	Total	Spain and Portugal	Latin America	Other	Total
<b>REVENUE</b>	—	—	—	<b>161</b>	—	<b>1,860</b>	<b>2,021</b>
<i>Sales</i>	—	—	—	140	—	1,701	1,841
<i>Other operating income</i>	—	—	—	21	—	159	180
<b>PROCUREMENTS AND SERVICES</b>	—	—	—	<b>(113)</b>	—	<b>(1,348)</b>	<b>(1,461)</b>
<i>Power purchased</i>	—	—	—	—	—	(238)	(238)
<i>Cost of fuel consumed</i>	—	—	—	(80)	—	(832)	(912)
<i>Transmission expenses</i>	—	—	—	(3)	—	(49)	(52)
<i>Other variable procurements and services</i>	—	—	—	(30)	—	(229)	(259)
<b>CONTRIBUTION MARGIN</b>	—	—	—	<b>48</b>	—	<b>512</b>	<b>560</b>
<i>Self-constructed assets</i>	—	—	—	—	—	4	4
<i>Personnel expenses</i>	—	—	—	(4)	—	(76)	(80)
<i>Other fixed operating expenses</i>	—	—	—	(7)	—	(73)	(80)
<b>GROSS PROFIT FROM OPERATIONS</b>	—	—	—	<b>37</b>	—	<b>367</b>	<b>404</b>
<i>Amortisation, depreciation and impairment losses</i>	—	—	—	—	—	(8)	(8)
<b>PROFIT FROM OPERATIONS</b>	—	—	—	<b>37</b>	—	<b>359</b>	<b>396</b>
<b>NET FINANCE INCOME/(EXPENSE)</b>	—	—	—	<b>(3)</b>	—	<b>101</b>	<b>98</b>
<i>Finance income</i>	—	—	—	—	—	4	4
<i>Finance expense</i>	—	—	—	(3)	—	85	82
<i>Net exchange differences</i>	—	—	—	—	—	12	12
<i>Net profit of companies accounted for using the equity method</i>	—	—	—	—	—	3	3
<i>Gains/(losses) from other investments</i>	—	—	—	—	—	—	—
<i>Gains/(losses) on asset disposals</i>	—	—	—	336	—	4,228	4,564
<b>PROFIT BEFORE TAX</b>	—	—	—	<b>370</b>	—	<b>4,691</b>	<b>5,061</b>
<i>Income tax</i>	—	—	—	(26)	—	(151)	(177)
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>	—	—	—	<b>344</b>	—	<b>4,540</b>	<b>4,884</b>



**BREAKDOWN BY NATURE OF NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS AND LIABILITIES  
ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS**

	Millions of Euros						
	31 December 2009			31 December 2008			
	Spain and Portugal	Latin America	Total	Spain and Portugal	Latin America	Other	Total
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>	<b>497</b>	<b>29</b>	<b>526</b>	<b>2,411</b>	<b>—</b>	<b>—</b>	<b>2,411</b>
Property, plant and equipment	261	15	276	2,002	—	—	2,002
Investment property	—	—	—	—	—	—	—
Intangible assets	103	2	105	101	—	—	101
Goodwill	80	—	80	119	—	—	119
Investments accounted for using the equity method	46	5	51	48	—	—	48
Non-current investments	3	—	3	131	—	—	131
Deferred tax assets	4	7	11	10	—	—	10
<b>CURRENT ASSETS</b>	<b>55</b>	<b>71</b>	<b>126</b>	<b>187</b>	<b>—</b>	<b>—</b>	<b>187</b>
Inventories	—	22	22	5	—	—	5
Trade and other receivables	40	42	82	134	—	—	134
Current investments	—	—	—	2	—	—	2
Cash and cash equivalents	15	7	22	46	—	—	46
<b>TOTAL ASSETS</b>	<b>552</b>	<b>100</b>	<b>652</b>	<b>2,598</b>	<b>—</b>	<b>—</b>	<b>2,598</b>
<b>NON-CURRENT LIABILITIES</b>	<b>76</b>	<b>13</b>	<b>89</b>	<b>630</b>	<b>—</b>	<b>—</b>	<b>630</b>
Deferred income	8	—	8	13	—	—	13
Non-current provisions	—	3	3	25	—	—	25
Non-current payables	47	3	50	498	—	—	498
Other non-current payables	—	—	—	14	—	—	14
Deferred tax liabilities	21	7	28	80	—	—	80
<b>CURRENT LIABILITIES</b>	<b>75</b>	<b>60</b>	<b>135</b>	<b>300</b>	<b>—</b>	<b>—</b>	<b>300</b>
Current borrowings	30	10	40	22	—	—	22
Trade payables and other current liabilities	45	50	95	278	—	—	278
<b>TOTAL LIABILITIES</b>	<b>151</b>	<b>73</b>	<b>224</b>	<b>930</b>	<b>—</b>	<b>—</b>	<b>930</b>

The cash flows from discontinued operations in 2009 and 2008 were as follows:

	Millions of Euros	
	2009	2008
Net cash flows from operating activities	—	112
Net cash flows from investing activities	—	8,779
Net cash flows from financing activities	—	42

In 2009 the basic earnings per share of the discontinued operations amounted to Euros 0.00 (Euros 4.53 in 2008).

## 29. SEGMENT REPORTING

### BASIS OF SEGMENTATION

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

- Spain and Portugal and rest of the world (hereinafter, "Spain and Portugal").
- Latin America.

Although within each geographical segment the Group considers there to be a single vertically integrated activity, for the purpose of endowing the segments with greater transparency, Generation and Distribution are treated as secondary segments, and the retailing activity associated therewith is included in each of them.

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

In 2008 the Endesa Group presented separately the operation carried out on 26 June 2008 transferring all of Endesa Europe's interests, to certain E.On Group companies after excluding the trading activities and assets not located in Italy, France, Poland and Turkey, which in itself constituted a separate business segment.

**SEGMENT REPORTING: INCOME STATEMENTS FOR 2009 AND 2008**

	Millions of Euros						
	2009			2008			
	Spain and Portugal	Latam	Total	Spain and Portugal	Latam	Other	Total
<b>REVENUE</b>	<b>17,473</b>	<b>8,219</b>	<b>25,692</b>	<b>14,482</b>	<b>8,354</b>	—	<b>22,836</b>
<i>Sales</i>	16,435	7,998	24,433	13,636	8,092	—	21,728
<i>Other operating income</i>	1,038	221	1,259	846	262	—	1,108
<b>PROCUREMENTS AND SERVICES</b>	<b>(10,492)</b>	<b>(3,985)</b>	<b>(14,477)</b>	<b>(8,158)</b>	<b>(4,358)</b>	—	<b>(12,516)</b>
<i>Power purchased</i>	(3,931)	(2,082)	(6,013)	(3,028)	(2,203)	—	(5,231)
<i>Cost of fuel consumed</i>	(1,961)	(822)	(2,783)	(3,047)	(1,105)	—	(4,152)
<i>Transmission expenses</i>	(3,243)	(360)	(3,603)	(623)	(411)	—	(1,034)
<i>Other variable procurements and services</i>	(1,357)	(721)	(2,078)	(1,460)	(639)	—	(2,099)
<b>CONTRIBUTION MARGIN</b>	<b>6,981</b>	<b>4,234</b>	<b>11,215</b>	<b>6,324</b>	<b>3,996</b>	—	<b>10,320</b>
<i>Self-constructed assets</i>	147	41	188	172	42	—	214
<i>Personnel expenses</i>	(1,497)	(497)	(1,994)	(1,241)	(452)	—	(1,693)
<i>Other fixed operating expenses</i>	(1,571)	(610)	(2,181)	(1,328)	(618)	—	(1,946)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>4,060</b>	<b>3,168</b>	<b>7,228</b>	<b>3,927</b>	<b>2,968</b>	—	<b>6,895</b>
<i>Amortisation, depreciation and impairment losses (*)</i>	(1,505)	(671)	(2,176)	(1,101)	(560)	—	(1,661)
<b>PROFIT FROM OPERATIONS</b>	<b>2,555</b>	<b>2,497</b>	<b>5,052</b>	<b>2,826</b>	<b>2,408</b>	—	<b>5,234</b>
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>(547)</b>	<b>(471)</b>	<b>(1,018)</b>	<b>(452)</b>	<b>(557)</b>	—	<b>(1,009)</b>
<i>Finance income</i>	419	220	639	330	206	—	536
<i>Finance expense</i>	(954)	(669)	(1,623)	(828)	(724)	—	(1,552)
<i>Net exchange differences</i>	(12)	(22)	(34)	46	(39)	—	7
<i>Net profit of companies accounted for using the equity method</i>	41	4	45	49	2	—	51
<i>Gains/(losses) from other investments</i>	(4)	2	(2)	2	8	—	10
<i>Gains/(losses) on asset disposals</i>	1,299	214	1,513	10	12	—	22
<b>PROFIT BEFORE TAX</b>	<b>3,344</b>	<b>2,246</b>	<b>5,590</b>	<b>2,435</b>	<b>1,873</b>	—	<b>4,308</b>
<i>Income tax</i>	(576)	(654)	(1,230)	(552)	(530)	—	(1,082)
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>2,768</b>	<b>1,592</b>	<b>4,360</b>	<b>1,883</b>	<b>1,343</b>	—	<b>3,226</b>
<b>PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS</b>	—	—	—	<b>344</b>	—	<b>4,540</b>	<b>4,884</b>
<b>PROFIT FOR THE YEAR</b>	<b>2,768</b>	<b>1,592</b>	<b>4,360</b>	<b>2,227</b>	<b>1,343</b>	<b>4,540</b>	<b>8,110</b>
<b>Parent company</b>	<b>2,759</b>	<b>671</b>	<b>3,430</b>	<b>2,209</b>	<b>506</b>	<b>4,454</b>	<b>7,169</b>
<i>Non-controlling interest</i>	9	921	930	18	837	86	941

(\*) In 2009 and 2008 impairment losses amounting to Euros 69 million and Euros 51 million, respectively, were recognised.

## SEGMENT REPORTING: BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

	Millions of Euros						
	31 December 2009			31 December 2008			
	Spain and Portugal	Latam	Total	Spain and Portugal	Latam	Other	Total
<b>ASSETS</b>							
<b>Non-current assets</b>	<b>33,501</b>	<b>15,326</b>	<b>48,827</b>	<b>30,089</b>	<b>13,164</b>	<b>—</b>	<b>43,253</b>
Property, plant and equipment	23,404	11,655	35,059	21,727	9,801	—	31,528
Investment property	15	43	58	20	27	—	47
Intangible assets	893	132	1,025	1,076	107	—	1,183
Goodwill	385	2,430	2,815	111	1,942	—	2,053
Non-current investments	7,120	413	7,533	5,569	519	—	6,088
Investments accounted for using the equity method	266	27	293	157	39	—	196
Deferred tax assets	1,418	626	2,044	1,429	729	—	2,158
<b>Current assets</b>	<b>7,375</b>	<b>3,993</b>	<b>11,368</b>	<b>11,579</b>	<b>3,714</b>	<b>—</b>	<b>15,293</b>
Inventories	978	79	1,057	981	111	—	1,092
Trade and other receivables	4,558	1,624	6,182	4,439	1,569	—	6,008
Current investments	845	62	907	188	—	—	188
Deferred tax assets	189	543	732	118	502	—	620
Cash and cash equivalents	253	1,585	1,838	3,255	1,532	—	4,787
Non-current assets held for sale	552	100	652	2,598	—	—	2,598
<b>TOTAL ASSETS</b>	<b>40,876</b>	<b>19,319</b>	<b>60,195</b>	<b>41,668</b>	<b>16,878</b>	<b>—</b>	<b>58,546</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>	<b>10,417</b>	<b>8,553</b>	<b>18,970</b>	<b>14,525</b>	<b>6,239</b>	<b>—</b>	<b>20,764</b>
Of the Parent	10,218	4,013	14,231	14,325	2,757	—	17,082
Of non-controlling interests	199	4,540	4,739	200	3,482	—	3,682
<b>Non-current liabilities</b>	<b>22,614</b>	<b>7,377</b>	<b>29,991</b>	<b>19,676</b>	<b>7,260</b>	<b>—</b>	<b>26,936</b>
Deferred income	3,629	276	3,905	3,191	207	—	3,398
Non-current provisions	3,815	631	4,446	3,401	556	—	3,957
Non-current payables	14,155	5,339	19,494	12,033	5,453	—	17,486
Other non-current payables	474	107	581	555	82	—	637
Deferred tax liabilities	541	1,024	1,565	496	962	—	1,458
<b>Current liabilities</b>	<b>7,845</b>	<b>3,389</b>	<b>11,234</b>	<b>7,467</b>	<b>3,379</b>	<b>—</b>	<b>10,846</b>
Current borrowings	—	929	929	31	1,350	—	1,381
Trade payables and other current liabilities	7,224	1,740	8,964	5,876	1,508	—	7,384
Non-current liabilities held for sale	151	73	224	930	—	—	930
Current tax liabilities	470	647	1,117	630	521	—	1,151
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,876</b>	<b>19,319</b>	<b>60,195</b>	<b>41,668</b>	<b>16,878</b>	<b>—</b>	<b>58,546</b>

**SEGMENT REPORTING: STATEMENTS OF CASH FLOWS FOR 2009 AND 2008**

	Millions of Euros						
	2009			2008			
	España y Portugal	Latam	Total	Spain and Portugal	Latam	Other	Total
Gross profit before tax and minority interests	3,344	2,246	5,590	2,805	1,873	4,691	9,369
Amortisation and depreciation	1,505	671	2,176	1,101	560	8	1,669
Gains on asset disposals	(1,299)	(214)	(1,513)	(330)	(12)	(4,228)	(4,570)
Income tax	(525)	(535)	(1,060)	(485)	(403)	(61)	(949)
Provisions paid	(488)	(85)	(573)	(334)	(67)	(1)	(402)
Other results not giving rise to cash flows	558	58	616	216	14	(133)	97
<b>Total cash flows from operating activities</b>	<b>3,095</b>	<b>2,141</b>	<b>5,236</b>	<b>2,973</b>	<b>1,965</b>	<b>276</b>	<b>5,214</b>
Change in income tax payable	(288)	182	(106)	293	201	48	542
Change in operating current assets/liabilities	(420)	257	(163)	(269)	107	(265)	(427)
<b>Net cash flows from operating activities</b>	<b>2,387</b>	<b>2,580</b>	<b>4,967</b>	<b>2,997</b>	<b>2,273</b>	<b>59</b>	<b>5,329</b>
Investments in property, plant and equipment and intangible assets	(2,150)	(1,074)	(3,224)	(2,978)	(1,011)	(168)	(4,157)
Disposals of property, plant and equipment and intangible assets	2,812	21	2,833	899	20	9	928
Investments in Group companies	(444)	(35)	(479)	(129)	(324)	—	(453)
Investments in Group companies	20	—	20	8,090	—	195	8,285
Other investments	(1,962)	(73)	(2,035)	(2,552)	(69)	(58)	(2,679)
Income from disposal of investments	547	199	746	893	90	19	1,002
Cash flows due to changes in the consolidated group	7	—	7	1	—	(267)	(266)
Grants and other deferred income	274	1	275	503	1	2	506
<b>Net cash flows from (used in) investing activities</b>	<b>(896)</b>	<b>(961)</b>	<b>(1,857)</b>	<b>4,727</b>	<b>(1,293)</b>	<b>(268)</b>	<b>3,166</b>
Non-current borrowing	3,112	689	3,801	468	1,316	—	1,784
Repayments of non-current borrowings	118	(579)	(461)	(2,407)	(290)	—	(2,697)
Net cash flows from/(used in) current borrowings	(1,725)	(1,242)	(2,967)	(1,478)	(434)	90	(1,822)
Dividends of the Parent paid	(6,025)	(219)	(6,244)	(1,245)	(376)	—	(1,621)
Payments to non-controlling interests	(4)	(457)	(461)	—	(420)	(48)	(468)
<b>Net cash flows from (used in) financing activities</b>	<b>(4,524)</b>	<b>(1,808)</b>	<b>(6,332)</b>	<b>(4,662)</b>	<b>(204)</b>	<b>42</b>	<b>(4,824)</b>
<b>Total net cash flows</b>	<b>(3,033)</b>	<b>(189)</b>	<b>(3,222)</b>	<b>3,062</b>	<b>776</b>	<b>(167)</b>	<b>3,671</b>
Effect of foreign exchange rate changes on cash or cash equivalents	—	249	249	—	(87)	—	(87)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,033)</b>	<b>60</b>	<b>(2,973)</b>	<b>3,062</b>	<b>689</b>	<b>(167)</b>	<b>3,584</b>
<b>Cash and cash equivalents at 1 January</b>	<b>3,301</b>	<b>1,532</b>	<b>4,833</b>	<b>239</b>	<b>843</b>	<b>167</b>	<b>1,249</b>
Cash on hand and at banks	3,193	228	3,421	82	187	167	436
Other cash equivalents	108	1,304	1,412	157	656	—	813
<b>Cash and cash equivalents at 31 December</b>	<b>268</b>	<b>1,592</b>	<b>1,860</b>	<b>3,301</b>	<b>1,532</b>	<b>—</b>	<b>4,833</b>
Cash on hand and at banks	179	419	598	3,193	228	—	3,421
Other cash equivalents	89	1,173	1,262	108	1,304	—	1,412

SEGMENT REPORTING: INCOME STATEMENTS FOR 2009 AND 2008

Electricity business in Spain and Portugal								
Millions of Euros								
	2009				2008			
	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
<b>REVENUE</b>	<b>15,221</b>	<b>2,635</b>	<b>(699)</b>	<b>17,473</b>	<b>12,470</b>	<b>2,803</b>	<b>(791)</b>	<b>14,482</b>
<i>Sales</i>	14,347	2,469	(705)	16,435	11,764	2,649	(777)	13,636
<i>Other operating income</i>	874	166	6	1,038	706	154	(14)	846
<b>PROCUREMENTS AND SERVICES</b>	<b>(10,496)</b>	<b>(224)</b>	<b>228</b>	<b>(10,492)</b>	<b>(8,658)</b>	<b>(403)</b>	<b>903</b>	<b>(8,158)</b>
<i>Power purchased</i>	(3,961)	(2)	32	(3,931)	(3,280)	(5)	257	(3,028)
<i>Cost of fuel consumed</i>	(1,968)	—	7	(1,961)	(3,047)	—	—	(3,047)
<i>Transmission expenses</i>	(3,294)	—	51	(3,243)	(1,182)	—	559	(623)
<i>Other variable procurements and services</i>	(1,273)	(222)	138	(1,357)	(1,149)	(398)	87	(1,460)
<b>CONTRIBUTION MARGIN</b>	<b>4,725</b>	<b>2,411</b>	<b>(155)</b>	<b>6,981</b>	<b>3,812</b>	<b>2,400</b>	<b>112</b>	<b>6,324</b>
<i>Self-constructed assets</i>	13	119	15	147	9	128	35	172
<i>Personnel expenses</i>	(526)	(743)	(228)	(1,497)	(481)	(506)	(254)	(1,241)
<i>Other fixed operating expenses</i>	(1,165)	(630)	224	(1,571)	(828)	(570)	70	(1,328)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>3,047</b>	<b>1,157</b>	<b>(144)</b>	<b>4,060</b>	<b>2,512</b>	<b>1,452</b>	<b>(37)</b>	<b>3,927</b>
<i>Amortisation, depreciation and impairment losses (*)</i>	(902)	(564)	(39)	(1,505)	(579)	(501)	(21)	(1,101)
<b>PROFIT FROM OPERATIONS</b>	<b>2,145</b>	<b>593</b>	<b>(183)</b>	<b>2,555</b>	<b>1,933</b>	<b>951</b>	<b>(58)</b>	<b>2,826</b>
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>(473)</b>	<b>(298)</b>	<b>224</b>	<b>(547)</b>	<b>(331)</b>	<b>(289)</b>	<b>168</b>	<b>(452)</b>
<i>Finance income</i>	131	42	246	419	120	8	202	330
<i>Finance expense</i>	(618)	(340)	4	(954)	(477)	(297)	(54)	(828)
<i>Net exchange differences</i>	14	—	(26)	(12)	26	—	20	46
Net profit of companies accounted for using the equity method	35	5	1	41	26	3	20	49
Gains/(losses) from other investments	(12)	—	8	(4)	(3)	—	5	2
Gains/(losses) on asset disposals	1,270	7	22	1,299	1	5	4	10
<b>PROFIT BEFORE TAX</b>	<b>2,965</b>	<b>307</b>	<b>72</b>	<b>3,344</b>	<b>1,626</b>	<b>670</b>	<b>139</b>	<b>2,435</b>
<i>Income tax</i>	(561)	(62)	47	(576)	(428)	(155)	31	(552)
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>2,404</b>	<b>245</b>	<b>119</b>	<b>2,768</b>	<b>1,198</b>	<b>515</b>	<b>170</b>	<b>1,883</b>
<b>PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>320</b>	<b>—</b>	<b>24</b>	<b>344</b>
<b>PROFIT FOR THE YEAR</b>	<b>2,404</b>	<b>245</b>	<b>119</b>	<b>2,768</b>	<b>1,518</b>	<b>515</b>	<b>194</b>	<b>2,227</b>
<b>Parent company</b>	<b>2,394</b>	<b>240</b>	<b>125</b>	<b>2,759</b>	<b>1,513</b>	<b>510</b>	<b>186</b>	<b>2,209</b>
<i>Non-controlling interest</i>	10	5	(6)	9	5	5	8	18

(\*) In 2009 and 2008 impairment losses amounting to Euros 9 million and Euros 51 million, respectively, were recognised.

**SEGMENT REPORTING: BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008**

Electricity business in Spain and Portugal								
Millions of Euros								
	31 December 2009				31 December 2008			
	Generation	Distribution	Corporate structure and adjustments	Total	Generation	Distribution	Corporate structure and adjustments	Total
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>15,280</b>	<b>13,472</b>	<b>4,749</b>	<b>33,501</b>	<b>13,796</b>	<b>12,726</b>	<b>3,567</b>	<b>30,089</b>
Property, plant and equipment	10,839	12,089	476	23,404	9,821	11,427	479	21,727
Investment property	—	5	10	15	—	5	15	20
Intangible assets	634	177	82	893	819	180	77	1,076
Goodwill	367	—	18	385	97	—	14	111
Current investments	2,599	512	4,009	7,120	2,373	435	2,761	5,569
Investments accounted for using the equity method	228	48	(10)	266	98	44	15	157
Deferred tax assets	613	641	164	1,418	588	635	206	1,429
<b>Current assets</b>	<b>6,228</b>	<b>1,354</b>	<b>(207)</b>	<b>7,375</b>	<b>6,807</b>	<b>2,034</b>	<b>2,738</b>	<b>11,579</b>
Inventories	934	45	(1)	978	847	135	(1)	981
Trade and other receivables	3,794	1,219	(455)	4,558	2,730	1,722	26	4,478
Current financial assets	588	32	225	845	114	15	59	188
Deferred tax assets	175	53	(39)	189	132	78	(131)	79
Cash and cash equivalents	231	5	17	253	378	84	2,793	3,255
Non-current assets held for sale	506	—	46	552	2,606	—	(8)	2,598
<b>TOTAL ASSETS</b>	<b>21,508</b>	<b>14,826</b>	<b>4,542</b>	<b>40,876</b>	<b>20,603</b>	<b>14,760</b>	<b>6,305</b>	<b>41,668</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>5,797</b>	<b>2,777</b>	<b>1,843</b>	<b>10,417</b>	<b>4,820</b>	<b>2,645</b>	<b>7,060</b>	<b>14,525</b>
Of the Parent	5,513	2,748	1,957	10,218	4,649	2,620	7,056	14,325
Of non-controlling interests	284	29	(114)	199	171	25	4	200
<b>Non-current liabilities</b>	<b>10,140</b>	<b>9,661</b>	<b>2,813</b>	<b>22,614</b>	<b>9,147</b>	<b>9,699</b>	<b>830</b>	<b>19,676</b>
Deferred income	117	3,620	(108)	3,629	86	3,191	(86)	3,191
Non-current provisions	1,568	1,697	550	3,815	1,457	1,381	563	3,401
Non-current payables	8,025	3,883	2,247	14,155	7,117	4,675	241	12,033
Other non-current payables	98	373	3	474	204	363	(12)	555
Deferred tax liabilities	332	88	121	541	283	89	124	496
<b>Current liabilities</b>	<b>5,571</b>	<b>2,388</b>	<b>(114)</b>	<b>7,845</b>	<b>6,636</b>	<b>2,416</b>	<b>(1,585)</b>	<b>7,467</b>
Current borrowings	135	79	(214)	—	86	129	(184)	31
Trade payables and other current liabilities	4,822	2,235	167	7,224	5,139	2,064	(1,327)	5,876
Non-current liabilities held for sale	463	74	(67)	470	933	—	(3)	930
Current tax liabilities	151	—	—	151	478	223	(71)	630
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21,508</b>	<b>14,826</b>	<b>4,542</b>	<b>40,876</b>	<b>20,603</b>	<b>14,760</b>	<b>6,305</b>	<b>41,668</b>

## SEGMENT REPORTING: INCOME STATEMENTS FOR 2009 AND 2008

Electricity business in Latin America								
Millions of Euros								
	2009				2008			
	Generation	Distribution	Corporate structure and adjustments	Total	Generation	Distribution	Corporate structure and adjustments	Total
<b>REVENUE</b>	<b>3,705</b>	<b>5,213</b>	<b>(383)</b>	<b>8,219</b>	<b>3,946</b>	<b>4,942</b>	<b>(534)</b>	<b>8,354</b>
<i>Sales</i>	3,684	5,019	(705)	7,998	3,928	4,720	(556)	8,092
<i>Other operating income</i>	21	194	6	221	18	222	22	262
<b>PROCUREMENTS AND SERVICES</b>	<b>(1,465)</b>	<b>(3,239)</b>	<b>719</b>	<b>(3,985)</b>	<b>(1,974)</b>	<b>(2,961)</b>	<b>577</b>	<b>(4,358)</b>
<i>Power purchased</i>	(270)	(2,642)	830	(2,082)	(484)	(2,393)	674	(2,203)
<i>Cost of fuel consumed</i>	(822)	—	—	(822)	(1,105)	—	—	(1,105)
<i>Transmission expenses</i>	(235)	(152)	27	(360)	(277)	(159)	25	(411)
<i>Other variable procurements and services</i>	(138)	(445)	(138)	(721)	(108)	(409)	(122)	(639)
<b>CONTRIBUTION MARGIN</b>	<b>2,240</b>	<b>1,974</b>	<b>20</b>	<b>4,234</b>	<b>1,972</b>	<b>1,981</b>	<b>43</b>	<b>3,996</b>
<i>Self-constructed assets</i>	1	40	—	41	—	42	—	42
<i>Personnel expenses</i>	(116)	(279)	(102)	(497)	(102)	(263)	(87)	(452)
<i>Other fixed operating expenses</i>	(175)	(476)	41	(610)	(158)	(446)	(14)	(618)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>1,950</b>	<b>1,259</b>	<b>(41)</b>	<b>3,168</b>	<b>1,712</b>	<b>1,314</b>	<b>(58)</b>	<b>2,968</b>
<i>Amortisation, depreciation and impairment losses (*)</i>	(358)	(280)	(33)	(671)	(303)	(249)	(8)	(560)
<b>PROFIT FROM OPERATIONS</b>	<b>1,592</b>	<b>979</b>	<b>(74)</b>	<b>2,497</b>	<b>1,409</b>	<b>1,065</b>	<b>(66)</b>	<b>2,408</b>
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>(287)</b>	<b>(130)</b>	<b>(54)</b>	<b>(471)</b>	<b>(314)</b>	<b>(197)</b>	<b>(46)</b>	<b>(557)</b>
<i>Finance income</i>	69	152	(1)	220	76	121	9	206
<i>Finance expenses</i>	(330)	(291)	(48)	(669)	(355)	(280)	(89)	(724)
<i>Net exchange differences</i>	(26)	9	(5)	(22)	(35)	(38)	34	(39)
<i>Net profit of companies accounted for using the equity method</i>	3	—	1	4	—	—	2	2
<i>Gains/(losses) from other investments</i>	—	—	2	2	1	—	7	8
<i>Gains/(losses) on asset disposals</i>	—	33	181	214	(1)	4	9	12
<b>PROFIT BEFORE TAX</b>	<b>1,308</b>	<b>882</b>	<b>56</b>	<b>2,246</b>	<b>1,095</b>	<b>872</b>	<b>(94)</b>	<b>1,873</b>
<i>Income tax</i>	(317)	(250)	(87)	(654)	(244)	(213)	(73)	(530)
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>991</b>	<b>632</b>	<b>(31)</b>	<b>1,592</b>	<b>851</b>	<b>659</b>	<b>(167)</b>	<b>1,343</b>
<b>PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>PROFIT FOR THE YEAR</b>	<b>991</b>	<b>632</b>	<b>(31)</b>	<b>1,592</b>	<b>851</b>	<b>659</b>	<b>(167)</b>	<b>1,343</b>
<b>Parent company</b>	<b>828</b>	<b>560</b>	<b>(717)</b>	<b>671</b>	<b>672</b>	<b>603</b>	<b>(769)</b>	<b>506</b>
<i>Non-controlling interest</i>	163	72	686	921	179	56	602	837

(\*) In 2009 and 2008 impairment losses of Euros 60 million and Euros 0, respectively, were recognised.

**SEGMENT REPORTING: BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008**

Electricity business in Latin America								
Millions of Euros								
	31 December 2009				31 December 2008			
	Generation	Distribution	Corporate structure and adjustments	Total	Generation	Distribution	Corporate structure and adjustments	Total
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>7,505</b>	<b>5,894</b>	<b>1,927</b>	<b>15,326</b>	<b>6,790</b>	<b>4,894</b>	<b>1,480</b>	<b>13,164</b>
Property, plant and equipment	6,765	4,880	10	11,655	5,834	3,945	22	9,801
Investment property	—	—	43	43	—	—	27	27
Intangible assets	50	73	9	132	41	62	4	107
Goodwill	270	393	1,767	2,430	269	304	1,369	1,942
Non-current investments	196	186	31	413	288	189	42	519
Investments accounted for using the equity method	25	—	2	27	37	—	2	39
Deferred tax assets	199	362	65	626	321	394	14	729
<b>Current assets</b>	<b>2,065</b>	<b>1,836</b>	<b>92</b>	<b>3,993</b>	<b>1,981</b>	<b>1,617</b>	<b>116</b>	<b>3,714</b>
Inventories	56	23	—	79	57	29	25	111
Trade and other receivables	776	1,021	(173)	1,624	708	1,046	(185)	1,569
Current financial assets	63	—	(1)	62	—	5	(5)	—
Current tax assets	296	203	44	543	226	185	91	502
Cash and cash equivalents	874	589	122	1,585	990	352	190	1,532
Non-current assets held for sale	—	—	100	100	—	—	—	—
<b>TOTAL ASSETS</b>	<b>9,570</b>	<b>7,730</b>	<b>2,019</b>	<b>19,319</b>	<b>8,771</b>	<b>6,511</b>	<b>1,596</b>	<b>16,878</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>4,121</b>	<b>3,338</b>	<b>1,094</b>	<b>8,553</b>	<b>3,273</b>	<b>2,623</b>	<b>343</b>	<b>6,239</b>
Of the Parent	3,332	3,300	(2,619)	4,013	2,209	2,386	(1,838)	2,757
Of non-controlling interests	789	38	3,713	4,540	1,064	237	2,181	3,482
<b>Non-current liabilities</b>	<b>3,544</b>	<b>2,744</b>	<b>1,089</b>	<b>7,377</b>	<b>3,540</b>	<b>2,399</b>	<b>1,321</b>	<b>7,260</b>
Deferred income	9	270	(3)	276	7	200	—	207
Non-current provisions	123	464	44	631	86	340	130	556
Non-current payable	2,854	1,644	841	5,339	2,838	1,533	1,082	5,453
Other non-current payables	63	60	(16)	107	62	55	(35)	82
Deferred tax liabilities	495	306	223	1,024	547	271	144	962
<b>Current liabilities</b>	<b>1,905</b>	<b>1,648</b>	<b>(164)</b>	<b>3,389</b>	<b>1,958</b>	<b>1,489</b>	<b>(68)</b>	<b>3,379</b>
Current borrowings	603	402	(76)	929	858	426	66	1,350
Trade payables and other current liabilities	914	1,002	(176)	1,740	860	819	(171)	1,508
Non-current liabilities held for sale	—	—	73	73	—	—	—	—
Current tax liabilities	388	244	15	647	240	244	37	521
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,570</b>	<b>7,730</b>	<b>2,019</b>	<b>19,319</b>	<b>8,771</b>	<b>6,511</b>	<b>1,596</b>	<b>16,878</b>

**30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

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

For the purposes of the information included in this note, in 2009 Enel and Acciona (up to 25 June 2009) were considered to be significant shareholders, and in 2008 Acciona y Enel.



**30.1. EXPENSES, INCOME AND OTHER TRANSACTIONS**

The noteworthy transactions carried out in 2009 and 2008 with related parties, all of which were performed on an arm's length basis, were as follows:

**30.1.1. Expenses and income**

Thousands of Euros					
	2009				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Finance expense	—	—	—	—	—
Management or cooperation agreements	36,500	161	—	—	<b>36,661</b>
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	22,015	—	—	—	<b>22,015</b>
Purchase of finished goods and work in progress	3,981	—	—	—	<b>3,981</b>
Valuation adjustments for uncollectible or doubtful debts	—	—	—	—	—
Losses on derecognition or disposal of assets	—	—	—	—	—
Other expenses	8,508	—	—	—	<b>8,508</b>
<b>EXPENSES</b>	<b>71,004</b>	<b>161</b>	<b>—</b>	<b>—</b>	<b>71,165</b>
Finance income	—	37	—	—	<b>37</b>
Management or cooperation agreements	—	—	—	—	—
R&D transfers and licensing agreements	803	—	—	—	<b>803</b>
Leases	—	—	—	—	—
Rendering of services	172 (1)	—	—	—	<b>172</b>
Sale of finished goods and work in progress	—	—	—	—	—
Gains on derecognition or disposal of assets	—	—	—	—	—
Other income	14,314	—	—	—	<b>14,314</b>
<b>INCOME</b>	<b>15,289</b>	<b>37</b>	<b>—</b>	<b>—</b>	<b>15,326</b>

(1) Includes Euros 90 thousand with EEE.

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

### 30.1.2. Other transactions

Thousands of Euros					
	2009				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets or other assets	13,859	—	—	—	<b>13,859</b>
Financing agreements (lender)	420	—	—	—	<b>420</b>
Finance leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	2,644,364	—	—	—	<b>2,644,364</b>
Financing agreements (borrower)	1,066	1,927	—	—	<b>2,993</b>
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	617	—	—	<b>617</b>
Guarantees provided	—	—	—	—	—
Guarantees received	—	18,394	—	—	<b>18,394</b>
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other allocated benefits	5,747,911 (2)	14	—	—	<b>5,747,925</b>
Other transactions	4,832	—	—	—	<b>4,832</b>

(2) Includes Euros 4,186,421 thousand with EEE.

Thousands of Euros					
	2008				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets or other assets	28,878	—	—	—	<b>28,878</b>
Financing agreements (lender)	—	—	—	—	—
Finance leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	—	—	—	—	—
Financing agreements (borrower)	—	2,544	—	—	<b>2,544</b>
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	466	—	—	<b>466</b>
Guarantees provided	—	—	—	—	—
Guarantees received	—	34,753	—	—	<b>34,753</b>
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other allocated benefits	1,492,294 (3)	—	—	—	<b>1,492,294</b>
Other transactions	4,372	—	—	—	<b>4,372</b>

(3) Includes Euros 1,086,895 thousand with EEE.

### 30.2. ASSOCIATES AND JOINT VENTURES

Transactions with associates and joint ventures relate mainly to loans granted, the balance of which amounted to Euros 207 million at 31 December 2009 and Euros 92 million at 31 December 2008 (see note 10) and to guarantees provided amounting to Euros 644 million and Euros 641 million at the same dates, respectively.

At 31 December 2009 the main loan transactions relate to ENEOP-Eólicas de Portugal, S.A. (Euros 53 million), Empreendimentos Eólicos Vale do Minho, S.A.

(Euros 8 million), Tirme, S.A. (Euros 8 million) and Puignerel, A.I.E. (Euros 5 million). The main guarantees provided related to Elcogas (Euros 111 million), Productor Regional de Energía Renovable, S.A. (Euros 65 million) and ENEOP-Eólicas de Portugal, S.A. (Euros 55 million).

At 31 December 2008 the main loan transactions related to the GasAtacama Group (Euros 58 million) and Tirme, S.A. (Euros 9 million). The main guarantees provided related to Elcogas (Euros 116 million), Proyectos Eólicos Valencianos, S.A. (Solely-Owned Company) (Euros 332 million) and Productor Regional de Energía Renovable, S.A. (Euros 74 million).

### **30.3. PENSION PLANS**

At 31 December 2009 and 2008 the amounts payable to the Endesa Group Pension Plan in Spain as a result of the Rebalancing Plans approved by the Directorate-General of Insurance totalled Euros 105 million and Euros 103 million, respectively, and are recognised under borrowings and other liabilities in the accompanying consolidated balance sheets.

### **30.4. DIRECTORS AND SENIOR MANAGEMENT**

#### **30.4.1. Remuneration of the Board of Directors**

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

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

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

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

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

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

In 2009 the fixed monthly emolument for each director was Euros 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Nomination and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to Euros 2,003.37 gross each.

Details of the remuneration received by the members of the Board of Directors are as follows:

Fixed remuneration				
	2009		2008	
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
Borja Prado Eulate	48,081	617,722	48,081	—
Fulvio Conti (1) (3)	24,040	—	—	—
Andrea Brentan (11)	24,040	350,000	48,081	—
Luigi Ferraris (1)	48,081	—	48,081	—
Claudio Machetti (1)	48,081	—	48,081	—
Gianluca Comin (1) (2)	16,027	—	—	—
Luis de Guindos Jurado (3)	24,040	—	—	—
Miquel Roca Junyent (3)	24,040	—	—	—
Alejandro Echevarría Busquet (3)	24,040	—	—	—
José Manuel Entrecanales Domecq (4)	12,020	340,767	48,081	1,364,158
Rafael Miranda Robredo (5)	24,040	613,871	48,081	1,227,742
Carmen Becerril Martínez (6)	24,040	—	48,081	—
Valentín Montoya Moya (6)	24,040	—	48,081	—
Esteban Morrás Andrés (6)	24,040	118,261	48,081	473,421
Fernando diOrnellas Silva (7)	28,047	—	48,081	—
Jorge Vega-Penichet López (8)	12,020	—	—	—
Manuel Pizarro Moreno (9)	—	—	—	—
Francisco Javier Ramos Gascón (9)	—	—	—	—
Alberto Recarte García-Andrade (9)	—	—	—	—
Juan Rosell Lastortras (9)	—	—	—	—
José Serna Masiá (9)	—	—	—	—
Alberto Alonso Ureba (10)	—	—	—	—
José María Fernández Cuevas (10)	—	—	—	—
José Manuel Fernández Norniella (10)	—	—	—	—
Rafael González-Gallarza Morales (10)	—	—	—	—
Manuel Ríos Navarro (10)	—	—	—	—
<b>Subtotal</b>	<b>428,717</b>	<b>2,040,621</b>	<b>480,810</b>	<b>3,065,321</b>
<b>TOTAL</b>	<b>2,469,338</b>		<b>3,546,131</b>	

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations.

(2) Member of the Board of Directors since 14 September 2009.

(3) Member of the Board of Directors since 25 June 2009.

(4) Ceased to be a member of the Board of Directors on 24 March 2009.

(5) Ceased to be a member of the Board of Directors on 30 June 2009.

(6) Ceased to be a member of the Board of Directors on 25 June 2009.

(7) Ceased to be a member of the Board of Directors on 20 July 2009.

(8) Member of the Board of Directors from 24 March 2009 to 25 June 2009.

(9) Ceased to be a member of the Board of Directors on 18 October 2007.

(10) Ceased to be a member of the Board of Directors on 20 June 2007.

(11) The fixed emolument earned as director in 2008 and until 30 June 2009 was paid directly to Enel, S.p.A. pursuant to its internal regulations. Remuneration earned as CEO since 30 June 2009 (Euros 350,000) is paid directly to Mr. Andrea Brentan.

Variable remuneration

	Euros			
	2009		2008	
	Profit-sharing	Remuneration	Profit-sharing	Remuneration
Borja Prado Eulate	174,497	—	101,242	—
Fulvio Conti (1) (3)	—	—	—	—
Andrea Brentan (1)	174,497	—	43,389	—
Luigi Ferraris (1)	174,497	—	43,389	—
Claudio Machetti (1)	174,497	—	43,389	—
Gianluca Comin (1) (2)	—	—	—	—
Luis de Guindos Jurado (3)	—	—	—	—
Miquel Roca Junyent (3)	—	—	—	—
Alejandro Echevarría Busquet (3)	—	—	—	—
José Manuel Entrecanales Domecq (4)	174,497	1,492,525	43,389	827,144
Rafael Miranda Robredo (5)	174,497	1,959,777	173,557	1,320,537
Carmen Becerril Martínez (6)	174,497	—	43,389	—
Valentín Montoya Moya (6)	174,497	—	43,389	—
Esteban Morrás Andrés (6)	174,497	491,126	43,389	253,309
Fernando diOrnellas Silva (7)	174,497	—	101,242	—
Jorge Vega-Penichet López (8)	—	—	—	—
Manuel Pizarro Moreno (9)	—	—	144,631	—
Francisco Javier Ramos Gascón (9)	—	—	144,631	—
Alberto Recarte García-Andrade (9)	—	—	144,631	—
Juan Rosell Lastortras (9)	—	—	144,631	—
José Serna Masiá (9)	—	—	144,631	—
Alberto Alonso Ureba (10)	—	—	86,779	—
José María Fernández Cuevas (10)	—	—	86,779	—
José Manuel Fernández Norniella (10)	—	—	86,779	—
Rafael González-Gallarza Morales (10)	—	—	86,779	—
Manuel Ríos Navarro (10)	—	—	86,779	—
<b>Subtotal</b>	<b>1,744,970</b>	<b>3,943,428</b>	<b>1,836,814</b>	<b>2,400,990</b>
<b>TOTAL</b>	<b>5,688,398</b>		<b>4,237,804</b>	

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations, in the case of Mr. Brentan, only until 30 June 2009.

(2) Member of the Board of Directors since 14 September 2009.

(3) Member of the Board of Directors since 25 June 2009.

(4) Ceased to be a member of the Board of Directors on 24 March 2009.

(5) Ceased to be a member of the Board of Directors on 30 June 2009.

(6) Ceased to be a member of the Board of Directors on 25 June 2009.

(7) Ceased to be a member of the Board of Directors on 20 July 2009.

(8) Member of the Board of Directors from 24 March 2009 to 25 June 2009.

(9) Ceased to be a member of the Board of Directors on 18 October 2007.

(10) Ceased to be a member of the Board of Directors on 20 June 2007.

## ATTENDANCE FEES

	Euros			
	2009		2008	
	ENDESA	Other companies	ENDESA	Other companies
Borja Prado Eulate	50,084	28,074	54,091	22,377
Fulvio Conti (1) (3)	12,020	—	—	—
Andrea Brentan (1)	28,047	—	106,179	—
Luigi Ferraris (1)	52,088	—	74,125	—
Claudio Machetti (1)	30,051	—	54,091	—
Gianluca Comin (1) (2)	8,013	—	—	—
Luis de Guindos Jurado (3)	24,040	14,654	—	—
Miquel Roca Junyent (3)	30,051	—	—	—
Alejandro Echevarría Busquet (3)	20,034	—	—	—
José Manuel Entrecanales Domecq (4)	6,010	—	26,044	—
Rafael Miranda Robredo (5)	18,030	125,285	40,067	125,363
Carmen Becerril Martínez (6)	16,027	—	84,142	—
Valentín Montoya Moya (6)	28,047	—	92,155	—
Esteban Morrás Andrés (6)	12,020	—	74,125	—
Fernando diOrnellas Silva (7)	40,067	19,540	46,078	23,392
Jorge Vega-Penichet López (8)	10,017	—	—	—
Manuel Pizarro Moreno (9)	—	—	—	—
Francisco Javier Ramos Gascón (9)	—	—	—	—
Alberto Recarte García-Andrade (9)	—	—	—	—
Juan Rosell Lastortras (9)	—	—	—	—
José Serna Masiá (9)	—	—	—	—
Alberto Alonso Ureba (10)	—	—	—	—
José María Fernández Cuevas (10)	—	—	—	—
José Manuel Fernández Norniella (10)	—	—	—	—
Rafael González-Gallarza Morales (10)	—	—	—	—
Manuel Ríos Navarro (10)	—	—	—	—
<b>TOTAL</b>	<b>384,646</b>	<b>187,553</b>	<b>651,097</b>	<b>171,132</b>

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations, in the case of Mr. Brentan, only until 30 June 2009.

(2) Member of the Board of Directors since 14 September 2009.

(3) Member of the Board of Directors since 25 June 2009.

(4) Ceased to be a member of the Board of Directors on 24 March 2009.

(5) Ceased to be a member of the Board of Directors on 30 June 2009.

(6) Ceased to be a member of the Board of Directors on 25 June 2009.

(7) Ceased to be a member of the Board of Directors on 20 July 2009.

(8) Member of the Board of Directors from 24 March 2009 to 25 June 2009.

(9) Ceased to be a member of the Board of Directors on 18 October 2007.

(10) Ceased to be a member of the Board of Directors on 20 June 2007.

## OTHER REMUNERATION

Board member	In euros	
	2009	2008
Borja Prado Eulate	4,200	—
Andrea Brentan	3,003	—
José Manuel Entrecanales Domecq (1)	9,666,744	—
Rafael Miranda Robredo (2)	18,349,241	29,795
Esteban Morrás Andrés (1)	1,734,831	7,214
<b>TOTAL</b>	<b>29,758,019</b>	<b>37,009</b>

(1) Other remuneration in 2009 includes the amount of the contractual termination payment to Messrs. Entrecanales and Morrás, who ceased to be directors on 24 March 2009 and 25 June 2009, respectively.

(2) Other remuneration in 2009 also includes amounts recognised for the early retirement benefits of Mr. Miranda at 30 June 2009 until actual retirement.

## ADVANCES AND LOANS

Board member	In euros	
	2009	2008
Rafael Miranda Robredo	—	242,577

This advance was granted before the approval of the Sarbanes-Oxley Act in July 2002, and the terms and conditions thereof have not changed since that date. This advance was repaid in 2009.

## PENSION FUNDS AND PLANS: CONTRIBUTIONS

Board member	In euros	
	2009	2008
Borja Prado Eulate	94,156	—
Andrea Brentan	70,844	—
José Manuel Entrecanales Domecq	66,358	268,218
Rafael Miranda Robredo (1)	105,456	94,358
Esteban Morrás Andrés	24,834	93,619

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. With regard to future pensions, since the total premiums for this item were paid in prior years, the 2009 financial statements include only changes arising from valuation adjustments.

## LIFE INSURANCE PREMIUMS

Board member	In euros	
	2009	2008
Borja Prado Eulate	66,604	—
Andrea Brentan	84,662	—
José Manuel Entrecanales Domecq	34,262	125,422
Rafael Miranda Robredo	5,905	12,149
Esteban Morrás Andrés	1,717	31,845
Directors	10,422	22,525

### 30.4.2. Remuneration of senior management

#### Remuneration of senior management in 2009 and 2008

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

#### SENIOR MANAGEMENT MEMBERS IN 2009

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

(1) Left in 2009.

(2) Joined in 2009.



Details of the remuneration relating to each of the persons in the foregoing table are as follows:

	Remuneration (Euros)			
	At the Company		Due to membership of boards of directors of Group companies	
	2009	2008	2009	2008
Fixed remuneration	11,075,897	11,794,754	—	—
Variable remuneration (1)	10,614,111	8,745,588	—	—
Attendance fees	—	22,525	400,584	259,094
Bylaw-stipulated directors' emoluments	—	—	—	—
Share options and other financial instruments	—	—	—	—
Other (2)	18,635,350	7,257,123	—	—
<b>TOTAL</b>	<b>40,325,358</b>	<b>27,797,465</b>	<b>400,584</b>	<b>259,094</b>

(1) The variable remuneration paid to senior executives includes the amounts earned for this item in 2008 and a proportion of the amount for 2009 for all the senior executives who left the Company in 2009.

(2) This amount includes the contractual termination payments received by the senior executives who left the Company as a result of the change of control.

	Other benefits (Euros)			
	At the Company		Due to membership of boards of directors of Group companies	
	2009	2008	2009	2008
Advances	931.460	1.137.673	—	—
Loans	995.449	1.163.712	—	—
Pension funds and plans: Contributions (1)	2.595.036	2.359.680	—	—
Pension funds and plans: obligations assumed	—	—	—	—
Life insurance premiums	1.208.879	772.560	—	—

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. For employees meeting these conditions, with regard to future pensions, since the total premiums for this item were paid in prior years, the 2009 financial statements include only changes arising from valuation adjustments.

### Guarantees provided by the Company to senior management

As regards remuneration, the Company has provided guarantees for senior management members amounting to Euros 18,394,186 in 2009 (Euros 23,320,541 in 2008 ) to cater for accruals of future remuneration rights, i.e. early retirement rights, as in the case of the other employees of the same age and with the same length of service.

#### 30.4.3. Guarantee clauses: Board of Directors and senior management

##### Guarantee clauses for cases of termination or changes of control

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

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

The regime for these clauses is as follows:

***Termination of the employment relationship:***

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

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

***Post-contractual non-competition clause:***

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

At 31 December 2009, 25 executive directors and senior executives had guarantee clauses in their employment contracts (33 at 31 December 2008).

**30.4.4. Other disclosures concerning the Board of Directors**

In order to reinforce the transparency of listed companies, details are included below of companies engaging in activities that are identical, similar or complementary to the statutory activity of Endesa, S.A. in which the members of the Board of Directors hold equity interests, or hold positions or perform functions:

At 31 December 2009

Name of director	Employer Identification Number of the company in question	Name of the company in question	% ownership	Position
Mr. Borja Prado Eulate	91.081.000-6	Endesa Chile, S.A.	—	Director
Mr. Fulvio Conti	00811720580	Enel, S.p.A.	0.00563	Managing director and GM
Mr. Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-chairman
Mr. Andrea Brentan	B85721025	Enel Energy Europe, S.L.	—	Chairman
Mr. Andrea Brentan	8096.41.513	Enel Investment Holding	—	Director
Mr. Luigi Ferraris	00811720580	Enel, S.p.A.	0.00016	CFO
Mr. Luis de Guindos	91.081.000-6	Endesa Chile, S.A.	—	Director
Mr. Claudio Machetti	00811720580	Enel, S.p.A.	—	Group Risk Management Manager
Mr. Gianluca Comin	00811720580	Enel, S.p.A.	0.00015	External Relations Manager

At 31 December 2008

Name of director	Employer Identification Number of the company in question	Name of the company in question	% ownership	Position
Mr. José M. Entrecanales Domecq	A08001851	Acciona, S.A.	0.01165	Chairman
Mr. Andrea Brentan	00811720580	Enel, S.p.A.	—	Manager - Iberia and Latin America
Mr. Rafael Miranda Robredo	A28294726	Enagás, S.A.	0.00055	None
Ms. Carmen Becerril Martínez	A08001851	Acciona, S.A.	0.00077	GM - Corporate Resources and Investor Relations
Mr. Luigi Ferraris	00811720580	Enel, S.p.A.	0.0004	Manager - Accounting, Planning and Control
Mr. Claudio Machetti	00811720580	Enel, S.p.A.	—	CFO
Mr. Valentín Montoya Moya	A08001851	Acciona, S.A.	0.00198	Director & Economic and Financial General Manager
Mr. Esteban Morrás Andrés	A08001851	Acciona, S.A.	0.01237	Director

In 2009 there were cases of conflicts of interest involving the directors. The directors affected by this conflict situation did not attend the related Board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of ENDESA by its Board of Directors.

Distribution by gender: at 31 December 2009, the Board of Directors of Endesa, S.A. was made up of nine men. At 31 December 2008, the Board of Directors of Endesa, S.A. was made up of one woman and nine men.

### 30.4.5. Share-based payment plans

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

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

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

At 31 December 2009 and 2008, the Group's liquid financial assets pledged as security for liabilities or contingent liabilities amounted to Euros 113 million and Euros 128 million, respectively. Also, at 31 December 2009, future collections amounting to Euros 38 million had been pledged (Euros 21 million at 31 December 2008).

At 31 December 2009 and 2008, items of property, plant and equipment amounting to Euros 651 million and Euros 584 million, respectively, were securing fulfilment of the Group's obligations.

At 31 December 2009, the Group had future electricity purchase commitments amounting to Euros 38,449 million (Euros 41,876 million at 31 December 2008).

At 31 December 2009, the Endesa Group had provided guarantees to third parties in connection with its business activities totalling Euros 644 million (Euros 641 million at 31 December 2008) (see note 30.2).

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

## 32. OTHER INFORMATION

### 32.1. AUDIT FEES

Details of fees for the services provided in 2009 and 2008 by the auditors of the annual accounts of the various Group companies are as follows:

	Thousands of Euros			
	2009		2008	
	Principal auditor	Other auditors of subsidiaries	Principal auditor	Other auditors of subsidiaries
Audit of annual accounts	6,845	2,847	9,233	2,028
Audits other than of the annual accounts and other audit-related services	219	1,896	1,158	411
Other non-audit services	176	1,721	1,132	298
<b>TOTAL</b>	<b>7,240</b>	<b>6,464</b>	<b>11,523</b>	<b>2,737</b>

### 32.2. PERSONNEL

Details of the year-end and average headcount of the Endesa Group in 2009 and 2008, by business, professional category and gender, are as follows:

	Year-end headcount					
	31 December 2009			31 December 2008		
	Male	Female	Total	Male	Female	Total
Electricity business in Spain and Portugal	11,163	2,466	13,629	11,330	2,361	13,691
Electricity business in Latin America	10,014	2,662	12,676	10,243	2,653	12,896
<b>TOTAL</b>	<b>21,177</b>	<b>5,128</b>	<b>26,305</b>	<b>21,573</b>	<b>5,014</b>	<b>26,587</b>

	Year-end headcount					
	31 December 2009			31 December 2008		
	Male	Female	Total	Male	Female	Total
Executives	654	78	732	719	78	797
University graduates	2,122	514	2,636	5,412	1,207	6,619
Further education college graduates	4,812	1,165	5,977	5,373	1,039	6,412
Middle management	2,611	713	3,324	5,546	1,383	6,929
Clerical staff and manual workers	10,978	2,658	13,636	4,523	1,307	5,830
<b>TOTAL</b>	<b>21,177</b>	<b>5,128</b>	<b>26,305</b>	<b>21,573</b>	<b>5,014</b>	<b>26,587</b>

	Average headcount					
	2009			2008		
	Male	Female	Total	Male	Female	Total
Electricity business in Spain and Portugal	11,309	2,498	13,807	12,519	2,363	14,882
Electricity business in Latin America	10,241	2,722	12,963	10,091	2,608	12,699
<b>TOTAL</b>	<b>21,550</b>	<b>5,220</b>	<b>26,770</b>	<b>22,610</b>	<b>4,971</b>	<b>27,581</b>

	Average headcount					
	2009			2008		
	Male	Female	Total	Male	Female	Total
Executives	614	149	763	753	77	830
University graduates	2,082	504	2,586	5,671	1,196	6,867
Further education college graduates	4,683	1,135	5,818	5,631	1,030	6,661
Middle management	3,013	730	3,743	5,821	1,371	7,192
Clerical staff and manual workers	11,158	2,702	13,860	4,734	1,297	6,031
<b>TOTAL</b>	<b>21,550</b>	<b>5,220</b>	<b>26,770</b>	<b>22,610</b>	<b>4,971</b>	<b>27,581</b>

### 33. SUBSEQUENT EVENTS

On 15 January 2010 the Board of Directors of ENDESA agreed to commence the appraisal of the ENDESA's gas transport and distribution assets in Spain, which lead to the possible sale of up to 80% of Endesa Gas, S.A. (Solely-Owned Company) (hereinafter, "Endesa Gas"), with a call option in favour of the Company. At 31 December 2009 the carrying amount of the related assets and liabilities amount to Euros 482 million and Euros 141 million, respectively.

Negotiations to sell the 1% interest held in REC were commenced in late 2009 and the transaction was closed in February 2010 at the final price of Euros 51 million, resulting in gross capital gains of Euros 44 million, which were recorded in the consolidated income statement (Euros 5 million in 2009 and Euros 39 million in 2010).

On 22 February 2010 the Board of Directors resolved to propose to the shareholders at their Annual General Meeting the distribution of a dividend out of 2009 profits of Euros 1.028 gross per share, which represents at total payout of Euros 1,088 million. Considering the interim dividend paid out of 2009 profits of Euros 0.500 gross per share distributed on 4 January 2010, the supplementary dividend for 2009 would be equal to Euros 0.528 gross per share, which represents a payout of Euros 559 million.

**APPENDIX I: ENDESA GROUP COMPANIES**

Company (In alphabetical order)	% ownership at 31/12/2009		% ownership at 31/12/2008		Registered offices	Activity	Auditor
	% of voting rights held	% ownership	% of voting rights held	% ownership			
AGUAS SANTIAGO PONIENTE, S.A.	78.88	33.35	78.88	33.35	SANTIAGO DE CHILE (CHILE)	HEALTH SERVICES	DELOITTE
AGUILÓN 20, S.A.	51.00	51.00	51.00	51.00	ZARAGOZA (SPAIN)	STUDY, INSTALLATION AND OPERATION OF FACILITIES USING WIND POWER	—
AIOLIKH SIDIROKASTROY, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI ANDROU RACHI XIROKAMPI, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI ANDROU TSIROVLIDI, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI EVIAS CHELONA, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI EVIAS DIAKOFTIS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI EVIAS POUNTA, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI EVIAS PYRGOS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI MARTINOI, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
AIOLIKI SAMOTHRAKIS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
ALMUSSAFES SERVICIOS ENERGÉTICOS, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	MANAGEMENT AND MAINTENANCE OF A COMBINED HEAT AND POWER PLANT	KPMG AUDITORES
AMPLA ENERGÍA E SERVIÇOS, S.A.	91.93	55.15	91.93	55.51	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE - AGN CANARIM
AMPLA INVESTIMENTOS E SERVIÇOS, S.A.	91.93	55.15	91.93	55.51	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION, , DISTRIBUTION AND TRADING	DELOITTE
ANANEOSIMES PIGES BORIOU AIGAIIOU, S.A.	100.00	50.01	100.00	50.01	ATHENS (GREECE)	WIND POWER	KPMG - GRANT THORNTON
ANDORRA DESARROLLO, S.A. (Solely- Owned Company)	100.00	100.00	100.00	100.00	TERUEL (SPAIN)	REGIONAL DEVELOPMENT	—
APAMEA 2000, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY-RELATED ACTIVITIES	—
AQUILAE SOLAR, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR POWER INSTALLATIONS	—
ARAGONESA DE ACTIVIDADES ENERGÉTICAS, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	TERUEL (SPAIN)	ELECTRICITY PRODUCTION	—
ARGYRI ENERGIKI, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
ASIN CARBONO USA, INC.	100.00	82.50	100.00	82.50	DELAWARE (USA)	OPERATIONS IN CARBON DIOXIDE (CO <sub>2</sub> ) MARKETS	—
ASOCIACIÓN NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	85.41	85.41	85.41	85.41	TARRAGONA (SPAIN)	MANAGEMENT, OPERATION AND ADMINISTRATION OF NUCLEAR PLANTS	DELOITTE
ASOLEO, S.L.	50.01	50.01	—	—	MADRID (SPAIN)	SOLAR THERMAL (STE) ENERGY ACTIVITIES	—
ATACAMA FINANCE CO.	100.00	18.18	100.00	18.18	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
ATELGEN - PRODUÇÃO DE ENERGIA, A.C.E.	51.00	25.50	51.00	25.50	BARCELOS (PORTUGAL)	OPERATION OF A COMBINED HEAT AND POWER PLANT	KPMG AUDITORES
AYSÉN TRANSMISIÓN, S.A.	99.51	18.55	99.51	18.55	SANTIAGO DE CHILE (CHILE)	DEVELOPMENT OF ELECTRICITY TRANSMISSION SYSTEMS	KPMG AUDITORES
BIOAISE, S.A. (in liquidation)	95.00	95.00	95.00	95.00	BOGOTÁ (COLOMBIA)	PRODUCTION, PURCHASE, SALE AND RETAILING OF POWER	DELOITTE
BIOWATT - RECURSOS ENERGÉTICOS, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	MARKETING OF PROJECTS RELATING TO RENEWABLE ENERGY RESOURCES	KPMG AUDITORES
BOLONIA REAL ESTATE, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	REAL ESTATE ASSET MANAGEMENT AND DEVELOPMENT	KPMG AUDITORES
CAM BRASIL MULTISERVICIOS LTDA.	100.00	60.62	100.00	60.62	RIO DE JANEIRO (BRAZIL)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
CAMPOS - RECURSOS ENERGÉTICOS, A.C.E.	95.00	47.50	95.00	47.50	BARROSELAS (PORTUGAL)	ELECTRICITY PRODUCTION	KPMG AUDITORES

Company (In alphabetical order)	% ownership at 31/12/2009		% ownership at 31/12/2008		Registered offices	Activity	Auditor
	% of voting rights held	% ownership	% of voting rights held	% ownership			
CARBOEX, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	FUEL SUPPLY	KPMG AUDITORES
CARBONES DE BERGA, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	EXTRACTION AND STORAGE OF HARD COAL	—
CARBOPEGO - ABASTECIMIENTOS E COMBUSTÍVEIS, S.A.	50.00	50.00	50.00	50.00	LISBON (PORTUGAL)	FUEL SUPPLY	KPMG AUDITORES
CARVEMAGERE - MANUTENÇÃO E ENERGIAS RENOVÁVEIS, LDA.	65.00	65.00	65.00	65.00	BARCELOS (PORTUGAL)	COMBINED HEAT AND POWER PRODUCTION	KPMG AUDITORES
CEFEIDAS DESARROLLO SOLAR, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR POWER INSTALLATIONS	—
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA, S.A.	99.61	59.51	99.61	60.27	GOIANIA (BRAZIL)	ELECTRICITY PRODUCTION AND RETAILING	DELOITTE
CENTRAL DOCK SUD, S.A.	69.99	39.99	69.99	39.99	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
CENTRAL EÓLICA CANELA S.A.	75.00	27.27	75.00	27.27	SANTIAGO (CHILE)	PROMOTION AND DEVELOPMENT OF RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
CENTRAL GERADORA TERMELÉTRICA FORTALEZA, S.A.	100.00	59.74	100.00	60.51	CEARA (BRAZIL)	DEVELOPMENT OF A THERMOELECTRIC GENERATION PROJECT	DELOITTE
CENTRALES HIDROELÉCTRICAS DE AYSÉN, S.A.	51.00	18.55	51.00	18.55	SANTIAGO DE CHILE (CHILE)	DESIGN AND IMPLEMENTATION OF A HYDROELECTRIC PROJECT	KPMG AUDITORES
CEPHEI DESARROLLO SOLAR, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR POWER INSTALLATIONS	—
CHILECTRA INVERSUD, S.A.	100.00	60.07	100.00	60.07	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	PKF AUDITORES—DELOITTE
CHILECTRA, S.A.	99.09	60.07	99.09	60.07	SANTIAGO DE CHILE (CHILE)	DISTRIBUTION AND SALE OF ELECTRICITY AND HOLDING COMPANY	PKF AUDITORES—DELOITTE
CHINANGO, S.A.C.	80.00	18.17	99.90	41.38	LIMA (PERÚ)	ELECTRICITY PRODUCTION, RETAILING AND TRANSMISSION	KPMG AUDITORES
CODENSA S.A. E.S.P.	48.48	39.84	48.48	43.03	BOGOTÁ (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
COGENERACIÓ J. VILASECA, A.I.E.	40.00	40.00	40.00	40.00	BARCELONA (SPAIN)	OPERATION OF A COMBINED HEAT AND POWER PLANT	GNL AUDITORES
COLINA - PRODUÇÃO DE ENERGIA ELÉTRICA, LDA.	100.00	50.00	100.00	50.00	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION	KPMG AUDITORES
COMERCIALIZADORA ELÉCTRICA DE CÁDIZ, S.A. (Solely-Owned Company)	100.00	33.50	100.00	33.50	CADIZ (SPAIN)	ELECTRICITY RETAILING	DELOITTE
COMPANHIA ENERGÉTICA DO CEARÁ, S.A.	58.86	34.22	58.86	34.58	CEARA (BRAZIL)	COMPLETE ELECTRICITY CYCLE	DELOITTE - AGN CANARIM
COMPANHIA TÉRMICA DO BEATO, A.C.E.	65.00	32.50	65.00	32.50	LISBON (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA DO SERRADO, A.C.E.	51.00	25.50	51.00	25.50	PAÇOS DE BRANDÃO (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA HECTARE, A.C.E.	60.00	30.00	60.00	30.00	ALCOHETE (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA LUSOL, A.C.E.	95.00	47.50	95.00	47.50	BARREIRO (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA OLIVEIRA FERREIRA, A.C.E.	95.00	47.50	95.00	47.50	RIBA DE AVE (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA PONTE DA PEDRA, A.C.E.	95.00	47.50	95.00	47.50	MAIA (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA RIBEIRA VELHA, A.C.E.	100.00	50.00	100.00	50.00	S. PAIO DE OLEIROS (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANHIA TÉRMICA TAGOL, LTDA.	95.00	47.50	95.00	47.50	ALGÉS (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPANÍA AMERICANA DE MULTISERVICIOS DE ARGENTINA LTDA.	100.00	60.62	100.00	60.62	BUENOS AIRES (ARGENTINA)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPANÍA AMERICANA DE MULTISERVICIOS LTDA.	100.00	60.62	100.00	60.62	SANTIAGO DE CHILE (CHILE)	PURCHASE AND SALE OF ELECTRICITY	DELOITTE
COMPANÍA AMERICANA DE MULTISERVICIOS DE COLOMBIA LTDA.	100.00	60.62	100.00	60.62	BOGOTÁ (COLOMBIA)	PURCHASE AND SALE OF ELECTRICITY	DELOITTE
COMPANÍA AMERICANA DE MULTISERVICIOS DEL PERÚ LTDA.	100.00	60.62	100.00	60.62	LIMA (PERÚ)	PURCHASE AND SALE OF ELECTRICITY	DELOITTE
COMPANÍA DE INTERCONEXIÓN ENERGÉTICA, S.A.	100.00	59.74	100.00	60.51	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
COMPANÍA DE TRANSMISIÓN DEL MERCOSUR, S.A.	100.00	59.74	100.00	60.51	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
COMPANÍA ELÉCTRICA SAN ISIDRO, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPANÍA ELÉCTRICA TARAPACÁ, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES

Company (In alphabetical order)	% ownership at 31/12/2009		% ownership at 31/12/2008		Registered offices	Activity	Auditor
	% of voting rights held	% ownership	% of voting rights held	% ownership			
COMPANÍA PERUANA DE ELECTRICIDAD, S.A.	100.00	79.64	100.00	79.64	LIMA (PERÚ)	HOLDING COMPANY	DELOITTE
COMPOSTILLA Re. S.A.	100.00	100.00	100.00	100.00	LUXEMBOURG (LUXEMBOURG)	REINSURANCE	KPMG AUDITORES
CONCENTRASOLAR, S.L.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	DESIGN OF A DEMONSTRATION PROJECT FOR SOLAR PV CONCENTRATION SYSTEMS	—
CONFIREL, A.I.E.	50.00	50.00	50.00	50.00	GIRONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
CONSORCIO ARA-INGENDESA LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	PROJECT ENGINEERING CONSULTING SERVICES	KPMG AUDITORES
CONSORCIO EÓLICO MARINO CABO DE TRAFALGAR, S.L.	50.00	50.00	50.00	50.00	CADIZ (SPAIN)	DESIGN, INSTALLATION, DEVELOPMENT, OPERATION AND MAINTENANCE OF WIND FACILITIES AND FARMS	—
CONSORCIO INGENDESA-MINMETAL LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	ENGINEERING SERVICES	KPMG AUDITORES
CONSTRUCTORA Y PROYECTOS LOS MAITENES, S.A.	55.00	33.34	55.00	33.34	SANTIAGO DE CHILE (CHILE)	CONSTRUCTION AND INSTALLATION WORK	DELOITTE
CTE - CENTRAL TERMICA DO ESTUÁRIO, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
DELTA ENERGIAKI, S.A.	90.00	45.01	90.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
DESALADORA DE CARBONERAS, U.T.E.	75.00	75.00	75.00	75.00	ALMERIA (SPAIN)	CONSTRUCTION AND MANAGEMENT OF A DESALINATION PLANT	—
DESALADORA DE LA COSTA DEL SOL, S.A. (in liquidation)	51.02	51.02	51.02	51.02	MALAGA (SPAIN)	WATER DESALINATION AND SUPPLY ON THE COSTA DEL SOL	—
DESARROLLO PHOTOSOLAR, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR POWER INSTALLATIONS	—
DISTRIBUCIÓN Y COMERCIALIZACIÓN DE GAS EXTREMADURA, S.A.	47.00	47.00	47.00	47.00	BADAJOS (SPAIN)	GAS DISTRIBUTION	KPMG AUDITORES
DISTRIBUIDORA DE ENERGÍA ELÉCTRICA DEL BAGES, S.A.	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	—
DISTRIBUIDORA ELÉCTRICA DE CUNDINAMARCA, S.A. E.S.P.	49.00	19.52	—	—	BOGOTÁ (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SANTA CRUZ DE TENERIFE (SPAIN)	PURCHASE, TRANSMISSION, DISTRIBUTION AND RETAILING OF ELECTRICITY	KPMG AUDITORES
DISTRIBUIDORA REGIONAL DE GAS, S.A.	50.00	50.00	50.00	50.00	VALLADOLID (SPAIN)	GAS DISTRIBUTION AND RETAILING	KPMG AUDITORES
DISTRILEC INVERSORA, S.A.	51.50	30.88	51.50	30.88	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
EDEGEL, S.A.	83.60	22.71	83.60	41.42	LIMA (PERÚ)	ELECTRICITY PRODUCTION, RETAILING AND DISTRIBUTION	KPMG AUDITORES
EED - EMPREENDIMENTOS EÓLICOS DO DOURO, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
EEVM - EMPREENDIMENTOS EÓLICOS VALE DO MINHO, S.A.	50.00	37.50	50.00	37.50	ESPOSENDE (PORTUGAL)	WIND FARM	LAMPREIA E VIÇOSO SROC, S.A./ KPMG
EKMETALEFSI YDATINOU DYNAMIKOU, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
ELECGAS, S.A.	50.00	50.00	50.00	50.00	SANTAREM (PORTUGAL)	COMBINED-CYCLE ELECTRICITY PRODUCTION	—
ELÉCTRICA DE LA FRANJA, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY PRODUCTION	—
ELÉCTRICA DE LIJAR, S.L.	50.00	50.00	50.00	50.00	CADIZ (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	GABRIEL SÁNCHEZ PALAZÓN
ELECTRICIDAD DE PUERTO REAL, S.A.	50.00	50.00	50.00	50.00	CADIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
ELLINIKI FOTOVOLTAIKI, S.A.	100.00	50.01	100.00	50.01	ATHENS (GREECE)	SOLAR POWER	KPMG - GRANT THORNTON
EMGESA, S.A. E.S.P.	48.48	31.38	48.48	34.58	BOGOTÁ (COLOMBIA)	ELECTRICITY PRODUCTION	DELOITTE
EMPREENDIMENTO EÓLICO DA RAIA, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	—
EMPREENDIMENTO EÓLICO DE REGO, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
EMPREENDIMENTOS EÓLICOS CERVEIRENSES, S.A.	84.99	31.87	84.99	31.87	VILA NOVA DE CERVEIRA (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	LAMPREIA E VIÇOSO SROC, S.A./ KPMG
EMPREENDIMENTOS EÓLICOS DA ESPIGA, S.A.	100.00	37.50	84.99	31.87	CAMINHA (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	LAMPREIA E VIÇOSO SROC, S.A./ KPMG



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EMPREENHIMENTOS EÓLICOS DA SERRA DO SICÓ, S.A.	52.38	26.19	52.38	26.19	POMBAL (PORTUGAL)	WIND FARM	LAMPREIA E VIÇOSO SROC, S.A.
EMPREENHIMENTOS EÓLICOS DE ALVADIA, LDA.	48.00	48.00	48.00	48.00	RIBEIRA DE PENHA (PORTUGAL)	WIND FARM	PATRÍCIO MOREIRA, VALENTE & ASSOCIADOS, SROC. / KPMG
EMPREENHIMENTOS EÓLICOS DE PRACANA, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	—
EMPREENHIMENTOS EÓLICOS DE RIBABELIDE, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	—
EMPREENHIMENTOS EÓLICOS DE VIADE, LDA.	80.00	80.00	80.00	80.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
EMPREENHIMENTOS EÓLICOS DO VERDE HORIZONTE, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	—
EMPRESA CARBONÍFERA DEL SUR, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	EXPLOITATION OF COAL FIELDS	KPMG AUDITORES
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	75.68	53.04	84.00	62.33	LIMA (PERÚ)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
EMPRESA DE ENERGÍA DE CUNDINAMARCA, S.A. E.S.P.	82.34	16.07	—	—	BOGOTA (COLOMBIA)	ELECTRICITY PRODUCTION, TRANSMISSION, DISTRIBUTION AND RETAILING	DELOITTE
EMPRESA DE INGENIERÍA INGENDESA, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	PROVISION OF ENGINEERING SERVICES	KPMG AUDITORES
EMPRESA DISTRIBUIDORA SUR, S.A.	99.45	45.86	99.45	45.86	BUENOS AIRES (ARGENTINA)	ELECTRICITY DISTRIBUTION AND RETAILING	KPMG AUDITORES
EMPRESA ELÉCTRICA CABO BLANCO, S.A.	80.00	80.00	80.00	80.00	LIMA (PERÚ)	HOLDING COMPANY	DELOITTE
EMPRESA ELÉCTRICA DE COLINA LTDA.	100.00	60.07	100.00	60.07	SANTIAGO DE CHILE (CHILE)	COMPLETE ENERGY AND SIMILAR MATERIALS CYCLE	PKF AUDITORES - DELOITTE
EMPRESA ELÉCTRICA DE PIURA, S.A.	60.00	48.00	60.00	48.00	LIMA (PERÚ)	ELECTRICITY PRODUCTION	DELOITTE
EMPRESA ELÉCTRICA PANGUE, S.A.	99.99	39.55	99.99	39.55	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA ELÉCTRICA PEHUENCHE, S.A.	92.65	33.69	92.65	33.69	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	59.98	36.36	59.98	36.36	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EN-BRASIL COMERCIO E SERVIÇOS, S.A.	99.99	59.74	99.99	60.50	RIO DE JANEIRO (BRAZIL)	RETAILING OF PRODUCTS AND SERVICES	—
ENDESA ARGENTINA, S.A.	100.00	36.36	100.00	36.36	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
ENDESA BRASIL, S.A.	97.30	59.74	97.30	60.51	RIO DE JANEIRO (BRAZIL)	HOLDING COMPANY	DELOITTE
ENDESA CAPITAL FINANCE, LLC.	100.00	100.00	100.00	100.00	DELAWARE (USA)	ISSUANCE OF PREFERENCE SHARES	KPMG AUDITORES
ENDESA CAPITAL, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ISSUANCE OF DEBT INSTRUMENTS	KPMG AUDITORES
ENDESA CARBONO USA, LLC.	100.00	82.50	100.00	82.50	VIRGINIA (USA)	OPERATIONS IN CARBON DIOXIDE (CO <sub>2</sub> ) MARKETS	—
ENDESA CARBONO, S.L.	82.50	82.50	82.50	82.50	MADRID (SPAIN)	CONSULTING AND PURCHASE AND SALE OF EMISSION RIGHTS	KPMG AUDITORES
ENDESA CEMSA, S.A.	100.00	71.36	100.00	71.36	BUENOS AIRES (ARGENTINA)	WHOLESALE PURCHASE AND SALE OF ELECTRICITY	KPMG AUDITORES
ENDESA COGENERACIÓN Y RENOVABLES, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	KPMG AUDITORES
ENDESA COSTANERA, S.A.	69.76	25.37	69.76	25.37	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
ENDESA DESARROLLO, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	PURCHASE AND SALE, HOLDING, ADMINISTRATION AND MANAGEMENT OF SECURITIES	KPMG AUDITORES
ENDESA DISTRIBUCIÓN ELÉCTRICA, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION	KPMG AUDITORES
ENDESA ECO, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
ENDESA ENERGÍA XXI, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	SERVICES ASSOCIATED WITH THE MARKETING OF ENERGY PRODUCTS	KPMG AUDITORES
ENDESA ENERGÍA, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	MARKETING OF ENERGY PRODUCTS	KPMG AUDITORES
ENDESA FINANCIACIÓN FILIALES, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	FINANCING OF THE SUBSIDIARIES OF ENDESA, S.A.	KPMG AUDITORES
ENDESA GAS DISTRIBUCIÓN, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	DISTRIBUTION OF PIPED GAS	KPMG AUDITORES

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ENDESA GAS TRANSPORTISTA, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	GAS REGASIFICATION AND STORAGE	KPMG AUDITORES
ENDESA GAS, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	COMPLETE GAS CYCLE	KPMG AUDITORES
ENDESA GENERACIÓN II, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	DEVELOPMENT OF ELECTRICITY PRODUCTION ACTIVITIES	—
ENDESA GENERACIÓN PORTUGAL, S.A.	100.00	100.00	100.00	100.00	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND RELATED ACTIVITIES	KPMG AUDITORES
ENDESA GENERACIÓN, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
ENDESA HELLAS POWER GENERATION AND SUPPLIES, S.A.	50.01	50.01	50.01	50.01	ATHENS (GREECE)	ELECTRICITY RETAILING AND SALE	KPMG - GRANT THORNTON
ENDESA INGENIERÍA, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	CONSULTING AND CIVIL ENGINEERING SERVICES	KPMG AUDITORES
ENDESA INGENIERÍA, S.L.U. - LAXTRON ENERGÍAS RENOVABLES, S.L. U.T.E.	50.00	50.00	50.00	50.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR POWER INSTALLATIONS	—
ENDESA INVERSIONES GENERALES, S.A.	100.00	36.35	100.00	36.35	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	KPMG AUDITORES
ENDESA IRELAND LTD.	100.00	100.00	—	—	DUBLIN (IRELAND)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
ENDESA LATINOAMÉRICA, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ENDESA, S.A.'S INTERNATIONAL BUSINESS	KPMG AUDITORES
ENDESA MARKETPLACE, S.A. (in liquidation)	78.00	72.09	78.00	72.09	MADRID (SPAIN)	B2B (NEW TECHNOLOGIES)	—
ENDESA NETWORK FACTORY, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	NEW TECHNOLOGIES	KPMG AUDITORES
ENDESA NORTH AMÉRICA, INC.	100.00	100.00	100.00	100.00	NEW YORK (USA)	TRADING OPERATIONS	—
ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	PROVISION OF SERVICES TO ENDESA DISTRIBUCIÓN ELÉCTRICA AND TO ENDESA ENERGÍA	KPMG AUDITORES
ENDESA PARTICIPADAS, S.A. (Solely-Owned Company)	—	—	100.00	100.00	MADRID (SPAIN)	COMPANY MANAGEMENT	—
ENDESA POWER TRADING LTD.	100.00	100.00	100.00	100.00	LONDON (UK)	TRADING OPERATIONS	FULLER CHARTERED ACCOUNTANTS
ENDESA RED, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	DISTRIBUTION ACTIVITIES	KPMG AUDITORES
ENDESA SERVICIOS, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	SERVICES	KPMG AUDITORES
ENDESA TRADING, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	TRADING OPERATIONS	KPMG AUDITORES
ENDESA XXI COMERCIALIZAÇÃO DE ENERGIA, S.A.	100.00	100.00	—	—	PORTO (PORTUGAL)	MARKETING OF ENERGY PRODUCTS	DELOITTE
ENERCAMPO - PRODUÇÃO DE ENERGIA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
ENERCOR - PRODUÇÃO DE ENERGIA, A.C.E.	70.00	35.00	70.00	35.00	MONTUJO (PORTUGAL)	ELECTRICITY PRODUCTION	KPMG AUDITORES
ENERGÉTICA DE ROSSELLO, A.I.E.	27.00	27.00	27.00	27.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	AUDI HISPANA
ENERGÉTICA MATARÓ, S.A.	85.00	85.00	85.00	85.00	BARCELONA (SPAIN)	CONSTRUCTION AND OPERATION OF A THERMAL SLUDGE TREATMENT PLANT	KPMG AUDITORES
ENERGEX CO.	100.00	18.18	100.00	18.18	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
ENERGÍAS ALTERNATIVAS DEL SUR, S.L.	50.00	50.00	50.00	50.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND POWER	KPMG AUDITORES
ENERGÍAS DE ARAGÓN I, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICITY UNDER THE TARIFF SYSTEM	KPMG AUDITORES
ENERGÍAS DE ARAGÓN II, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	ZARAGOZA (SPAIN)	ELECTRICITY PRODUCTION UNDER THE SPECIAL REGIME	KPMG AUDITORES
ENERGÍAS DE GRAUS, S.L.	66.67	66.67	66.67	66.67	BARCELONA (SPAIN)	CONSTRUCTION AND OPERATION OF HYDROELECTRIC PLANTS	KPMG AUDITORES
ENERGÍAS DE LA MANCHA, S.A.	68.42	68.42	68.42	68.42	CIUDAD REAL (SPAIN)	BIOMASS	KPMG AUDITORES
ENERGIE ELECTRIQUE DE TAHADDART, S.A.	32.00	32.00	32.00	32.00	TANGIERS (MOROCCO)	COMBINED CYCLE PLANT	DELOITTE
ENERLOUSADO, LDA.	100.00	75.00	100.00	75.00	PORTO (PORTUGAL)	OPERATION OF A COMBINED HEAT AND POWER PLANT	KPMG AUDITORES
ENERNISA - PRODUÇÃO DE ENERGIA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	DELOITTE
ENERSIS, S.A.	60.62	60.62	60.62	60.62	SANTIAGO DE CHILE (CHILE)	ELECTRICITY PRODUCTION AND DISTRIBUTION	DELOITTE

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ENERVIZ - PRODUÇÃO DE ENERGIA DE VIZELA, LDA.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
EOL VERDE ENERGIA EÓLICA, S.A.	75.00	75.00	75.00	75.00	PORTO (PORTUGAL)	WATER COLLECTION, TREATMENT AND DISTRIBUTION	KPMG AUDITORES
EOLCINF - PRODUÇÃO DE ENERGIA EÓLICA, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
EOLFLOR - PRODUÇÃO DE ENERGIA EÓLICA, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
EÓLICA DE LA CUENCA CENTRAL ASTURIANA, S.L. (Solely-Owned Company)	100.00	100.00	—	—	ASTURIAS (SPAIN)	WIND POWER	—
EÓLICA DEL NOROESTE, S.L.	51.00	51.00	51.00	51.00	A CORUÑA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
EÓLICA FAZENDA NOVA - GERAÇÃO E COMERCIALIZAÇÃO DE ENERGIA, S.A.	99.95	59.71	—	—	RÍO GRANDE DO NORTE (BRAZIL)	WIND FARM PROJECTS	—
EÓLICA VALLE DEL EBRO, S.A.	50.50	50.50	50.50	50.50	ZARAGOZA (SPAIN)	WIND FARMS	KPMG AUDITORES
EÓICAS DE AGAETE, S.L.	80.00	80.00	80.00	80.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	KPMG AUDITORES
EÓICAS DE FUENCALIENTE, S.A.	55.00	55.00	55.00	55.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARM	KPMG AUDITORES
EÓICAS DE LA PATAGONIA, S.A.	50.00	50.00	50.00	50.00	BUENOS AIRES (ARGENTINA)	WIND POWER	—
EÓICAS DE TENERIFE, A.I.E.	50.00	50.00	50.00	50.00	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	ACEUDIT
EÓICAS DE TIRAJANA, A.I.E.	60.00	60.00	60.00	60.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	KPMG AUDITORES
EÓICAS DO MARAO - PRODUÇÃO DE ENERGIA, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	—
EÓICOS TOURIÑÁN, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	A CORUÑA (SPAIN)	INSTALLATION, MAINTENANCE AND OPERATION OF WIND FARMS	KPMG AUDITORES
EPRESA ENERGÍA, S.A. (Solely-Owned Company)	100.00	50.00	100.00	50.00	CÁDIZ (SPAIN)	ELECTRICITY RETAILING	DELOITTE
ERCASA COGENERACIÓN, S.A.	50.00	50.00	50.00	50.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
ERFEI, A.I.E.	42.00	42.00	42.00	42.00	TARRAGONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
EUROHUECO COGENERACIÓN, A.I.E.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
EXPLOTACIONES EÓICAS DE ALDEHUELAS, S.L.	47.50	47.50	47.50	47.50	SORIA (SPAIN)	WIND FARMS	BDO AUDIBERIA
EXPLOTACIONES EÓICAS DE ESCUCHA, S.A.	70.00	70.00	70.00	70.00	ZARAGOZA (SPAIN)	WIND FARMS	KPMG AUDITORES
EXPLOTACIONES EÓICAS EL PUERTO, S.A.	73.60	73.60	73.60	73.60	TERUEL (SPAIN)	WIND FARMS	KPMG AUDITORES
EXPLOTACIONES EÓICAS SASO PLANO, S.A.	70.00	70.00	70.00	70.00	ZARAGOZA (SPAIN)	WIND FARMS	KPMG AUDITORES
EXPLOTACIONES EÓICAS SIERRA COSTERA, S.A.	90.00	90.00	90.00	90.00	ZARAGOZA (SPAIN)	WIND FARMS	KPMG AUDITORES
EXPLOTACIONES EÓICAS SIERRA LA VIRGEN, S.A.	90.00	90.00	90.00	90.00	ZARAGOZA (SPAIN)	WIND FARMS	KPMG AUDITORES
FÁBRICA DO ARCO - RECURSOS ENERGÉTICOS, S.A.	50.00	50.00	50.00	50.00	SATO TIRSO (PORTUGAL)	ELECTRICITY AND STEAM PRODUCTION	KPMG AUDITORES
FERMICAISE, S.A. DE C.V.	99.99	99.99	99.99	99.99	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	KPMG AUDITORES
FINERGE-GESTAO DE PROYECTOS ENERGÉTICOS, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	KPMG AUDITORES
FISTERRA EÓLICA, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	A CORUÑA (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
FOIVOS ENERGIKI, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
FOTOVOLTAICA INSULAR, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR POWER INSTALLATIONS	—
GAS ARAGÓN, S.A.	60.67	60.67	60.67	60.67	ZARAGOZA (SPAIN)	DISTRIBUTION OF PIPED GAS	KPMG AUDITORES
GASATACAMA, S.A.	100.00	18.18	100.00	18.18	SANTIAGO DE CHILE (CHILE)	COMPANY ADMINISTRATION AND MANAGEMENT	ERNST & YOUNG
GAS EXTREMADURA TRANSPORTISTA, S.L.	40.00	40.00	40.00	40.00	BADAJOS (SPAIN)	TRANSMISSION AND STORAGE OF GAS	KPMG AUDITORES
GAS Y ELECTRICIDAD GENERACIÓN, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BALEARIC ISLANDS (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
GASATACAMA CHILE, S.A.	99.95	18.18	99.95	18.18	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	ERNST & YOUNG
GASIFICADORA REGIONAL CANARIA, S.A.	65.00	65.00	65.00	65.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	DISTRIBUTION OF PIPED GAS	KPMG AUDITORES

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GASODUCTO ATACAMA ARGENTINA, S.A.	99.97	18.18	99.97	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GASODUCTO TALTAL, S.A.	100.00	18.18	100.00	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GENERALIMA, S.A.	100.00	100.00	100.00	100.00	LIMA (PERÚ)	HOLDING COMPANY	KPMG AUDITORES
GENERANDES PERÚ, S.A.	61.00	22.18	61.00	22.18	LIMA (PERÚ)	HOLDING COMPANY	KPMG AUDITORES
GESA GAS, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BALEARIC ISLANDS (SPAIN)	DISTRIBUTION OF PIPED GAS	KPMG AUDITORES
GREEN ENERGY LTD.	80.00	40.01	80.00	40.01	SVILENGRANT (BULGARIA)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GRESAISE, S.A. DE C.V.	99.99	99.99	99.99	99.99	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	KPMG AUDITORES
GUADARRANQUE SOLAR 1, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 2, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 3, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 4, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 6, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 7, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 8, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 9, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 10, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 11, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 12, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 13, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 14, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 15, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 16, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 17, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 18, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GUADARRANQUE SOLAR 19, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
HÍDRICAS DE VISEU, S.A.	100.00	66.50	100.00	66.50	MAIA (PORTUGAL)	MINI-HYDROELECTRIC PLANT	—
HIDROELÉCTRICA DE CATALUNYA, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
HIDROELÉCTRICA DEL SERRADÓ, S.L. (Solely-Owned Company)	—	—	100.00	100.00	BARCELONA (SPAIN)	MANAGEMENT OF MINI- HYDROELECTRIC PLANTS	—
HIDROELÉCTRICA EL CHOCÓN, S.A.	67.67	23.77	67.67	23.77	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
HIDROFLAMICELL, S.L.	75.00	75.00	75.00	75.00	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND SALE	—
HIDROINVEST, S.A.	96.09	34.94	96.09	34.94	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
HIDRORIBEIRA - EMPREENDIMENTOS HÍDRICOS E EÓLICOS, LDA.	100.00	50.00	100.00	50.00	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG AUDITORES
HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L.	51.00	51.00	51.00	51.00	BADAJOS (SPAIN)	CONSTRUCTION, DEVELOPMENT AND OPERATION OF PV SOLAR FARMS	—
HISPANO-HELLINIKI AIOLIKI TRIKORFA, S.A.	50.00	25.01	50.00	25.01	ATHENS (GREECE)	CONSTRUCTION AND OPERATION OF WIND FARMS	KPMG - GRANT THORNTON
HYDRIA ENERGIKI, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
HYDROHOOS ENERGIKI, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON

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INFRAESTRUCTURAS DE ALDEHUELAS, S.A.	60.82	28.89	60.82	28.89	SORIA (SPAIN)	CONSTRUCTION, OPERATION AND MAINTENANCE OF ELECTRICAL SUBSTATIONS	BDO AUDIBERIA
INGENDESA DO BRASIL LTDA.	100.00	36.36	100.00	36.36	RÍO DE JANEIRO (BRAZIL)	PROJECT ENGINEERING CONSULTING SERVICES	KPMG AUDITORES
INICIATIVAS DE GAS, S.L.	40.00	40.00	40.00	40.00	MADRID (SPAIN)	NATURAL GAS-RELATED ACTIVITIES	—
INMOBILIARIA MANSO DE VELASCO LTDA.	100.00	60.62	100.00	60.62	SANTIAGO DE CHILE (CHILE)	CONSTRUCTION WORK	DELOITTE
INTERNATIONAL ENDESA B.V.	100.00	100.00	100.00	100.00	AMSTERDAM (NETHERLANDS)	INTERNATIONAL FINANCIAL TRANSACTIONS	KPMG AUDITORES
INVERSIONES CODENSA, S.A.	99.70	39.72	99.70	42.90	BOGOTÁ (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES	DELOITTE
INVERSIONES DISTRILIMA, S.A.	100.00	74.47	86.14	63.89	LIMA (PERÚ)	HOLDING COMPANY	DELOITTE
INVERSIONES ENDESA NORTE, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	INVESTMENT IN ENERGY PROJECTS IN NORTHERN CHILE	ERNST & YOUNG
INVERSIONES GASATACAMA HOLDING LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
INVERSORA CODENSA LTDA. U	100.00	39.84	100.00	43.03	BOGOTÁ (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES	—
INVESTLUZ, S.A.	100.00	58.07	100.00	58.68	CEARA (BRAZIL)	HOLDING COMPANY	DELOITTE
ITALAISE, S.A. DE C.V.	99.99	99.99	99.99	99.99	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	KPMG AUDITORES
JOINT VENTURE FOTOVOLTAIKI - VOULGARAKIS EPE	70.00	35.01	70.00	35.01	ATHENS (GREECE)	SOLAR POWER	—
LUZ ANDES LTDA.	100.00	60.07	100.00	60.07	SANTIAGO DE CHILE (CHILE)	TRANSPORT, DISTRIBUTION AND SALE OF ENERGY AND FUELS	PKF AUDITORES—DELOITTE
MAKRINOROS, S.A.	50.00	25.01	50.00	25.01	ATHENS (GREECE)	CONSTRUCTION AND OPERATION OF WIND FARMS	KPMG - GRANT THORNTON
MATARÓ TRACTAMENT TÈRMIC EFICIENT, S.A. (in liquidation)	80.00	68.00	80.00	68.00	BARCELONA (SPAIN)	ENVIRONMENTAL REMEDIATION	KPMG AUDITORES
MEDIDAS AMBIENTALES, S.L.	50.00	25.00	50.00	25.00	BURGOS (SPAIN)	ENVIRONMENTAL STUDIES AND REPORTS	—
METKA AIOLIKA PLATANÓY, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	DEVELOPMENT, CONSTRUCTION AND OPERATION OF WIND FARMS	KPMG - GRANT THORNTON
MICASE, S.A. DE C.V.	51.00	51.00	51.00	51.00	MEXICO CITY (MEXICO)	COMBINED HEAT AND POWER	KPMG AUDITORES
MIKROI HYDROELEKTRIKOI STATHMOI PELOPONNISOU, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
MINAS DE ESTERCUEL, S.A.	99.65	99.56	99.65	99.56	MADRID (SPAIN)	MINERAL DEPOSITS	—
MINAS GARGALLO, S.L.	99.91	99.91	99.91	99.91	MADRID (SPAIN)	MINERAL DEPOSITS	—
MINAS Y FERROCARRIL DE UTRILLAS, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	BARCELONA (SPAIN)	MINERAL DEPOSITS	KPMG AUDITORES
MYHS KASTANOTIKO, S.A.	100.00	47.30	100.00	47.30	ATHENS (GREECE)	CONSTRUCTION AND OPERATION OF A MINI-HYDROELECTRIC PLANT	KPMG - GRANT THORNTON
MYHS POUGAKIA, S.A.	100.00	47.56	100.00	47.56	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
MYTILHNAIOS AIOLIKH ENERGEIAKH ELLADOS, S.A.	80.00	40.01	80.00	40.01	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
MYTILHNAIOS AIOLIKI NEAPOLEOS, S.A.	100.00	40.11	100.00	40.11	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG - GRANT THORNTON
NUBIA 2000, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY PRODUCTION	—
NUCLENOR, S.A.	50.00	50.00	50.00	50.00	BURGOS (SPAIN)	NUCLEAR POWER PRODUCTION	DELOITTE
NUEVA COMPAÑÍA DE DISTRIBUCIÓN ELÉCTRICA 4, S.L. (Solely-Owned Company)	100.00	100.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY DISTRIBUTION	—
NUEVA MARINA REAL ESTATE, S.L.	60.00	60.00	60.00	60.00	MADRID (SPAIN)	ADMINISTRATION, DEVELOPMENT AND CONSTRUCTION OF ALL MANNER OF PUBLIC OR PRIVATE WORKS	KPMG AUDITORES
PARAVENTO, S.L.	90.00	90.00	90.00	90.00	LUGO (SPAIN)	WIND POWER	—
PARQUE EÓLICO A. CAPELADA, A.I.E.	50.00	50.00	50.00	50.00	A CORUÑA (SPAIN)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO CARRETERA DE ARINAGA, S.A.	80.00	80.00	80.00	80.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO COSTA VICENTINA, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	—
PARQUE EÓLICO DE ARAGÓN, A.I.E.	80.00	80.00	80.00	80.00	ZARAGOZA (SPAIN)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO DE BARBANZA, S.A.	63.43	63.43	63.43	63.43	A CORUÑA (SPAIN)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO DE ENIX, S.A.	95.00	95.00	95.00	95.00	SEVILLE (SPAIN)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO DE GEVANCAS, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	KPMG AUDITORES

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PARQUE EÓLICO DE MANIQUE, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	—
PARQUE EÓLICO DE SANTA LUCÍA, S.A.	65.67	65.67	65.67	65.67	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO DO ALTO DA VACA, LDA.	75.00	75.00	75.00	75.00	PORTO (PORTUGAL)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO DO OUTEIRO, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	—
PARQUE EÓLICO DO VALE DO ABADE, LDA.	51.00	51.00	51.00	51.00	PORTO (PORTUGAL)	WIND POWER	KPMG AUDITORES
PARQUE EÓLICO DOS FIÉS, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	WIND POWER	—
PARQUE EÓLICO FINCA DE MOGÁN, S.A.	90.00	90.00	90.00	90.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	CONSTRUCTION AND OPERATION OF A WIND FARM IN ARICO	KPMG AUDITORES
PARQUE EÓLICO MOINHOS DO CÉU, S.A.	100.00	50.00	100.00	50.00	PORTO (PORTUGAL)	DEVELOPMENT AND EXECUTION OF RENEWABLE ENERGY PROJECTS	ERNST & YOUNG
PARQUE EÓLICO MONTES DE LAS NAVAS, S.A.	55.50	55.50	55.50	55.50	MADRID (SPAIN)	CONSTRUCTION, OPERATION AND MANAGEMENT OF WIND FARMS	KPMG AUDITORES
PARQUE EÓLICO PUNTA DE TENO, S.A.	52.00	52.00	52.00	52.00	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	KPMG AUDITORES
PARQUE EÓLICO SERRA DA CAPUCHA, S.A.	100.00	75.00	100.00	75.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
PARQUE FOTOVOLTAICO ARICOUTE I, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE II, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE III, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE IV, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE V, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE VI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE VII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE VIII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE IX, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE X, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO ARICOUTE XI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO I, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO II, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO III, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO IV, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO V, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO VI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO VII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO VIII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO IX, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO X, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO BAJIO XI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE I, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE II, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—

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PARQUE FOTOVOLTAICO EL GUANCHE III, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE IV, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE V, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE VI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE VII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE VIII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE IX, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE X, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO EL GUANCHE XI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO I, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO II, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO III, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO IV, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO V, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO VI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO VII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO VIII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO IX, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO X, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO LLANO DELGADO XI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO I, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO II, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO III, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO IV, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO V, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO VI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO VII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO VIII, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO IX, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO X, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PARQUE FOTOVOLTAICO TABLERO XI, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
PEGOP - ENERGÍA ELÉCTRICA, S.A.	50.00	50.00	50.00	50.00	ABRANTES (PORTUGAL)	OPERATION OF THE PEGO POWER PLANT	KPMG AUDITORES
PEREDA POWER, S.L.	70.00	70.00	70.00	70.00	MIERES (SPAIN)	ELECTRICITY PRODUCTION	—
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A.	50.00	20.00	50.00	20.00	MADRID (SPAIN)	OIL AND GAS BUSINESS ACTIVITIES	DELOITTE



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PLANTA EÓLICA EUROPEA, S.A.	56.12	56.12	56.12	56.12	SEVILLE (SPAIN)	WIND POWER	KPMG AUDITORES
PP - CO-GERAÇÃO, S.A.	100.00	50.00	100.00	50.00	S. PAIO DE OLEIROS (PORTUGAL)	COMBINED HEAT AND POWER ELECTRICITY PRODUCTION	ERNST & YOUNG
PRINTEREL, S.L. (in liquidation)	39.00	39.00	39.00	39.00	BARCELONA (SPAIN)	CONSTRUCTION AND OPERATION OF A COMBINED HEAT AND POWER PLANT	—
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE I, S.A. (Solely-Owned Company)	100.00	100.00	75.00	75.00	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	KPMG AUDITORES
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE, S.A.	85.00	85.00	85.00	85.00	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	KPMG AUDITORES
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES II, S.A.	75.00	75.00	75.00	75.00	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	—
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES III, S.A.	75.00	75.00	—	—	VALLADOLID (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	—
PROGAS, S.A.	100.00	18.18	100.00	18.18	SANTIAGO DE CHILE (CHILE)	GAS DISTRIBUTION	ERNST & YOUNG
PROPASE, S.A. (in liquidation)	94.99	94.99	94.99	94.99	BOGOTÁ (COLOMBIA)	PRODUCTION, PURCHASE, SALE AND RETAILING OF POWER	DELOITTE
PROYECTOS EÓLICOS VALENCIANOS, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	VALENCIA (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
SACME, S.A.	50.00	22.93	50.00	22.93	BUENOS AIRES (ARGENTINA)	ELECTRICITY SYSTEM OVERSIGHT AND CONTROL	ESTUDIO ALONSO HIDALGO Y ASOCIADOS
SALTO DE SAN RAFAEL, S.L.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	MINI-HYDROELECTRIC PLANTS	ARNAUDIT
SALTOS DEL NANSÁ I, S.A. (Solely-Owned Company)	—	—	100.00	100.00	CANTABRIA (SPAIN)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	—
SALTOS Y CENTRALES DE CATALUNYA, S.A. (Solely-Owned Company)	—	—	100.00	100.00	BARCELONA (SPAIN)	OPERATION OF HYDROELECTRIC FACILITIES	—
SEALVE - SOCIEDADE ELÉCTRICA DE ALVAÍZERE, S.A.	100.00	100.00	100.00	100.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
SERE - SOCIEDADE EXPLORADORA DE RECURSOS ELÉCTRICOS, S.A.	—	—	100.00	100.00	PORTO (PORTUGAL)	ELECTRICITY PRODUCTION	—
SISCONER - EXPLORAÇÃO DE SISTEMAS DE CONVERSAO DE ENERGIA, LDA.	55.00	55.00	55.00	55.00	PORTO (PORTUGAL)	WIND FARM	KPMG AUDITORES
SOCIEDAD AGRÍCOLA DE CAMEROS LTDA.	57.50	34.86	57.50	34.86	SANTIAGO DE CHILE (CHILE)	FINANCIAL INVESTMENT	DELOITTE
SOCIEDAD AGRÍCOLA PASTOS VERDES LTDA.	55.00	33.34	55.00	33.34	SANTIAGO DE CHILE (CHILE)	FINANCIAL INVESTMENT	DELOITTE
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN, S.A.	100.00	36.36	100.00	36.36	SANTIAGO DE CHILE (CHILE)	DESIGN, CONSTRUCTION AND OPERATION OF THE EL MELÓN TUNNEL	KPMG AUDITORES
SOCIEDAD CONSORCIO INGENDESA-ARA LIMITADA	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	PROVISION OF ENGINEERING SERVICES	KPMG AUDITORES
SOCIEDAD EÓLICA EL PUNTAL, S.L.	50.00	50.00	—	—	SEVILLE (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF WIND FARMS	—
SOCIEDAD EÓLICA LOS LANCES, S.A.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	WIND-POWERED FACILITIES	KPMG AUDITORES
SOCIEDAD INVERSORA DOCK SUD, S.A.	57.14	57.14	57.14	57.14	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	DELOITTE
SOCIEDAD PORTUARIA CENTRAL CARTAGENA, S.A.	99.85	31.75	—	—	BOGOTÁ (COLOMBIA)	PORT-RELATED SERVICES	DELOITTE
SODESA - COMERCIALIZAÇÃO DE ENERGIA ELECTRICA, S.A.	50.00	50.00	50.00	50.00	PORTO (PORTUGAL)	RETAILING OF ELECTRICITY AND SERVICES	DELOITTE
SOL DE MEDIA NOCHE FOTOVOLTAICA, S.L.	50.00	50.00	—	—	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
SOTERNIX - PRODUÇÃO DE ENERGIA, A.C.E.	51.00	25.50	51.00	25.50	BARCELOS (PORTUGAL)	COMBINED HEAT AND POWER	KPMG AUDITORES
SOUTHERN CONE POWER ARGENTINA, S.A.	100.00	36.36	100.00	36.36	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
SPIDER ENERGEIAKH, S.A.	100.00	50.01	100.00	50.01	ATHENS (GREECE)	COMBINED HEAT AND POWER	KPMG - GRANT THORNTON
SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A.	33.50	33.50	33.50	33.50	CÁDIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
SUMINISTRO DE LUZ Y FUERZA, S.L.	60.00	60.00	60.00	60.00	GIRONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	KPMG AUDITORES
SYNAPSIS ARGENTINA LTDA.	100.00	60.62	100.00	60.62	BUENOS AIRES (ARGENTINA)	IT SERVICES	DELOITTE
SYNAPSIS BRASIL LTDA.	100.00	60.62	100.00	60.62	RÍO DE JANEIRO (BRASIL)	IT SERVICES	DELOITTE



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SYNAPSIS COLOMBIA LTDA.	100.00	60.62	100.00	60.62	BOGOTÁ (COLOMBIA)	IT SERVICES	DELOITTE
SYNAPSIS PERÚ LTDA.	100.00	60.62	100.00	60.62	LIMA (PERÚ)	IT AND TELECOMMUNICATIONS SERVICES AND PRODUCTS	DELOITTE
SYNAPSIS SOLUCIONES Y SERVICIOS IT LTDA.	100.00	60.62	100.00	60.62	SANTIAGO DE CHILE (CHILE)	SUPPLY AND MARKETING OF IT SERVICES AND EQUIPMENT	DELOITTE
TEJO ENERGIA, PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELECTRICA, S.A.	38.89	38.89	38.89	38.89	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
TENEGUÍA GESTIÓN FINANCIERA 1, S.L.	—	—	100.00	100.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	FINANCIAL INVESTMENT	—
TENEGUÍA GESTIÓN FINANCIERA, S.L. (Solely-Owned Company)	—	—	100.00	100.00	SANTA CRUZ DE TENERIFE (SPAIN)	INVESTMENT AND FINANCIAL SERVICES	—
THESSALIKI ENERGIKI, S.A.	100.00	45.01	100.00	45.01	ATHENS (GREECE)	MINI-HYDROELECTRIC PLANT	KPMG - GRANT THORNTON
TOLEDO PV, A.E.I.E.	33.33	33.33	33.33	33.33	MADRID (ESPAÑA)	SOLAR PHOTOVOLTAIC PLANT	STEMPER
TP - SOCIEDADE TÉRMICA PORTUGUESA, S.A.	50.00	50.00	50.00	50.00	LISBOA (PORTUGAL)	COMBINED HEAT AND POWER	ERNST & YOUNG
TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA.	50.00	18.18	50.00	18.18	SANTIAGO DE CHILE (CHILE)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	DELOITTE
TRANSPORTADORA DE ENERGÍA, S.A.	100.00	59.74	100.00	60.51	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
TRANSPORTES Y DISTRIBUCIONES ELÉCTRICAS, S.A.	73.33	73.33	73.33	73.33	GIRONA (SPAIN)	ELECTRICITY TRANSMISSION	—
TRANSPORTISTA REGIONAL DE GAS, S.L.	50.00	50.00	50.00	50.00	VALLADOLID (SPAIN)	GAS INFRASTRUCTURE AND TRANSMISSION	KPMG AUDITORES
TRIEMA, S.A. (in liquidation)	55.00	55.00	55.00	55.00	BUENOS AIRES (ARGENTINA)	MARKETING OF COMMERCIAL MANAGEMENT SYSTEMS	—
UNELCO COGENERACIONES SANITARIAS DEL ARCHIPIÉLAGO, S.A. (Solely-Owned Company)	100.00	100.00	100.00	100.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A.(Solely-Owned Company)	100.00	100.00	100.00	100.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
UTE BIOGÁS GARRAF (ECYR Y CLP ENVIROGAS, S.L.)	50.00	50.00	50.00	50.00	BARCELONA (SPAIN)	ELECTRICITY GENERATION USING BIOGAS	KPMG AUDITORES
UTE CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A. - ENDESA INGENIERÍA, S.L.U.	50.00	50.00	50.00	50.00	SANTANDER (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
UTE CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A. - ENDESA INGENIERÍA, S.L.U. 2	50.00	50.00	50.00	50.00	SANTANDER (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
UTE ENDESA INGENIERÍA, S.L.U. - ETIME SEGURIDAD, S.A.	50.00	50.00	50.00	50.00	MADRID (SPAIN)	SUPPLY AND INSTALLATION OF SECURITY SYSTEMS	—
UTE ENDESA INGENIERÍA, S.L.U. - INDRA SISTEMAS, S.A.	51.00	51.00	51.00	51.00	SEVILLE (SPAIN)	WEB IT SERVICES	—
UTE HOSPITAL JUAN RAMÓN JIMÉNEZ	50.00	50.00	50.00	50.00	MADRID (SPAIN)	SOLAR POWER GENERATION	—
UTE INSTALACIONES INABENSA, S.A. - ENDESA INGENIERÍA, S.L.U.	50.00	50.00	50.00	50.00	SEVILLE (SPAIN)	CONSTRUCTION OF ELECTRICAL INSTALLATIONS	—
UTE LA FRESNADILLA	50.00	50.00	—	—	SANTANDER (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
UTE SAT 357-05 ACEVEDO REID SOCIEDAD AGRARIA DE TRANSFORMAC. - ENDESA INGENIERÍA, S.L.U.	50.00	50.00	—	—	SANTA CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	—
VENTOMINHO ENERGIAS RENOVAVEIS, S.A.	84.99	31.87	84.99	31.87	ESPOSENDE (PORTUGAL)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	LAMPREIA E VIÇOSO SROC, S.A./ KPMG
YHS PEONIAS, S.A.	62.50	28.13	62.50	28.13	ATHENS (GREECE)	MINI-HYDROELECTRIC PLANT	KPMG - GRANT THORNTON

## APPENDIX II: ASSOCIATES

Company (In alphabetical order)	% ownership at 31/12/2009		% ownership at 31/12/2008		Registered offices	Activity	Auditor
	% of voting rights held	% ownership	% of voting rights held	% ownership			
APLICAÇÕES HIDROELECTRICAS DA BEIRA ALTA, LTDA.	35.71	35.71	35.71	35.71	VEISEU (PORTUGAL)	HYDROELECTRIC POWER	ERNST & YOUNG
ASANEFI, A.I.E.	—	—	42.50	42.50	BARCELONA (SPAIN)	OPERATION OF A COMBINED HEAT AND POWER PLANT	—
CALIZAS ELYCAR, S.L.	25.00	25.00	25.00	25.00	HUESCA (SPAIN)	OPERATION OF A COMBINED HEAT AND POWER PLANT	—
CENTRAL HIDRÁULICA GÜEJAR-SIERRA, S.L.	33.30	33.30	33.30	33.30	SEVILLE (SPAIN)	MANAGEMENT OF HYDROELECTRIC PLANTS	GATT AUDITORES
CENTRAL HIDROELÉCTRICA CASILLAS, S.A.	49.00	49.00	49.00	49.00	SEVILLE (SPAIN)	MANAGEMENT OF MINI-HYDROELECTRIC PLANTS	—
CENTRAL TÉRMICA DE ANLLARES, A.I.E.	33.33	33.33	33.33	33.33	MADRID (SPAIN)	MANAGEMENT OF THE ANLLARES FOSSIL FUEL PLANT	DELOITTE
CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E.	24.26	23.92	24.26	23.92	MADRID (SPAIN)	MANAGEMENT OF THE ALMARAZ AND TRILLO NUCLEAR PLANTS	DELOITTE
COGENERACIÓN EL SALTO, S.L.	20.00	20.00	20.00	20.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
COGENERACIÓN HOSTALRICH, A.I.E.	—	—	33.00	33.00	GIRONA (SPAIN)	COMBINED HEAT AND POWER	—
COGENERACIÓN LIPSA, S.L.	20.00	20.00	20.00	20.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	KPMG AUDITORES
COMPAÑÍA EÓLICA TIERRAS ALTAS, S.A.	35.63	35.63	35.63	35.63	SORIA (SPAIN)	OPERATION OF WIND FARMS	KPMG AUDITORES
COMPAÑÍA TRANSPORTISTA DE GAS DE CANARIAS, S.A.	47.18	47.18	45.00	45.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	NATURAL GAS OPERATIONS IN THE CANARY ISLANDS	DELOITTE
CONSORCIO ARA INGENDESA SENER LIMITADA	33.33	12.12	33.33	12.12	SANTIAGO DE CHILE (CHILE)	EXECUTION AND FULFILMENT OF THE BASIC ENGINEERING CONTRACT FOR THE MAIPU LINE	KPMG AUDITORES
CORELCAT, A.I.E.	—	—	45.00	45.00	LLEIDA (SPAIN)	COMBINED HEAT AND POWER	—
CORPORACIÓN EÓLICA DE ZARAGOZA, S.L.	25.00	25.00	25.00	25.00	ZARAGOZA (SPAIN)	RENEWABLE ENERGIES	PRICEWATERHOUSE-COOPERS
ELCOGAS, S.A.	40.87	40.87	40.87	40.87	PUERTOLLANO (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
ELÉCTRICA DE JAFRE, S.A.	47.46	47.46	47.46	47.46	GIRONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	RCM AUDITORES
ENERGÍA DE LA LOMA, S.A.	40.00	40.00	40.00	40.00	JAEN (SPAIN)	BIOMASS	KPMG AUDITORES
ENSAFECA HOLDING EMPRESARIAL, S.L.	32.43	32.43	32.43	32.43	BARCELONA (SPAIN)	TELECOMMUNICATIONS SERVICES	—
EÓLICA DEL PRINCIPADO, S.A.	40.00	40.00	40.00	40.00	OVIEDO (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
EÓLICAS DE FUERTEVENTURA, A.I.E.	40.00	40.00	40.00	40.00	FUERTEVENTURA - LAS PALMAS (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE LANZAROTE, S. L.	40.00	40.00	40.00	40.00	LAS PALMAS DE GRAN CANARIA (SPAIN)	ELECTRICITY PRODUCTION, DISTRIBUTION AND SUPPLY	KPMG AUDITORES
ERCETESA, S.A.	35.00	35.00	35.00	35.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
ERECOSALZ, S.L.	33.00	33.00	33.00	33.00	ZARAGOZA (SPAIN)	COMBINED HEAT AND POWER	—
FENERALT - PRODUÇÃO DE ENERGIA, A.C.E.	25.00	12.50	25.00	12.50	BARCELOS (PORTUGAL)	ELECTRICITY PRODUCTION	KPMG AUDITORES
FORANETO, S.L.	—	—	25.00	25.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
FOREL, S.L.	—	—	40.00	40.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
FORSEAN, S.L.	—	—	30.00	30.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
FTHIOTIKI ENERGIKI, S.A.	35.00	15.75	35.00	15.75	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
GAROFICA, S.A.	27.00	27.00	27.00	27.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	GRUPO BARCINO AUDITORS
GNL CHILE, S.A.	33.33	12.12	33.33	12.12	SANTIAGO DE CHILE (CHILE)	PROMOTE PROJECT TO SUPPLY LIQUEFIED GAS	ERNST & YOUNG
GNL QUINTERO, S.A.	20.00	7.27	20.00	7.27	SANTIAGO DE CHILE (CHILE)	DESIGN, DEVELOPMENT AND SUPPLY OF A LIQUEFIED NATURAL GAS REGASIFICATION TERMINAL	ERNST & YOUNG
GORONA DEL VIENTO EL HIERRO, S.A.	30.00	30.00	30.00	30.00	SANTA CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND MAINTENANCE OF THE EL HIERRO POWER PLANT	UNIONAUDIT J.Y.E. SOCIEDAD LIMITADA
GREEN FUEL CORPORACION, S.A.	25.34	25.34	25.34	25.34	SANTANDER (SPAIN)	PRODUCTION, SALE AND DISTRIBUTION OF BIOFUELS	—
HIDROELÉCTRICA DE OUROL, S.L.	30.00	30.00	30.00	30.00	LUGO (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	KPMG AUDITORES
HIDROELÉCTRICA DEL PIEDRA, S.L.	25.00	25.00	25.00	25.00	ZARAGOZA (SPAIN)	ELECTRICITY PRODUCTION AND SALE	—

Company (In alphabetical order)	% ownership at 31/12/2009		% ownership at 31/12/2008		Registered offices	Activity	Auditor
	% of voting rights held	% ownership	% of voting rights held	% ownership			
INVERSIONES ELECTROGAS, S.A.	42.50	15.45	42.50	15.45	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	KPMG AUDITORES
IONIA ENERGIAKI, S.A.	49.00	24.50	49.00	24.50	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
KONECTA CHILE, S.A.	26.20	15.88	26.20	15.88	SANTIAGO DE CHILE (CHILE)	SERVICES	KPMG AUDITORES
KROMSCHROEDER, S.A.	27.93	27.93	27.93	27.93	BARCELONA (SPAIN)	METER-READING EQUIPMENT	MAZARS
LA PEREDA CO2, A.I.E.	33.33	33.33	—	—	OVIEDO (SPAIN)	CO2 CAPTURE TECHNOLOGIES	—
MINICENTRALES DEL CANAL IMPERIAL- GALLUR, S.L.	36.50	36.50	36.50	36.50	ZARAGOZA (SPAIN)	MINI-HYDROELECTRIC PLANT	—
MYHS THERMOREMA, S.A.	40.00	20.00	40.00	20.00	ATHENS (GREECE)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	—
NEINVER BOLONIA, S.L.	—	—	45.00	45.00	MADRID (SPAIN)	URBAN DEVELOPMENT	—
OXAGESA, A.I.E.	33.33	33.33	33.33	33.33	TERUEL (SPAIN)	COMBINED HEAT AND POWER PLANT	—
PARC EOLIC ELS ALIGARS, S.L.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
PARC EOLIC LA TOSSA-LA MOLA D'EN PASCUAL, S.L.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	DEVELOPMENT OF WIND FARMS	—
PARQUE EÓLICO SIERRA DEL MADERO, S.A.	48.00	48.00	48.00	48.00	SORIA (SPAIN)	WIND FARMS	KPMG AUDITORES
POWER CER - SOCIEDADE DE COGERAÇÃO DE VIALONGA, S.A.	30.00	30.00	30.00	30.00	BUCELAS (PORTUGAL)	COMBINED HEAT AND POWER PRODUCTION	DELOITTE
PRODUCTORA DE ENERGÍAS, S.A.	30.00	30.00	30.00	30.00	BARCELONA (SPAIN)	MINI-HYDROELECTRIC PLANTS	—
PROYECTO ALMERÍA MEDITERRÁNEO, S.A.	45.00	45.00	45.00	45.00	ALMERÍA (SPAIN)	INSTALLATION OF SEAWATER DESALINATION PLANT	—
PUIGNEREL, A.I.E.	25.00	25.00	25.00	25.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER PLANT	—
REGASIFICADORA DEL NOROESTE, S.A.	21.00	21.00	21.00	21.00	A CORUÑA (SPAIN)	NATURAL GAS REGASIFICATION AND TRANSMISSION	DELOITTE
ROFEICA D'ENERGÍA, S.A.	27.00	27.00	27.00	27.00	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	GRUPO BARCINO AUDITORS
SADIEL TECNOLOGÍAS DE LA INFORMACIÓN, S.A.	37.50	37.50	37.50	37.50	SEVILLE (SPAIN)	TECHNOLOGIES, INFORMATION, ENGINEERING AND TRAINING	DELOITTE
SANTO ROSTRO COGENERACIÓN, S.A. (in liquidation)	45.00	45.00	45.00	45.00	SEVILLE (SPAIN)	COMBINED HEAT AND POWER	—
SATI COGENERACIÓN, A.I.E.	27.50	27.50	27.50	27.50	BARCELONA (SPAIN)	COMBINED HEAT AND POWER	—
SERRA DO MONCOSO CAMBAS, S.L.	49.04	49.04	49.04	49.04	A CORUÑA (SPAIN)	INSTALLATION, MAINTENANCE AND OPERATION OF WIND FARMS	KPMG AUDITORES
SISTEMAS ENERGÉTICOS LA MUELA, S.A.	30.00	30.00	30.00	30.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
SISTEMAS ENERGÉTICOS MÁS GARULLO, S.A.	27.00	27.00	27.00	27.00	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
SISTEMAS SEC, S.A.	49.00	29.71	49.00	29.71	SANTIAGO DE CHILE (CHILE)	PROVISION OF SIGNALLING, ELECTRIFICATION AND COMMUNICATIONS SYSTEMS	DELOITTE
SOCIEDAD EÓLICA DE ANDALUCÍA, S.A.	46.67	46.67	46.67	46.67	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION	ERNST & YOUNG
TECNATOM, S.A.	45.00	45.00	45.00	45.00	MADRID (SPAIN)	SERVICES TO ELECTRICITY PRODUCTION FACILITIES	ERNST & YOUNG
TERMOELÉCTRICA JOSÉ DE SAN MARTÍN, S.A.	26.18	7.17	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	ERNST & YOUNG
TERMOELÉCTRICA MANUEL BELGRANO, S.A.	26.18	7.17	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	DELOITTE
TERMOTEC ENERGÍA, A.I.E.	45.00	45.00	45.00	45.00	VALENCIA (SPAIN)	COMBINED HEAT AND POWER	—
TIRME, S.A.	40.00	40.00	40.00	40.00	BALEARIC ISLANDS (SPAIN)	SOLID WASTE TREATMENT	KPMG AUDITORES
URGELL ENERGÍA, S.A.	27.00	27.00	27.00	27.00	LLEIDA (SPAIN)	COMBINED HEAT AND POWER	PRICEWATERHOUSE- COOPERS
YACYLEC, S.A.	22.22	22.22	22.22	22.22	BUENOS AIRES (ARGENTINA)	ELECTRICITY TRANSMISSION	PISTRELLI, HENRY MARTIN & ASOCIADOS, SRL.
YEDESA-COGENERACIÓN, S.A.	40.00	40.00	40.00	40.00	ALMERÍA (SPAIN)	COMBINED HEAT AND POWER	—

**APPENDIX III: CHANGES IN THE CONSOLIDATED GROUP**
**The Endesa Group: companies consolidated for the first time in 2009**

Company	Date of inclusion	% ownership at 31 December 2009			% ownership at 31 December 2008		
		% of voting rights held	% ownership	Consolidation method	% of voting rights held	% ownership	Consolidation method
ENDESA IRELAND LTD.	08/01/2009	100.00	100.00	FC	—	—	—
ENDESA XXI COMERCIALIZAÇÃO DE ENERGIA, S.A.	28/01/2009	100.00	100.00	FC	—	—	—
DISTRIBUIDORA ELÉCTRICA DE CUNDINAMARCA, S.A. E.S.P.	11/02/2009	49.00	19.52	PC	—	—	—
UTE SAT 357-05 ACEVEDO REID SOCIEDAD AGRARIA DE TRANSFORMAC. - ENDESA INGENIERÍA, S.L.U.	18/02/2009	50.00	50.00	PC	—	—	—
EMPRESA DE ENERGÍA DE CUNDINAMARCA, S.A. E.S.P.	13/03/2009	82.34	16.07	PC	—	—	—
ASOLEO, S.L.	24/03/2009	50.01	50.01	FC	—	—	—
EÓLICA DE LA CUENCA CENTRAL ASTURIANA, S.L. (Solely-Owned Company)	30/03/2009	100.00	100.00	FC	—	—	—
UTE LA FRESNADILLA	29/06/2009	50.00	50.00	PC	—	—	—
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES III, S.A.	15/09/2009	75.00	75.00	FC	—	—	—
EÓLICA FAZENDA NOVA - GERAÇÃO E COMERCIALIZAÇÃO DE ENERGIA, S.A.	16/09/2009	99.95	59.71	FC	—	—	—
AQUILAE SOLAR, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
CEFEIDAS DESARROLLO SOLAR, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
CEPHEI DESARROLLO SOLAR, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
DESARROLLO PHOTOSOLAR, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
FOTOVOLTAICA INSULAR, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE I, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE II, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE III, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE IV, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE V, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE VI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE VII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE VIII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE IX, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE X, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO ARICOUTE XI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO I, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO II, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO III, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO IV, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO V, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO VI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO VII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO VIII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO IX, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO X, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO BAJIO XI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE I, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE II, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE III, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE IV, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE V, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE VI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE VII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE VIII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE IX, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE X, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO EL GUANCHE XI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO I, S.L.	28/09/2009	50.00	50.00	PC	—	—	—

## The Endesa Group: companies consolidated for the first time in 2009

Company	Date of inclusion	% ownership at 31 December 2009			% ownership at 31 December 2008		
		% of voting rights held	% ownership	Consolidation method	% of voting rights held	% ownership	Consolidation method
PARQUE FOTOVOLTAICO LLANO DELGADO II, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO III, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO IV, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO V, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO VI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO VII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO VIII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO IX, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO X, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO LLANO DELGADO XI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO I, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO II, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO III, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO IV, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO V, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO VI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO VII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO VIII, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO IX, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO X, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
PARQUE FOTOVOLTAICO TABLERO XI, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
SOL DE MEDIA NOCHE FOTOVOLTAICA, S.L.	28/09/2009	50.00	50.00	PC	—	—	—
SOCIEDAD PORTUARIA CENTRAL CARTAGENA, S.A.	18/11/2009	99.85	31.75	FC	—	—	—
SOCIEDAD EÓLICA EL PUNTAL, S.L.	25/11/2009	50.00	50.00	PC	—	—	—

FC: Full consolidation; PC: Proportional consolidation

## APPENDIX III: CHANGES IN THE CONSOLIDATED GROUP

## The Endesa Group: companies no longer consolidated in 2009

Company	% ownership at 31 December 2009			% ownership at 31 December 2008		
	% of voting rights held	% ownership	Consol. method	% of voting rights held	% ownership	Consol. method
PARQUE EÓLICO COSTA VICENTINA, S.A.	—	—	—	100.00	100.00	FC
EMPREENDIMENTOS EÓLICOS DO VERDE HORIZONTE, S.A.	—	—	—	100.00	100.00	FC
EMPREENDIMENTOS EÓLICOS DE RIBABELIDE, S.A.	—	—	—	100.00	100.00	FC
HIDROELÉCTRICA DEL SERRADÓ, S.L. (Solely-Owned Company)	—	—	—	100.00	100.00	FC
SALTOS DEL NANSÁ I, S.A. (Solely-Owned Company)	—	—	—	100.00	100.00	FC
SALTOS Y CENTRALES DE CATALUNYA, S.A. (Solely-Owned Company)	—	—	—	100.00	100.00	FC
PARQUE EÓLICO DOS FIÉIS, S.A.	—	—	—	100.00	100.00	FC
PARQUE EÓLICO DO OUTEIRO, S.A.	—	—	—	100.00	100.00	FC
EÓLICAS DO MARAO - PRODUÇÃO DE ENERGIA, S.A.	—	—	—	100.00	100.00	FC
SERE - SOCIEDADE EXPLORADORA DE RECURSOS ELÉCTRICOS, S.A.	—	—	—	100.00	100.00	FC
PARQUE EÓLICO DE MANIQUE, S.A.	—	—	—	100.00	100.00	FC
EMPREENDIMENTO EÓLICO DA RAIA, S.A.	—	—	—	100.00	100.00	FC
EMPREENDIMENTOS EÓLICOS DE PRACANA, S.A.	—	—	—	100.00	100.00	FC
TENEGUÍA GESTIÓN FINANCIERA, S.L. (Solely-Owned Company)	—	—	—	100.00	100.00	FC
TENEGUÍA GESTIÓN FINANCIERA 1, S.L.	—	—	—	100.00	100.00	FC
ENDESA PARTICIPADAS, S.A. (Solely-Owned Company)	—	—	—	100.00	100.00	FC

FC: Full consolidationAPPENDIX III: CHANGES IN THE CONSOLIDATED GROU

### APPENDIX III: CHANGES IN THE CONSOLIDATED GROUP

#### The Endesa Group: changes in percentages of ownership of companies in 2009

Company	% ownership at 31 December 2009			% ownership at 31 December 2008		
	% of voting rights held	% ownership	Consol. method	% of voting rights held	% ownership	Consol. method
EMPREENDIMENTOS EÓLICOS DA ESPIGA, S.A.	100.00	37.50	PC	84.99	31.87	PC
CHINANGO, S.A.C.	80.00	18.17	FC	99.90	41.38	FC
AMPLA ENERGÍA E SERVIÇOS, S.A.	91.93	55.15	FC	91.93	55.51	FC
AMPLA INVESTIMENTOS E SERVIÇOS, S.A.	91.93	55.15	FC	91.93	55.51	FC
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA, S.A.	99.61	59.51	FC	99.61	60.27	FC
CENTRAL GERADORA TERMELÉTRICA FORTALEZA, S.A.	100.00	59.74	FC	100.00	60.51	FC
COMPANHIA ENERGÉTICA DO CEARÁ, S.A.	58.86	34.22	FC	58.86	34.58	FC
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA, S.A.	100.00	59.74	FC	100.00	60.51	FC
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR, S.A.	100.00	59.74	FC	100.00	60.51	FC
CODENSA, S.A. E.S.P.	48.48	39.84	FC	48.48	43.03	FC
EDEGEL, S.A.	83.60	22.71	FC	83.60	41.42	FC
EMGESA, S.A. E.S.P.	48.48	31.38	FC	48.48	34.58	FC
ENDESA BRASIL, S.A.	97.30	59.74	FC	97.30	60.51	FC
EN-BRASIL COMERCIO E SERVIÇOS, S.A.	99.99	59.74	FC	99.99	60.50	FC
INVERSIONES CODENSA, S.A.	99.70	39.72	FC	99.70	42.90	FC
INVERSORA CODENSA LTDA. U	100.00	39.84	FC	100.00	43.03	FC
INVESTLUZ, S.A.	100.00	58.07	FC	100.00	58.68	FC
TRANSPORTADORA DE ENERGÍA, S.A.	100.00	59.74	FC	100.00	60.51	FC
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE I, S.A. (Solely-Owned Company)	100.00	100.00	FC	75.00	75.00	FC
INVERSIONES DISTRILIMA, S.A.	100.00	74.47	FC	86.14	63.89	FC
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	75.68	53.04	FC	84.00	62.33	FC

FC: Full consolidation; PC Proportional integration

### APPENDIX III: CHANGES IN THE CONSOLIDATED GROUP

#### Associates: new associates, departures and changes in 2009

Company	% ownership at 31 December 2009		% ownership at 31 December 2008	
	% of voting rights held	% ownership	% of voting rights held	% ownership
<b>COMPANIES INCLUDED:</b>				
LA PEREDA CO2, A.I.E.	33.33	33.33	—	—
<b>COMPANIES EXCLUDED:</b>				
ASANEFI, A.I.E.	—	—	42.50	42.50
FOREL, S.L.	—	—	40.00	40.00
FORSEAN, S.L.	—	—	30.00	30.00
FORANETO, S.L.	—	—	25.00	25.00
CORELCAT, A.I.E.	—	—	45.00	45.00
COGENERACIÓN HOSTALRICH, A.I.E.	—	—	33.00	33.00
NEINVER BOLONIA, S.L.	—	—	45.00	45.00
<b>CHANGES:</b>				
COMPAÑÍA TRANSPORTISTA DE GAS DE CANARIAS, S.A.	47.18	47.18	45.00	45.00



# Endesa, S.A. and Subsidiaries

## 2009 DIRECTORS' REPORT

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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**01. ANALYSIS OF 2009****01.1. CONSOLIDATED PROFITS**

**ENDESA generated a net profit of Euros 3,430 million in 2009.**

The Endesa Group (hereinafter, "ENDESA" or the "Group") obtained a net profit of Euros 3,430 million in 2009.

This profit, earned under similar conditions, is 1.0% higher than that for 2008, which included the profit from the first half of 2008 and the capital gain of Euros 4,798 million, net of taxes and non-controlling interests, on the assets sold to E.On in June that year, whereas the profit for 2009 includes the net gain of Euros 1,035 million on the sale of assets to Acciona, S.A. (hereinafter, "Acciona").

The net profit for 2009 is 52.2% lower than that for the prior year.

The distribution of this profit between the different businesses and variation compared to the same period of the prior year are presented below:

<b>ENDESA's net profit for 2009</b>			
	Millions of Euros	% increase/(decrease) on 2008 (1)	% contribution to total net profit
Spain and Portugal	2,759	24.9	80.4
Latin America	671	32.6	19.6
<b>TOTAL</b>	<b>3,430</b>	<b>(52.2)</b>	<b>100.0</b>

(1) The profit for 2008 included Euros 4,454 million from discontinued operations from the European segment which were sold to E.On in June 2008.

**Electricity production and sales**

ENDESA's total electricity generation was 137,054 GWh in 2009, 8.5% lower than in 2008. A total of 169,966 GWh of electricity was sold, down 1.6%. Details of these figures by segments are shown below.

<b>Electricity production and sales in 2009</b>				
	Production		Sales	
	GWh	% increase/ (decrease) on 2008	GWh	% increase/ (decrease) on 2008
Spain and Portugal	74,287	(16.7)	106,221	(3.4)
Latin America	62,767	3.4	63,745	1.5
<b>TOTAL</b>	<b>137,054</b>	<b>(8.5)</b>	<b>169,966</b>	<b>(1.6)</b>

**The gross operating profit has increased (+4.8%), despite the decline in production and lower prices on wholesale markets**

Despite the drop in electricity generated, the Company's revenue and costs have risen due to higher sales margins for the reasons explained in detail in the analysis of each of the businesses. Revenue totalled Euros 25,692 million in 2009, representing an increase of 12.5%. Variable costs rose by 15.7% and fixed costs by 14.7%. The resulting gross operating profit (EBITDA) was Euros 7,228 million (up 4.8%).

Operating profit (EBIT) was Euros 5,052 million, a reduction of 3.5%. The decrease in EBIT compared to the growth in EBITDA is due to the Euros 515 million, 31.0%, rise in amortisation and depreciation charges, of which Euros 212 million are non-recurring.

Euros 494 million were obtained from synergies in 2009, achieving 113% of the set target. The main savings were Euros 164 million from improved distribution practices, Euros 157 million from better practices in production and fuels and the rest from systems and other areas such as support and general services.

Revenue, EBITDA and EBIT by businesses and compared to the prior year are detailed below.

	Revenue		EBITDA		EBIT	
	Millions of Euros	% increase/ (decrease) on 2008	Millions of Euros	% increase/ (decrease) on 2008	Millions of Euros	% increase/ (decrease) on 2008
Spain and Portugal	17,473	20.7	4,060	3.4	2,555	(9.6)
Latin America	8,219	(1.6)	3,168	6.7	2,497	3.7
<b>TOTAL</b>	<b>25,692</b>	<b>12.5</b>	<b>7,228</b>	<b>4.8</b>	<b>5,052</b>	<b>(3.5)</b>

### Net finance expense: Euros 984 million (-3.1%)

The Group incurred a financial loss of Euros 1,108 million in 2009, Euros 9 million higher than in 2008.

Net finance expenses totalled Euros 984 million, 3.1% lower than in 2008 and the Group incurred exchange losses of Euros 34 million in 2009 compared to exchange gains of Euros 7 million in 2008.

Net finance expenses were lower in 2009 compared to the prior year despite inclusion of Euros 197 million expense due to the rise in the present value of obligations under existing workforce restructuring plans, caused by reductions in interest rates during the year.

This higher expense has been offset by the 2.1 point drop in the average cost of the Group's borrowings and higher finance income recognised in 2009 for various Group receivables, including the tariff deficit and compensation for non-mainland electricity production.

### Gains on sales of assets: Euros 1,513 million

The Group made gains of Euros 1,513 million on sales of assets in 2009.

Pursuant to the agreement between Acciona and ENDESA dated 20 February 2009, ENDESA sold certain wind and hydroelectric generation assets in Spain and Portugal to Acciona for a total price of Euros 2,814 million. The assets sold represented a total installed capacity of 2,079 MW, of which 1,227 MW are wind production and 852 MW are hydroelectric production, of which 173 MW are under the special system.

ENDESA recognised a gross capital gain of Euros 1,229 million for this transaction.

In October 2009 ENDESA sold its 7.2% interest in Empresa Eléctrica de Bogota, S.A. (hereinafter, "EEB"). ENDESA recognised a gross capital gain of Euros 98 million on this sale.

In November 2009 ENDESA sold its consumer finance business in Colombia, Codensa Hogar of Codensa, S.A. E.S.P. (hereinafter, "Codensa") for Euros 197 million. A gross capital gain of Euros 17 million was recognised on the sale of this business (Euros 6 million after taxes and non-controlling interests).

### Cash flows generated: Euros 5,236 million

Cash flows from operating activities amounted to Euros 5,236 million in 2009, an increase of 0.4%.

Cash flows generated		
	Millions of Euros	% increase/(decrease) on 2008 (1)
Spain and Portugal	3,095	4.1
Latin America	2,141	9.0
<b>TOTAL</b>	<b>5,236</b>	<b>0.4</b>

(1) Cash flows generated in 2008 include Euros 276 million generated from the discontinued operations from the European segment which were sold to E.ON in June 2008.

### Investment of Euros 4,180 million

ENDESA's investment totalled Euros 4,180 million in 2009. Of that figure, Euros 3,493 million were invested in property, plant and equipment and intangible assets and Euros 687 million in financial assets.

Investments			
	Property, plant and equipment	Financial	Total
Spain and Portugal	2,403	569	2,972
Latin America	1,090	118	1,208
<b>TOTAL</b>	<b>3,493</b>	<b>687</b>	<b>4,180</b>

Of the total financial investments, Euros 444 million reflects ENDESA's acquisition of certain assets of the Irish Electricity Supply Board (ESB) on 8 January 2009. The assets awarded total 1,068 MW already on stream, in four locations, representing approximately 16% of the total installed capacity in Ireland.

### Financial position

ENDESA's net debt was Euros 18,544 million at 31 December 2009, an increase of Euros 4,541 million compared to 31 December 2008.

**Distribution by businesses of ENDESA's net debt**

Millions of Euros				
	31-12-09	31-12-08	Difference	% increase/ (decrease)
Business in Spain and Portugal	13,865	8,732	5,133	58.8
Business in Latin America	4,679	5,271	(592)	(11.2)
<i>Enersis Group</i>	4,191	4,260	(69)	(1.6)
<i>Other</i>	488	1,011	(523)	(51.7)
<b>TOTAL</b>	<b>18,544</b>	<b>14,003</b>	<b>4,541</b>	<b>32.4</b>

The increase in net debt is essentially due to the dividend payment of Euros 6,243 million on 16 March 2009, which included payment to shareholders of the full capital gain on the assets sold to E.On in June 2008.

When analysing ENDESA's debt, its accumulated balance receivable of Euros 6,898 million at 31 December 2009 for various items recognised in Spanish electricity regulations has to be considered; Euros 4,656 million for funding of the deficit in revenue from regulated activities and Euros 2,242 million for compensation of cost overruns from non-mainland production. In accordance with Royal Decree Law 6/2009, once the corresponding regulations are implemented, ENDESA will be able to transfer these receivables to a securitisation fund set up for that purpose.

Excluding the amounts recognised for these receivables, ENDESA's net debt is Euros 11,646 million at the end of December 2009.

The average cost of ENDESA's debt was 4.30% in 2009 and that of Enersis Group debt was 7.3%. Excluding that group's debt, the average cost of ENDESA's debt would be 3.3% in 2009.

**Structure of ENDESA's net debt**

	ENDESA and direct subsidiaries		Enersis Group		Total ENDESA Group	
	Millions of Euros	% of total	Millions of Euros	% of total	Millions of Euros	% of total
Euro	14,275	99	—	—	14,275	77
US Dollar	62	1	1,517	36	1,579	9
Other currencies	16	—	2,674	64	2,690	14
<b>TOTAL</b>	<b>14,353</b>	<b>100</b>	<b>4,191</b>	<b>100</b>	<b>18,544</b>	<b>100</b>
Fixed	4,825	34	1,780	42	6,605	36
Protected	1,563	11	29	1	1,592	8
Floating	7,965	55	2,382	57	10,347	56
<b>TOTAL</b>	<b>14,353</b>	<b>100</b>	<b>4,191</b>	<b>100</b>	<b>18,544</b>	<b>100</b>
Average life (no. years)	3.8		5.3		4.3	

Two syndicated financial operations for a total of Euros 3,410 million were arranged in 2009: a syndicated loan for Euros 2,000 million with a term of two years and involving 21 top financial institutions, and the extension until 2012 of a syndicated credit facility for Euros 1,410 million, which originally expired in June 2010 and in which 12 financial institutions participate.

A long-term loan for Euros 150 million has also been obtained from the European Investment Bank, brokered by a prestigious financial institution. The purpose of the loan is partial financing of investments to improve the Spanish electricity distribution network.

In December 2009 Enersis contracted long-term domestic and international committed credit facilities for the equivalent of US Dollars 200 million and Endesa Chile for the equivalent of US Dollars 100 million.

In December the maximum limit for issues of commercial paper in Europe was also raised, from Euros 2,000 million to Euros 3,000 million, through the "Euro Comercial Paper" programme of International Endesa, B.V. (hereinafter, "IEBV"), guaranteed by ENDESA.

ENDESA's liquidity in Spain was Euros 7,119 million at the close of 2009 and covers the debt maturities for all the companies in the Group for the next 24 months. Of this amount, Euros 6,826 million was unrestricted amounts in credit facilities.

At 31 December 2009 the Enersis Group also had available cash of Euros 1,545 million and unrestricted amounts equivalent to Euros 420 million in credit facilities, which cover its debt maturities for the next 35 months.

At the date of preparation of the consolidated annual accounts for 2009, ENDESA had a A3 credit rating from Moody's, with a negative outlook, an A-rating from Standard & Poor's, with a stable outlook, and an A rating from Fitch, with a stable outlook.

#### **Equity: Euros 18,970 million.**

ENDESA had equity of Euros 18,970 million at 31 December 2009, Euros 1,794 million lower than at 31 December 2008. Of that total, Euros 14,231 million correspond to ENDESA shareholders and Euros 4,739 million to non-controlling interests in Group companies.

Equity corresponding to ENDESA shareholders has been reduced by Euros 2,851 million compared to the figure at 31 December 2008, due to the combined effect of payment to the shareholders of a total dividend of Euros 6,243 million with a charge to profit for 2008, approved by the shareholders at their Annual General Meeting on 30 June 2009, and the interim dividend of Euros 529 million for 2009 authorised by the Board of Directors on 14 December 2009.

#### **Gearing ratio**

The Group's equity and net financial debt have increased the gearing ratio to 97.8% at 31 December 2009, compared to 67.4% recognised at 31 December 2008.

### **01.2. ANALYSIS BY BUSINESSES**

#### **01.2.1. BUSINESS IN SPAIN AND PORTUGAL**

##### **Net profit from the business in Spain and Portugal: Euros 2,759 million**

The net profit from the business in Spain and Portugal was Euros 2,759 million in 2009, Euros 550 million higher than in 2008, an increase of 24.9%, contributing 80.4% of the Group's total net profit. The profits from this business in 2009 and 2008 were affected by the capital gains on assets sold to Acciona and E.On, respectively.

The gross operating profit (EBITDA), which is unaffected by the sales of assets, was Euros 4,060 million, 3.4% higher than in 2008.

### Key factors in the period

From 1 July 2009 a number of modifications were made to the regulations of the Spanish electricity system which significantly changed how it operates.

The regulated integral tariff that had been applied by distributors to consumers who had not signed supply contracts with a seller disappeared on the above date. In this system, the energy cost was a pass-through for the distributor. After 1 July, the supply of electricity to customers who had not signed a supply agreement with a seller has been assumed by the last resort sellers (LRS), which supply the electricity to their customers at the last resort tariff (LRT) determined half-yearly by the government.

A "subsidised rate" for which certain customers could apply was created when the LRT came into force, on 1 July 2009. This subsidised rate covers the difference between the LRT and a reference tariff called the reduced tariff. This difference will be funded by the producers, with ENDESA financing 36.77%.

Royal Decree Law 11/2007 also no longer applied from 1 July 2009. This had reduced the revenue of companies in the industry by their emission rights under the National Allocation Plan, based on the market price of CO<sub>2</sub> emission rights.

Electricity demand in Spain fell 4.6% in 2009 compared to 2008 and the price of electricity also fell in wholesale markets (39.7%).

Against this backdrop of regulatory changes and a general downturn in demand and prices, ENDESA managed to increase its contribution margin by 10.4% in 2009. Factors enabling this increase included the significant growth in the volume of electricity sold to deregulated customers and the improved mix of production due to the rise in hydroelectric production and decline in thermal.

ENDESA maintained its leadership in the Spanish electricity market as a whole this year. It attained a market share of 29.4% in total production under the ordinary system, 43.2% in distribution, 41.7% in sales to customers in the deregulated market and 42.0% in total sales to end customers.

The deficit in revenue from regulated activities in 2009 is estimated at Euros 4,314 million for the whole sector. Of this amount, ENDESA is required to finance Euros 1,905 million.

In terms of regulation, in addition to the aforementioned changes applied from 1 July 2009, the following measures in relation with the deficit from the mainland and non-mainland Spanish electricity system have been approved by Royal Decree Law 6/2009:

- From 1 January 2013 access tolls will be sufficient to cover all the costs of regulated activities, with no ex ante deficit, limiting the maximum volume of the deficit for the years from 2009 to 2012.
- The new law foresees the transfer of past and future receivables for the deficit to the "Electricity System Deficit Securitisation Fund", including compensation for cost overruns from non-mainland production accrued until 31 December 2008. This fund will be guaranteed by the government.

- Cost overruns from mainland and non-mainland production will be financed with a gradually increasing charge to the General State Budgets, reaching 100% in 2013. The portion not covered by state budgets until 2013 will be funded by access tolls and continue to be categorised as a long-term cost of the system. The settlement fund for the electricity system will also act as a secondary financing mechanism in the future, also constituting a long-term cost of the system. In December 2009 the Directorate-General of Energy Policy and Mines authorised the definitive revision of the specific costs earmarked for compensation of these systems for 2006, 2007 and 2008.
- From 1 January 2010 the costs of managing radioactive waste and spent fuel at nuclear plants will be financed by a charge to the companies owning the power stations based on the gross kilowatt hours of production at each plant. From that date Enresa was incorporated as the administrator of this public service, through its own resources and technical services from the government, performing the functions attributed to it by the government. These developments are as established by the final ninth and twelfth provisions of Law 11/2009 of 26 October, governing listed limited liability companies in the property market, published by the BOE on 27 October 2009.

Increases in access tolls from 1 January 2010 were also set in December 2009, involving an average rise of 14.5%. Access tolls for customers entitled to the last resort tariff without time restrictions increase by an average of 9%. An extension has also been authorised for customers not entitled to the last resort tariff and without a supply contract to continue to be supplied by last resort sellers until 31 December 2010.

Finally, the resolution setting the last resort tariffs applicable in the first half of 2010 was also published in December 2009. The last resort tariff without time restrictions has increased on average by 2.6%.

#### Revenue: Euros 17,473 million (+20.7%)

Revenue from the business in Spain and Portugal totalled Euros 17,473 million in 2009, an increase of 20.7%. Of that total, Euros 16,435 million are the sales figure, which is 20.5% higher than in 2008.

#### Sales from the business in Spain and Portugal

Millions of Euros

	2009	2008	Difference	% increase/(decrease)
Electricity sales	12,560	9,403	3,157	33.6
<i>Sales deregulated market</i>	5,374	4,557	817	17.9
<i>LRS sales</i>	2,824	—	2,824	Na
<i>Sales through auctions</i>	87	827	(740)	(89.5)
<i>Sales wholesale market</i>	862	1,375	(513)	(37.3)
<i>Reduction under RDL 11/2007</i>	(110)	(422)	312	(73.9)
<i>Sales under special system</i>	276	380	(104)	(27.4)
<i>Sales to deregulated market customers outside Spain</i>	278	179	99	55.3
<i>Non-mainland compensation</i>	1,393	1,540	(147)	(9.5)
<i>Electricity trading</i>	1,312	846	466	55.1
<i>Other sales</i>	264	121	143	118.2
Regulated revenue from electricity distribution	2,158	2,115	43	2.0
Regulated revenue from gas distribution	60	62	(2)	(3.2)
Gas sales	975	1,204	(229)	(19.0)
Other sales and services	682	852	(170)	(20.0)
<b>TOTAL</b>	<b>16,435</b>	<b>13,636</b>	<b>2,799</b>	<b>20.5</b>

### Electricity sales

ENDESA's electricity production in Spain and Portugal totalled 74,287 GWh in 2009, a decrease of 16.7% compared to the prior year. Of this output, 71,513 GWh relate to Spain (-17.6%), 1,195 GWh to Portugal (-12.1%) and 1,579 GWh to the rest of the segment (+66.0%).

Mainland electricity production totalled 57,025 GWh, 20.6% lower than in 2008. Of that total, 53,987 GWh was produced under the ordinary system in Spain, a reduction of 20.9%. Electricity generated by ENDESA under the special system totalled 3,038 GWh, down 15.3%.

Nuclear and hydroelectric power represented 57.7% of the mix of ENDESA's mainland generation under the ordinary system, compared to 33.1% of the rest of the sector.

ENDESA's production in non-mainland systems totalled 14,488 GWh, a decrease of 3.4% compared to 2008.

ENDESA's average pool price in the generation market was €2.47/MWh in 2009, 39.7% lower than in 2008.

Despite the 20.6% drop in mainland production and the fall in pool prices, revenue from electricity sales grew by 34.7% as a result of the smaller mix of pool sales replaced by higher sales to deregulated customers and above all due to the effect of the regulatory changes applied from 1 July 2009 as explained below.

Until 30 June 2009 billings to regulated customers were not recognised as revenue, as this was simply a pass-through of the distributor's costs. However, since that date, billings from the LRS (last resort sellers) have been recognised as revenue and their costs as operating expenses.

### Sales to customers in the deregulated market

ENDESA had 1,677,442 customers in the deregulated market at the close of 2009: 1,497,784 in the Spanish mainland market, 165,903 in the non-mainland market and 13,755 in European deregulated markets outside Spain.

ENDESA made sales to these customers totalling 60,781 GWh in 2009, an increase of 27.4%. Of that total, 45,039 GWh were sold in its own market, with growth of 23.5%, and 15,742 GWh in external markets, an increase of 40.3%.

Sales in the Spanish deregulated market amounted to Euros 5,374 million, 17.9% higher than in 2008. Of this total, Euros 4,763 million were made in the mainland deregulated market and Euros 611 million in the non-mainland market.

Revenue from sales to customers in European deregulated markets outside Spain totalled Euros 278 million, 55.3% higher than in 2008.



### Sales to last resort sellers

ENDESA sold 20,392 GWh to last resort sellers in 2009, representing revenue of Euros 2,824 million.

### Electricity sales under the special system

Consolidated ENDESA companies under the special system produced 3,038 GWh in 2009, representing a decrease of 15.3% compared to 2008.

The consolidated companies earned revenue of Euros 276 million from sales of electricity generated under the special system, 27.4% less than in 2008.

### Non-mainland compensation

Compensation for non-mainland generation cost overruns totalled Euros 1,393 million, reduced by 9.5% due to the lower production costs in 2009.

### Distribution

ENDESA distributed 115,265 GWh in the Spanish market in 2009, representing a decrease of 3.5%.

Regulated revenue from distribution activity totalled Euros 2,158 million, 2.0% higher than that recognised in 2008.

### Gas sales and distribution

ENDESA's subsidiaries sold natural gas for a total of 47,037 GWh in the Spanish market in 2009, an increase of 10.2%. Of that total, 46,396 GWh were sold to customers in the deregulated market, an increase of 13.3%, and 641 GWh to customers in the regulated market, 63.1% less than in 2008, mainly due to full deregulation in 2008.

Revenue from gas sales in the deregulated market totalled Euros 975 million in 2009, a decrease of 19.0%.

### Electricity production in the rest of the segment

Sales of electricity generated in the rest of the segment totalled Euros 264 million, an increase of 118.2% compared to 2008. This amount comprises Euros 146 million in Ireland, relating to the plants acquired in 2009, Euros 91 million in Portugal (-4.2%), Euros 12 million in Greece (+9.1%) and Euros 15 million in Morocco (+0.0%).

### Operating costs

Operating costs of the business in Spain and Portugal in 2009 were distributed as follows:

**Operating costs of the business in Spain and Portugal**

Millions of Euros

	2009	2008	Difference	% increase/(decrease)
Procurements and services	10,492	8,158	2,334	28.6
<i>Power purchased</i>	3,931	3,028	903	29.8
<i>Cost of fuel consumed</i>	1,961	3,047	(1,086)	(35.6)
<i>Power transmission expenses</i>	3,243	623	2,620	420.6
<i>Other procurements and services</i>	1,357	1,460	(103)	(7.1)
Personnel	1,497	1,241	256	20.6
Other operating expenses	1,571	1,328	243	18.3
Amortisation and depreciation	1,505	1,101	404	36.7
<b>TOTAL</b>	<b>15,065</b>	<b>11,828</b>	<b>3,237</b>	<b>27.4</b>

**Procurements and services**

Power purchases totalled Euros 3,931 million, an increase of 29.8% compared to 2008. This growth was due to recognition, in the second half of the year, of the electricity purchased for the supply of LRS customers which exceeded the Group's own production and the rise in electricity purchases for trading in Europe. Until 30 June 2009 the purchases made to supply regulated customers were not recognised in profit and loss as these were pass-through costs.

The cost of fuel consumed was Euros 1,961 million in 2009, a reduction of 35.6%. The decrease was due to lower thermal production in the year and lower fuel prices.

Power transmission expenses amounted to Euros 3,243 million, Euros 2,620 million higher than those in 2008. This rise is essentially due to recognition of the cost of access tolls paid by the LRS and increase in tolls paid for selling electricity to deregulated customers, following the considerable growth in the volume of sales to these customers.

**Personnel expenses and other operating expenses (fixed costs)**

Fixed costs totalled Euros 3,068 million in 2009, with growth of 19.4% compared to 2008.

This growth comprised a Euros 256 million increase in personnel expenses, up to Euros 1,497 million, and Euros 243 million rise in other operating expenses, which amounted to Euros 1,571 million.

Personnel expenses include Euros 298 million due to higher provisions for the optimisation of support staff. The leaving date was brought forward for certain groups of workers involved in the current voluntary redundancy plan. This will help reduce personnel expenses in the future.

The rise in other operating expenses was partly due to recognition in 2009 of certain extraordinary costs caused by introduction of the last resort tariff, consolidation of the business in Ireland and the change in allocation criteria for corporate costs.

### Amortisation and depreciation

Amortisation and depreciation charges totalled Euros 1,505 million, Euros 404 million higher than in 2008. This rise is due to the following:

- Recognition of Euros 43 million for the depreciation for the period from 1 October 2007 to 31 December 2008 of assets which were due to be contributed to the company jointly controlled with Acciona and which were, however, finally not included in the assets to be sold to Acciona in the agreement dated 20 February 2009. Depreciation of these assets for the current year, which was not recognised in 2008, is also included in 2009.
- Euros 82 million are written down for the portion of goodwill allocated to certain groups of renewable energy assets which, following the sale of assets to Acciona, are not expected to be recovered.
- Derecognition of CO<sub>2</sub> emission rights for Euros 37 million as a result of the drop in the market price of these rights.
- Other write-downs amounting to Euros 87 million to reflect the lower value of certain assets as a result of lower projected cash flows based on current market conditions.
- Depreciation of new investments made in 2008 and 2009.

### Financial loss: Euros 547 million

The Group made a financial loss of Euros 547 million in 2009, Euros 95 million higher than in 2008.

Net finance expenses amounted to Euros 535 million, i.e. 7.4% higher than in 2008 and the Group incurred exchange losses of Euros 12 million in 2009, compared to exchange gains of Euros 46 million in 2008. The rise in net finance expenses is due to the impact of interest rates on the carrying amount of provisions for liabilities recognised at market value, mainly those covering the costs of workforce restructuring plans, which gave rise to a finance expense of Euros 197 million.

Net financial debt of the business in Spain and Portugal totalled Euros 13,865 million at 31 December 2009, compared to the Euros 8,732 million at the close of 2008. Of this total, Euros 6,898 million are financing regulatory assets, Euros 4,656 million relate to the deficit in revenue from regulated activities and Euros 2,242 million to compensation for non-mainland production. The growth in net financial debt is essentially due to the net effect of the Euros 6,243 million dividend payment with a charge to profit for 2008 made to shareholders on 16 March 2009, which included the capital gain on the assets sold to E.On in June 2008, and the Euros 2,814 million collected from the sale of assets to Acciona.

### Cash flows from operations: Euros 3,095 million

The business in Spain and Portugal generated cash flows of Euros 3,095 million in 2009, representing growth of 4.1% compared to 2008.

### Investment: Euros 2,972 million

Business investments in Spain and Portugal totalled Euros 2,972 million in 2009. Of that figure, 75.9% are investments in property, plant and equipment

i.e. those for the development or improvement of electricity distribution and production facilities.

#### Total business investment in Spain and Portugal (\*)

	Millions of Euros		
	2009	2008	% increase/(decrease)
Property, plant and equipment	2,255	2,384	(5.4)
Intangible assets	148	76	94.7
Financial assets	569	169	236.7
<b>TOTAL INVESTMENT</b>	<b>2,972</b>	<b>2,629</b>	<b>13.0</b>

#### Material business investments in Spain and Portugal (\*)

	Millions of Euros		
	2009	2008	% increase/(decrease)
Generation	1,041	1,012	2.9
Distribution	1,172	1,296	(9.6)
Other	42	76	(44.7)
<b>TOTAL</b>	<b>2,255</b>	<b>2,384</b>	<b>(5.4)</b>

(\*) Excluding the assets sold to Acciona.

## 01.2.2. BUSINESS IN LATIN AMERICA

### Net profit totalled Euros 671 million

Net profit from ENDESA's Latin American business totalled Euros 671 million in 2009, representing growth of 32.6% on 2008.

The gross operating profit (EBITDA) was Euros 3,168 million, an increase of 6.7%, and the operating profit (EBIT) was Euros 2,497 million, 3.7% higher than in 2008.

### Key developments in the period

The economic conditions in the countries where ENDESA companies operate hit growth in electricity demand in 2009. In contrast to the declines of 1.3% in Argentina and 1.0% in Brazil, demand rose by 1.5%, 0.7% and 0.3% in Colombia, Chile and Peru, respectively.

The distribution sales of ENDESA companies totalled 63,745 GWh in 2009, a rise of 1.5% compared to 2008. By country, there were notable increases in Brazil (+3.4%), Colombia (+2.9%), Peru (+2.1%) and Chile (+0.4%), and a reduction only in Argentina (-0.8%).

Despite the moderate growth in demand, ENDESA increased its production to 62,767 GWh in 2009, up 3.4% compared to 2008, mainly due to higher hydroelectric production.

Production increased in Argentina (+10.1%) and Chile (+4.6%) and declined in Brazil (-2.0%), Colombia (-1.8%) and Peru (-0.6%).

**Electricity sales and production from the Latin American business**

	Production (GWh)		Distribution (GWh)	
	2009	% increase/(decrease) on 2008	2009	% increase/(decrease) on 2008
Chile	22,239	4.6	12,585	0.4
Argentina	15,806	10.1	16,026	(0.8)
Peru	8,728	(0.6)	5,716	2.1
Colombia	12,674	(1.8)	12,164	2.9
Brazil	3,320	(2.0)	17,254	3.4
<b>TOTAL</b>	<b>62,767</b>	<b>3.4</b>	<b>63,745</b>	<b>1.5</b>

**Higher generation margins**

As a result of the improvement in the "mix" of ENDESA's generation in Latin America and lower variable costs, the unit margin from generation activity increased by 9.8%, up to Euro 29.2/MWh.

Generation margins, measured in Euros, increased in Peru (+21.8%), Chile (+12.3%), Colombia (+11.3%) and Brazil (+5.5%). In Argentina, higher fuel costs reduced the average margin by 10.9%.

The unit margin from distribution activity was Euro 30.9/MWh in 2009, 1.8% lower than in 2008. The year saw improvements in the unit margins from Peru (+7.1%), Brazil (+5.5%) and Colombia (+2.5%) and reductions in Chile (-25.0%) and Argentina (-3.7%).

**Development of new capacity**

The second phase of construction of the Canela II 60 MW wind farm in Chile commenced in the last quarter of 2009. In September 2009 commercial operations also began at the TG Quintero 257 MW open cycle gas turbine in Chile and the Santa Rosa 200 MW open cycle plant in Peru. Construction continues on the Bocamina II 370 MW coal-fired plant in Chile.

Preliminary operations also commenced at the Quintero regasification terminal in Chile (in which ENDESA has an interest of 20% and a call option on 33% of the regasified gas), which will supply gas to ENDESA's San Isidro I and II power stations, amongst others. Trials began at the regasification plant in August and commercial operations were launched in the first two weeks of September. This will improve supply security, largely reducing the variable costs of Endesa Chile and helping it maintain its generation margins.

**Regulatory changes****Chile**

In January 2009 Decree 320 was published, regulating subtransmission in Chile and with the effect of reducing the Aggregate Distribution Value (ADV) of Chilectra and adjusting remuneration of this activity to the regulated tariff established for the industry. This Decree is in force until October 2010.

In April 2009 the Ministry of Economy issued Decree 385/2008 establishing distribution tariffs in Chile for the next four years (2008-2012), applicable from November 2008. The Decree reduces the ADV for Chilectra by 16%. This

reduction is due to the downward adjustment made by the regulator for excess sales of power and hours of use applied to determine the different tariffs.

November 2009 also saw publication of the final report on the base price of the Central Interconnected System (SIC) which will be valid from October 2009 to April 2010 and has been established at USD 93.2/MWh (excluding the Ministerial Resolution 88 surcharge), which represents a reduction of 6.8% measured in dollars, compared to the previous base price set in April 2009.

In December 2009 the Decree was published setting the prices of services other than energy supply associated with electricity distribution (auxiliary services), such as prices for support and service cut-offs and replacement, amongst others, updating these prices to market values.

Finally in December 2009 Law 20.402 was published, creating the Ministry of Energy. The new Ministry replaces the National Energy Commission as the highest authority in the energy industry, although the Law foresees that the Commission will continue under the Ministry.

### Brazil

In the first quarter of 2009 the ordinary tariff review of the company Ampla Energía e Serviços, S.A. (hereinafter, "Ampla") was produced for the period 2009-2014. The review is carried out every five years. In the 2009 review, the distribution company obtained a 2% increase in its ADV and its investments made during the preceding tariff period (2003-2008) were recognised in full.

In April 2009 a definitive position was reached in the ordinary tariff review of Companhia Energética do Ceará, S.A. (hereinafter, "Coelce") for the period 2007-2011. A preliminary tariff review was established in the first quarter of 2007. The annual tariff adjustment of Coelce was also carried out, leading to a 6% increase in its ADV.

On 9 December 2009 Presidency Law 12.111 was approved which makes reference, amongst other aspects, to the isolated systems of the domestic interconnected network and establishes the possibility of integrating the necessary facilities for transmission exchanges in the transmission system. The Law established the possibility for Companhia de Interconexão Energética, S.A. (hereinafter, "Cien") to form part of the Brazilian transmission network, with the Agência Nacional de Energia Elétrica (hereinafter, "ANEEL"), the institution responsible for establishing the corresponding remuneration.

Law 12.187 on climate change was also approved and published in December 2009. The Law launched the National Plan on Climate Change (PNMC) aimed at using various mechanisms to reduce greenhouse gas emissions by between 36.1% and 38.9% by 2020, compared to the projected emissions for 2010. This law does not yet specify the required reduction in each segment of the industry. The developing regulations of the Law are expected to be implemented in 2010.

### Peru

In April 2009 the Peruvian regulator authorised the bus bar prices ("precio de barra") for one year. The monomic price, considering only electricity and power, remains practically the same as before, at USD 41.7/MWh.

Through Supreme Decree 022 of April 2009, the Ministry of Energy and Mineral Resources approved the rules for free users of electricity, reducing the consumption threshold for eligible customers to 0.2 MW. Those customers consuming between 0.2 and 2.5 MW would therefore be able to select their supply and those consuming over 2.5 MW would be considered free.

On 16 October 2009 the Osinergmin published Resolution 181 approving the distribution tariffs of Empresa de Distribución Eléctrica de Lima Norte, S.A.A. (hereinafter, "Edelnor") for the period from November 2009 to October 2013, reducing the ADV by 1.1%. Edelnor filed an appeal against the aforementioned resolution, whereby that company practically maintained a constant ADV, varying only -0.1%. Resolution 184 established remuneration of secondary transmission, with an increase of 6.9%.

In the generation area, on 15 December 2009 the governmental agency to promote private investment established the monomic tender price for the process of bidding for the supply of electricity from hydroelectric power stations, with ten-year contracts from 2013, at approximately USD 57/MWh.

### Colombia

On 24 October 2009 Resolution 100 from the CREG was published establishing the new distribution charges applicable to Codensa for the following four years. This tariff was due to come into force at the beginning of 2008, although it will not have retroactive effect. The new tariff involves a reduction in AVD of 4.2%, adjusting remuneration of this activity to the regulated tariff from the sector.

Resolution 101 of the CREG also authorised the new distribution charges for Distribuidora Eléctrica de Cundinamarca, S.A. E.S.P. (hereinafter, "Cundinamarca") for the same tariff period, which resulted in a 3.3% increase in ADV.

### Asset sales

In October 2009 ENDESA sold its 7.2% interest in the EEB for Euros 170 million, recognising a gross capital gain of Euros 98 million.

In November 2009 the Colombian consumer financing business Codensa (Codensa Hogar) was also sold, for Euros 197 million, recognising a gross capital of Euros 17 million on the sale of that business (Euros 6 million after tax and non-controlling interests).

### Corporate transactions

In October 2009, Empresas Nacional de Electricidad, S.A. (hereinafter, "Endesa Chile") acquired from Generalima, S.A. (hereinafter, "Generalima") (100% owned by Endesa Latin America, S.A. (Solely-owned Company) (hereinafter, "Endesa Latin America"), 29.4% of the share capital of Edegel, S.A. (hereinafter, "Edegel"), thereby obtaining a total direct plus indirect interest of 62.46% in that subsidiary. After this transaction, the total direct plus indirect interest in Edegel held by Endesa Latin America is 22.7%.

The same month, Enersis, S.A. (hereinafter, "Enersis") acquired 24% of the share capital of Edelnor from Generalima, obtaining a total direct plus indirect interest in that company of 57.53%.

In November 2009 Inversiones Distrilima, S.A. was spun off and subsequently Grupo Crédito, Pacifico and Centenario, which held an interest of 13.86%, were no longer shareholders in that company, which became solely owned by the Endesa Group as detailed below: Endesa Latin America (20.61%), Enersis (34.99%), Chilectra, S.A. (hereinafter, "Chilectra") (15.38%) and Compañía Peruana de Electricidad, S.A. (hereinafter, "CPE") (29.02%).

### Gross operating profit: Euros 3,168 million (+6.7%)

The gross operating profit (EBITDA) from ENDESA's Latin American business totalled Euros 3,168 million in 2009, an increase of 6.7%.

Operating profit (EBIT) totalled Euros 2,497 million, 3.7% higher than in 2008.

#### EBITDA and EBIT from the Latin American business

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Generation and transmission	1,932	1,711	12.9	1,573	1,411	11.5
Distribution	1,259	1,314	(4.2)	979	1,065	(8.1)
Other	(23)	(57)	Na	(55)	(68)	Na
<b>TOTAL</b>	<b>3,168</b>	<b>2,968</b>	<b>6.7</b>	<b>2,497</b>	<b>2,408</b>	<b>3.7</b>

These earnings were distributed between the countries in which ENDESA operates as stated below:

#### ENDESA's EBITDA and EBIT in Latin America by businesses (Millions of Euros)

	EBITDA			EBIT		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Chile	1,010	869	16.2	830	745	11.4
Colombia	370	321	15.3	323	281	14.9
Brazil	192	184	4.3	173	165	4.8
Peru	164	134	22.4	111	83	33.7
Argentina	110	118	(6.8)	73	75	(2.7)
<b>TOTAL Generation</b>	<b>1,846</b>	<b>1,626</b>	<b>13.5</b>	<b>1,510</b>	<b>1,349</b>	<b>11.9</b>
Brazil-Argentina interconnection	86	85	1.2	63	62	1.6
<b>TOTAL Generation and transmission</b>	<b>1,932</b>	<b>1,711</b>	<b>12.9</b>	<b>1,573</b>	<b>1,411</b>	<b>11.5</b>

	EBITDA			EBIT		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Chile	196	306	(35.9)	166	281	(40.9)
Colombia	333	328	1.5	257	258	(0.4)
Brazil	562	504	11.5	435	397	9.6
Peru	106	95	11.6	80	70	14.3
Argentina	62	81	(23.5)	41	59	(30.5)
<b>TOTAL Distribution</b>	<b>1,259</b>	<b>1,314</b>	<b>(4.2)</b>	<b>979</b>	<b>1,065</b>	<b>(8.1)</b>



## Generation and transmission

### Chile

Power of 22,239 GWh was generated in 2009, an increase of 4.6%. Due to the larger hydroelectric component of production and greater availability of gas, the variable costs for fuel and electricity purchases have been reduced by 38.1%, leading to a gross operating profit of Euros 1,010 million and operating profit of Euros 830 million, increases on 2008 of 16.2% and 11.4%, respectively.

### Colombia

EBITDA and EBIT from generation in Colombia totalled Euros 370 million and Euros 323 million in 2009, with increases of 15.3% and 14.9%, respectively, mainly as a consequence of higher sale prices in the system despite the 1.8% drop in production in the year.

### Brazil

ENDESA subsidiaries in Brazil generated total electricity of 3,320 GWh in 2009, a reduction of 2.0% compared to 2008, essentially due to lower production from Centrais Elétricas Cachoeira Dourada, S.A. (hereinafter, "Cachoeira") offset by growth in the electricity generated by Central Geradora Termoelétrica Fortaleza, S.A. (hereinafter, "Fortaleza") due to gas availability. However, the improvement in unit margins in the year (+5.5%) enabled a 4.3% rise in the gross operating profit to Euros 192 million and 4.8% in the operating profit to Euros 173 million.

### Peru

The electricity generation of ENDESA subsidiaries in Peru totalled 8,728 GWh in 2009, 0.6% lower than in the same period of 2008. However, as a result of the increase in sale prices due to improvements in the mix of customers and production mix, EBITDA have risen by 22.4% to Euros 164 million and EBIT by 33.7% to Euros 111 million.

### Argentina

The increase in production in 2009 (+10.1%) has not offset the drop in unit margin (-10.9%), as price increases have not been sufficient to absorb higher fuel prices, which has hit the gross operating profit, down 6.8% on 2008 to Euros 110 million, and the operating profit, down 2.7% to Euros 73 million.

### Interconnection between Argentina and Brazil

2009 saw the results of the power exchange agreements between Brazil and Uruguay, for February to June 2009, and between Brazil and Argentina, for April to October 2009. Cien (the company managing the interconnection) collected a total toll of Euros 108 million as a result of these agreements.

The gross operating profit from this interconnection was Euros 86 million in 2009 and the operating profit was Euros 63 million, increases of 1.2% and 1.6%, respectively, compared to 2008.

### Distribution

#### Chile

In 2009, physical sales of power rose by just 0.4% to 12,585 GWh which, combined with the lower unit margin (-25.0%), due amongst other factors to the cut in subtransmission tariffs approved in January 2009 and application of the new distribution tariffs from November 2008, led to a 35.9% drop in EBITDA to Euros 196 million, and 40.9% in EBIT, which totalled Euros 166 million.

#### Colombia

Despite the 2.9% rise in physical sales in the year up to 12,164 GWh and higher average sales margins (+2.5%), EBITDA from distribution in Colombia rose by just 1.5% to Euros 333 million and EBIT fell by 0.4% to Euros 257 million, essentially due to higher procurement costs (+17.9%).

#### Brazil

The 5.5% rise in the unit margin and 3.4% growth in physical sales led to an improved gross operating profit of Euros 562 million and operating profit of Euros 435 million for 2009, increases of 11.5% and 9.6%, respectively, on 2008.

#### Peru

Financial indicators of the distribution business in Peru performed favourably during the year. The gross operating profit was Euros 106 million, 11.6% higher than in 2008, and the operating profit was Euros 80 million, an improvement of 14.3%, reflecting the higher contribution margin achieved as a result of the 2.1% growth in power sold and the improvement in unit margins (+7.1%) due to the better mix of sales.

#### Argentina

The 0.8% drop in physical sales and higher fixed costs which the Company had to pay due to inflation in Argentina have not been absorbed by sale prices. Consequently the gross operating profit totalled Euros 62 million, down 23.5% compared to 2008, and the operating profit was Euros 41 million, a reduction of 30.5%.

### Financial loss: Euros 471 million

ENDESA's Latin American business made a financial loss of Euros 471 million in 2009, a reduction of 15.4% compared to 2008.

Net finance expenses totalled Euros 449 million in 2009, which represents a reduction of Euros 69 million, 13.3%, as a result of the 2.63% drop in the average cost of debt.

Exchange losses amounted to Euros 22 million, compared to Euros 39 million in 2008.

The net debt of the Latin American business was Euros 4,679 million at 31 December 2009, representing a decrease of Euros 592 million compared to 31 December 2008.

#### **Cash flows generated: Euros 2,141 million (+9.0%)**

The cash flows generated by the Latin American business totalled Euros 2,141 million in 2009, an increase of 9.0% compared to 2008.

#### **Investment: Euros 1,208 million**

Investments of Euros 1,208 million were made in this business in 2009. Of that amount, Euros 1,071 million were investments in property, plant and equipment.

Details of investments in property, plant and equipment by activities are as follows:

##### **Investment in property, plant and equipment in the Latin American business**

	Millions of Euros		
	2009	2008	% increase/(decrease)
Generation	476	361	31.9
Distribution and transmission	534	599	(10.9)
Other	61	98	(37.8)
<b>TOTAL</b>	<b>1,071</b>	<b>1,058</b>	<b>1.2</b>

## **02. SUBSEQUENT EVENTS**

Events occurring subsequent to year end are described in note 33 to the consolidated annual accounts.

## **03. OUTLOOK**

On 25 June 2009 Acciona and Finanzas Dos, S.A. (hereinafter, "Finanzas Dos") transferred shares representing 25.01% of the share capital of Endesa, S.A. to Enel Energy Europe S.L. (hereinafter, "EEE"), pursuant to the share sale and purchase and asset transfer agreement signed by Enel, S.p.A. (hereinafter, "Enel"), EEE, ENDESA, Acciona and Finanzas Dos on 20 February 2009 (hereinafter, the "Contract"). As a consequence of this transaction the Enel Group, through EEE, holds 92.06% of the shares of ENDESA and has control over the Endesa Group.

This transfer automatically terminated the shareholder agreement between Enel, EEE, Finanzas Dos and Acciona dated 26 March 2007, which was reported in accordance with article 112 of Spanish Securities Market Law 24/1988 of 28 July.

ENDESA's Board of Directors plan to approve a business plan adapted to the Enel Group's assumption of control over ENDESA in 2009, which will reflect the possible synergies from the Company's integration in that group, while safeguarding the best interests of ENDESA and its subsidiaries.

#### **04. MAIN RISKS ASSOCIATED WITH THE ENDESA GROUP'S OPERATIONS**

The Endesa Group carries out its business activities in an environment in which external factors can affect the performance of its operations and its earnings. The main risks to which ENDESA's operations are exposed are as follows:

##### **4.1. RISKS ASSOCIATED WITH OPERATIONS AND THE INDUSTRY**

**The Group's operations are subject to a wide range of regulations, and any changes made could have an adverse effect on the Group's business activities, financial position and the results of its operations**

The Endesa Group's operating subsidiaries are subject to wide-reaching legislation on tariffs and other aspects of their operations in Spain and in each of the countries in which they operate. Although ENDESA substantially complies with all the laws and regulations currently in force, the Group is subject to a complex set of laws and regulations that both public and private bodies try to apply. The introduction of new laws or regulations or changes in prevailing laws and regulations could have an adverse effect on the Group's business activities, financial position and the results of its operations.

These new laws or regulations sometimes modify certain regulatory aspects that can affect existing rights, which could negatively impact the Group's future accounts.

In recent years the Spanish electricity system has generated insufficient revenue, giving rise to a deficit. Royal Decree Law 5/2005 of 11 March, established the requirement for certain companies, including ENDESA, to finance that deficit. The Endesa Group is also pending recovery of a significant portion of cost overruns from non-mainland generation from the period 2001-2008.

Royal Decree Law 6/2009 established the possibility for companies funding the deficit from the system to recover the accumulated deficit, including cost overruns from non-mainland generation, by contributing that receivable to a securitisation fund set up for that purpose. The same Royal Decree Law also established the maximum possible deficit from the system in 2009-2012 and that after 2013 there could be no deficit and that the cost overruns from non-mainland generation would be covered after 2013 by General State Budgets and in the transitional period 2009-2012 jointly by the electricity system and General State Budgets in percentages that vary each year.

The Endesa Group's financial position in the coming years will be significantly affected by the application of Royal Decree Law 6/2009.

**The Group's operations are subject to wide-reaching environmental legislation, and any changes introduced could have an adverse effect on the Group's business activities, financial position and the results of its operations**

ENDESA and its operating subsidiaries are subject to requirements of environmental legislation that include performing environmental impact studies for future projects, procuring the necessary licences, permits and other authorisations and complying with all the requirements of those licences, permits and standards. Like any regulated company, ENDESA cannot guarantee that:

- Public authorities will approve its environmental impact studies;
- Public opposition will not cause delays or changes to any proposed project;
- Laws or standards will not be amended or interpreted so as to increase the costs of compliance or affect the operations, plants or plans of companies in which the Group has invested.

Certain legal environmental requirements have been tightened in Spain and the European Union in recent years. Although ENDESA has made the appropriate investments to meet these requirements, their application and future amendments could adversely affect its business activities, financial position and the results of its operations. The results of its operations could also be affected by prices of emission rights or a shortage of these rights on the market.

**A considerable volume of the power produced by ENDESA in certain markets is subject to market forces that can affect the price and volume of power it sells**

ENDESA is exposed to market price and availability risks for the purchase of the fuel (including fuel oil-gas, coal and natural gas) used to generate electricity and the sale of part of the power that it produces. ENDESA has long-term supply contracts to guarantee fuel supplies for its power production activities in Spain. ENDESA has entered into certain natural gas supply contracts that contain "take or pay" clauses. These contracts were established on the basis of certain reasonable assumptions regarding future requirements. Major differences from the assumptions used could require higher fuel purchases.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives. Although ENDESA actively manages these risks, it cannot guarantee that such measures will eliminate all the market price risks relating to fuel requirements.

**The Group's business could be affected by rainfall patterns.**

ENDESA's operations include hydroelectric production and, accordingly, depend on the weather conditions at any given time in the extensive geographic regions in which the Group's hydroelectric generating facilities are located.

Droughts or other conditions that adversely affect the Group's hydroelectric generation business can reduce its earnings. The electricity business is affected by atmospheric conditions such as average temperatures, which determine levels of consumption. The margin on the business changes depending on weather conditions.

### **The Group's financial results can be adversely affected by certain market risks**

The Group is exposed to various types of market risk in the ordinary course of its business, including the impact of interest rate and commodity price changes and foreign currency exchange rate fluctuations. It therefore actively manages these risks to prevent them from significantly affecting its results.

#### **Interest rate risk**

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to floating interest rates.

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement.

Depending on the estimates made by the Endesa Group and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

#### **Currency risk**

Currency risk essentially affects the following transactions:

- Borrowings in foreign currency arranged by Group companies and associates.
- Payments to be made in international markets for purchases of fuel stocks.
- Income and expenses of the Latin American subsidiaries in the functional currency of each company and, in certain cases, indexed to the US dollar.

The net assets deriving from net investments in foreign operations with a functional currency other than the Euro are exposed to the risk of exchange rate fluctuations on translation of the financial statements of these operations in the consolidation process.

The Endesa Group has contracted derivatives and borrowings in US dollars to mitigate the currency risk for revenue indexed to the US dollar. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

However, risk management strategies cannot always entirely eliminate exposure to changes in interest rates and foreign currency exchange rates, which could adversely affect the Group's financial position and the results of its operations.

### Commodity price risk

The Endesa Group is exposed to the risk of changes in electricity-related commodity prices, including CO<sub>2</sub> emission rights and CERs, mainly through:

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

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the limits predetermined by the Risks Committee. These limits are based on expected results using a confidence interval of 95%.

Individual analyses are also carried out on the impact of certain relevant transactions on the Company's risk profile and achieving its set limits.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives.

### Liquidity risk

The Group's liquidity policy consists of arranging committed credit facilities and current financial assets for a sufficient amount to cover projected requirements for a period that depends on the situation and expectations of the debt and capital markets.

However, it is not possible to guarantee that a prolonged liquidity crisis in the markets that prevented the access of issuers to the capital markets would not have an adverse effect on the Group's liquidity position in the future.

### Credit risk

Given the current economic climate, the Group is monitoring credit risk very closely.

Historically, credit risk on trade receivables is very limited, given the short period of collection from customers, to which supply may be cut off in accordance with the applicable regulations before very significant arrears are accumulated.

The Group's policies for managing credit risk on financial assets are as follows:

- Cash placements are made with top institutions in the markets where it operates.
- Derivatives and the credit risk associated with commodities included in the scope of IAS 39 are arranged and limited with highly solvent institutions.

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

- Analysis of the risk associated with each counterparty when there is no external credit agency rating.
- Guarantees are requested where required.
- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.

Although the measures taken by the Group considerably reduce exposure to credit risk, in the current economic climate it is not possible to guarantee that the Group will not incur losses due to non-payment of trade or financial receivables.

### **The construction of new facilities can be adversely affected by the factors commonly associated with these types of projects**

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex.

These investments have to be planned well in advance of their foreseen entry into operation and, therefore, decisions may need to be adapted to possible changes in market conditions, which could involve additional unplanned costs.

To build these facilities, the Group is also generally required to obtain permits and authorisations from the government, purchase or lease land and procure equipment procurement and construction contracts, operating and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and sufficient equity and debt financing. Factors that may affect the Group's ability to construct new facilities include:

- Delays in obtaining regulatory authorisations, including environmental permits.
- Shortages or changes in the price of equipment, materials or labour.
- Opposition from political and ethnic groups.
- Adverse changes in the political and regulatory environment in the countries where the Group operates.
- Adverse meteorological conditions that could delay completion of power plants or substations, or natural disasters, accidents and other unforeseen events.
- Inability to obtain financing at rates that are satisfactory for ENDESA.

Any of these factors may cause delays in the completion or commencement of the Group's construction projects and increase the cost of planned projects. If ENDESA is unable to complete these projects, the costs incurred may not be recoverable.

### **ENDESA could incur environmental and other liabilities in connection with its operations**

ENDESA is exposed to environmental risks inherent in its operations, including those derived from management of the waste, spills and emissions from the generating facilities, particularly nuclear power plants. Therefore, ENDESA may be subject to claims for environmental and other damage in connection with its power generation, distribution and transmission facilities as well as its coal mining activities.



ENDESA is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish legislation limits the liability of nuclear plant owners in the event of accidents. Such limits are consistent with the international treaties ratified by Spain. Spanish law provides that operators of nuclear facilities are liable for a maximum of Euros 700 million in relation to claims arising from a single nuclear accident. ENDESA's potential liability in relation to its interests in nuclear facilities is fully covered by third-party liability insurance of up to Euros 700 million.

ENDESA's potential liability for pollution and other damage to third parties or their assets has also been insured for up to Euros 150 million. If a complaint were filed against ENDESA for environmental or other damage caused by its operations (except for the nuclear plants) for amounts exceeding the insurance coverage, its business activities, financial position and the results of its operations could be adversely affected.

#### **Liberalisation of the European electricity industry could bring more competition and lower prices**

The liberalisation of the electricity industry in the European Union has led to increased competition as a result of the consolidation and entry of new market players in European Union electricity markets, including the Spanish electricity market. The liberalisation of the electricity industry in the European Union has also led to lower electricity prices in certain market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which have led to greater liquidity in the electricity markets. As a consequence of this liberalisation of the electricity market, certain of ENDESA's businesses are carried out in an increasingly competitive environment. If ENDESA were unable to adapt to and adequately manage this competitive market, its business activities, financial position or the results of its operations could be adversely affected.

### **04.2. RISKS ASSOCIATED WITH THE COUNTRIES WHERE THE GROUP OPERATES**

#### **The Group's companies are exposed to a number of economic and political risks**

The Group is subject to various risks inherent in investment and activity in its different countries of operation, including risks relating to the following:

- Changes in administrative policies and regulations of the governments.
- Monetary and other restrictions on the movement of capital.
- Changes in the business or political environment.
- Economic crises, political instability and public disorder affecting operations.
- Nationalisation of assets.
- Interest and exchange rate fluctuations.

Revenue from subsidiaries, their market value and dividend payments from these subsidiaries are exposed to risks specific to the countries in which they operate, which could adversely affect demand, consumption and exchange rates.

ENDESA cannot predict how any future worsening of the political and economic situation in its countries of operation or any other changes in the legislation of those countries, including amendments to current legislation or any other regulatory framework, would affect its subsidiaries or their business activities, financial position or the results of their operations.

#### **04.3. OPERATIONAL RISKS**

##### **ENDESA's activity can be affected by technological failures or human error**

In all the business activities of the ENDESA Group, direct or indirect losses could be caused by inadequate internal processes, technological failures, human error or certain external events. Control and management of these risks, particularly those affecting generation and distribution facilities, are based on adequate training and empowerment of personnel and operating procedures, preventive maintenance plans and specific programmes, backed by quality management systems, that minimise their possible occurrence and impact.

#### **04.4. OTHER RISKS**

##### **The Group is a party to legal and arbitration proceedings that could affect ENDESA**

The Group is a party to various legal proceedings related with its business, including tax and regulatory disputes. It is also subject to ongoing or possible tax inspections. Although ENDESA considers that the appropriate provisions have been made for legal contingencies at 31 December 2009, it cannot be guaranteed that the Group will be successful in all proceedings or that an adverse ruling might not significantly and adversely impact its business operations, financial position or the results of its operations.

### **05. TECHNOLOGY, INNOVATION AND ENVIRONMENTAL PROTECTION**

#### **05.1. TECHNOLOGY AND INNOVATION**

##### **Technology and innovation at ENDESA**

In 2009 ENDESA strengthened its research, technical development and innovation activities, co-ordinating its strategic portfolio of R&D&i projects with Enel to maximise its medium- and long-term value by making the most of both companies' work in this field and strengthening areas of interest in the markets in which the Company operates.

ENDESA's R&D&i activities, which are all carried out in conjunction with Enel, form part of the Company's commitment to sustainability, as demonstrated by the 2008-2012 ENDESA Sustainability Plan (PES), which reflects our aim to become the industry leader in terms of innovation and be recognised as such by the markets, our customers, the scientific community and society in general.

The 2009-2014 ENDESA Technology Plan sets out the initiatives planned for this period, with total budgeted investment of Euros 233 million by the Company

and a further Euros 87 million from our technology partners in consortium-style projects, the arrangement that best fits the open, shared innovation model established by ENDESA in 2004.

In 2009 the Company's direct investment in R&D&i activities amounted to Euros 45 million, and our partners in R&D&i projects and consortia led by ENDESA invested a further Euros 16 million. Notable projects approved and started up this year include SmartCity and Store, in which we expect to invest a combined total of Euros 43 million throughout their development.

All R&D&i activities are co-ordinated by a Corporate Unit, which works with the business lines in each market in which ENDESA operates, unifying project selection criteria, management models and technical knowledge, as well as putting this into practice to gain value, considering the particular regulatory and business circumstances in each country.

This Unit also centrally manages applications for grants, tax deductions and financial aid for R&D&i initiatives and plans to make the best use of the amounts awarded.

ENDESA's innovation strategy has earmarked resources to two particularly relevant aspects, electrical mobility and energy efficiency, as well as setting up an ad-hoc organisation for these areas.

ENDESA is committed to leading electrical mobility initiatives in the markets, especially in Spain, where the government has shown firm commitment to this field. In 2009 ENDESA played an active role in the following initiatives, establishing itself as the leading firm in electrical mobility in Spain and Europe:

#### Standardisation and normalisation initiatives

ENDESA was one of the first industry players to join international groups studying the standardisation and normalisation of equipment, electrical mobility systems and solutions. Significant examples include the Berlin Group at international level and the Foreve forum in Spain, co-ordinated by the Spanish Ministry of Industry.

#### R&D&i projects

At European level, ENDESA leads essential work programmes in the Grids for Vehicles consortium (G4V), which forms part of the Seventh Framework Programme and aims to establish medium- and long-term solutions for the best integration of vehicles into electricity grids. In Spain, ENDESA is one of the most prominent partners in the Cenit Verde consortium, a project with planned investment of around Euros 40 million over four years, in which ENDESA will be responsible for studying advanced concepts in interaction between vehicles and the electricity system.

#### Promotion and demonstration initiatives to boost mobility

In 2009 ENDESA was the company that showed the firmest commitment to the Movele Plan, which was set up by the Ministry of Industry to develop a pilot project involving 550 charge points in Madrid, Barcelona and Seville. The

Logistics for the Implementation of the Electrical Vehicle (Live) office has also been established in Barcelona to unify and manage different initiatives relating to efficient city mobility.

### Design of new business models in electrical mobility

ENDESA is the only European utility company selected to join the Elvire consortium, which also forms part of the Seventh Framework Programme and aims to define and demonstrate future business models for new electrical mobility uses and solutions, in which vehicles can manage the flow of charges and discharges to the grid, as well as data and added-value services between the car and other types of supplier.

In the area of energy efficiency, in 2009 ENDESA launched the largest European energy initiative to date, project Malaga SmartCity, which reflects the Company's commitment to the development of intelligent networks and sustainable urban development within the concept of the "intelligent city". This project also includes work relating to distributed generation, energy storage, demand management, efficient lighting, electrical mobility and – for the first time – the active involvement of end consumers.

The SmartCity project is led by ENDESA and involves eleven international technology companies. The project proposes a new energy management model to increase energy efficiency, reduce CO<sub>2</sub> emissions and promote the use of renewable energies in cities.

It has a budget of Euros 31 million, partly financed by the ERDF through support from the Andalusian regional government and the Centre for the Development of Industrial Technology (CDTI), which is run by the Spanish Ministry of Science and Innovation.

The project was established with the final aim of demonstrating energy savings of 20%, which, within the scope of the Malaga project (12,000 electricity customers), would represent an annual reduction of over 6,000 tonnes of CO<sub>2</sub>.

The Company has also made progress in another of its priority lines, energy storage, as a result of gaining CDTI approval for Project Store, a consortium run in conjunction with prominent technology partners.

This project has been set up to demonstrate – in real-world environments – energy storage technologies that have recently entered the sector and are directly applicable to electrical capacity systems. These technologies are designed to manage the occasional imbalances that arise between production and consumption (generation and demand), making grids more flexible and reliable and, as a result, improving the quality of electricity supply and operations.

In Europe, the Company has continued to participate in the Innovation Utilities Alliance (IUA) with Enel, EdF, Rwe and EdP-HC. This group was set up to exchange technological know-how and experiences, as well as to carry out joint R&D&i projects.

The Company has also actively participated in key technological platforms in the sector, particularly the energy efficiency platform, which ENDESA chairs, and the future electricity grids platform (Futured), in which it acts as technical secretary.

ENDESA has continued to develop committed lines of research in each of the markets in which it operates. Particularly significant projects have been undertaken as part of ENDESA's participation in the Catalonia Institute for Energy Research (IREC) and the Technological Corporation of Andalusia (CTA).

Another noteworthy initiative is "Cide", the ENDESA innovation roundtable project, in which 34 technology partners and seven universities and research centres currently participate. This meeting space has been used to conduct activities and projects in Spain and Latin America, which enabling the Company to set out its technological expectations and design specific action plans with its most innovative suppliers, working together to find solutions that contribute value to the electricity sector.

In Latin America, the Company has been involved in other initiatives, such as the "DICTUC corporate enterprise platform - Feedback", which aims to manage innovation within companies, or the "Chiletra Innovation Week", in which various activities (competitions, lectures, discussions, etc.) were held to offer companies an incentive to promote innovation. Around 400 employees participated in this programme.

Another basic pillar of ENDESA's R&D&i strategy is the management of the intellectual capital and technological talent of its professionals, which the Company aims to integrate and co-ordinate in its centre of excellence, the Endesa School of Energy. The School's mission is to increase the ability to share and generate knowledge and innovation throughout the organisation and to build up a strong rapport with the international scientific community. Its activities in 2009 included launching the ENDESA-ICAI master's degree in electrical technology and sponsoring the 4<sup>th</sup> Barcelona Tech Summer Sessions.

### Technological cornerstones

ENDESA's project portfolio is structured around four technological cornerstones that encompass its strategic medium- and long-term objectives, optimising the resources employed and guaranteeing the creation of options for the future creation of value.

#### Fossil fuel generation

##### *Project Cuiden and CAC OXY-300 demonstration plant*

This is a global programme set up to demonstrate CO<sub>2</sub> capture and storage technologies, uniting schemes forming part of public climate change research in the Ciuden project. Within this scope, ENDESA is currently conducting a private study to develop commercially viable emission reduction technologies for application in electricity production. This was the only project selected by the European Union to develop CFB oxy combustion technology for the storage of CO<sub>2</sub> in deep saline aquifers.

##### *Project Cenit CO<sub>2</sub>*

Since 2006 ENDESA has led the National Strategic Consortium for Technical Research into CO<sub>2</sub> (Cenit CO<sub>2</sub>), which has a budget of Euros 26 million and

involves the participation of 13 companies and 16 research centres, representing the principal R&D initiative in the fight against climate change. During 2009 the consortium's work continued, obtaining significant results.

#### ***Project Novare CO<sub>2</sub> SOLSORB***

This scheme has been established to develop and demonstrate a new type of absorbent based on a solid substrate with amines that may be used to capture CO<sub>2</sub> from conventional thermal power plants, significantly reducing the energy necessary for vital absorption and regeneration processes.

#### ***Project Plan AlgaE***

This pilot project, conducted in the Almeria Coast Thermal Power Plant, aims to measure CO<sub>2</sub> from combustion gases using microphytes, from which researchers subsequently plan to obtain commercial products similar to biofuel. This project has obtained scientific and financial support from public entities through the PlanE economic stimulus plan.

### **Renewables**

#### ***Project GDV-500***

This project aims to develop new systems for the use of solar thermal energy, studying direct steam generation using solar power at high temperatures to increase efficiency and reduce environmental risks.

#### ***Project El Hierro***

This is an entirely renewable wind-hydraulic production system, developed in collaboration with the local authorities of the island of El Hierro and the Canary Islands Institute of Technology (ITC). The aim of the project is to supply El Hierro with wind power and regulate it using a pumping system to cover any gaps in the energy supply due to a lack of wind.

#### ***Project Novare Hydro***

Working with Starlab and the Pontificia Universidad Católica in Chile, ENDESA is involved in the HYDRO project to introduce new remote perception technologies, using satellite systems to manage renewable hydraulic energy in Chile. The study conducted for ENDESA Chile specifically examines developments in the monitoring of the water cycle from space.

#### ***Project Hidráulica***

This pilot project studies the best use of integrated hydrogen and electricity production in wind farms, aiming to determine how to manage this energy and increase its reliability.

## Grid and energy efficiency

### *Project Cervantes*

This project has been set up to define, specify, develop and implement an automatic, remote control and management system for the electricity supply to domestic customers, gradually transforming the management of ENDESA's domestic meters, over 10 million in total.

### *Project Europeo Integris*

Project Europeo Integris, led by ENDESA, aims to develop an ICT infrastructure for smart grids that allows PLC and wireless communication technologies to be integrated and operated in combination.

### *Active demand management: Project Optiges*

This project studies the management of large-scale demand in the SME sector and aims to develop the necessary infrastructure to put this into practice. The scheme has been set up to determine the conditions in which demand management is most effective and identify solutions to any control problems that arise.

### *Project Icono*

Project Icono studies how the work carried out by operations technicians can be automated assisted and improved by forecasting future grid status and identifying ways to control this to guarantee the stability and safety of the grid.

### *Project S2G*

S2G's main objective is to design and implement an advanced system for monitoring, supervising and maintaining the electricity grid, from the substation to transformer centres.

### *Project Cenit Denise (Intelligent, safe and efficient energy distribution)*

This consortium, led by ENDESA, researches and develops technologies and applied information systems to meet the challenges posed by society and identify emerging applications for the next generation of energy distribution technology. The project runs from 2007 to 2010 and has a budget of Euros 24 million.

## Nuclear

ENDESA also carries out R&D activities in the nuclear field through participation in different programmes. It acts as secretary of Ceiden, the Spanish technological platform for nuclear fission, which co-ordinates R&D&i activities in this sector.

Through the Unesa Nuclear Energy Committee, ENDESA conducts research projects applicable to the nuclear plants in which it holds an interest through the following programmes:

- The Epri nuclear programme, set up to seek operating excellence in nuclear power stations, facilitating the long-term management of these assets.
- The PCI co-ordinated research programme, in which sector companies and the Nuclear Safety Council jointly analyse plant safety issues of interest to both operators and the regulatory body.
- The PIC joint programme for electricity companies and Enusa which co-ordinates R&D&i initiatives relating to nuclear fuel, defining projects of common interest.

## **05.2. ENVIRONMENTAL PROTECTION**

One of the main pillars on which ENDESA's business commitment to sustainable development is based is environmental protection. This attitude is a hallmark of the Company's track record and constitutes a fundamental trait of its behaviour that is expressly stated in its business values.

The purpose of this commitment is to minimise the impact of the Company's activities on the environment in which it operates, focusing principally on issues relating to climate change, the implementation of environmental management systems, the appropriate management of spills, waste, emissions, polluted soil and other effects on the environment.

ENDESA's environmental activities are aimed at preserving natural resources, evaluating the environmental risks associated with its business activities, ensuring excellence in management through the third-party certification of its facilities and conserving biodiversity.

ENDESA's environmental management is integrated and fully in tune with its corporate strategy and this commitment has a direct effect on Company management's decision-making process. Following the completion of the Strategic Environmental and Sustainable Development Plan for 2003-2007, which converted the ENDESA companies into leaders of the environmental and sustainability areas, in 2009 progress was made in the 2008-2012 ENDESA Sustainability Plan ("PES").

This new PES, which considerably reinforces ENDESA's traditional commitment to protecting the environment, creates a solid front against climate change and seeks excellence in the management of other environmental issues.

In 2009 the Group's investment in environmental activities totalled Euros 20 million, with accumulated investment at 2009 year end equivalent to Euros 432 million. Environmental expenses totalled Euros 37 million in 2009, of which Euros 15 million comprised amortisation and depreciation charges in relation to the aforementioned investment.

Aspects such as integral water management, the identification and control of environmental risks and liabilities, efficient environmental management, combating climate change and, especially, strengthening the conservation of biodiversity, are the strategic cornerstones on which ENDESA's environmental policy is based.



One of ENDESA's initiatives in relation to biodiversity and the conservation of natural ecosystems has been to widen the scope of its biodiversity conservation programme in terms of both work areas and the objectives pursued. As well as continued progress in the conditioning and improvement of habitats in the areas surrounding its installations, ENDESA has also worked on unique projects to study and recognise the value of biodiversity and the workings of pristine aquatic ecosystems in the steppe lagoons of Mongolia and the Patagonian lakes of Chile.

A number of measures have also been set up to establish the efficient management of water as part of one of the strategic targets of the PES. The aims of this work include improving the management of water use, preserving water quality in all business-related processes and promoting minimum environmental flows.

Work carried out to meet the strategic objective relating to efficient water management includes a thorough description and quantification of processes and the volumes of water used, as well as a detailed analysis of opportunities for improvement. Predefined technical lines have also been continued, including controlling water use, analysing natural surface waters and sewage treatment and improving the ecological condition of regulated river sections.

### Spain and Portugal

The Spanish National Allocation Plan (NAP) for 2008-2012 was published in the Official State Gazette pursuant to Royal Decree 1402/2007 of 29 October, which amends Royal Decree 1370/2006 of 24 November, approving the NAP for greenhouse gas emission rights for 2008-2012. The NAP establishes the total volume of the rights that will be allocated to the industries and facilities affected by Law 1/2005, of 9 March, including the electricity industry, defines and describes the methodologies for allocating the industry rights that it is planned to apply to obtain the individual allocations for each facility, and announces and limits the use of carbon credits from projects based on the Kyoto Protocol flexible mechanisms.

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

This 2008-2012 NAP allocates average emission rights of 146 million tonnes of CO<sub>2</sub> per year, to which are added 6 million tonnes per year of CO<sub>2</sub> in reserve (4.3% of the annual allocation), giving a total of 152 million tonnes of CO<sub>2</sub> emission rights per year. For the electricity industry, an average joint allocation of 54 million tonnes per year is established for 2008-2012, with the possibility of using credits originating from projects associated with the flexible mechanisms of the Kyoto Protocol of up to 42% of the industry's total allocation (in the case of each facility, 42% of its individual allocation).

An annual average of 24 million tonnes of CO<sub>2</sub> has been allocated to ENDESA's fossil-fuel plants. By applying the 42% allowance, ENDESA's facilities could use up to 10 million tonnes per year of credits obtained from emission reduction projects.

A key part of ENDESA's climate change strategy is its participation in the flexible project-based emission reduction mechanisms. The Clean Development Mechanism ("CDM") forms part of the flexible mechanisms of the Kyoto Protocol and makes it possible to obtain emission rights by participating in

projects to reduce greenhouse gas emissions in developing countries. The CDM contributes to sustainable development through the transfer of technology and offers a threefold benefit: social, environmental and economic.

### CO<sub>2</sub> emission rights

The free CO<sub>2</sub> emission rights assigned to the Group in 2009 totalled 29.7 million tonnes, of which 25.6 million corresponded to Spain, 2.7 million to Portugal and 1.4 million to Ireland.

Facilities in Spain consumed 28.74 million tonnes of emissions rights during the year (1.07 million of which comprised carbon credits from CDM projects), whereas Portuguese facilities consumed 2.835 million tonnes and those in Ireland 0.554 million tonnes.

Following the incorporation of the company Endesa Carbono, which is engaged in the identification of CDM projects, ENDESA has consolidated its international position in the CDM field, becoming the first electricity company and one of the five most active international companies in this area, and holding 6% of the total credits granted by the United Nations.

At 2009 year end ENDESA's CDM portfolio contained a total of 52 projects, reflecting CO<sub>2</sub> reductions of more than 82 million tonnes.

In addition to developing and participating in CDM projects, ENDESA is also involved in various carbon funds. These include the funds directly managed by the World Bank, such as the Community Development Carbon Fund (hereinafter the CDFC), which aims to provide a stable and organised international framework for the development of CDM projects (priority in this regard will be given to small-scale projects in under-developed countries), the Spanish Carbon Fund, the Umbrella Carbon Fund and the Carbon Partnership Fund, which ENDESA joined in May. The Group also participates in the MCCF Fund, which was established by the European Investment Bank and the European Bank for Reconstruction and Development.

In 2009, and for the sixth consecutive year, ENDESA took part in the Carbon Disclosure Project (hereinafter "the CDP"), obtaining first place in the international utilities classification. The CDP is an initiative headed by a large number of investors, which analyses climate change-related threats and opportunities faced by the world's leading companies. Over recent years the CDP has become a reference for the processes and methodology used to publish corporate information on greenhouse gas (GHG) emissions.

In 2009 work was completed on the desulphurisation plant in group I at the Litoral de Almería thermal plant. With these facilities, ENDESA has concluded its environmental action plan for reducing gas emissions from its thermal plants in Spain.

The initiatives included in the plan have involved total investment of Euros 648 million, with high levels of technological complexity. Work has mainly comprised the installation of gas desulphurisation systems to reduce sulphur emissions, combustion optimisation systems, new burners to reduce nitrogen oxide emissions, improvements to solid particle filtration systems and, in certain cases, adaptation of facilities to allow consumption of higher quality fuels and,

therefore, reduce contaminant emissions. At 2009 year end these measures led to a 93.9% reduction in SO<sub>2</sub> emissions, a 61.5% drop in NO<sub>x</sub> and a 79.5% decrease in particle emissions.

In 2009 ENDESA continued to implement environmental management systems in its facilities in Spain and Portugal which did not have this tool. Following this implementation process, the Group plans to obtain certification under international standard ISO 14001.

ENDESA has also continued to register facilities within the Company's main areas (generation, distribution, renewable energies, corporate headquarters, etc.) with the EU Eco-management and Audit Scheme (Emas).

At 2009 year end ENDESA in Spain and Portugal accounted for 71.6% of total installed thermal capacity. In addition, all of the Group's nuclear and hydropower production plants, port terminals, mining operations and distribution facilities within these countries now hold ISO 14001 certification.

Environmental management systems have been implemented at the Compostilla thermal production unit (which will apply for certification next year) and the As Pontes combined cycle thermal plant where, in addition to introducing the system, stage I of the initial certification process has also been completed. Next year 87% of the total installed capacity at this plant will be certified by the aforementioned standard.

Both the Compostilla thermal production unit and the As Pontes combined cycle thermal plant will be registered with Emas next year. Along with ISO 14001 certification, this registration forms the policy ENDESA has set for all new facilities started up by the Group: once they enter into service, environmental certification will be sought and the facilities will be registered with Emas.

The Almeria thermal production unit and Cristóbal Colón combined cycle thermal plant, which already held ISO 14001 certification, were registered with Emas in 2009.

In line with the ENDESA Sustainability Plan ("PES 2008-2012") for implementing environmental management systems, Aenor awarded environmental certification to Endesa Distribución Eléctrica, S.L. (Sociedad Unipersonal) (hereinafter "Endesa Distribución Eléctrica") in Extremadura and Andalucía in 2009. With this certification, all of ENDESA Distribución Eléctrica's facilities in the five regions of Spain in which the company operates have been certified by this standard.

In the area of biodiversity conservation, at the As Pontes mine (A Coruña) the waste tip is being restored and the open cast mine is being converted into what will be the largest "natural" lake in the Iberian Peninsula. Filling of the lake began in 2008, and has continued throughout 2009. Work on environmental restoration continued at the Emma mine in Puertollano (Ciudad Real) and the Andorra mining centre, which had begun in prior years, and environmental restoration work is producing significant results in the biodiversity field.

Detailed analysis activity has also been carried out on various projects, ranging from the study of highly endangered fauna species such as amphibians inhabiting extreme environments (Pyrenees lakes) to the re-introduction of unique species such as the osprey (in the River Ter). Some of these projects will be carried out during 2010.

## Ireland

In January 2009 the Group purchased four thermal plants located in various parts of Ireland, following an exhaustive due diligence on the situation of these facilities and the areas in which they are located. An environmental master plan was subsequently defined, detailing the environmental activities to be carried out over coming years with regard to these plants (environmental management systems, renewal of environmental permits, monitoring of atmospheric emissions, etc.) and at company level (organisation, processes, IT systems and environmental reporting for Endesa Ireland).

Work is also underway to design and obtain environmental authorisation for two new combined cycle plants, allowing the Group to avail of new facilities that generate more efficient energy and are more environmentally friendly, with a subsequent overall reduction in CO<sub>2</sub> emissions.

## Morocco

After almost four years in service, in April 2009 a project was launched to design and implement the environmental management system in the Tahaddart combined cycle plant (in Tangier), in which ENDESA holds a 32% interest through the company Energie Electrique de Tahaddart, S.A. (hereinafter "EET"). The system is based on an extremely demanding environmental policy compared to the country's legislation and environmental culture, although implementation levels remain low compared to the general European framework.

The external audit successfully carried out in December 2009 made EET the first electricity plant in Morocco to hold ISO 14001 certification. As a result, the plant became a standard-bearer as an industrial facility which operates under criteria that respect and protect the environment, including the protected natural area in which the facilities are located.

## Latin America

As a result of the PES 2008-2012 plan, ENDESA has prepared its 2009-2012 Environmental Plan for Latin America.

The Environmental Plan strives for excellence in the environmental activity of Endesa Group companies in Latin America, and focused on corporate commitments concerning the environment and the challenge of climate change, based on three strategic pillars: climate change, excellence in environmental management and biodiversity conservation.

In the environmental certification area, by 2009 year end virtually all ENDESA's generation and distribution facilities in Latin America had been certified under the ISO 14001 standard for environmental management and under the OHSAS 18001 standard for occupational risk prevention. With regard to generation in particular, 97.3% of total installed capacity is ISO 14001-certified.

In 2009 work continued on the implementation of European methodology based on the European Commission Decision 589 of 2007, concerning the control of CO<sub>2</sub> emissions from thermal plants. Although this is a European regulation, ENDESA has applied the same concepts and requirements when calculating and controlling emissions for its facilities not located in Europe.

Endesa Chile's application for Standard 19 has been reviewed, involving atmospheric emissions from Latin American thermal generation facilities. The aim is to ensure that information on conventional contaminants emitted by plants is of the sufficient quality and level of preciseness required by the aforementioned Standard, as well as being comparable and standardised with corporate data in this regard. As a result of this move the annual report was prepared on atmospheric emissions from Endesa Chile's thermal plants.

Work has continued with CDM projects in Latin America, and the Callahuanca and Ojos de Agua hydroelectricity projects in Peru and Chile, respectively, which were registered as CDM projects by the Executive Secretary of the United Nations Framework Convention on Climate Change in 2008, passing their verification audits to produce their first CERs.

In 2009 the Canela wind farm in Chile (installed capacity of 18 MW) was registered as a CDM with the United Nations. This is the first wind farm to be connected to the Central Interconnected System in Chile, and the second stage (69 MW) is currently under construction, resulting in totalled installed capacity of 87 MW.

The Ventanilla Project in Peru has applied for registration with the United Nations, having passed the corresponding audit process. This CDM project involves the transformation of two open cycle plants of 160 MW each into a 490 MW combined cycle plant.

The El Quimbo project in Colombia is currently being studied which, as a CDM, comprises a hydroelectric plant of 400 MW located on the Magdalena River basin in the region on Huila. This project would move a total of 600,000 tonnes of CO<sub>2</sub> per year.

In Latin America 2009 was a particularly important year for ENDESA in terms of the Group's involvement in biodiversity conservation. Following presentation of the Biodiversity Conservation Programme in November 2008, and as part of the National Environmental Congress (known as Conama), a large part of the support for this programme has been developed with participation from all the lines of business. This initiative has three main objectives: to complete the integration of biodiversity within all the Company's areas of activity, to consolidate and internal biodiversity conservation culture and to continue to promote the natural value of our assets.

In September 2009 the Latin America Biodiversity Committee was created, with the objective of coordinating and adapting the corporate biodiversity strategy to ENDESA's particular requirements in Latin America, as well as to start work on the establishment of a baseline for the situation and all the activities carried out in this area. The ultimate goal is to prepare an inventory of biodiversity measures that can currently be implemented in each of the companies and areas, gather together the regulations, policies and plans for each country (or state or province, as applicable) on biodiversity conservation and related issues, and to identify any tenders relating to this issue in which the projects developed by the companies may participate.

The aim is to incorporate a biodiversity conservation culture into the industrial operations which take place in ENDESA facilities. Biodiversity protection activities have therefore been carried out in generation facilities located in Argentina, Chile and Colombia, such as the mangrove and lake at the Cartagena plant.

The San Ignacio del Huinay Foundation has continued to research and protect fjords in the area, and has also published a guide book on benthic fauna in the Chilean Patagonia. This publication, which includes collaboration from research specialists from all over the world, is based on the work of the Huinay area, and has become a reference in the field.

The Foundation also carried out its second scientific expedition to the Patagonian lakes, following the interesting findings of the preliminary work carried out in 2008. As a result of this expedition a publication will be created in 2010 to describe how these unexplored lakes work, where peculiarities have been detected in the composition of their plankton communities.

## **06. HUMAN RESOURCES**

At 31 December 2009, ENDESA had 26,305 employees, 13,629 of whom worked in the electricity business in Spain and Portugal and 12,676 in the electricity business in Latin America.

At 31 December 2008, ENDESA had 26,587 employees, 13,691 of whom worked in the electricity business in Spain and Portugal and 12,896 in the electricity business in Latin America.

Information relating to employees is presented in Note 32 to the annual accounts.

## **07. RISK MANAGEMENT POLICY AND DERIVATIVE FINANCIAL INSTRUMENTS**

The information on the risk management policy and derivative financial instruments is included in Notes 18 and 19 to the consolidated annual accounts.

## **08. TREASURY SHARES**

ENDESA did not hold any treasury shares at 31 December 2009 and did not carry out any transactions involving treasury shares in 2009.

## **09. DISCLOSURES REQUIRED BY ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET LAW**

- a) **The capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent**

The Company's share capital amounts to EUR 1,270,502,540.40 and it has been fully subscribed and paid. The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of EUR 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 shares making up the share capital, traded by the book-entry system, are marketable securities and are governed by the legislation regulating the securities market.

The shares of Endesa, S.A., traded by the book-entry system, have been registered in the Iberclear Central Registry, the entity responsible for accounting for shares.

The shares of Endesa, S.A. are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

#### b) Restrictions on the transferability of securities

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

#### c) Significant direct or indirect ownership interests in the share capital

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Enel Energy Europe, S.L. (EEE) (1)	974,717,763	—	92.063
Enel, S.p.A. (Enel)	—	974,717,763	92.063
<b>TOTAL</b>	<b>974,717,763</b>	<b>974,717,763</b>	<b>92.063</b>

(1) EEE is wholly owned by Enel.

On 25 June 2009, Acciona and Finanzas Dos transferred shares representing 25.01% of the share capital of Endesa, S.A. to EEE in accordance with the share purchase and transfer contract signed between Enel, EEE, Acciona and Finanzas Dos on 20 February 2009.

This transfer ended the corporate agreement signed between Enel, EEE, Acciona and Finanzas Dos on 26 March 2007.

#### d) Restrictions on voting rights

There are no legal or bylaw restrictions on voting rights.

#### e) Side agreements

No corporate agreements are currently in force.

The corporate agreement signed between Enel and Acciona on 26 March 2007 was ended on 25 June 2009.

#### f) Rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Company's bylaws

##### Rules applicable to the appointment and replacement of the members of the managing body

Pursuant to Articles 37 and 38 of the bylaws, "The appointment and removal of the directors is the responsibility of the shareholders at the General

Meeting. The post of director may be rejected, appointments may be revoked and directors may be re-appointed", "The term of appointment of directors shall be four years, and the directors may be re-appointed for periods of equal duration".

The appointment and re-appointment of directors are governed by the Board of Directors Regulations:

#### Article 5: Structure and composition of the Board

"5.3. Proposals for the appointment or re-appointment of directors made by the Board of Directors shall be made for persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties and who assume a commitment to dedicate sufficient time to performing the work of the Board."

#### Article 22: Appointment of directors

"The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in conformity with the Spanish Companies Law and with the bylaws.

The Board of Directors shall make the appointment proposal on the basis of a report of the Appointments and Remuneration Committee."

#### Article 25: Re-appointment of directors

"The Appointments and Remuneration Committee shall issue its mandatory report on the proposals to re-appoint directors that the Board decides to submit to the General Meeting."

#### Article 26: Removal of directors

"26.1. The directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all the other cases where this is required by law, the bylaws or these Regulations.

26.2. Directors must tender their resignation when they are involved in any of the situations of incompatibility or prohibition; provided for in the law and when the Board, based on a report of the Appointments and Remuneration Committee, resolves that the director has seriously infringed his duties as a director.

26.3. When for any reason a director ceases to sit on the Board, he may not provide services to any competitor for two years, unless the Board waives or reduces the time period of this prohibition."

The procedure to be followed and the methods to be used are those provided for in the Companies Law and in the Mercantile Registry Regulations.

### **Rules applicable to the amendment of the Company's bylaws**

Pursuant to Article 26 of the bylaws, for the shareholders at the Annual or Extraordinary General Meeting to validly resolve to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.

When shareholders holding less than 50% of the subscribed voting stock are present or represented, the resolutions referred to in the preceding section may only be validly adopted with the affirmative vote of shareholders representing two-thirds of the share capital present or represented at the Meeting.



**g) The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares**

The Executive Chairman and the CEO have been granted, jointly, all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.

As regards the possibility of the Board of Directors issuing or repurchasing shares of ENDESA, the shareholders at the Annual General Meeting of ENDESA held on 27 May 2005 empowered the Board of Directors to, pursuant to Article 153.1.b of the Spanish Companies Law, increase share capital, at one or several times and at any time for five years after the date of the aforementioned Annual General Meeting, by a maximum amount of EUR 635,251,270.20, i.e. 50% of the existing share capital, through the issuance of new shares, to offer freely the new shares not subscribed in the pre-emptive subscription period or periods, and to establish that, if the subscription is incomplete, the share capital will only be increased by the amount of subscriptions made. Also, the Board of Directors was empowered to disapply the pre-emptive subscription right in the terms provided for in Article 159 of the Spanish Companies Law and to apply for the admission to listing of the new shares issued on the stock market.

Also, the shareholders at the Annual General Meeting of ENDESA held on 27 May 2005 empowered the Board of Directors for five years to issue debentures not convertible into shares of the Company, preference shares, promissory notes and other similar fixed-income securities, to secure those issued by subsidiaries, and to apply for the admission of the securities issued to trading on secondary markets.

In addition, the shareholders at the Annual General Meeting of ENDESA held on 30 June 2008, in conformity with Article 75 of the Spanish Companies Law, authorised the derivative acquisition of treasury shares, together with pre-emptive subscription rights thereon, by any legally permitted means, directly by Endesa, S.A., by the companies in its Group or by an interposed party, up to the legally permitted maximum figure. The acquisitions shall be made at a minimum price per share of the par value of the shares and a maximum price per share of the market value of the shares plus an additional 5%.

**h) The significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control over the Company as a result of a takeover bid, and its effects, except when the disclosure would be seriously harmful for the Company. This exception does not apply when the Company is legally obliged to disclose such information**

ENDESA and its subsidiaries have loans and other borrowings from banks that might have to be repaid early in the event of a change of control over Endesa, S.A. Bank loans of approximately Euros 3,849 million might have to be repaid early if there is a change of control over Endesa, S.A and derivatives with a market value of Euros 10 million (notional amount of Euros 75 million) might have to be settled early as a result of a change of control.

i) **The agreements between the Company and its directors and executives or employees that provide for benefits when the latter resign or are terminated without just cause or if the employment relationship comes to an end as a result of a takeover bid**

At 31 December 2009 ENDESA had 54 executive directors, senior executives and executives with guarantee clauses in their employment contracts.

Executive directors	2
Senior executives	23
Executives	29
<b>TOTAL</b>	<b>54</b>

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

The regime for these clauses for the executive directors and senior executives is as follows:

*Termination of the employment relationship:*

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

However, in order to be in line with the market, in the case of two of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service in certain cases of termination of the employment relationship.

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

*Post-contractual non-competition clause:*

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

The regime governing the clauses for the 29 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits of the senior executives.

#### 10. ANNUAL CORPORATE GOVERNANCE REPORT REQUIRED BY ARTICLE 202.5 OF THE SPANISH COMPANIES LAW

The 2009 Annual Corporate Governance Report is included as an Appendix to this Directors' Report and is an integral part hereof, as required by Article 202.5 of the Spanish Companies Law.

#### 11. PROPOSED DISTRIBUTION OF PROFIT

The 2009 profit of the Group's Parent, Endesa, S.A., amounted to Euros 1,796,678,823.97 which, together with retained earnings amounting to Euros 1,744,268,731.88, gives a total of Euros 3,540,947,555.85.

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that this amount be used to pay to the holders of shares carrying dividend rights Euros 1.028 gross per share and to appropriate the remainder to retained earnings.

	Euros
Dividend (maximum amount to be distributed relating to Euros 1.028/share for all the shares (1,058,752,117))	1,088,397,176.28
Profits not specifically appropriated	2,452,550,379.57
<b>TOTAL</b>	<b>3,540,947,555.85</b>



# ENDESA, S.A.

**AUDITORS' REPORT**

**ANNUAL ACCOUNTS FOR 2009**

**2009 DIRECTORS' REPORT**

**PROPOSED DISTRIBUTION OF PROFIT**

**(Free translation from the original in  
Spanish. In the event of discrepancy,  
the Spanish-language version prevails)**

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ENDESA, S.A.

**AUDITORS' REPORT**







**KPMG Auditores S.L.**  
Edificio Torre Europa  
Paseo de la Castellana, 95  
28046 Madrid

### Auditors' Report on the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish version prevails)

To the Shareholders of  
Endesa, S.A.:

1. We have audited the annual accounts of Endesa, S.A. (the "Company"), which comprise the balance sheet at 31 December 2009, the income statement, the statement of changes in equity, the statement of cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating their overall presentation, as well as the appropriateness of the accounting principles used and the reasonableness of accounting estimates made.
2. In accordance with prevailing Spanish legislation, these annual accounts for 2009 also include, for each individual caption in the balance sheet, the income statement, the statement of changes in equity, the statement of cash flow for the year then ended and the notes thereto, comparative figures for the previous year which, as mentioned in note 2 c) to the accompanying annual accounts, differ from those included in the approved annual accounts for 2008. We express our opinion solely on the annual accounts for 2009. On 23 February 2009 other auditors issued their unqualified audit report on the annual accounts for 2008.
3. In our opinion, the accompanying annual accounts for 2009 present fairly, in all material respects, the equity and financial position of the Company at 31 December 2009 and the results of its operations and changes in equity and cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles set forth in the applicable Spanish legislation applied on a basis consistent with that used in the preparation of the annual accounts for the preceding year, which have been included in the 2009 annual accounts for comparative purposes.
4. The accompanying directors' report for 2009 contains such explanations as the Directors consider relevant to the situation of Endesa, S.A., the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2009. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

Julián Martín Blasco  
Partner

23 February 2010



ENDESA, S.A.

**ANNUAL ACCOUNTS FOR 2009**

**ENDESA, S.A**
**BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Millions of Euros			
ASSETS	Notes	31/12/2009	31/12/2008
<b>Non-current assets</b>		<b>24,431</b>	<b>22,694</b>
<b>Intangible assets</b>	<b>Note 5</b>	<b>91</b>	<b>72</b>
Computer software		91	72
<b>Property, plant and equipment</b>	<b>Note 6</b>	<b>8</b>	<b>7</b>
Other property, plant and equipment		6	6
Under construction and advances		2	1
<b>Non-current investments in Group companies and associates</b>	<b>Notes 7 and 18</b>	<b>19,667</b>	<b>19,470</b>
Equity instruments		19,071	19,148
Loans to group companies		590	320
Derivatives		6	2
<b>Investments</b>	<b>Note 7</b>	<b>4,504</b>	<b>2,995</b>
Equity instruments		43	51
Loans to third parties		4,365	2,835
Derivatives		12	19
Other financial assets		84	90
<b>Deferred tax assets</b>	<b>Note 14</b>	<b>161</b>	<b>150</b>
<b>Current assets</b>		<b>733</b>	<b>2,790</b>
<b>Non-current assets held for sale</b>	<b>Note 8</b>	<b>46</b>	<b>—</b>
<b>Trade and other receivables</b>		<b>33</b>	<b>477</b>
Other receivables		10	10
Receivables from group companies		4	445
Personnel		—	1
Current tax assets		12	17
Public entities, other		7	4
<b>Current investments in Group companies and associates</b>	<b>Notes 7 and 18</b>	<b>266</b>	<b>1,945</b>
Loans to companies		243	600
Derivatives		23	13
Other financial assets		—	1,332
<b>Current investments</b>	<b>Note 7</b>	<b>325</b>	<b>270</b>
Loans to companies		289	229
Derivatives		35	40
Other financial assets		1	1
<b>Prepayments for current assets</b>		<b>30</b>	<b>6</b>
<b>Cash and cash equivalents</b>		<b>33</b>	<b>92</b>
Cash		33	92
<b>TOTAL ASSETS</b>		<b>25,164</b>	<b>25,484</b>

Notes 1 to 21 to the accompanying annual accounts form an integral part of the balance sheets at 31 December 2009 and 2008.

**ENDESA, S.A**  
**BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008**

Millions of Euros

EQUITY AND LIABILITIES	Notas	31/12/2009	31/12/2008
<b>Equity</b>		<b>10,841</b>	<b>15,868</b>
<b>Shareholders' equity</b>	<b>Note 9</b>	<b>10,885</b>	<b>15,865</b>
<b>Share capital</b>		<b>1,271</b>	<b>1,271</b>
Registered share capital		1,271	1,271
<b>Share premium</b>		<b>1,376</b>	<b>1,376</b>
<b>Reserves</b>		<b>5,226</b>	<b>5,230</b>
Legal and statutory reserves		285	285
Other reserves		4,941	4,945
<b>Prior years' profit</b>		<b>1,744</b>	<b>747</b>
Retained earnings		1,744	747
<b>Profit for the year</b>		<b>1,797</b>	<b>7,241</b>
<b>(Interim dividend)</b>		<b>(529)</b>	<b>—</b>
<b>Adjustments for changes in value</b>		<b>(44)</b>	<b>3</b>
Available-for-sale financial assets		34	36
Hedging operations		(78)	(33)
<b>Non-current liabilities</b>		<b>10,881</b>	<b>6,300</b>
<b>Non-current provisions</b>	<b>Note 10</b>	<b>208</b>	<b>304</b>
Long-term employee benefits		26	14
Restructuring provisions		115	91
Other provisions		67	199
<b>Non-current liabilities</b>	<b>Note 11</b>	<b>6,054</b>	<b>3,424</b>
Loans and borrowings		5,889	3,359
Derivatives		160	59
Other financial liabilities		5	6
<b>Group companies and associates – non-current</b>	<b>Notes 11 and 18</b>	<b>4,560</b>	<b>2,496</b>
Group companies and associates		4,552	2,496
Derivatives		8	—
<b>Deferred tax assets</b>	<b>Note 14</b>	<b>59</b>	<b>76</b>
<b>Current liabilities</b>		<b>3,442</b>	<b>3,316</b>
<b>Current provisions</b>	<b>Note 10</b>	<b>29</b>	<b>40</b>
<b>Current payables</b>	<b>Note 11</b>	<b>379</b>	<b>759</b>
Bonds and other marketable securities		—	518
Loans and borrowings		273	175
Derivatives		34	32
Other financial liabilities		72	34
<b>Group companies and associates - current</b>	<b>Notes 11 and 18</b>	<b>2,483</b>	<b>1,747</b>
Group companies and associates		2,460	1,709
Derivatives		23	38
<b>Trade and other payables</b>		<b>551</b>	<b>770</b>
Suppliers, Group companies and associates		5	—
Other payables		435	350
Personnel (salaries payable)		15	15
Current tax liabilities		92	362
Public entities, other		4	43
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25,164</b>	<b>25,484</b>

Notes 1 to 21 to the accompanying annual accounts form an integral part of the balance sheets at 31 December 2009 and 2008.

**ENDESA, S.A**
**INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

		Millions of Euros	
INCOME STATEMENT	Notes	2009	2008
<b>Continuing operations</b>			
<b>Net sales</b>	<b>Note 16</b>	<b>2, 147</b>	<b>2, 267</b>
Rendering of services		276	242
Dividends from Group companies and associates	Note 7a	1, 869	2, 023
Dividends from third parties		2	2
<b>Other operating income</b>		<b>26</b>	<b>25</b>
Non-trading and other administrative income		26	25
<b>Personnel expenses</b>	<b>Note 16</b>	<b>(197)</b>	<b>(133)</b>
Wages and salaries		(151)	(100)
Employee benefits expense		(31)	(27)
Provisions		(15)	(6)
<b>Other operating expenses</b>		<b>(165)</b>	<b>(191)</b>
External services		(137)	(153)
Local taxes		(1)	—
Losses, impairment and changes in trade provisions		(5)	—
Other administrative expenses		(22)	(38)
<b>Amortisation and depreciation</b>	<b>Notes 5 and 6</b>	<b>(10)</b>	<b>(10)</b>
<b>Provision surpluses</b>	<b>Note 10</b>	<b>48</b>	<b>—</b>
<b>Impairment of investments in group companies and associates</b>	<b>Note 7 a</b>	<b>(13)</b>	<b>(27)</b>
<b>Impairment and gains/(losses) on disposal of fixed assets</b>		<b>(1)</b>	<b>—</b>
Losses on disposal and other		(1)	—
<b>PROFIT FROM OPERATIONS</b>		<b>1, 835</b>	<b>1, 931</b>
<b>Finance income</b>		<b>232</b>	<b>115</b>
<b>Other marketable securities and group company loans</b>		<b>232</b>	<b>115</b>
Group companies and associates	Note 7	7	5
Third parties		225	110
<b>Finance expense</b>		<b>(377)</b>	<b>(489)</b>
Group companies and associates	Note 18	(195)	(220)
Third parties		(163)	(261)
Provision adjustments		(19)	(8)
<b>Changes in the fair value of financial instruments</b>		<b>(64)</b>	<b>27</b>
<b>Exchange differences</b>	<b>Note 15</b>	<b>(47)</b>	<b>(23)</b>
<b>Impairment and gains on disposal of financial instruments</b>		<b>19</b>	<b>5, 543</b>
Impairment		(1)	—
Gains on disposal and other	Note 8	20	5, 543
<b>NET FINANCE INCOME/(EXPENSE)</b>		<b>(237)</b>	<b>5, 173</b>
<b>PROFIT BEFORE TAX</b>		<b>1, 598</b>	<b>7, 104</b>
<b>Income tax</b>	<b>Note 14</b>	<b>199</b>	<b>137</b>
<b>PROFIT FROM CONTINUING ACTIVITIES</b>		<b>1, 797</b>	<b>7, 241</b>
<b>Discontinued operations:</b>		<b>—</b>	<b>—</b>
<b>Profit/(loss) from discontinued operation, net of income tax</b>		<b>—</b>	<b>—</b>
<b>PROFIT FOR THE YEAR</b>		<b>1, 797</b>	<b>7, 241</b>

Notes 1 to 21 to the accompanying annual accounts form an integral part of the income statements for 2009 and 2008.

**ENDESA, S.A****STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008****A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS  
ENDED 31 DECEMBER 2009 AND 2008**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

		Millions of Euros	
	Notes	2009	2008
<b>Income statements</b>		<b>1, 797</b>	<b>7, 241</b>
<b>Income and expense recognised directly in equity</b>			
Measurement of financial instruments	Note 7 e	3	(10)
Available-for-sale financial assets		3	(10)
Cash flow hedges	Note 13	(117)	(107)
Actuarial gains and losses and other adjustments		(7)	(4)
Tax effect	Note 14	36	35
<b>Total income and expense recognised directly in equity</b>		<b>(85)</b>	<b>(86)</b>
<b>Income and expense recognised in the income statement</b>			
Measurement of assets and liabilities		(6)	—
Available-for-sale financial assets		(6)	—
Cash flow hedges	Note 13	53	(27)
Tax effect	Note 14	(14)	8
<b>Total income and expense recognised in the income statement</b>		<b>33</b>	<b>(19)</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>		<b>1, 745</b>	<b>7, 136</b>

Notes 1 to 21 to the accompanying annual accounts form an integral part of the statements of recognised income and expense for 2009 and 2008.

**ENDESA, S.A**
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008**
**B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS  
ENDED 31 DECEMBER 2008 AND 2009**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Millions of Euros

	Equity									Total equity
	Registered share capital	Share premium	Reserves	Prior years' profit/(loss)		Profit for the year	(Interim dividend)	Other equity instruments	Adjustments for changes in value	
				Retained earnings	Profit					
2008										
Balance at 31 December 2007	1,271	1,376	5,104	717	1,780	—	(530)	—	105	9,823
Total recognised income/(expenses)	—	—	(3)	—	—	7,241	—	—	(102)	7,136
Transactions with shareholders and owners	—	—	—	—	(1,621)	—	530	—	—	(1,091)
Dividends paid	—	—	—	—	(1,621)	—	530	—	—	(1,091)
Other changes in equity	—	—	129	30	(159)	—	—	—	—	—
Transfers between equity items	—	—	129	30	(159)	—	—	—	—	—
Balance at 31 December 2008	1,271	1,376	5,230	747	—	7,241	—	—	3	15,868

Notes 1 to 21 to the accompanying annual accounts form an integral part of the statement of total changes in equity for 2008.

Millions of Euros

2009	Equity								Adjustments for changes in value	Total equity
	Registered share capital	Share premium	Reserves	Prior years' profit/(loss)		Profit for the year	(Interim dividend)	Other equity instruments		
				Retained earnings	Profit					
Balance at 31 December 2008	1,271	1,376	5,230	747	7,241	—	—	—	3	15,868
Total recognised income/(expenses)	—	—	(5)	—	—	1,797	—	—	(47)	1,745
Transactions with shareholders and owners	—	—	—	—	(6,244)	—	(529)	—	—	(6,773)
Dividends paid	—	—	—	—	(6,244)	—	(529)	—	—	(6,773)
Other changes in equity	—	—	1	997	(997)	—	—	—	—	1
Inclusion of reserves of dissolved company (note 14)	—	—	1	—	—	—	—	—	—	1
Transfers between equity items	—	—	—	997	(997)	—	—	—	—	—
Balance at 31 December 2009	1,271	1,376	5,226	1,744	—	1,797	(529)	—	(44)	10,841

Notes 1 to 21 to the accompanying annual accounts form an integral part of the statement of total changes in equity for 2009.



## ENDESA, S.A

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

		Millions of Euros	
	Notes	2009	2008
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,420</b>	<b>1,439</b>
Profit before income tax		1,598	7,104
<b>Adjustments for:</b>		<b>(1,669)</b>	<b>(7,146)</b>
Amortisation and depreciation	Notes 5 and 6	10	10
Proceeds from disposals for financial instruments		(26)	(5,543)
Finance income		(2,103)	(2,140)
Finance expense		377	489
Other adjustments		72	38
<b>Changes in operating assets and liabilities</b>		<b>50</b>	<b>188</b>
<b>Other cash flows from operating activities:</b>		<b>2,442</b>	<b>1,293</b>
Interest paid		(292)	(592)
Dividends received		3,203	1,753
Interest received		50	4
Income tax paid (received)		(397)	128
Other amounts paid (received)		(122)	—
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(1,220)</b>	<b>5,319</b>
<b>Payments for investments:</b>		<b>(2,436)</b>	<b>(2,626)</b>
Group companies and associates	Note 7	(723)	(350)
Property, plant and equipment and intangible assets		(30)	(30)
Other financial assets		(1,683)	(2,246)
<b>Proceeds from sale of investments:</b>		<b>1,216</b>	<b>7,945</b>
Group companies and associates	Note 7	496	7,126
Other financial assets		720	790
Other assets		—	29
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(1,259)</b>	<b>(6,668)</b>
<b>Proceeds from and payments for equity instruments</b>		<b>—</b>	<b>—</b>
<b>Proceeds from/(used) and payments for financial liability instruments:</b>		<b>4,985</b>	<b>(5,047)</b>
Issue		5,635	474
Redemption and repayment	Note 11	(650)	(5,521)
<b>Dividends and interest on other equity instruments paid</b>		<b>(6,244)</b>	<b>(1,621)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>		<b>—</b>	<b>—</b>
<b>NET INCREASE / (DECREASE) IN CASH OR CASH EQUIVALENTS</b>		<b>(59)</b>	<b>90</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>92</b>	<b>2</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>33</b>	<b>92</b>

Notes 1 to 21 to the accompanying annual accounts form an integral part of the statements of cash flows for 2009 and 2008.

# Endesa, S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR 2009

(Free translation from the original in  
Spanish. In the event of discrepancy,  
the Spanish-language version prevails)

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## 01. ACTIVITIES AND FINANCIAL STATEMENTS OF THE COMPANY

Endesa, S.A. (hereinafter, "ENDESA" or "the Company") was incorporated on 18 November 1944, and its registered office are located in Madrid, at calle Ribera del Loira, nº 60. Its statutory activity is the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or supplementary to the Company's statutory activity, and the management of the corporate Group, comprising investments in other companies.

The Company carries out its statutory activity in Spain and abroad directly or through its investments in other companies.

As a result of the corporate restructuring carried out in recent years and the unbundling of electricity activities pursuant to Electricity Industry Law 54/1997 of 27 November 1997, ENDESA's business activities focus mainly on the management of and rendering of services to its corporate Group, comprising the holdings listed in these annual accounts. Accordingly, since it does not directly carry on electricity activities or activities which affect the environment, the information relating to the segregation of activities and to environmental activities included in the consolidated annual accounts is not presented in these annual accounts.

The Company's shares are listed on the Spanish Stock Exchanges. ENDESA shares are also traded on the Santiago de Chile Offshore Stock Exchange.

The annual accounts for 2009, which were prepared by the Board of Directors on 22 February 2010, will be submitted for approval by the shareholders at their Annual General Meeting, and it is considered that they will be approved without any changes. The 2008 annual accounts were prepared by the Board of Directors on 23 February 2009 and approved by the shareholders at their Annual General Meeting held on 30 June 2009.

These annual accounts are presented in millions of Euros, which is the Company's functional and presentation currency.

On 22 May 2009 the joint and several directors of Endesa Participadas, S.A.U., approved the dissolution without liquidation of the company through the transfer in block of the assets and liabilities to its sole shareholder, ENDESA. This agreement was entered into the Madrid Mercantile Registry on 7 October 2009. The dissolution balance sheet of Endesa Participadas, S.A.U. is provided as an Appendix to the accompanying annual accounts (see notes 7 and 14).

The Company holds interests in subsidiaries, associates and jointly-controlled entities. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of interests in group companies, associates and jointly controlled entities are included in note 7.

On the same date, the directors also prepared the consolidated annual accounts of Endesa, S.A. and subsidiaries (hereinafter, the Endesa Group) for 2009, in accordance with the International Financial Reporting Standards ("IFRSs")

adopted by the European Union. The consolidated annual accounts of the Endesa Group for 2008 were prepared by the board of directors on 23 February 2009 and approved by the shareholders at the Annual General Meeting held on 30 June 2008, and were filed at the Madrid Mercantile Registry.

The main figures in ENDESA's consolidated annual accounts for 2009 and 2008 are as follows:

	Millions of Euros	
	2009	2008
<b>Total assets</b>	<b>60,195</b>	<b>58,546</b>
<b>Equity</b>	<b>18,970</b>	<b>20,764</b>
Of the parent	14,231	17,082
Of non-controlling interests	4,739	3,682
<b>Revenue</b>	<b>25,692</b>	<b>22,836</b>
<b>Profit for the year</b>	<b>4,360</b>	<b>8,110</b>
Of the parent	3,430	7,169
Of non-controlling interests	930	941

Until 25 June 2009, the Company was jointly controlled by the Enel Group, through Enel Energy Europe, S.L., which held 67.1% of the share capital, and the Acciona Group, with 25%, by virtue of a joint management agreement in relation to ENDESA entered into by the two companies. As a result of the agreement entered into by Acciona and Enel on 20 February 2009, on 25 June 2009 Enel Energy Europe, S.L., acquired the 25% interest held by the Acciona Group, with the Enel Group holding 92.1% of ENDESA through Enel Energy Europe, S.L., which therefore holds control over the Company. The registered offices of Enel Energy Europe, S.L. and Enel, S.P.A. are at Calle Velázquez, 38, 28001 Madrid (Spain) and Viale Regina Margherita 137, 00198 Rome (Italy), respectively.

## 02. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

### A) BASIS OF PRESENTATION

The annual accounts for 2009 and 2008 are presented in accordance with Law 16/2007 of 4 July 2007, reforming and adapting current Spanish corporate and accounting legislation for international harmonisation based on European Union regulations and on the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007.

These annual accounts, which were prepared using the Company's accounting records, present fairly the Company's equity and financial position at 31 December 2009 and 2008 and the results of its operations, the changes in equity and cash flows for the years then ended.

### B) RESPONSIBILITY FOR INFORMATION AND ESTIMATES

The Company's directors are responsible for the contents of these consolidated annual accounts.

In preparing these financial statements estimates were occasionally made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to the following:

- The measurement of equity instruments representing investments in group companies and associates to determine, where applicable, the existence of impairment (see note 4 c.3)
- The assumptions used in the actuarial calculation of the pension liabilities and obligations and collective redundancy procedures (see notes 10 a and 10 c).
- The useful life of the property, plant and equipment and intangible assets (see notes 4 a and 4 b)
- The measurement of assets in order to determine the existence of impairment losses (see note 4 c.1)
- The methods used in calculating the fair value of financial instruments (see note 4 c)
- The calculation of provisions (see notes 4 g and 10)
- Tax profits or losses of the Company to be declared to taxation authorities in the future, which have been used as a tax base for income tax balances recognised in the accompanying annual accounts (see note 14).
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives etc. which can be used to estimate the overall settlements in the electricity system and could affect the deficit in revenue from regulated activities in Spain.

Although these estimates have been based on the best information available at the date of preparing the annual accounts, future events could make it necessary to revise the estimates (up or down) in subsequent years. Changes in estimates are made prospectively and the effects recognised in the corresponding annual accounts for future years.

### **C) COMPARATIVE INFORMATION**

In accordance with consultations from the Spanish Institute of Accountants and Auditors published in its Official Gazette no. 79/2009, consultation 2, as ENDESA is an investment holding company, dividends obtained in 2009 and 2008 totalling Euros 1,871 million and Euros 2,025 million, respectively, have been reclassified as revenues. Impairment valuation allowances for investments amounting to Euros 13 million and Euros 27 million in 2009 and 2008, respectively, have also been classified under net operating margin. At 31 December 2008 these amounts were recognised as finance income and impairment and gains/(losses) on disposal of financial instruments, respectively.

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2009 include comparative figures for the prior year, which, as mentioned earlier, differ from the annual accounts for 2008 approved by the shareholders at their annual general meeting held on 30 June 2009.

### 03. DISTRIBUTION OF PROFIT

The directors will propose to the shareholders that profit for the year be used to distribute a dividend of Euros 1.028 gross per eligible share, and the remaining amount be taken to retained earnings.

Basis of distribution	Euros
Profit for the year	1,796,678,823.97
Retained earnings	1,744,268,731.88
<b>TOTAL</b>	<b>3,540,947,555.85</b>
<b>Distribution</b>	
Dividends (1)	1,088,397,176.28
Retained earnings	2,452,550,379.57
<b>TOTAL</b>	<b>3,540,947,555.85</b>

(1) Maximum amount to be distributed relating to EUR 1.028 per share for all the shares (1,058,752,117)

The distribution of 2008 profits proposed by the Board of Directors to the shareholders consisted of the payment of a dividend of Euros 5.897 per eligible share, with the remaining amount taken to retained earnings.

Basis of distribution	Euros
Profit for the year	7,240,789,007.02
Retained earnings	746,940,958.81
<b>TOTAL</b>	<b>7,987,729,965.83</b>
<b>Distribution</b>	
Dividends (1)	6,243,461,233.95
Retained earnings	1,744,268,731.88
<b>TOTAL</b>	<b>7,987,729,965.83</b>

(1) Maximum amount to be distributed relating to EUR 5.897 per share for all the shares (1,058,752,117)

On 20 February 2009 the Board of Directors of the Company approved an interim dividend of Euros 5.897 gross per share, which coincided with the total dividend for 2008 approved by the shareholders at their general meeting held on 30 June 2009.

On 14 December 2009 the Board of Directors of ENDESA approved an interim dividend for 2009 of Euros 0.50 per share.

The amounts to be distributed did not exceed profits obtained since the latest financial year of the Company, less estimated income tax payable for those profits, in accordance with article 216 of the Revised Spanish Companies Act.

The provisional accounting statement prepared in accordance with legal requirements which reflected sufficient liquidity for distribution of the aforementioned interim dividends by the Company is as follows:

**The provisional statement of cash flows for the period from 1 January 2009 to 31 December 2009 is as follows:**

	Millions of Euros
<b>Available cash at 1 January 2009</b>	
Cash in hand and at banks	91
Drawable credit lines	7,480
<b>Cash inflows:</b>	—
From ordinary operations	6,635
From financial operations	34
<b>Cash outflows:</b>	—
For ordinary operations	3,243
For financial operations	1,132
<b>Available cash at 31 December 2009</b>	<b>9,865</b>
<b>Proposed dividend on account of 2008 profits (Euros 5.897 per share)</b>	<b>6,244</b>

**The provisional statement of cash flows for the period from 1 December 2009 to 30 November 2009 is as follows:**

	Millions of Euros
<b>Available cash at 1 December 2009</b>	
Cash in hand and at banks	44
Drawable credit lines	5,963
<b>Cash inflows:</b>	—
From ordinary operations	7,336
From financial operations	—
<b>Cash outflows:</b>	—
For ordinary operations	400
For financial operations	842
<b>Available cash at 30 November 2010</b>	<b>12,021</b>
<b>Proposed dividend on account of 2009 profits (Euros 0.50 per share)</b>	<b>529</b>

#### 04. SIGNIFICANT ACCOUNTING PRINCIPLES

The main recognition and measurement criteria used in preparing the annual accounts for 2009 and 2008, in accordance with the Spanish General Chart of Accounts, are as follows:

##### A) INTANGIBLE ASSETS

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their useful lives, which in most cases are estimated to be five years.

##### B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at cost of acquisition or production and subsequently carried at cost less any accumulated depreciation and accumulated impairment losses.

Property, plant and equipment, less their residual value where appropriate, are depreciated on a straight-line basis over the estimated useful lives of the assets, which are the periods of expected use by the Company. Useful lives are reviewed regularly.

The useful lives of assets used for the amortization of the assets are as follows:

	Estimated years of useful life
Buildings	10
Other property, plant and equipment	5-14

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

### C) FINANCIAL INSTRUMENTS

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the pertinent contractual arrangement.

#### C.1. Financial assets other than derivatives and equity investments in Group companies, jointly controlled entities and associates

The Company classifies current and non-current financial assets into the following categories based on the nature of the instruments and management's intentions on initial recognition:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.  
 These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. Subsequently, these are measured at amortised cost, which is the initial market value, less repayments of the principal, plus the accrued interest receivable calculated using the effective interest method.  
 The accrued interest is recognised in the income statement using the effective interest method.  
 If there is objective evidence that an asset might have suffered an impairment loss, the corresponding analysis is carried out and an impairment loss is recognised if the carrying amount of the asset exceeds the present value of the future cash flows that it is expected to generate, discounted at the effective interest rate calculated at the time of initial recognition. The impairment loss recognised will be for the amount of this difference. In the case of financial assets earning interest at floating rates, the effective interest rate at the balance sheet date, based on the related contractual terms and conditions, is used.



Impairment losses recognised and reversed are charged and credited, respectively, to the income statement. Where an impairment loss subsequently reverses, the carrying amount of the account receivable is increased, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

- Held-to-maturity investments: this category includes debt securities with fixed maturity and fixed or determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

The assets of this type are measured in the same way as the loans and receivables.

At 31 December 2009 and 2008, the Company did not have any investments of this nature.

- Financial assets at fair value through profit or loss:
  - Held-for-trading financial assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking.  
Held-for-trading financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. Subsequently, they are measured at fair value and any changes in fair value are recognised directly in profit or loss.
  - Other financial assets at fair value through profit or loss: financial assets designated as such on initial recognition which are managed and measured using the fair value option. These assets are initially recognised and subsequently measured at fair value and any changes in fair value are recognised directly in profit or loss.

- Available-for-sale financial assets financial assets designated specifically as available for sale or those which do not fall into any of the aforementioned categories.

Available-for-sale financial assets relate substantially in full to equity investments in companies other than Group companies, jointly controlled entities and associates.

They are initially recognised at the value of the consideration paid plus the directly attributable transaction costs. They are subsequently measured at fair value where this can be determined reliably.

Equity instruments whose fair value cannot be determined reliably are measured at cost, less, any accumulated impairment losses where such evidence of impairment exists.

The changes in fair value, net of the related tax effect, are recognised with a charge or credit to equity – valuation adjustments until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, permanent impairment is deemed to exist if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.

If in subsequent periods fair value increases, the impairment loss recognised in prior years in the income statement reverses with a credit to income.

The criteria for recognising impairment losses for equity instruments measured at cost, because their fair value cannot be reliably determined, are detailed in note 4 c.3.

The Company derecognises financial assets when the contractual rights on the cash flows from the related financial asset expire or have been transferred and when substantially all the risks and rewards of ownership of the financial

asset have been transferred. However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained.

## C.2. Financial liabilities except derivatives

The Company classifies financial liabilities into the following categories based on the nature of the instruments and management's intentions on initial recognition:

- Debts and payables: accounts payable by the Company, of both a financial and trading nature, which are not classed as derivative financial instruments. The financial liabilities corresponding to accounts payable are recognised at the fair value of the consideration received, net of transaction costs. In subsequent periods, these obligations are measured at amortised cost using the effective interest method.  
As an exception, in specific cases where liabilities are the underlying of a fair value hedge, the portion of the hedged risk is measured at fair value.
- Financial liabilities classified as at fair value through profit or loss:
  - Financial liabilities held for trading: the Company includes in this category the financial liabilities it has the intention to reacquire in the near term and liabilities that form part of a portfolio for which there is evidence of recent actions taken with the same purpose.  
Financial liabilities held for trading are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, they are measured at fair value and any changes in fair value are recognised directly in profit or loss.
  - Other financial liabilities at fair value through profit or loss: financial liabilities designated as such on initial recognition which are managed and measured at fair value.  
Other financial liabilities at fair value through profit or loss are initially recognised at the fair value of the consideration received, less directly attributable transaction costs.  
Subsequently, they are measured at fair value and any changes in fair value are recognised directly in profit or loss.

To calculate the fair value of the liabilities, debt has been divided into liabilities bearing interest at a fixed rate ("fixed-rate debt") and liabilities bearing interest at floating rates ("floating-rate debt"). Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term. All these liabilities are measured by discounting the expected future flows using the market interest rate, depending on the payment currency. Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. This type of debt has been measured at the nominal amount of each issue, except in cases in which there is a difference between the capitalisation rate and the discount rate. In such cases, differences have been measured by discounting them, and aggregated to the nominal amount of the transaction.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

### C.3. Equity investments in Group companies, jointly controlled entities and associates

Group companies are deemed to be those related to the Company as a result of a relationship of direct or indirect control. Associates are companies over which the Company exercises significant influence (significant influence is presumed to exist when the Company holds at least 20% of the voting rights of the other company). Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

The investments in Group companies, jointly controlled entities and associates are initially recognised at cost, which is equal to the fair value of the consideration given, plus any directly attributable transaction costs.

These investments are subsequently measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Where information on these cash flows is not available, the equity of the investee is taken into account, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Impairment valuation allowances recognised and reversed are charged and credited, respectively, to the income statement.

### C.4. Derivatives and hedge accounting

The derivatives held by the Company relate mainly to transactions arranged by the Company to hedge interest rate or foreign currency risk, the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are recognised at their fair value at the balance sheet date under non-current financial assets or current financial assets if their value is positive, and under non-current payables or current payables, if their value is negative. The changes in fair value are recognised in the income statement as finance costs or finance income, unless the derivative has been designated as a hedging instrument for accounting purposes and meets the requirements for hedge accounting which include, inter alia, that it is highly effective, in which case it is recognised, depending on the type of hedge, as follows:

- Fair value hedges: the portion of the hedged item for which the risk is being hedged is measured at fair value, as is the related hedging instrument, and changes in the fair values of both items are recognised in the income statement, as finance income or finance expenses.
- Cash flow hedges: changes in the fair value of derivatives are recognised, with respect to the effective portion of these hedges and net of the related tax effect, under equity – valuation adjustments – hedges.

The cumulative gain or loss recognised in this account is transferred to the income statement to the extent that the underlying has an impact on the income statement in relation to the hedged risk. Gains or losses on

the ineffective portion of the hedges are recognised directly in the income statement as finance income or finance costs.

- Hedges of net investments in foreign operations: the foreign currency component of hedges of this nature relating to investments in subsidiaries, jointly controlled entities and associates is accounted for as a fair value hedge. Hedging instruments are measured and recognised on the basis of their nature to the extent that they are not, or cease to be, effective.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship, and the relationship is considered to be highly effective.

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

Derivatives embedded in other financial instruments are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contract provided that together they are not being recognised at fair value, with changes in value being recognised in profit or loss.

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

1. For derivatives quoted on an organised market, their quoted value at year end
2. The Company measures derivatives not traded on an organised market by discounting the expected cash flows and using generally accepted option valuation models based on spot and futures market conditions at the end of each year

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

### C.5. Financial guarantee contracts

Financial guarantee contracts, which are the guarantee deposits extended to third parties by the Company, are initially recognised at fair value. Except where there is evidence to the contrary, fair value is the premium received plus, where applicable, the present value of cash flows to be received.

After initial recognition, financial guarantee contracts are measured as the difference between the following:

- The amount of the liability determined using the accounting policy described for provisions in note 4 g.
- The amount of the asset initially recognised less, where appropriate, the portion recognised in profit and loss on an accruals basis.

**D) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

**E) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

The Company classifies as non-current assets held for sale assets for which at the date of the balance sheet active measures had been initiated to sell them and the sale is expected to have been completed within twelve months from that date. These assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell and cease to be depreciated when classified as non-current assets classified as held for sale.

The non-current assets classified as held for sale and the components of the disposal groups classified as held for sale are presented in the accompanying balance sheet as follows: the assets as a single line item called "non-current assets classified as held for sale and discontinued operations" and the liabilities also as a single line item called "liabilities associated with non-current assets classified as held for sale and discontinued operations".

Discontinued operations also include lines of business that have been sold or disposed of by any other manner or if they qualify for classification as held for sale, including, where applicable, other assets which are included in the sale operation together with the line of business.

The profit after tax of discontinued operations is presented separately in the income statement.

At 31 December 2009 and 2008, ENDESA did not have any discontinued operations.

**F) TREASURY SHARES**

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

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

At 31 December 2009 and 2008, no treasury shares were held and in 2008 and 2007 no transactions involving treasury shares were carried out.

**G) PROVISIONS AND CONTINGENCIES**

The present obligations at the balance sheet date arising from past events which could give rise to a probable loss for the Company which is uncertain as to its

amount and timing are recognised as provisions in the balance sheet at the present value of the most probable amount that it is considered the Company will have to disburse to settle the obligation.

Provisions are made based on the best information available at the date of preparation of the consolidated annual accounts considering the most likely outcome of the event for which provision is required and are reestimated at the end of each reporting period.

Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow of resources in settlement is considered to be remote.

Non-current provisions for pensions and similar obligations and for restructuring costs are the result of collective or individual agreements with the Company's employees, whereby the Company undertakes to supplement the public social security system benefits in the event of retirement, permanent disability, death or termination of employment by agreement between the parties.

#### **G.1. Provisions for pensions and similar obligations**

ENDESA has pension obligations with their employees, which vary depending on the company in which the obligations were incurred. These obligations, including both defined benefits and defined contributions, are basically formalised through pension plans or insurance policies, except as regards certain benefits in kind, mainly electricity supply obligations, which due to their nature have not been externalised and are covered by in-house provisions.

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

Defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets or unrecognised past service costs. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly under equity: other reserves.

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under non-current provisions in the balance sheet. Any negative difference is recognised under non-current financial assets - loans to third parties in the balance sheet, provided that this negative difference is recoverable by the Company, usually through a reduction in future contributions.

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

The post-employment plans that have been fully insured and for which the Company has therefore transferred all the risk are considered to be defined contribution plans and, no assets or liabilities are recognised in the balance sheet.

## **G.2. Provisions for personnel restructuring costs**

The Company recognises termination benefits when there is an individual or group agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for the Company in exchange for a termination benefit.

If a mutual agreement is required, a provision is only recorded in situations in which the Company has decided to give its consent to the termination of employment when this has been requested. In all cases in which these provisions are recognised, the employees have an expectation that these early retirements will proceed.

The Company has restructuring plans in progress as part of the corresponding workforce reduction plans approved by the government, which guarantee that benefits are received throughout the early retirement period.

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

## **G.3. Short-term employee benefits**

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

## **H) FOREIGN CURRENCY TRANSACTIONS**

Transactions in currencies other than the Euro, the Company's functional currency, are translated to Euros by applying the exchange rates prevailing at the date of the transaction. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate on the date of collection or payment are recorded as finance income or finance costs in the income statement.

Also, balances receivable or payable at 31 December each year denominated in currencies other than the Euro are translated to Euros at the year-end exchange rates. The resulting translation differences are recognised as finance expenses or finance income in the income statement.

## **I) CLASSIFICATION OF BALANCES AS CURRENT AND NON-CURRENT**

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

**J) INCOME TAX**

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

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

Deferred tax liabilities are recognised for all temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company can control the timing of the reversal and it is probable that the difference will not reverse in the foreseeable future.

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

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

Until 2009 ENDESA has filed consolidated tax returns as part of a tax group, of which the Company is the head, made up of the companies that meet the related legal requirements. However, with Enel Energy Europe, S.L.'s acquisition of a 92.1% interest in the share capital of ENDESA (see note 1), as of 2010 the Company will form part of a new consolidated tax group to be headed by Enel Energy Europe, S.L., dissolving the current consolidated tax group.

**K) REVENUE AND EXPENSE RECOGNITION**

Revenue and expenses are recognised on an accruals basis

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

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

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



Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

#### **L) RELATED PARTY TRANSACTIONS**

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

#### **M) CONSOLIDATED CASH FLOW STATEMENTS**

The statement of cash flows reflects the changes in cash that took place in the year calculated using the indirect method. The following terms are used in the cash flow statements with the meanings specified:

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

### **05. INTANGIBLE ASSETS**

Details of intangible assets and movement in 2009 and 2008 are as follows:

Millions of Euros			
INTANGIBLE ASSETS	Balance at 31/12/2008	Additions and charge for the year	Balance at 31/12/2009
<b>Intangible assets</b>			
Computer software	115	28	143
<b>TOTAL</b>	<b>115</b>	<b>28</b>	<b>143</b>
<b>Accumulated amortisation</b>			
Computer software	(43)	(9)	(52)
<b>TOTAL</b>	<b>(43)</b>	<b>(9)</b>	<b>(52)</b>
<b>TOTAL, NET</b>	<b>72</b>	<b>19</b>	<b>91</b>

Millions of Euros			
INTANGIBLE ASSETS	Balance at 31/12/2007	Additions and charge for the year	Balance at 31/12/2008
<b>Intangible assets</b>			
Computer software	87	28	115
<b>TOTAL</b>	<b>87</b>	<b>28</b>	<b>115</b>
<b>Accumulated amortisation</b>			
Computer software	(35)	(8)	(43)
<b>TOTAL</b>	<b>(35)</b>	<b>(8)</b>	<b>(43)</b>
<b>TOTAL, NET</b>	<b>52</b>	<b>20</b>	<b>72</b>

The cost of fully-amortised intangible assets at 31 December 2009 and 2008 is Euros 33 million and Euros 26 million, respectively.

## 06. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement in 2009 and 2008 are as follows:

Millions of Euros			
PROPERTY, PLANT AND EQUIPMENT	Balance at 31/12/2008	Additions and charges for the year	Balance at 31/12/2009
<b>Property, plant and equipment</b>			
Other property, plant and equipment	18	1	19
Advances and property, plant and equipment under construction	1	1	2
<b>TOTAL</b>	<b>19</b>	<b>2</b>	<b>21</b>
<b>Accumulated depreciation</b>			
Other	(12)	(1)	(13)
<b>TOTAL</b>	<b>(12)</b>	<b>(1)</b>	<b>(13)</b>
<b>TOTAL, NET</b>	<b>7</b>	<b>1</b>	<b>8</b>

Millions of Euros			
PROPERTY, PLANT AND EQUIPMENT	Balance at 31/12/2007	Additions and charges for the year	Balance at 31/12/2008
<b>Property, plant and equipment</b>			
Other property, plant and equipment	16	2	18
Advances and property, plant and equipment under construction	—	1	1
<b>TOTAL</b>	<b>16</b>	<b>3</b>	<b>19</b>
<b>Accumulated depreciation</b>			
Other	(10)	(2)	(12)
<b>TOTAL</b>	<b>(10)</b>	<b>(2)</b>	<b>(12)</b>
<b>TOTAL, NET</b>	<b>6</b>	<b>1</b>	<b>7</b>

At 31 December 2009 and 2008, there were property, plant and equipment purchase commitments amounting to Euros 3 million.

The Company contracts corporate insurance policies to cover the damage that its property, plant and equipment may suffer with the limits and the coverage suited to the type of risk. The policies also cover the claims that might be filed against it for carrying on its business activities.

The cost of fully-depreciated property, plant and equipment at 31 December 2009 and 2008 amounts to Euros 6 million and Euros 5 million, respectively.

## 07. CURRENT AND NON-CURRENT FINANCIAL ASSETS

Details of non-current financial assets and movement in 2009 and 2008 are as follows:

Millions of Euros

NON-CURRENT FINANCIAL ASSETS	Balance at 31/12/2008	Additions or charge for the year	Disposals or reductions	Transfers and other	Balance at 31/12/2009
<b>Non-current investments in group companies and associates</b>	<b>19,470</b>	<b>702</b>	<b>(539)</b>	<b>34</b>	<b>19,667</b>
<i>Equity instruments</i>	<i>19,148</i>	<i>427</i>	<i>(538)</i>	<i>34</i>	<i>19,071</i>
Investments in Group companies	19,221	446	(548)	—	19,119
Investments in associates	—	4	—	—	4
Impairment losses	(73)	(23)	10	34	(52)
<b>Loans to companies</b>	<b>320</b>	<b>270</b>	<b>—</b>	<b>—</b>	<b>590</b>
<b>Derivatives (note 13)</b>	<b>2</b>	<b>5</b>	<b>(1)</b>	<b>—</b>	<b>6</b>
<b>Non-current financial assets</b>	<b>2,995</b>	<b>1,982</b>	<b>(400)</b>	<b>(73)</b>	<b>4,504</b>
<i>Equity instruments</i>	<i>51</i>	<i>42</i>	<i>(7)</i>	<i>(43)</i>	<i>43</i>
Long-term investment securities	51	42	(7)	(43)	43
Impairment losses	—	—	—	—	—
<b>Loans to third parties</b>	<b>2,835</b>	<b>1,912</b>	<b>(364)</b>	<b>(18)</b>	<b>4,365</b>
Loans to companies	2,848	1,912	(375)	(18)	4,367
Impairment losses	(13)	—	11	—	(2)
<b>Derivatives (note 13)</b>	<b>19</b>	<b>28</b>	<b>(23)</b>	<b>(12)</b>	<b>12</b>
<b>Other financial assets</b>	<b>90</b>	<b>—</b>	<b>(6)</b>	<b>—</b>	<b>84</b>
<b>TOTAL</b>	<b>22,465</b>	<b>2,684</b>	<b>(939)</b>	<b>(39)</b>	<b>24,171</b>

Millions of Euros

NON-CURRENT FINANCIAL ASSETS	Balance at 31/12/2007	Additions or charge for the year	Disposals or reductions	Transfers and other	Balance at 31/12/2008
<b>Non-current investments in group companies and associates</b>	<b>19,168</b>	<b>342</b>	<b>(40)</b>	<b>—</b>	<b>19,470</b>
<i>Equity instruments</i>	<i>19,155</i>	<i>20</i>	<i>(27)</i>	<i>—</i>	<i>19,148</i>
Investments in Group companies	19,201	20	—	—	19,221
Investments in associates	—	—	—	—	—
Impairment losses	(46)	—	(27)	—	(73)
<b>Loans to companies</b>	<b>—</b>	<b>320</b>	<b>—</b>	<b>—</b>	<b>320</b>
<b>Derivatives (note 13)</b>	<b>13</b>	<b>2</b>	<b>(13)</b>	<b>—</b>	<b>2</b>
<b>Non-current financial assets</b>	<b>1,215</b>	<b>2,185</b>	<b>(120)</b>	<b>(285)</b>	<b>2,995</b>
<i>Equity instruments</i>	<i>61</i>	<i>—</i>	<i>—</i>	<i>(10)</i>	<i>51</i>
Long-term investment securities	61	—	—	(10)	51
Impairment losses	—	—	—	—	—
<b>Loans to third parties</b>	<b>939</b>	<b>2,176</b>	<b>(5)</b>	<b>(275)</b>	<b>2,835</b>
Loans to companies	952	2,176	(5)	(275)	2,848
Impairment losses	(13)	—	—	—	(13)
<b>Derivatives (note 13)</b>	<b>119</b>	<b>4</b>	<b>(104)</b>	<b>—</b>	<b>19</b>
<b>Other financial assets</b>	<b>96</b>	<b>5</b>	<b>(11)</b>	<b>—</b>	<b>90</b>
<b>TOTAL</b>	<b>20,383</b>	<b>2,527</b>	<b>(160)</b>	<b>(285)</b>	<b>22,465</b>

Current financial assets at 31 December 2009 and 2008 are as follows:

	Millions of Euros	
	Balance at 31/12/2009	Balance at 31/12/2008
<b>CURRENT FINANCIAL ASSETS</b>		
<b>Current investments in Group companies and associates</b>	<b>266</b>	1,945
Loans to Group companies and associates	243	600
Derivatives (note 13)	23	13
Other financial assets (note 7c)	—	1,332
<b>Current financial assets</b>	<b>325</b>	<b>270</b>
Loans to companies	289	229
Derivatives (note 13)	35	40
Other financial assets	1	1
<b>TOTAL</b>	<b>591</b>	<b>2,215</b>

## **A) INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES**

### **A.1. Equity instruments**

Details of the Company's equity investments in Group companies and associates at 31 December 2009 and 2008 and the most significant information thereon at that date are shown below.

The figures of companies for 2009 and 2008 relate to information of the individual companies.

For the purposes of calculating the impairment losses in the valuation of Endesa Participadas, S.A.U. (for 2008) and Endesa Servicios, S.L.U. (for 2009 and 2008), the equity of the companies was considered, since the present value of the future cash flows from the investments was not available.

## Group companies in 2009

Millions of Euros															
Company Registered office	Activity	% direct ownership	Share capital (1)	Reserves (1)	Interim dividend (1)	Profit/ (Loss) for the year		Total shareholders' equity (1)	Grants, donations and legacies received (1)	Valuation adjustments (1)	Total equity (1)	Dividends received			
						From operations (1)	Net (1)					Cost	Impairment loss recognised in the year	Accumulated impairment losses	Carrying amount
ENDESA ENERGÍA, S.A.-Madrid	Marketing of energy products of all kinds	100	13	(1)	(230)	529	406	188	—	2	191	14	—	301	
ENDESA GENERACIÓN, S.A.-Sevilla	Electricity production	100	1,945	1,800	(1,040)	1,127	1,527	4,233	10	78	4,320	3,891	—	1,087	
ENDESA RED, S.A.-Barcelona	Electricity distribution	100	730	738	—	(3)	(24)	1,443	—	—	1,443	1,460	—	1	
INTERNACIONAL ENDESA, BV-Holanda	Management of international financing	100	16	4	—	(1)	3	23	—	—	23	18	—	4	
ENDESA SERVICIOS, S.L.-Madrid	Services	100	90	38	—	56	38	166	—	—	166	143	7	3	
ENDESA LATINOAMÉRICA, S.A.-Madrid	Endesa Group's international business	100	1,500	677	(179)	(25)	410	2,408	—	—	2,408	3,761	—	179	
ENDESA DESARROLLO, S.L.-Madrid	Holding company	100	—	(9)	—	(8)	(72)	(81)	—	—	(81)	—	—	—	
ENDESA PARTICIPADAS, S.A.-Madrid	Holding company	100	—	—	—	—	—	—	—	—	—	—	—	—	
ENDESA IRELAND, LTD-Irlanda	Power generation	100	—	440	—	—	(29)	410	14	—	424	443	—	—	
ENDESA FINANCIACIÓN FILIALES, S.A.- Madrid	Management of subsidiary financing	100	4,621	4,621	(226)	(1)	329	9,345	—	—	9,345	9,242	—	291	
BOLONIA REAL ESTATE, S.L.-Madrid	Real estate business	100	—	44	—	(1)	(18)	26	—	—	26	47	(20)	—	
COMPOSTILLA RE, S.A.-Luxemburgo	Reinsurance transactions	100	12	—	—	—	—	12	—	—	12	12	—	—	
NUÉVA MARINA REAL ESTATE, S.L.- Madrid	Real estate business	60	—	69	—	—	1	70	—	—	70	72	(3)	(30)	
ENDESA CARBONO, S.L.	Financial brokerage	82.5	—	14	—	(1)	—	14	—	—	14	14	—	—	
REST OF GROUP			—	—	—	—	—	—	—	—	—	2	3	3	
TOTAL												19,119	(13)	(50)	1,869

(1) Audited figures. None of these companies is listed. In 2009 there was no profit or loss from discontinued operations.

**Group companies in 2008**

Millions of Euros															
Company Registered office	Activity	% direct ownership	Share capital (1)	Reserves (1)	Interim dividend (1)	Profit/ (Loss) for the year		Total shareholders' equity (1)	Grants, donations and legacies received (1)	Valuation adjustments (1)	Total equity (1)	Dividends received			
						From operations (1)	Net (1)					Cost	Impairment loss recognised in the year	Accumulated impairment losses	Carrying amount
ENDESA ENERGÍA, S.A.-Madrid	Marketing of energy products of all kinds	100	13	7	(230)	443	295	85	—	(59)	26	14	—	—	230
ENDESA GENERACIÓN, S.A.-Sevilla	Electricity production	100	1.945	1.836	(1.162)	1.126	1.211	3.830	10	61	3.901	3.891	—	—	1.171
ENDESA RED, S.A.-Barcelona	Electricity distribution	100	730	739	(10)	12	10	1.469	—	—	1.469	1.460	—	—	12
INTERNACIONAL ENDESA, BV-Holanda	Management of international financing	100	15	5	—	(1)	4	24	—	—	24	18	—	—	5
ENDESA SERVICIOS, S.L.-Madrid	Services	100	90	42	(24)	33	26	134	—	—	134	143	(6)	(7)	34
ENDESA LATINOAMÉRICA, S.A.-Madrid	Endesa Group's international business	100	1.500	648	(140)	(54)	170	2.178	—	—	2.178	3.761	—	—	316
ENDESA DESARROLLO, S.L.-Madrid	Holding company	100	—	—	—	(14)	(9)	(9)	—	—	(9)	—	—	—	—
ENDESA PARTICIPADAS, S.A.-Madrid	Holding company	100	328	176	(40)	(1)	43	507	—	—	507	548	5	(38)	40
ENDESA FINANCIACIÓN FILIALES, S.A.-Madrid	Management of subsidiary financing	100	4.621	4.623	(215)	(1)	280	9.309	—	—	9.309	9.242	—	—	215
BOLONIA REAL ESTATE, S.L.-Madrid	Real estate business	100	—	47	—	(4)	(3)	44	—	—	44	47	1	—	—
COMPOSTILLA RE, S.A.-Luxemburgo	Reinsurance transactions	100	9	—	—	—	—	9	—	—	9	9	—	—	—
NUEVA MARINA REAL ESTATE, S.L.-Madrid	Real estate business	60	—	119	—	(50)	(50)	69	—	—	69	72	(27)	(27)	—
ENDESA CARBONO, S.L.	Financial management	83	—	14	—	—	—	14	—	—	14	14	—	—	—
REST OF GROUP			—	—	—	—	—	—	—	—	—	2	—	(1)	—
TOTAL											19.221	(27)	(73)	(73)	2.023

(1) Audited figures. None of these companies is listed. In 2009 there was no profit or loss from discontinued operations.

In 2009 and 2008 ENDESA also owns all of the shares of Endesa Capital, S.A., Endesa Generación II, S.A., Nueva Compañía de Distribución Eléctrica 4, S.L., Apamea 2000, S.L. and Nubia 2000, S.L., the carrying amount of which is lower than Euros 1 million.

### Associates

At 31 December 2009 ENDESA holds interests in the following associates:

Company	% ownership	Cost	Provision
Ensafeca Holding Empresarial	32.43	2	—
Decosol	51.02	2	(2)
Proyecto Almería Mediterráneo	45.00	—	—

Endesa also held this interest in Proyecto Almería Mediterráneo at 31 December 2008.

### Most significant changes in 2009 and 2008

#### 2009

##### Compostilla, Re. S.A.

By virtue of the share capital increase of 22 April 2009, ENDESA subscribed 1,000 new shares of Euros 3,000 par value each for Euros 3 million, as a result of which its 100% ownership in this company amounted to Euros 12 million.

##### Endesa Ireland, Limited

On 8 January 2009 ENDESA acquired from ESB 999,999 shares of Endesa Ireland, Limited for Euros 443 million, as a result of which it acquired a 100% interest in this company. The company owns four power plants with an installed capacity of 1,068 MW.

##### Endesa Participadas, S.A.

On 7 October 2009 Endesa Participadas, S.A. was dissolved without liquidation through the transfer of its assets and liabilities to ENDESA (see note 1). Consequently, ENDESA derecognised the carrying amount of the investment in this company valued at Euros 510 million, and transferred an interest of Euros 2 million to Decosol (51.02%) a company for which full provision had been made, and interest of Euros 2 million to Ensafeca Holding Empresarial (32.43%) and Euros 41 million to Euskaltel (10%). The rest of the transferred assets relate mainly to receivables from Endesa Financiación Filiales, S.A. totalling Euros 485 million.

This operation has been carried out under the special regime of Chapter VIII, Section VII of Royal Decree Law 4/2004 (see note 14 and Appendix).

## 2008

### Compostilla Re., S.A.

In 2008, under an agreement to increase capital entered into on 28 October 2008, ENDESA subscribed 2,000 new shares of Euros 3,000 par value each, for Euros 6 million, as a result of which its 100% ownership in this company amounted to Euros 9 million.

### Asín Holdings Limited, LLC and Endesa Carbono, S.L.

On 16 September 2008, the Company acquired all of the share capital of Asín Holdings Limited, LLC for Euros 14 million.

On that same date the Company acquired 14,190 shares of Endesa Carbono, S.L. of Euros 1 par value each, with a share premium of Euros 1,006.75194 per share, by virtue of an agreement to increase capital at this company. This acquisition amounted to Euros 14 million and the shares of Asín Holdings Limited, LLC held by ENDESA were contributed in this connection. As a result of this transaction, ENDESA has an interest of 83% in this company.

## A.2. Current and non-current loans to Group companies and associates

### 2009

At 31 December 2009 the Company has a long-term US Dollar current account with Endesa Financiación Filiales, S.A. of Euros 590 million, which matures in 2013 and accrues interest at an average rate of 1.21%. Current loans amount to Euros 243 million, of which Euros 231 million are amounts receivable from Group companies in respect of consolidated income tax.

### 2008

At 31 December 2008 the Company had a long-term current account with Endesa Financiación Filiales, S.A. of Euros 320 million, maturing in 2013 and earning interest at an average rate of 3.98%. Current loans totalled Euros 1,932 million. This amount mainly comprised Euros 516 million receivable from Group companies in respect of consolidated income tax, Euros 81 million for other taxes and Euros 1,332 million in interim dividends from subsidiaries, agreed in 2008 and paid in 2009.

Amounts receivable in respect of income tax do not bear interest and are settled the following year.

## B) CURRENT AND NON-CURRENT FINANCIAL ASSETS

### B.1. Equity instruments in 2009 and 2008

At 31 December 2008 this heading comprises the interest in Red Eléctrica de España, S.A., which was 1% at that date.



In December 2009 148,844 shares of this company were sold, generating gross gains of Euros 5 million, as a result of which, ENDESA's interest at 31 December 2009 has been reduced to 0.89%, and transferred to non-current assets held for sale.

The positive balance arising from the measurement of this investment at market value recognised under equity - valuation adjustments in the balance sheet amounted to Euros 34 million at 31 December 2009 and Euros 36 million at 31 December 2008.

## **B.2. Current and non-current loans to companies in 2009 and 2008**

At 31 December 2009 and 2008, Euros 4,656 million and Euros 3,033 million, respectively, relate to the amounts contributed to finance the deficit in revenue from regulated activities.

### **Deficit from regulated activities**

Under Royal Decree Law 5/2005 of 11 March 2005, if the regulated revenue of the electricity system was not sufficient to cover the costs of the regulated activities, this tariff deficit would have to be financed by the utilities named by that law on the basis of set percentages. The percentage applicable to ENDESA was 44.16%.

Royal Decree Law 6/2009 establishes that the network access tariffs set from 2013 onward have to be sufficient to cover all the costs of regulated activities with zero deficit. Until that year, the above-mentioned Royal Decree establishes limits of Euros 3,500 million, Euros 3,000 million, Euros 2,000 million and Euros 1,000 million as the maximum deficit from regulated activities for 2009, 2010, 2011 and 2012, respectively, requiring that access tariffs be set for sufficient amounts for those years to keep deficits within those limits.

The amount not yet recovered at 31 December 2009 and 2008 in connection with the financing of the deficit in revenue from regulated activities for the aforementioned years amounts to Euros 4,656 million and Euros 3,033 million, respectively, which are recognised under loans to companies in the accompanying balance sheets, of which Euros 4,355 million are non-current and Euros 301 million current at 31 December 2009 (Euros 2,806 million and Euros 227 million, respectively, at 31 December 2008).

All deficits in revenue from regulated activities will be settled in full with a charge to revenue from the Spanish electricity system over a period not yet determined for the total deficit, although pursuant to Royal Decree Law 6/2009 the accumulated amount of funding of the deficit in revenue from regulated activities can be assigned to a securitisation fund set up for that purpose.

The market value of these assets does not differ substantially from their carrying amount. These assets earn interest at market rates.

### B.3. Other non-current financial assets

At 31 December 2009 and 2008, other non-current financial assets include Euros 84 million and Euros 90 million, respectively, corresponding to the deposit given to guarantee the payment of the future services of the employees covered by the defined benefit pension plan of ENDESA.

### C) CLASSIFICATION OF FINANCIAL ASSETS BY NATURE AND CATEGORY

A breakdown of these balance sheet items by nature and category, excluding equity investments in Group companies and associates at 31 December 2009 and 2008 is as follows:

Millions of Euros

31/12/2009

FINANCIAL ASSETS: NATURE/ CATEGORY	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	TOTAL
Equity instruments	—	—	43	—	—	—	43
Loans to companies	—	—	—	4,955	—	—	4,955
Derivatives (note 13)	17	—	—	—	—	1	18
Other financial assets	—	—	—	84	—	—	84
<b>Long-term/non-current</b>	<b>17</b>	<b>—</b>	<b>43</b>	<b>5,039</b>	<b>—</b>	<b>1</b>	<b>5,100</b>
Equity instruments	—	—	—	—	—	—	—
Loans to companies	—	—	—	532	—	—	532
Derivatives (note 13)	57	—	—	—	—	1	58
Other financial assets	—	—	—	1	—	—	1
<b>Short-term/current</b>	<b>57</b>	<b>—</b>	<b>—</b>	<b>533</b>	<b>—</b>	<b>1</b>	<b>591</b>
<b>TOTAL</b>	<b>74</b>	<b>—</b>	<b>43</b>	<b>5,572</b>	<b>—</b>	<b>2</b>	<b>5,691</b>

Millions of Euros

31/12/2008

FINANCIAL ASSETS: NATURE/ CATEGORY	Held-for-trading financial assets	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	TOTAL
Equity instruments	—	—	51	—	—	—	51
Loans to companies	—	—	—	3,155	—	—	3,155
Derivatives (note 13)	20	—	—	—	—	1	21
Other financial assets	—	—	—	90	—	—	90
<b>Long-term/non-current</b>	<b>20</b>	<b>—</b>	<b>51</b>	<b>3,245</b>	<b>—</b>	<b>1</b>	<b>3,317</b>
Equity instruments	—	—	—	—	—	—	—
Loans to companies	—	—	—	829	—	—	829
Derivatives (note 13)	53	—	—	—	—	—	53
Other financial assets	—	—	—	1	—	—	1
<b>Short-term/current</b>	<b>53</b>	<b>—</b>	<b>—</b>	<b>830</b>	<b>—</b>	<b>—</b>	<b>883</b>
<b>TOTAL</b>	<b>73</b>	<b>—</b>	<b>51</b>	<b>4,075</b>	<b>—</b>	<b>1</b>	<b>4,200</b>

In 2008 there are also dividends receivable agreed with Group companies amounting to Euros 1,332 million, with no amounts in this respect in 2009.

Held-for-trading financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets and hedging derivatives are measured at fair value.

**D) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Changes in the fair value of this type of financial assets in 2009 and 2008 and the accumulated amounts at the reporting date, were as follows:

Millions of Euros			
2009	Fair value at 31/12/2008	Changes in fair value in 2009	Fair value at 31/12/2009
<b>Financial assets at fair value through profit or loss:</b>			
<i>Non-current:</i>			
Held-for-trading financial assets	20	(3)	17
<i>Current:</i>			
Held-for-trading financial assets	53	4	57

Millions of Euros			
2008	Fair value at 31/12/2007	Changes in fair value in 2008	Fair value at 31/12/2008
<b>Financial assets at fair value through profit or loss:</b>			
<i>Non-current:</i>			
Held-for-trading financial assets	31	(11)	20
<i>Current:</i>			
Held-for-trading financial assets	57	(4)	53

Held-for-trading financial assets are derivative financial instruments not designated as hedging instruments.

**E) AMOUNTS TAKEN TO THE INCOME STATEMENT AND TO EQUITY**

Changes in the income statement and the amounts taken directly to equity arising from financial assets grouped together into the various categories were as follows:

Category	2009		2008	
	Income statement	Equity	Income statement	Equity
Held-for-trading financial assets	86	—	135	—
Available-for-sale financial assets	8	(3)	2	(10)
Loans and receivables	232	—	139	—
Hedging derivatives	1	(59)	28	(214)
Investments in Group companies, jointly controlled entities and associates	1,875	—	2,023	—
<b>TOTAL</b>	<b>2,202</b>	<b>(62)</b>	<b>2,327</b>	<b>(224)</b>

**F) FINANCIAL INVESTMENT COMMITMENTS**

At 31 December 2009 ENDESA had undertaken no significant commitments to make new financial investments.

At 31 December 2008, ENDESA had entered into agreements that included commitments to make financial investments amounting to Euros 460 million, of which Euros 443 million correspond to the acquisition of Endesa Ireland in January 2009 (see note 7 a).

## 08. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

### 2009

At 31 December 2009 ENDESA's 0.89% interest in Red Eléctrica de España, S.A. has been transferred to non-current assets held for sale, after the Company initiated negotiations to sell these shares, a portion of which was already sold in December 2009 (see notes 7 b.1 and 21).

### 2008

As a result of the acquisition of joint control over ENDESA by Acciona and Enel, ENDESA assumed the obligation established previously by the two controlling shareholders and E.On AG, which included, inter alia, the sale by ENDESA of its full interest in Endesa Europa, S.L. At 31 December 2007 the aforementioned investment is recognised under non-current assets held for sale for Euros 1,468 million.

On 26 June 2008 ENDESA sold all its shares of Endesa Europa for Euros 7,126 million, giving rise to a net gain of Euros 5,541 million.

## 09. EQUITY

Details of equity and movement in 2009 and 2008 are shown in the statement of changes in equity.

### A) SHARE CAPITAL

At 31 December 2009 the share capital of ENDESA amounts to Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares of Euros 1.20 par value each, subscribed and fully paid.

All shares have the same voting and profit-sharing rights.

### B) SHARE PREMIUM

The Revised Spanish Companies Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

### C) RESERVES

Details at 31 December 2009 and 2008 are as follows:

Millions of Euros		
RESERVES	31/12/2009	31/12/2008
Legal reserve	285	285
Revaluation reserves	1,714	1,714
Mining depletion reserve	40	40
Redeemed share capital reserve	102	102
Reserve for redenomination of share capital to Euros	2	2
Reserve for actuarial gains and losses and other adjustments	(8)	(3)
Canary Islands investments reserve	24	24
Accelerated amortisation reserve RDL 2/85	1	1
Merger reserve	2,049	2,048
Other freely-distributable reserves	1,017	1,017
<b>TOTAL</b>	<b>5,226</b>	<b>5,230</b>

### C.1. Legal reserve

In accordance with the Revised Spanish Companies Act, companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Other than for the aforementioned purpose, provided that this reserve does not exceed 20% of share capital, it can be used to offset losses if no other reserves are available.

At 31 December 2009 ENDESA's allocation to this reserve exceeds the 20% of share capital required by law.

### C.2. Revaluation reserves

On 31 December 1996, the Company revalued its property, plant and equipment pursuant to Royal Decree Law 7/1996, giving rise to a gain of Euros 1,776 million. After deduction of the 3% tax, the net balance of Euros 1,722 million was credited to revaluation reserve Royal Decree Law 7/1996 of 7 June 1996.

The aforementioned balance can be used, free of tax, to offset recorded losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase share capital or unrestricted reserves, in the latter case provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related assets have been depreciated, disposed of or written off.

If this balance were used in a manner other than that provided for in Royal Decree Law 7/1996, it would be subject to tax.

Pursuant to Royal Decree Law 7/1996, until 31 December 2009 Euros 5 million of this account had been used to offset losses on sales of revalued assets made prior to the inspection by the taxation authorities of the asset revaluation. Also, as a result of the aforementioned tax inspection, the balance of the revaluation reserve was reduced by Euros 3 million in 1999.

The revalued assets were contributed to the related companies on 1 January 2000 as a result of the corporate restructuring process carried out by the Endesa Group.

### C.3. Mining depletion reserve

This reserve is subject to Royal Decree Law 4/2004, which approves the Revised Income Tax Law. This reserve is taxable if used for any purpose other than those established by pertinent regulatory standards.

At 31 December 2009 and 2008 the balance of this reserve is Euros 40 million, of which Euros 27 million are freely distributable.

### C.4. Redeemed share capital reserve

The redeemed share capital reserve has been appropriated in compliance with article 167.3 of the Spanish Companies Act, which requires companies to transfer to this reserve an amount equal to the par value of redeemed shares or the decrease in the par value of shares, when a share capital reduction is carried out with a charge to profits or freely-distributable reserves or through the redemption of shares acquired free of charge. This reserve should only be available under the same conditions required for the reduction of the share capital.

### C.5. Reserve for redenomination of share capital to Euros

This reserve is not distributable.

### C.6. Reserve for actuarial gains and losses and other adjustments

The amounts appropriated to this reserve originate from actuarial gains and losses recognised in equity.

### C.7. Canary Islands investment reserve

The Canary Islands Investment reserve is subject to the system established in article 27 of Law 19/1994 of 6 July 1994, amending the Canary Islands Tax system, which was modified by Royal Decree Law 12/2006 of 29 December 2006. The Euros 24 million balance of this reserve at 31 December 2008 and 2009 derives from the merger of ENDESA and Unión Eléctrica de Canarias, S.A. in 1998 and is freely distributable since 1 January 2009.

### C.8. Voluntary reserves

Voluntary reserves are freely distributable.

***D) CONDITIONS IMPOSED ARISING FROM THE ACQUISITION OF JOINT CONTROL BY ACCIONA AND ENEL***

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

The new wording of the aforementioned additional provision eleven was established by Royal Decree Law 4/2006 of 24 February 2006 and defines the function of the CNE as follows:

Fourteenth.- 1. Responsible for authorising the acquisition of ownership activities that are subject to administrative control which implies a special discipline relationship such as nuclear power plants, coal-fired plants of particular significance for the consumption of Spanish coal, island and non-mainland electricity systems and natural gas storage or natural gas transmission through international gas pipelines with Spain as the end destination or transit point.

Authorisation is also required when a player wishes to acquire an interest of 10% or more, or an interest that provides significant influence, in a company that, itself or through other companies in its group, engages in any of the activities described in section 1 above. Authorisation is also necessary for direct acquisition of the assets required to carry on those activities.

Subsequent to the Court of Justice of the European Communities of 17 July 2008, and as understood by the CNE, paragraph two of section one of function 14 (acquisition of regulated or strategic companies) is not applicable to EU entities. Paragraph one (acquisition by regulated or strategic companies), will be subject to restrictive application only when the acquiring company directly carries out these activities, and not when it is the parent of the group.

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

1. Acciona and Enel will preserve ENDESA's status as an autonomous company, with full operating responsibility in the fulfilment of its business plan and, as the Parent of its Group, maintaining its brand, its registered office, its Board of Directors and its effective centre of management and decision-taking in Spain.
2. Acciona and Enel must maintain ENDESA duly capitalised at all times. For these purposes, the Endesa Group must maintain a debt service ratio in terms of net financial debt/EBITDA of less than 5.25 for three years from the acquisition of control of ENDESA. Acciona and Enel must report quarterly to the CNE on the changes in the aforementioned ratio.
3. Through the control exercised over ENDESA, Acciona and Enel will assume and make all the investments in gas and electricity regulated activities, in relation to both transmission and distribution, envisaged in: (1) the latest investment plans announced by the Company for the period 2007-2011 listed in this Resolution; (2) the Planning document of the gas and electricity industries: "Development of the transmission networks 2002-

2012", approved by the Council of Ministers and submitted to the Spanish Parliament; and (3) the CNE's Framework Report on electricity and natural gas demand and the coverage thereof.

This obligation is understood to exist without prejudice to any possible duly supported adaptation of ENDESA's investment plans to the regulatory conditions in the terms foreseen in the relevant legislation.

During the period 2007-2011, the ENDESA companies that engage in regulated activities may only distribute dividends when the funds generated by them (defined as cash flow or the sum of the net profit for the year and the depreciation and amortisation charge) are sufficient to meet both their investment obligations and total financial debt repayment obligations projected for the year .

4. For a period of five years from the acquisition of ENDESA, Acciona and Enel will ensure that the aggregate annual consumption of each power plant owned by ENDESA, that currently consumes Spanish coal, does not fall below the aggregate annual consumption of these facilities envisaged in the 2006-2012 National Mining Plan, insofar as the current conditions and circumstances prevail.
5. Acciona and Enel will preserve the Endesa Group entities currently managing the transmission, distribution and generation assets of the island and non-mainland electricity systems for a period of five years from the acquisition of ENDESA.

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

In fulfilment of the aforementioned judgement, the Subsecretariat for Industry, Tourism and Trade, by order of the Secretary of State for Energy, issued a ruling on 13 November 2009 which revokes the CNE resolution of 4 July 2007, and the Spanish Cabinet, through a resolution also issued on 13 November 2009, revoked the Ministry of Industry, Tourism and Trade resolution of 19 October 2007 which resolved the appeal filed by Acciona and Enel Energy Europe, S.L. against the resolution, legally dissolving the aforementioned conditions.

## 10. PROVISIONS AND CONTINGENCIES

Details of current and non-current provisions for 2009 and 2008 and the main movements in those years are as follows:



Millions of Euros

NON-CURRENT PROVISIONS	Balance at 31/12/2008	Charges to profit	Financial effect	Applications	Payments	Transfers	Other adjustments	Balance at 31/12/2009
<b>Non-current employee benefits:</b>	<b>14</b>	<b>3</b>	<b>1</b>	<b>(1)</b>	<b>2</b>	<b>—</b>	<b>7</b>	<b>26</b>
Pensions	—	1	1	(1)	(1)	—	1	1
Other employee benefits	14	2	—	—	3	—	6	25
<b>Provisions for restructuring:</b>	<b>91</b>	<b>20</b>	<b>18</b>	<b>—</b>	<b>—</b>	<b>(16)</b>	<b>2</b>	<b>115</b>
Workforce reduction plans	37	(17)	6	—	—	10	1	37
Voluntary redundancy programme	54	37	12	—	—	(26)	1	78
Provisions for other liabilities	199	16	—	(48)	—	(117)	17	67
<b>TOTAL NON-CURRENT</b>	<b>304</b>	<b>39</b>	<b>19</b>	<b>(49)</b>	<b>2</b>	<b>(133)</b>	<b>26</b>	<b>208</b>
<b>CURRENT PROVISIONS</b>								
<b>Provisions for restructuring:</b>	<b>40</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(28)</b>	<b>16</b>	<b>1</b>	<b>29</b>
Workforce reduction plans	26	—	—	—	(4)	(10)	—	12
Voluntary redundancy programme	14	—	—	—	(24)	26	1	17
<b>Provisions for other liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(17)</b>	<b>(100)</b>	<b>117</b>	<b>—</b>	<b>—</b>
<b>TOTAL CURRENT</b>	<b>40</b>	<b>—</b>	<b>—</b>	<b>(17)</b>	<b>(128)</b>	<b>133</b>	<b>1</b>	<b>29</b>

Millions of Euros

NON-CURRENT PROVISIONS	Balance at 31/12/2007	Charges to profit	Financial effect	Applications	Payments	Transfers	Other adjustments	Balance at 31/12/2008
<b>Non-current employee benefits:</b>	<b>12</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>14</b>
Pensions	—	—	—	—	—	—	—	—
Other employee benefits	12	1	1	—	—	—	—	14
<b>Provisions for restructuring:</b>	<b>133</b>	<b>2</b>	<b>6</b>	<b>—</b>	<b>—</b>	<b>(50)</b>	<b>—</b>	<b>91</b>
Workforce reduction plans	70	(6)	3	—	—	(30)	—	37
Voluntary redundancy programme	63	8	3	—	—	(20)	—	54
Provisions for other liabilities	68	131	—	—	—	—	—	199
<b>TOTAL NON-CURRENT</b>	<b>213</b>	<b>134</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>(50)</b>	<b>—</b>	<b>304</b>
<b>CURRENT PROVISIONS</b>								
<b>Provisions for restructuring:</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(10)</b>	<b>50</b>	<b>—</b>	<b>40</b>
Workforce reduction plans	—	—	—	—	(4)	30	—	26
<b>Voluntary redundancy programme</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6)</b>	<b>20</b>	<b>—</b>	<b>14</b>
<b>TOTAL CURRENT</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(10)</b>	<b>50</b>	<b>—</b>	<b>40</b>

## A) PROVISIONS FOR PENSIONS

The Company's employees are included in the Endesa Group Employee Pension Plan. Three basic groups of employees receive different types of benefits:

- Personnel who joined the Company after 1997 are members of a plan with defined contributions for retirement and defined benefits for disability and death whilst in service, for which the Plan has contracted the appropriate insurance coverage.
- Electricity employees of the former ENDESA, for which the pension plan comprises defined benefits for retirement, disability and death, for both present and former employees. The predetermined nature of the benefits for retirement and their full coverage eliminate in full any risk relating thereto. The other benefits are also guaranteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this system does not differ significantly from that required for the mixed plans described above.
- Fecsa/Enher/HidroEmpordà employees: Defined-benefit pension plan with annual salary increase rate tied to the increase in the CPI. This plan is treated exactly in the same way as a defined benefit system. Commitments with this group are not material.

The employees belonging to the defined benefits system are a finite group as no further employees can be included.

Due to the restructuring of Endesa Group companies, the new companies have assumed all the commitments to personnel held by the original companies. Following the creation of the Endesa Group Employee Pension Plan, with effect from 1 January 2005, pension obligations were transferred to the companies at which the employees worked.

Contributions to the pension plan are recognised in profit and loss.

Amounts recognised in the balance sheet in relation with the defined benefit plans are as follows:

Millions of Euros		
	31/12/09	31/12/08
<b>Present value of defined benefit obligations:</b>	<b>(47)</b>	<b>(27)</b>
Serving personnel	(28)	(18)
Retired	(10)	(3)
Early retired	(9)	(6)
<b>Fair value of plan assets</b>	<b>46</b>	<b>28</b>
<b>NET TOTAL</b>	<b>(1)</b>	<b>1</b>

Movement in obligations under defined benefit plans is as follows:

Millions of Euros		
DEFINED BENEFIT PLAN OBLIGATIONS	2009	2008
<b>Opening actuarial liability 1/1/2009</b>	<b>(27)</b>	<b>(27)</b>
Financial cost	(1)	(1)
Current cost from the period	(1)	(1)
Benefits paid in the period	1	1
Global transfer of assets and liabilities (Note 1)	(7)	—
Actuarial gains and losses	(12)	1
<b>Closing actuarial liability 31/12/2009</b>	<b>(47)</b>	<b>(27)</b>

Movement in the fair value of defined benefit plan assets is as follows:

Millions of Euros		
DEFINED BENEFIT PLAN ASSETS	2009	2008
<b>Opening market value 1/1/2009</b>	<b>28</b>	<b>32</b>
Estimated benefit	1	1
Company contribution	2	1
Payments	(1)	(1)
Actuarial gains and losses	10	(5)
Other movements	6	—
<b>Closing market value 31/12/2009</b>	<b>46</b>	<b>28</b>
<b>Opening provision/asset balance</b>	<b>1</b>	<b>5</b>
<b>Closing provision/asset balance</b>	<b>(1)</b>	<b>1</b>

Defined benefit plan assets include the following:

DEFINED BENEFIT PLAN ASSETS	2009	2008
Shares	29%	22%
Fixed-income assets	67%	74%
Other (Cash)	4%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

The following are the most significant actuarial assumptions considered in the calculations:

	2009	2008
Technical interest rate	3.53%	4.43%
Mortality tables	GRM/F 95	GRM/F 95
Annual pension increase	2.30%	2.30%
Annual salary increase	2.30%	2.30%
Retirement age	65	65

The unit credit calculation method is used.

The Company has covered the obligations deriving from the commitments described above with the amounts recognised in the balance sheets at 31 December 2009 and 2008.

## ***B) PROVISIONS FOR PERSONNEL RESTRUCTURING***

The Company has made various provisions for the different restructuring plans involving current or early retired employees. These plans guarantee receipt of a benefit for the period of early retirement and in certain cases an annuity when retirement age is reached, supplementing state benefits.

Two types of plans are in force at 31 December 2009 and 2008:

1. Personnel restructuring plans approved by the former companies before the corporate restructuring in 1999.  
The term in which the employees may opt to adhere to these restructuring plans has elapsed and, therefore, the obligation relates mainly to employees who have left the Company.
2. Voluntary redundancy plan approved in 2000.  
The Plan affects employees with at least ten years of service at the group of companies affected at 31 December 2005.  
Employees aged 50 or more at 31 December 2005 are entitled to opt for inclusion in an early retirement plan at the age of 60, of which they may avail themselves between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.  
For the Plan to apply to employees younger than 50 at 31 December 2005, a written request from the employee and the acceptance thereof by the company are required.

A total of 245 employees in 2009 and 197 employees in 2008 have been considered in the valuation of the two plans mentioned above, of which 168 and 128 persons, respectively, have not yet left the Company.

The economic conditions applicable to the employees included in these plans are basically as follows:

- For personnel taking early retirement, the company will pay the employees from the date of termination of their contract until the first date on which retirement can be taken after the unemployment benefits have come to an end and, at the very latest, until the ex-employees, reaching retirement age, vest the right, a termination benefit in periodic payments based on their last annual salary payment, which is updatable on the basis of the annual increase in the CPI. The unemployment benefits received, as well as any other amounts of official benefits for pre-retirement received prior to the date of definitive retirement, are deducted from the resulting amounts.
- Employees who have not yet reached 50 years of age affected by the voluntary plan approved in 2000 receive a termination benefit of 45 days' salary per year of service plus an additional amount of 1 or 2 annual salary payments on the basis of the age of the employee in question at 31 December 2005.

The Company recognises the full amount of the expenditure relating to these plans when the obligation is accrued, either because the employee has the unilateral right to the plan or because an individual or group agreement has been reached with the employees or they have a certain expectation that such an agreement will lead to their departure from the Company. The liability is determined by means of the corresponding actuarial study, revised annually. Gains and losses from changes in assumptions, mainly the discount rate, are recognised in the income statement for that year.

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

Actuarial assumptions	2009	2008
Mortality tables	GRM/F 95	GRM/F 95
Technical interest rate	3.53 %	4.43 %
Future CPI	2.30 %	2.30 %

### C) OTHER PROVISIONS

Other provisions cover claims from third parties, lawsuits and various other contingencies.

At the date of preparation of these annual accounts, the main lawsuits or arbitration proceedings involving the Company are as follows:

1. On 8 May 2008 a decision was handed down on the cassation appeal filed by ENDESA at the Supreme Court against a judgment of the National Appellate Court rendering null and void the Order of 29 October 2002 regulating the costs of transition to competition (hereinafter, "CTCs") for 2001, handed down in appeal for judicial review no. 825/2002 filed by Iberdrola. The Supreme Court dismissed ENDESA's cassation appeal against the judgment of the National Appellate Court. It is considered that enforcement of the judgment will not have a significant economic impact on the Company.
2. On 30 July 2007, at Madrid Commercial Court number 3, Iberdrola claimed purported damage and losses from ENDESA suffered as a result of the suspension of the takeover bid for ENDESA of Gas Natural and of

the agreement between Gas Natural and Iberdrola to share out the assets of ENDESA agreed to by the Court. The damage and losses for which compensation is claimed amount to Euros 144 million, substantially all of which corresponds to nonpecuniary losses for damage to the reputation, good name and prestige of Iberdrola as a result of the order of protective measures.

The directors of the Company do not expect any significant additional liabilities to those already recognised in the accompanying balance sheets to arise as a consequence of the above-mentioned lawsuits and arbitration proceedings.

## 11. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Movement in non-current financial liabilities in 2009 and 2008 is as follows:

Millions of Euros

NON-CURRENT FINANCIAL LIABILITIES	Balance at 31/12/2008	Drawdowns	Repayments	Transfers to current	Other	Balance at 31/12/2009
<b>NON-CURRENT PAYABLES</b>	<b>3,424</b>	<b>2,937</b>	<b>(40)</b>	<b>(256)</b>	<b>(11)</b>	<b>6,054</b>
Borrowings	3,359	2,798	(8)	(249)	(11)	5,889
Derivatives (Note 13)	59	139	(31)	(7)	—	160
Other financial liabilities	6	—	(1)	—	—	5
<b>GROUP COMPANIES AND ASSOCIATES - NON-CURRENT</b>	<b>2,496</b>	<b>2,057</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>4,560</b>
Group companies and associates- non-current	2,496	2,049	—	—	7	4,552
Derivatives (Note 13)	—	8	—	—	—	8
<b>TOTAL</b>	<b>5,920</b>	<b>4,994</b>	<b>(40)</b>	<b>(256)</b>	<b>(4)</b>	<b>10,614</b>

Millions of Euros

NON-CURRENT FINANCIAL LIABILITIES	Balance at 31/12/2007	Drawdowns	Repayments	Transfers to current	Other	Balance at 31/12/2008
<b>NON-CURRENT PAYABLES</b>	<b>5,721</b>	<b>518</b>	<b>(2,176)</b>	<b>(637)</b>	<b>(2)</b>	<b>3,424</b>
Bonds and other marketable securities	500	—	—	(500)	—	—
Borrowings	5,181	474	(2,157)	(137)	(2)	3,359
Derivatives (Note 13)	34	44	(19)	—	—	59
Other financial liabilities	6	—	—	—	—	6
<b>GROUP COMPANIES AND ASSOCIATES - NON-CURRENT</b>	<b>5,896</b>	<b>—</b>	<b>(3,095)</b>	<b>(305)</b>	<b>—</b>	<b>2,496</b>
Group companies and associates- non-current	5,896	—	(3,095)	(305)	—	2,496
<b>TOTAL</b>	<b>11,617</b>	<b>518</b>	<b>(5,271)</b>	<b>(942)</b>	<b>(2)</b>	<b>5,920</b>

The balances of current financial liabilities at 31 December 2009 and 2008 are as follows:

Millions of Euros

NON-CURRENT FINANCIAL LIABILITIES	Balance at 31/12/2009	Balance at 31/12/2008
<b>CURRENT PAYABLES</b>	<b>379</b>	<b>759</b>
Bonds and other marketable securities	—	518
Borrowings	273	175
Derivatives (Note 13)	34	32
Other financial liabilities	72	34
<b>GROUP COMPANIES AND ASSOCIATES - CURRENT</b>	<b>2,483</b>	<b>1,747</b>
Group companies and associates - current	2,460	1,709
Derivatives (Note 13)	23	38
<b>TOTAL</b>	<b>2,862</b>	<b>2,506</b>

Bonds of Euros 500 million issued in February 1999 matured in February 2009.

**A) CLASSIFICATION OF FINANCIAL LIABILITIES BY CATEGORY**

A classification of financial liabilities by category and class, and a comparison of the fair value with the carrying amount are as follows:

Millions of Euros

31/12/2009

FINANCIAL LIABILITIES: NATURE/CATEGORY	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss (1)	Debts and payables	Hedging derivatives	Total
Loans and borrowings	—	21	5,868	—	5,889
Bonds and other marketable securities	—	—	—	—	—
Derivatives (Note 13)	30	—	—	138	168
Other financial liabilities	—	—	4,557	—	4,557
<b>Non-current payables/Non-current financial liabilities</b>	<b>30</b>	<b>21</b>	<b>10,425</b>	<b>138</b>	<b>10,614</b>
Loans and borrowings	—	41	232	—	273
Bonds and other marketable securities	—	—	—	—	—
Derivatives (Note 13)	56	—	—	1	57
Other financial liabilities	—	—	2,532	—	2,532
<b>Current payables/Current financial liabilities</b>	<b>56</b>	<b>41</b>	<b>2,764</b>	<b>1</b>	<b>2,862</b>
<b>TOTAL</b>	<b>86</b>	<b>62</b>	<b>13,189</b>	<b>139</b>	<b>13,476</b>
<b>Fair value</b>	<b>86</b>	<b>62</b>	<b>13,265</b>	<b>139</b>	<b>13,552</b>

(1) Relates to financial liabilities that are embedded in a fair value hedge since the contract date

Millions of Euros

31/12/2008

FINANCIAL LIABILITIES: NATURE/CATEGORY	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss (1)	Debts and payables	Hedging derivatives	Total
Loans and borrowings	—	57	3,302	—	3,359
Derivatives (Ver Note 13)	14	—	—	45	59
Other financial liabilities	—	—	2,502	—	2,502
<b>Non-current payables/Non-current financial liabilities</b>	<b>14</b>	<b>57</b>	<b>5,804</b>	<b>45</b>	<b>5,920</b>
Loans and borrowings	—	—	175	—	175
Bonds and other marketable securities	—	—	518	—	518
Derivatives (Ver Note 13)	68	—	—	2	70
Other financial liabilities	—	—	1,743	—	1,743
<b>Current payables/Current financial liabilities</b>	<b>68</b>	<b>—</b>	<b>2,436</b>	<b>2</b>	<b>2,506</b>
<b>TOTAL</b>	<b>82</b>	<b>57</b>	<b>8,240</b>	<b>47</b>	<b>8,426</b>
<b>Fair value</b>	<b>82</b>	<b>57</b>	<b>8,244</b>	<b>47</b>	<b>8,430</b>

(1) Relates to financial liabilities that are embedded in a fair value hedge since the contract date

Financial liabilities held for trading, financial liabilities at fair value through profit or loss and hedging derivatives are measured at fair value.

**B) CLASSIFICATION BY MATURITIES**

Details of financial liabilities by maturities are as follows:

Millions of Euros							
	Balance at 31/12/2009	2010	2011	2012	2013	2014	Subsequent years
Loans and borrowings	6,162	273	2,299	2,441	332	182	635
Derivatives (Note 13)	194	34	14	75	69	—	2
Other financial liabilities	77	72	1	1	1	1	1
Group companies and associates	7,012	2,460	4,494	—	—	58	—
Derivatives with Group companies and associates	31	23	8	—	—	—	—

Millions of Euros							
	Balance at 31/12/2008	2009	2010	2011	2012	2013	Subsequent years
Bonds and other marketable securities	518	518	—	—	—	—	—
Loans and borrowings	3,534	175	205	663	1,486	171	834
Derivatives (Note 13)	91	32	8	7	8	36	—
Other financial liabilities	40	34	6	—	—	—	—
Group companies and associates	4,243	1,747	—	2,438	—	—	58

In 2009 the average interest rate was 3.13% on borrowings, 4.26% on bonds and 1.25% for debt to Group companies.

In 2008 the average interest rate was 4.25% on borrowings, 4.26% on bonds and 4.67% for debt to Group companies.

ENDESA has loans and other financing agreements with financial institutions for an amount equivalent to Euros 3,410 million, which could be repaid early if there is change in control over ENDESA.

**C) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

Changes in the fair value of financial liabilities in 2009 and 2008 and accumulated fair values in those years are as follows:

Millions of Euros			
Ejercicio 2009	Fair value 31/12/2008	Change in fair value in 2009	Fair value at 31/12/2009
<b>Financial liabilities at fair value through profit or loss:</b>			
<i>Non-current:</i>			
Financial liabilities held for trading	14	16	30
Other financial liabilities at fair value through profit or loss	57	(36)	21
<i>Current:</i>			
Financial liabilities held for trading	68	(12)	56
Other financial liabilities at fair value through profit or loss	—	41	41

Millions of Euros			
Ejercicio 2008	Fair value 31/12/2007	Change in fair value in 2008	Fair value at 31/12/2008
<b>Financial liabilities at fair value through profit or loss:</b>			
<i>Non-current:</i>			
Financial liabilities held for trading	30	(16)	14
Other financial liabilities at fair value through profit or loss	61	(4)	57
<i>Current:</i>			
Financial liabilities held for trading	51	17	68

Financial liabilities held for trading are financial derivatives not designated as hedging instruments.

Based on the measurement criteria used, items that are the underlying of fair value hedges have been included as other financial liabilities at fair value through profit or loss.

#### **D) CHARGES TO PROFIT AND LOSS AND IN EQUITY**

Movement in the income statement and amounts charged directly in equity due to financial liabilities grouped by the different categories are shown below:

Categories	Millions of Euros			
	2009		2008	
	P & L	Equity	P & L	Equity
Financial liabilities held for trading	(100)	—	(142)	—
Other financial liabilities at fair value through profit or loss	(5)	—	—	—
Debts and payables	(371)	—	(518)	—
Hedging derivatives	(56)	(5)	—	81
<b>TOTAL</b>	<b>(532)</b>	<b>(5)</b>	<b>(660)</b>	<b>81</b>

#### **E) HEDGED FINANCIAL LIABILITIES**

Information on hedged financial liabilities is as follows:

		Millions of Euros	
Class	Type of hedge	2009	2008
With third parties	Fair value	62	61
	Cash flow	3,296	3,532

#### **F) OTHER MATTERS**

At 31 December 2009 and 2008 ENDESA had unused long-term credit facilities of Euros 6,826 million and Euros 7,482 million, respectively. The amount of these credit facilities, together with the current assets, sufficiently covers the Company's short-term payment obligations.

ENDESA's borrowings contain the usual financial covenants in contracts of this type, none of which involve financial ratios which, if not achieved, could lead to early termination of the contracts.

As regards clauses relating to credit rating, at 31 December 2009, Endesa, S.A. had arranged financial transactions amounting to Euros 531 million that might require additional guarantees or renegotiation in the event of a drop in the credit rating. At 31 December 2008, this item amounted to Euros 603 million.



At 31 December 2009 and 2008, ENDESA had not failed to comply with financial or other obligations that would lead to early maturity of financial liabilities.

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

The fair value of ENDESA's gross borrowings at 31 December 2009 and 2008 was Euros 13,522 million and Euros 8,430 million, respectively.

## 12. RISK MANAGEMENT POLICY

ENDESA is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and supervision systems, all considered within the Group as a whole of which it is the Parent.

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

- Comply with the principles of good corporate governance
- Comply strictly with all ENDESA's rules
- The Audit and Compliance Committee is a body pertaining to the Board of Directors of ENDESA, in charge of promoting and supervising risk governance in the area of regulatory compliance and internal audit.
- ENDESA's Risk Committee is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.
- Risk management is carried out through risk control and risk management functions, which are independent from each other.
- Each business and corporate area defines:
  - The markets and product lines in which it can operate on the basis of having sufficient know-how and capabilities to ensure effective risk management.
  - Criteria concerning counterparties
  - The authorised operators
- The businesses and corporate areas establish the level of risk that they are prepared to assume for each market in which they operate on a basis that is consistent with the strategy defined.
- The limits of the businesses and corporate areas are approved by the ENDESA Risk Committee.
- All the businesses and corporate areas must conduct their business within the limits approved in each case.
- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that the transactions are performed in the markets in accordance with the policies, principles and procedures of ENDESA.

### A) INTEREST RATE RISK

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

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

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

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

Millions of Euros		
NET POSITION	31/12/2009	31/12/2008
Fixed interest rate	3,164	4,350
Protected interest rate (*)	100	100
Floating interest rate	9,353	3,477
<b>TOTAL</b>	<b>12,617</b>	<b>7,927</b>

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

The reference interest rate for the borrowings arranged by ENDESA is mainly the Euribor.

Hedged financial liabilities and the respective derivative financial instruments contracted are disclosed in note 11 e.

## **B) CURRENCY RISK**

The currency risk relates mainly to the following transactions:

- Debt denominated in foreign currencies arranged by the Group companies.
- Payments to be made in international markets for purchases of fuel stocks by Group companies.
- Capital investments in Group companies with investments in foreign operations with a functional currency other than the Euro.

ENDESA has contracted exchange rate insurance and currency swaps to mitigate currency risk.

The portion of ENDESA's debt in foreign currency or not covered by derivatives and exchange rate insurance is not significant at 31 December 2009 or at 31 December 2008.

The Company also attempts to achieve a balance between the cash collections and payments relating to its assets and liabilities denominated in foreign currencies.

## **C) LIQUIDITY RISK**

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

At 31 December 2009, ENDESA had liquidity of Euros 6,859 million, Euros 33 million in cash and cash equivalents and Euros 6,826 million in unconditionally

drawable credit lines. At 31 December 2008 these amounts totalled Euros 92 million and Euros 7,482 million, respectively, and therefore ENDESA had liquidity of Euros 7,574 million at that date.

Classification of financial liabilities by contractual maturity dates is shown in note 11 b.

#### **D) CREDIT RISK**

Given the current economic climate, ENDESA monitors credit risk very closely.

However, ENDESA does not have significant credit risk as its investments are essentially funding of the deficit in revenue from regulated activities, which will be recovered through the Spanish electricity system.

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

- ENDESA places its cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading institutions in the markets in which they operate.
- Financial derivatives are arranged with highly solvent entities and, accordingly, more than 99% of positive market values relate to transactions performed with entities with a credit rating of A- or higher.
- No single counterparty represents more than 15% of the total credit risk from financial instruments.

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

- An analysis of the risk associated with each counterparty when there is no external credit rating.
- Guarantees are requested when deemed appropriate.

#### **E) RISK MEASUREMENT**

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

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

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

- Euribor
- US Dollar Libor
- The exchange rates of the various currencies included in the calculation

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

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

Taking into account the aforementioned assumptions, the Value at Risk of the positions discussed above is as follows:

Millions of Euros		
	31/12/2009	31/12/2008
<b>Financial positions:</b>		
Interest rate	8	30
Foreign currency	2	25
Portfolio	1	1
<b>TOTAL</b>	<b>7</b>	<b>49</b>

The Value at Risk positions changed in 2009 and 2008 on the basis of the maturity/arrangement of transactions as the years progressed.

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company categorises its hedges as follows:

- Cash flow hedges: hedge the cash flows on the hedged underlying.
- Fair value hedges: hedge the fair value of the hedged underlying.

Details of the valuation of the derivative financial instruments at 31 December 2009 and 2008 are as follows:

Millions of Euros				
	31/12/2009		31/12/2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate hedges: cash flow hedges	—	139	—	47
Interest rate hedges: fair value hedges	2	—	1	—
Foreign currency hedges: cash flow hedges	—	—	—	—
Derivatives not designated as hedging instruments	74	86	73	82

Details by maturity of the notional and/or contractual amounts of derivatives contracted by the Company, and their fair value at 31 December 2009 and 2008, are as follows:

31/12/2009

		Notional amount (Millions of Euros)						
DERIVATIVES	Fair value	2010	2011	2012	2013	2014	Subsequent	Total
INTEREST RATE HEDGES								
Cash flow hedges	(139)	538	138	1,660	910	—	50	3,296
Swaps	(136)	538	38	1,660	910	—	50	3,196
Options	(3)	—	100	—	—	—	—	100
Fair value hedges	2	40	—	—	—	—	21	61
Swaps	2	40	—	—	—	—	21	61
Derivatives not designated as hedging instruments								
Interest rate hedges	(15)	90	75	150	1,500	—	—	1,815
Swaps	(16)	90	75	150	—	—	—	315
Options	1	—	—	—	1,500	—	—	1,500
Foreign currency hedges	3	2,688	518	101	50	—	—	3,357
Options	(3)	102	—	—	—	—	—	102
Futures	6	2,586	518	101	50	—	—	3,255
TOTAL	(149)	3,356	731	1,911	2,460	—	71	8,529

31/12/2008

		31/12/2008						
DERIVATIVES	Fair value	Notional amount (Millions of Euros)						
		2009	2010	2011	2012	2013	Subsequent	Total
INTEREST RATE HEDGES								
Cash flow hedges	(47)	588	38	138	1,660	2,410	50	4,884
Swaps	(49)	588	38	38	1,660	910	50	3,284
Options	2	—	—	100	—	1,500	—	1,600
Fair value hedges	1	—	40	—	—	—	21	61
Swaps	1	—	40	—	—	—	21	61
Other derivatives								
Interest rate hedges	(12)	852	90	75	150	—	—	1,167
Swaps	(12)	852	90	75	150	—	—	1,167
Foreign currency hedges	3	2,290	561	242	104	52	—	3,249
Options	3	108	—	—	—	—	—	108
Futures	—	2,182	561	242	104	52	—	3,141
TOTAL	(55)	3,730	729	455	1,914	2,462	71	9,361

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

### Cash flow hedges

At 2009 year end, Euros 117 million had been recognised as a reduction in equity during the year in relation to cash flow hedges and Euros 53 million had been transferred from equity to the income statement.

At 2008 year end Euros 107 million had been recognised as a reduction in equity during the year in relation to cash flow hedges and Euros 27 million had been transferred from equity to the income statement

A loss of Euros 3 million was recognised in the income statement for ineffective cash flow hedges in 2009. The amount in 2008 was not material.

### Fair value hedges

Income of Euros 1 million was recognised in the income statement for fair value hedges at the 2009 year end.

Income of Euros 1 million was recognised in the income statement for fair value hedges at the 2008 year end.

These fair values have been calculated based on quoted prices in active markets.

### Derivatives not designated as hedging instruments

At 2009 year end, expenditure of Euros 14 million was recognised in the income statement for the above-mentioned hedging instrument.

At 2008 year end, income of Euros 7 million was recognised in the income statement for the above-mentioned hedging instrument.

## 14. TAXATION

ENDESA filed a consolidated tax return as parent company of the Group 42/98 in 2009 and 2008, pursuant to Royal Decree Law 4/2004, approving the revised text of the Spanish Income Tax Act.

Income tax is calculated on the basis of the accounting profit or loss, obtained by applying generally accepted accounting principles, which is not necessarily the same as the taxable income or tax loss.

The reconciliation of the accounting profit and the tax loss for income tax purposes is as follows:

Millions of Euros						
2009	Income statement			Income and expenses recognised directly in equity		
<b>Accounting profit/(loss) after tax</b>	<b>1,797</b>			<b>(52)</b>		
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax	—	(199)	(199)	—	(22)	(22)
<b>Accounting profit/(loss) before tax</b>	<b>1,598</b>			<b>(74)</b>		
Permanent differences:	15	(1,918)	(1,903)	—	—	—
Temporary differences:	—	—	—	—	—	—
<i>Originating in current year</i>	74	(1)	73	71	—	71
<i>Originating in prior years</i>	28	(47)	(19)	3	—	3
<b>Taxable income (tax loss)</b>	<b>(251)</b>			<b>—</b>		

  

Millions of Euros						
2008	Income statement			Income and expenses recognised directly in equity		
<b>Accounting profit/(loss) after tax</b>	<b>7,241</b>			<b>(105)</b>		
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax	—	(137)	(137)	—	(43)	(43)
<b>Accounting profit/(loss) before tax</b>	<b>7,104</b>			<b>(148)</b>		
Permanent differences:	7	(7,402)	(7,395)	—	—	—
Temporary differences:	—	—	—	—	—	—
<i>Originating in current year</i>	32	—	32	(3)	—	(3)
<i>Originating in prior years</i>	—	(55)	(55)	—	151	151
<b>Taxable income (tax loss)</b>	<b>(314)</b>			<b>—</b>		

**2009**

The increases due to permanent differences arose mainly from contributions to institutions regulated by Law 49/2002, the tax system for non-profit-making entities and patronage tax incentives. The decreases are mainly due to dividends received from consolidated Group companies and application of the exemption to avoid double taxation of foreign income earned from the transfer of shareholdings.

The increases due to temporary differences are due to provisions for workforce reduction plans, provisions for liabilities, impairment of financial assets and the recovery of prior years' consolidation adjustments. The decreases relate to the application of provisions for workforce reduction plans, impairment of financial assets, externalisation of pensions and workforce reduction plans and the recovery of prior years' consolidation adjustments.

**2008**

The increases due to permanent differences in 2008 arose mainly from non-deductible expenses and contributions to institutions regulated by Law 49/2002 of 23 December 2002, the tax system for non-profit-making entities and patronage tax incentives. The decreases are mainly due to dividends received from consolidated Group companies and application of the exemption to avoid double taxation of foreign income and dividends earned from the transfer of shareholdings.

The increases due to temporary differences reflect provisions for workforce reduction plans, provisions for liabilities, impairment valuation allowances and adjustments from first adoption of the new Spanish General Chart of Accounts. The decreases reflect the application of provisions for workforce reduction plans, for liabilities and impairment of financial assets, externalisation of pensions and workforce reduction plans and adjustments from first adoption of the new Spanish General Chart of Accounts.

Value adjustments for interests held in Group companies, jointly controlled entities and associates, differences in equity and deductions or additions in the year and amounts pending inclusion, are as follows:

						Euros
Company	Year	Equity		Impairment in year	Inclusion in year	Amount pending inclusion
		Opening	Closing			
Nueva Marina Real Estate, S.L.	2008	119,967,523.61	68,813,125.16	(30,683,039.19)	—	30,683,039.19
	2009	68,813,125.16	69,345,049.86	(638,265.23)	—	638,265.23

The reconciliation between tax payable and the income tax expenses is as follows:

	Millions of Euros	
	2009	2008
<b>Taxable income (tax loss)</b>		
Income statement	(251)	(314)
Income and expenses recognised directly in equity	—	—
<b>Total tax loss</b>	<b>(251)</b>	<b>(314)</b>
<b>Net income tax payable</b>	<b>(75)</b>	<b>(94)</b>
Deductions	(11)	(49)
<b>Effective tax</b>	<b>(86)</b>	<b>(143)</b>
Net tax effect, due to temporary differences	(38)	(36)
Prior years' adjustments	(97)	(1)
<b>Income tax for the year:</b>	<b>(221)</b>	<b>(180)</b>
Income tax in profit and loss	(199)	(137)
Income tax in equity	(22)	(43)

Prior years' adjustments are essentially the Resolution by the TEAC (Spanish Central Economic-Administrative Court) on SEPI (holding company for State shares in companies) deductions and the adjustment from 2008.

### 2009

In 2009 the Company applied deductions for a total of Euros 11 million, comprising Euros 8 million for double taxation and Euros 3 million for incentives to carry out certain activities and contributions to institutions regulated by Law 49/2002.

### 2008

In 2008 the Company applied deductions for a total of Euros 49 million, comprising Euros 47 million for double taxation and Euros 2 million for incentives to carry out certain activities and contributions to institutions regulated by Law 49/2002.

Income subject to the deduction foreseen by article 42 of Royal Decree Law 4/2004 and the years in which the reinvestments necessary to apply this deduction were made, by the Company and the rest of the companies in the tax group by virtue of article 75 of the aforementioned law, are as follows:

Year deduction applied	Income to which deduction applied (Millions of Euros)	Year in which reinvestment made
2004	119	2003
2005	627	2004/ 2005
2006	83	2005/ 2006



Note 7 and the Appendix contain the disclosures required by article 93 of Royal Decree Law 4/2004 on the following Group restructuring operations in the period:

- Liquidation of Endesa Participadas, S.A. through global transfer of its assets and liabilities to Endesa, S.A. (see note 1).

The Company's annual reports from 1999 to 2008 contain the disclosures required by the above-mentioned law on Group restructuring operations in prior years.

### Details of the income tax expense

Details of the income tax expense for 2009 and 2008 are as follows:

Millions of Euros

Details of the income tax (expense / income) in 2009	2. Change in deferred tax					Total (1+2)
	1. Current tax	a) Change in deferred tax asset			b) Change in deferred tax liability	
		Temporary differences	Tax credit for loss carryforwards	Other credits	Temporary differences	
<b>Recognised in profit and loss, of which:</b>	<b>(86)</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>(8)</b>	<b>(102)</b>
Continuing operations	(86)	(8)	—	—	(8)	(102)
Discontinued operations	—	—	—	—	—	—
<b>Recognition in equity, of which:</b>	<b>—</b>	<b>(1)</b>	<b>—</b>	<b>—</b>	<b>(21)</b>	<b>(22)</b>
Measurement of financial instruments	—	(1)	—	—	—	(1)
Cash flow hedges	—	2	—	—	(21)	(19)
Actuarial gains and losses and other adjustments	—	(2)	—	—	—	(2)
<b>TOTAL</b>	<b>(86)</b>	<b>(9)</b>	<b>—</b>	<b>—</b>	<b>(29)</b>	<b>(124)</b>
Tax adjustments	—	—	—	—	—	(97)
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(221)</b>

Millions of Euros

2. Change in deferred tax						
Details of the income tax (expense / income) in 2008	1. Current tax	a) Change in deferred tax asset			b) Change in deferred tax liability	Total (1+2)
		Temporary differences	Tax credit for loss carryforwards	Other credits	Temporary differences	
<b>Recognised in profit and loss, of which:</b>	<b>(143)</b>	<b>7</b>	—	—	—	<b>(136)</b>
Continuing operations	(143)	7	—	—	—	(136)
<b>Recognition in equity, of which:</b>	<b>—</b>	<b>1</b>	—	—	<b>(44)</b>	<b>(43)</b>
Measurement of financial instruments	—	(2)	—	—	—	(2)
Cash flow hedges	—	4	—	—	(44)	(40)
Actuarial gains and losses and other adjustments	—	(1)	—	—	—	(1)
<b>TOTAL</b>	<b>(143)</b>	<b>8</b>	—	—	<b>(44)</b>	<b>(179)</b>
Tax adjustments	—	—	—	—	—	(1)
<b>TOTAL</b>	<b>—</b>	<b>—</b>	—	—	—	<b>(180)</b>

The difference between the tax expense recognised for the year and prior years and the tax already paid or payable for those years is recognised under deferred tax assets and liabilities in the accompanying balance sheets at 31 December 2009 and 2008.

## Deferred tax assets

Movement during 2009 and 2008 is as follows:

	Millions of Euros			
	2009		2008	
	Temporary differences	Applicable tax credits	Temporary differences	Applicable tax credits
<b>Balance at 31 December 2008/2007</b>	<b>135</b>	<b>15</b>	<b>141</b>	<b>15</b>
Temporary differences originating in 2009	23	—	10	—
Application of temporary differences originating in prior years	(15)	—	(17)	—
Temporary differences deriving from adjustments for changes in fair value for the year	(1)	—	(2)	—
Temporary differences deriving from actuarial adjustments	2	—	1	—
Prior years' adjustments	2	—	(1)	—
Transfers	9	—	—	—
Other	6	(15)	3	—
<b>Balance at 31 December 2009/2008</b>	<b>161</b>	<b>—</b>	<b>135</b>	<b>15</b>

Deferred tax assets from temporary differences are mainly non-deductible personnel expenses and impairments of financial assets.

The Company's directors consider that the deferred tax assets recognised will be recovered.

## Deferred tax liabilities

Movement during 2009 and 2008 is as follows:

	Millions of Euros	
	2009	2008
<b>Balance at 31 December 2008/2007</b>	<b>(76)</b>	<b>(120)</b>
Increases due to profits for the year	8	—
Temporary differences deriving from adjustments for changes in fair value	21	44
Prior years' adjustments	(3)	—
Transfers	(9)	—
<b>Balance at 31 December 2009/2008</b>	<b>(59)</b>	<b>(76)</b>

Deferred tax liabilities are mainly temporary differences generated by applying the tax system foreseen by the additional fourth provision of Royal Decree Law 4/2004 applicable to transfers of assets made in compliance of legal provisions and anti-trust regulations.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2009 the Company has open to inspection by the tax authorities income tax since 2002 and all other applicable taxes from 2006 and 2009. The Company's directors consider that the appropriate settlements of the above-mentioned taxes have been made and that, therefore, even if differences were to arise in the current legal treatment

of certain operations, any possible liabilities arising would not have a significant impact on the accompanying annual accounts.

The Company's directors do not expect that any additional liabilities due to these taxes would have a significant effect on the Company's future profits.

At 31 December 2009 and 2008 the Company's annual accounts include a provision which the directors consider reasonable to cover all liabilities arising from tax disputes at those dates.

## 15. FOREIGN CURRENCY BALANCES

At 31 December 2009 and 2008, an overall total of Euros 713 million of assets and Euros 26 million of liabilities are denominated in US dollars in 2009 and Euros 418 million and Euros 34 million, respectively, in 2008. Details of foreign currency balances at those dates are as follows:

Millions of Euros		
	2009	2008
<b>Assets</b>	<b>713</b>	<b>418</b>
Non-current loans to Group companies	590	320
Cash at banks	123	98
<b>Liabilities</b>	<b>26</b>	<b>34</b>
Non-current loans and borrowings	—	8
Current loans and borrowings	—	—
Other current financial liabilities	26	26

Exchange losses recognised in 2009, by classes of financial instruments excluding those measured at fair value through profit or loss, are as follows:

Millions of Euros						
	2009			2008		
	For transactions settled during the year	For outstanding balances	Total	For transactions settled during the year	For outstanding balances	Total
<b>Financial assets:</b>						
Non-current loans to Group companies	—	—	—	—	(12)	(12)
Derivatives	—	—	—	23	—	23
Cash in hand and at banks	—	(49)	(49)	(4)	(9)	(13)
<b>Total financial assets</b>	<b>—</b>	<b>(49)</b>	<b>(49)</b>	<b>19</b>	<b>(21)</b>	<b>(2)</b>
<b>Financial liabilities:</b>						
Non-current loans and borrowings	—	1	1	(1)	—	(1)
Other current financial liabilities	—	—	—	—	(2)	(2)
Derivatives	(28)	29	1	(18)	—	(18)
<b>Total financial liabilities</b>	<b>(28)</b>	<b>30</b>	<b>2</b>	<b>(19)</b>	<b>(2)</b>	<b>(21)</b>
<b>TOTAL</b>	<b>(28)</b>	<b>(19)</b>	<b>(47)</b>	<b>—</b>	<b>(23)</b>	<b>(23)</b>

## 16. REVENUE AND EXPENSES

The Company's main revenue and expenses in 2009 and 2008 are as follows:

### A) REVENUE

Revenue from services rendered to Group companies and dividends received totalled Euros 2,147 million in 2009 and Euros 2,267 million in 2008 (see note 2 c).

### B) PERSONNEL EXPENSES

Details of the Company's personnel expenses for 2009 and 2008 are as follows:

	Millions of Euros	
	2009	2008
<b>Wages and salaries</b>	<b>151</b>	<b>100</b>
<b>Employee benefits expense:</b>	<b>46</b>	<b>33</b>
Social security	13	11
Contributions to pension plans	15	6
Other employee benefit expenses	18	16
<b>Personnel expenses</b>	<b>197</b>	<b>133</b>

## 17. GUARANTEES TO THIRD PARTIES

### A) GUARANTEES PROVIDED TO THIRD PARTIES

At 31 December 2009 and 2008 ENDESA has provided the following guarantees:

- Guarantee to International Endesa, B.V. for financing from that company and its financial derivatives. This financing was provided to ENDESA and another Group company and totalled Euros 4,421 million and Euros 4,790 million at 31 December 2009 and 31 December 2008, respectively.
- Subordinated guarantee for an issue of permanent preference shares of its subsidiary Endesa Capital Finance, LLC for Euros 1,500 million at 31 December 2009 and 2008.
- Guarantee to Endesa Capital, S.A. for financing from that company and its financial derivatives. The financing obtained totalled Euros 1,508 million and Euros 1,724 million at 31 December 2009 and 31 December 2008, respectively. This financing was provided to ENDESA and another Group company.
- Partial guarantee for the financing granted by a group of financial institutions to Elcogas. The amount secured was Euros 111 million at 31 December 2009 and Euros 116 million at 31 December 2008, 42% of the company's total borrowings each year.
- Guarantee for the commercial risks of the US Dollar 40 million loan extended by Banco Centroamericano de Integración Económica to the corporate project, Empresa Propietaria de la Red, S.A., Costa Rica branch. At 31 December 2009 and 2008, US Dollars 12.4 million and US Dollars 8 million, respectively, were drawn down from this loan.
- ECyR (a subsidiary indirectly solely-owned by ENDESA) holds 85% of the capital of Productor Regional de Energía Renovable, S.A. The bank financing received by the company is jointly guaranteed by the shareholders in

proportion to their respective interests. ENDESA is the guarantor for the portion corresponding to ECyR. Financing of Euros 75.9 million was drawn down at 31 December 2009, of which ENDESA therefore guarantees Euros 64.5 million. The amount drawn down at 31 December 2008 was Euros 87.5 million, of which ENDESA guaranteed Euros 74.3 million.

- Guarantees provided to Endesa Trading (a subsidiary indirectly solely-owned by ENDESA) to third parties to cover the risk of electricity trading operations and purchases at 31 December 2009 and 2008 for Euros 180 million in both years.
- ENDESA has also provided guarantees to various Group companies to secure various commitments for a value of Euros 1,479 million and Euros 1,280 million at 31 December 2009 and 31 December 2008, respectively.

Millions of Euros		
Company	2009	2008
Endesa Generación, S.A.	394	435
Endesa Energía, S.A.	355	143
Endesa Distribución Eléctrica, S.L.	156	368
Endesa Generación y Renovables, S.A.	88	81
Endesa Trading, S.A.	52	34
Endesa Ingeniería, S.L.	71	158
Endesa Ireland, LTD.	124	—
Rest	239	61
<b>TOTAL</b>	<b>1,479</b>	<b>1,280</b>

ENDESA's management considers that the Company will not incur significant liabilities due to the guarantees provided.

## 18. RELATED PARTY TRANSACTIONS

Transactions with related parties in 2009 were carried out in the course of ordinary business and at arm's length.

For the purposes of the information included in this note, in 2009 Enel and Acciona (up to 25 June 2009) were considered to be significant shareholders, in 2008 Enel and Acciona.

### A) RELATED PARTY TRANSACTIONS

Details of transactions with related parties in 2009 and 2008 are as follows:

Millions of Euros					
2009	Significant shareholders	Directors and executives	Group companies	Associates	Other related parties
Acquisitions of intangible assets	—	—	(27)	—	—
Services rendered	—	—	302	—	—
Services received	—	—	(41)	—	—
Finance expenses	—	—	(195)	—	—
Dividends and other allocated benefits (1)	(5,748)	—	—	—	—
Dividends received	—	—	1,869	—	—
Provisions for equity instruments	—	—	(13)	—	—
Finance income on loans	—	—	7	—	—

(1) Including Euros 4,186 million with Enel Energy Europe, S.L.

Millions of Euros

2008	Significant shareholders	Directors and executives	Group companies	Associates	Other related parties
Acquisitions of intangible assets	—	—	(28)	—	—
Services rendered	—	—	264	—	—
Services received	—	—	(34)	—	—
Finance expenses	—	—	(220)	—	—
Dividends and other allocated benefits (1)	(1,492)	—	—	—	—
Dividends received	—	—	2,023	—	—
Provisions for equity instruments	—	—	27	—	—
Finance income on loans	—	—	4	1	—
Gains on disposals	—	—	264	—	—

(1) Including Euros 1,087 million with Enel Energy Europe, S.L.

## B) BALANCES WITH RELATED PARTIES

Balances with related parties at 31 December 2009 and 2008 are as follows:

Millions of Euros

2009	Significant shareholders	Directors and executives	Group companies	Associates	Other related parties
Property, plant and equipment	—	—	—	—	—
Non-current investments:					
<i>Equity instruments</i>	—	—	19,069	2	—
<i>Loans to companies</i>	—	—	590	—	—
<i>Derivatives</i>	—	—	6	—	—
Trade receivables	—	—	4	—	—
Current investments:					
<i>Loans to companies</i>	—	—	243	—	—
<i>Derivatives</i>	—	—	23	—	—
<i>Other financial assets</i>	—	—	—	—	—
Non-current payables	—	—	(4,560)	—	—
Current payables	(487)	—	(1,996)	—	—
Guarantees provided	—	12	—	—	—
Financing agreements	—	1	—	—	—

Millions of Euros

2008	Significant shareholders	Directors and executives	Group companies	Associates	Other related parties
Property, plant and equipment	—	—	28	—	—
Non-current investments:					
<i>Equity instruments</i>	—	—	19,148	—	—
<i>Derivatives</i>	—	—	320	—	—
<i>Other financial assets</i>	—	—	2	—	—
Trade receivables	—	—	445	—	—
Current investments:					
<i>Loans to companies</i>	—	—	600	—	—
<i>Derivatives</i>	—	—	13	—	—
<i>Other financial assets</i>	—	—	1,332	—	—
Non-current payables	—	—	(2,496)	—	—
Current payables	—	—	(1,747)	—	—
Guarantees provided	—	27	—	—	—
Financing agreements	—	1	—	—	—

The Company has arranged financing through a current account with Endesa Financiación Filiales, S.A. The interest rate applied to debit and credit balances is the 6-month Euribor plus a spread equal to that obtained by ENDESA from credit facilities indexed to the Euribor.

### **C) INFORMATION ON THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES**

#### **c.1. Remuneration Board of Directors**

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

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

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

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

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

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

In 2009 the fixed monthly emolument for each director was Euros 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Nomination and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to Euros 2,003.37 gross each.

Details of the remuneration received by the members of the Board of Directors are as follows:

Fixed remuneration				
	Fixed remuneration (euros)			
	2009		2008	
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
Borja Prado Eulate	48,081	617,722	48,081	—
Fulvio Conti (1) (3)	24,040	—	—	—
Andrea Brentán (11)	24,040	350,000	48,081	—
Luigi Ferraris (1)	48,081	—	48,081	—
Claudio Machetti (1)	48,081	—	48,081	—
Gianluca Comin (1)(2)	16,027	—	—	—
Luis de Guindos Jurado (3)	24,040	—	—	—
Miquel Roca Junyent (3)	24,040	—	—	—
Alejandro Echevarría Busquet (3)	24,040	—	—	—
José Manuel Entrecanales Domecq (4)	12,020	340,767	48,081	1,364,158
Rafael Miranda Robredo (5)	24,040	613,871	48,081	1,227,742
Carmen Becerril Martínez (6)	24,040	—	48,081	—
Valentín Montoya Moya (6)	24,040	—	48,081	—
Esteban Morrás Andrés (6)	24,040	118,261	48,081	473,421
Fernando d'Ornellas Silva (7)	28,047	—	48,081	—
Jorge Vega-Penichet López (8)	12,020	—	—	—
Manuel Pizarro Moreno (9)	—	—	—	—
Francisco Javier Ramos Gascón (9)	—	—	—	—
Alberto Recarte García-Andrade (9)	—	—	—	—
Juan Rosell Lastortras (9)	—	—	—	—
José Serna Masiá (9)	—	—	—	—
Alberto Alonso Ureba (10)	—	—	—	—
José María Fernández Cuevas (10)	—	—	—	—
José Manuel Fernández Norniella (10)	—	—	—	—
Rafael González-Gallarza Morales (10)	—	—	—	—
Manuel Ríos Navarro (10)	—	—	—	—
<b>Subtotal</b>	<b>428,717</b>	<b>2,040,621</b>	<b>480,810</b>	<b>3,065,321</b>
<b>TOTAL</b>	<b>2,469,338</b>		<b>3,546,131</b>	

1. The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations.

2. Member of the Board of Directors since 14 September 2009.

3. Member of the Board of Directors since 25 June 2009.

4. Ceased to be a member of the Board of Directors on 24 March 2009.

5. Ceased to be a member of the Board of Directors on 30 June 2009.

6. Ceased to be a member of the Board of Directors on 25 June 2009.

7. Ceased to be a member of the Board of Directors on 20 July 2009.

8. Member of the Board of Directors from 24 March 2009 to 25 June 2009.

9. Ceased to be a member of the Board of Directors on 18 October 2007.

10. Ceased to be a member of the Board of Directors on 20 June 2007.

11. The fixed emolument earned as director in 2008 and until 30 June 2009 was paid directly to Enel, S.p.A. pursuant to its internal regulations.

Remuneration earned as Chief Executive Officer since 30 June 2009 (Euros 350,000) is paid directly to Mr. Andrea Brentan.



## Variable remuneration

	Variable remuneration (euros)			
	2009		2008	
	Share in profits	Remuneration	Share in profits	Remuneration
Borja Prado Eulate	174,497	—	101,242	—
Fulvio Conti (1) (3)	—	—	—	—
Andrea Brentán (1)	174,497	—	43,389	—
Luigi Ferraris (1)	174,497	—	43,389	—
Claudio Machetti (1)	174,497	—	43,389	—
Gianluca Comin (1)(2)	—	—	—	—
Luis de Guindos Jurado (3)	—	—	—	—
Miquel Roca Junyent (3)	—	—	—	—
Alejandro Echevarría Busquet (3)	—	—	—	—
José Manuel Entrecanales Domecq (4)	174,497	1,492,525	43,389	827,144
Rafael Miranda Robredo (5)	174,497	1,959,777	173,557	1,320,537
Carmen Becerril Martínez (6)	174,497	—	43,389	—
Valentín Montoya Moya (6)	174,497	—	43,389	—
Esteban Morrás Andrés (6)	174,497	491,126	43,389	253,309
Fernando d'Ornellas Silva (7)	174,497	—	101,242	—
Jorge Vega-Penichet López (8)	—	—	—	—
Manuel Pizarro Moreno (9)	—	—	144,631	—
Francisco Javier Ramos Gascón (9)	—	—	144,631	—
Alberto Recarte García-Andrade (9)	—	—	144,631	—
Juan Rosell Lastortras (9)	—	—	144,631	—
José Serna Masiá (9)	—	—	144,631	—
Alberto Alonso Ureba (10)	—	—	86,779	—
José María Fernández Cuevas (10)	—	—	86,779	—
José Manuel Fernández Norniella (10)	—	—	86,779	—
Rafael González-Gallarza Morales (10)	—	—	86,779	—
Manuel Ríos Navarro (10)	—	—	86,779	—
<b>Subtotal</b>	<b>1,744,970</b>	<b>3,943,428</b>	<b>1,836,814</b>	<b>2,400,990</b>
<b>TOTAL</b>	<b>5,688,398</b>		<b>4,237,804</b>	

1. The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations. In the case of Mr. Brentan, this situation prevailed until 30 June 2009 only.

2. Member of the Board of Directors since 14 September 2009.

3. Member of the Board of Directors since 25 June 2009.

4. Ceased to be a member of the Board of Directors on 24 March 2009.

5. Ceased to be a member of the Board of Directors on 30 June 2009.

6. Ceased to be a member of the Board of Directors on 25 June 2009.

7. Ceased to be a member of the Board of Directors on 20 July 2009.

8. Member of the Board of Directors from 24 March 2009 to 25 June 2009.

9. Ceased to be a member of the Board of Directors on 18 October 2007.

10. Ceased to be a member of the Board of Directors on 20 June 2007.

### Attendance fees

	Attendance fees (euros)	
	2009	2008
Borja Prado Eulate	50,084	54,091
Fulvio Conti (1) (3)	12,020	—
Andrea Brentán (1)	28,047	106,179
Luigi Ferraris (1)	52,088	74,125
Claudio Machetti (1)	30,051	54,091
Gianluca Comin (1)(2)	8,013	—
Luis de Guindos Jurado (3)	24,040	—
Miquel Roca Junyent (3)	30,051	—
Alejandro Echevarría Busquet (3)	20,034	—
José Manuel Entrecanales Domecq (4)	6,010	26,044
Rafael Miranda Robredo (5)	18,030	40,067
Carmen Becerril Martínez (6)	16,027	84,142
Valentín Montoya Moya (6)	28,047	92,155
Esteban Morrás Andrés (6)	12,020	74,125
Fernando d'Ornellas Silva (7)	40,067	46,078
Jorge Vega-Penichet López (8)	10,017	—
Manuel Pizarro Moreno (9)	—	—
Francisco Javier Ramos Gascón (9)	—	—
Alberto Recarte García-Andrade (9)	—	—
Juan Rosell Lastortras (9)	—	—
José Serna Masía (9)	—	—
Alberto Alonso Ureba (10)	—	—
José María Fernández Cuevas (10)	—	—
José Manuel Fernández Norniella (10)	—	—
Rafael González-Gallarza Morales (10)	—	—
Manuel Ríos Navarro (10)	—	—
<b>TOTAL</b>	<b>384,646</b>	<b>651,097</b>

1. The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations. In the case of Mr. Brentan, this situation prevailed until 30 June 2009 only.
2. Member of the Board of Directors since 14 September 2009.
3. Member of the Board of Directors since 25 June 2009.
4. Ceased to be a member of the Board of Directors on 24 March 2009.
5. Ceased to be a member of the Board of Directors on 30 June 2009.
6. Ceased to be a member of the Board of Directors on 25 June 2009.
7. Ceased to be a member of the Board of Directors on 20 July 2009.
8. Member of the Board of Directors from 24 March 2009 to 25 June 2009.
9. Ceased to be a member of the Board of Directors on 18 October 2007.
10. Ceased to be a member of the Board of Directors on 20 June 2007.

### Other remuneration

Board member	Euros	
	2009	2008
Borja Prado Eulate	4,200	—
Andrea Brentan	3,003	—
José Manuel Entrecanales Domecq (1)	9,666,744	—
Rafael Miranda Robredo (2)	18,349,241	29,795
Esteban Morrás Andrés (1)	1,734,831	7,214
<b>TOTAL</b>	<b>29,758,019</b>	<b>37,009</b>

1. Other remuneration in 2009 includes the amount of the contractual termination payment to Messrs. Entrecanales and Morrás, who ceased to be directors on 24 March 2009 and 25 June 2009, respectively.
2. Other remuneration in 2009 also includes amounts recognised for the early retirement benefits of Mr. Miranda at 30 June 2009 until actual retirement.

### Advances and loans

Board member	Euros	
	2009	2008
Rafael Miranda Robredo	—	242,577

- (1) This advance was granted before the approval of the Sarbanes-Oxley Act in July 2002, and the terms and conditions thereof have not changed since that date. This advance was repaid in 2009.

**Pension funds and plans: Contributions**

Board member	Euros	
	2009	2008
Borja Prado Eulate	94,156	—
Andrea Brentan	70,844	—
José Manuel Entrecanales Domecq	66,358	268,218
Rafael Miranda Robredo (1)	105,456	94,358
Esteban Morrás Andrés	24,834	93,619

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. With regard to future pensions, since the total premiums for this item were paid in prior years, the 2009 financial statements include only changes arising from valuation adjustments.

**Life insurance premiums**

Board member	Euros	
	2009	2008
Borja Prado Eulate	66,604	—
Andrea Brentán	84,662	—
José Manuel Entrecanales Domecq	34,262	125,422
Rafael Miranda Robredo	5,905	12,149
Esteban Morrás Andrés	1,717	31,845
Directors	10,422	22,525

**c.2. Remuneration. Senior executives****Remuneration of senior management in 2009 and 2008**

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

**Senior management member in 2009**

Name	Position
Mr. Francisco Borja Acha Besga	General Manager - Legal Counsel
Mr. Alfonso Arias Cañete	General Manager - Nuclear Power
Mr. José Damián Bogas Gálvez	General manager for Spain and Portugal
Mr. Paolo Bondi	Economic and Financial General Manager
Mr. Francesco Buresti	General Manager - Purchasing
Mr. Pío Cabanillas Alonso (1)	General Manager - Communications
Mr. Enrique Durand Baquerizo (2)	General Manager - Audit
Ms. M <sup>a</sup> Isabel Fernández Lozano (1)	Assistant General Manager - Services
Mr. Joaquín Galindo Vélez (1)	General manager
Mr. Juan Gallardo Cruces (1)	Economic and Financial General Manager
Mr. Alfonso López Sánchez (2)	General Manager - Communications
Mr. Héctor López Vilaseco	General manager - Strategy and Development
Mr. Germán Medina Carrillo (1)	General Manager - Human Resources
Mr. Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
Mr. Rafael Montes Caracuel (1)	Assistant General Manager - Human Resources
Mr. Antonio Pareja Molina (1)	General Manager - Services
Mr. José Luis Puche Castillejo	General manager—Organisation and Human Resources
Mr. Álvaro Quiralte Abelló	General Manager - Energy Management
Mr. Félix Rivas Anoro (1)	Assistant General Manager - Purchasing
Mr. Massimo Tambosco (2)	Assistant Economic and Financial General Manager
Mr. Antonio Torvá Jordán (2)	Assistant general manager - Communications

(1) Left in 2009.

(2) Joined in 2009.

Details of the remuneration relating to each of the persons in the above table are as follows:

	Euros	
Remuneration	2009	2008
Fixed remuneration	5,778,914	5,475,549
Variable remuneration (1)	6,474,453	4,175,466
Attendance fees	—	—
Bylaw-stipulated directors' emoluments	—	—
Share options and other financial instruments	—	—
Other (2)	8,751,495	304,454
<b>TOTAL</b>	<b>21,004,862</b>	<b>9,955,469</b>

(1) The variable remuneration paid to senior executives includes the amounts earned for this item in 2008 and a proportion of the amount for 2009 for all the senior executives who left the Company in 2009.

(2) This amount includes the contractual termination payments received by the senior executives who left the Company as a result of the change of control.

	Euros	
Other benefits	2009	2008
Advances	692,226	824,334
Loans	331,030	361,030
Pension funds and plans: Contributions (1)	1,347,200	1,287,761
Pension funds and plans: obligations assumed	—	—
Life insurance premiums	593,569	472,318

(1) The Company has established on an across-the-board basis for employees who meet certain requirements concerning age and length of service entitlement to pre-retirement with a guarantee of future remuneration and pension rights. For employees meeting these conditions, with regard to future pensions, since the total premiums for this item were paid in prior years, the 2009 financial statements include only changes arising from valuation adjustments.

### Guarantees provided by the Company to senior executives

As regards remuneration, the Company has provided guarantees for senior management members amounting to Euros 11,878,446 in 2009 to cater for accruals of future remuneration rights, i.e. early retirement rights, as in the case of the other employees of the same age and with the same length of service.

### c.3. Guarantee clauses: directors and senior management

#### Guarantee clauses for cases of termination or changes of control

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

The system for these clauses is as follows:

***Termination of the employment relationship:***

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

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

***Post-contractual non-competition clause:***

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

At 31 December 2009, 12 executive directors and senior executives had guarantee clauses in their employment contracts (18 at 31 December 2008).

**c.4. Other disclosures concerning the Board of Directors**

In order to reinforce the transparency of listed companies, details are included below of companies engaging in activities that are identical, similar or complementary to the statutory activity of Endesa, S.A. in which the members of the Board of Directors hold equity interests, or hold positions or perform functions:

At 31 December 2009

Name of director	Employer Identification Number of the company in question	Name of the company in question	% Ownership	Position
Mr. Borja Prado Eulate	910810006	Endesa Chile, S.A.	—	Director
Mr. Fulvio Conti	811720580	Enel, S.p.A.	0.00563	Managing director and GM
Mr. Andrea Brentan	942710003	Enersis, S.A.	—	Vice-chairman
Mr. Andrea Brentan	885721025	Enel Energy Europe	—	Chairman
Mr. Andrea Brentan	809641513	Enel Investment Holding	—	Director
Mr. Luigi Ferraris	811720580	Enel, S.p.A.	0.00016	CFO
Mr. Luis de Guindos Jurado	910810006	Endesa Chile, S.A.	—	Director
Mr. Claudio Machetti	811720580	Enel, S.p.A.	—	Group Risk Management Manager
Mr. Gianluca Comin	811720580	Enel, S.p.A.	0.00015	External Relations Manager

At 31 December 2008

Name of director	Employer Identification Number of the company in question	Name of the company in question	% Ownership	Position
D. José Manuel Entrecanales Domecq	A08001851	Acciona, S.A.	0,01165	Chairman
D. Andrea Brentán	811720580	Enel, S.p.A.	—	Manager - Iberia and Latin America
D. Rafael Miranda Robredo	A28294726	Enagás, S.A.	0,00055	None
Dña. Carmen Becerril Martínez	A08001851	Acciona, S.A.	0,00077	GM - Corporate Resources and Investor Relations
D. Luigi Ferraris	811720580	Enel, S.p.A.	0,00004	Manager - Accounting, Planning and Control
D. Claudio Machetti	811720580	Enel, S.p.A.	—	CFO
D. Valentín Montoya Moya	A08001851	Acciona, S.A.	0,00198	Director & Economic and Financial General Manager
D. Esteban Morrás Andrés	A08001851	Acciona, S.A.	0,01237	Director

In 2009 there were cases of conflicts of interest involving the directors. The directors involved in these conflicts did not attend the related Board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of ENDESA by its Board of Directors.

Distribution by gender: at 31 December 2009, the Board of Directors of Endesa, S.A. was made up of nine men. At 31 December 2008, the Board of Directors of Endesa, S.A. was made up of one woman and nine men.

### c.5. Share-based payment plans

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

## 19. OTHER DISCLOSURES

### A) PERSONNEL

The Company's average headcounts in 2009 and 2008, by professional category and gender, are as follows:

Category	2009			2008		
	Male	Female	Total	Male	Female	Total
Senior management and University graduates	498	284	782	410	233	643
Further education college graduates	103	89	192	90	78	168
Middle management	19	105	124	11	96	107
Clerical staff and manual workers	6	37	43	5	32	37
<b>TOTAL</b>	<b>626</b>	<b>515</b>	<b>1,141</b>	<b>516</b>	<b>439</b>	<b>955</b>

Company personnel by professional category and gender at 31 December 2009 and 2008 are as follows:

Category	2009			2008		
	Male	Female	Total	Male	Female	Total
Senior management and University graduates	590	323	913	429	251	680
Further education college graduates	110	107	217	96	81	177
Middle management	34	113	147	11	99	110
Clerical staff and manual workers	8	41	49	4	32	36
<b>TOTAL</b>	<b>742</b>	<b>584</b>	<b>1,326</b>	<b>540</b>	<b>463</b>	<b>1,003</b>

## B) AUDIT FEES

Details of fees for the services provided in 2009 and 2008 by the auditors of the annual accounts of the Company and consolidated annual accounts of the Endesa Group are as follows:

	2009			2008		
	KPMG Auditores, S.L.	Other member firms of KPMG International	Other Auditors	Deloitte, S.L.	Other member firms of Deloitte	Other Auditors
Audit of annual accounts	3,378	—	401	5,114	—	149
Audits other than of the annual accounts and other audit-related services	—	—	82	176	—	338
Other non-audit services	—	—	1,132	43	510	—
<b>TOTAL</b>	<b>3,378</b>	<b>—</b>	<b>1,615</b>	<b>5,333</b>	<b>510</b>	<b>487</b>

The amount shown in the above table includes all fees for audit services in 2009 and 2008, irrespective of the date of invoice.

## C) OTHER

### c.1. Insurance

The Company has contracted insurance coverage for the possible risks of the parent company and subsidiaries of which it owns 50% or more, covering the risk of damage to the various property, plant and equipment of these companies, with limits and hedges appropriate to the types of risks and countries in which they operate. Possible claims made by third parties in the activities of these companies are also covered.

## 20. INFORMATION ON ENVIRONMENTAL ACTIVITIES

In 2009 the Company has not incurred any expenses of which the main aim was to minimise the environmental impact or acquired any assets for that purpose or received any environmental subsidies. The directors of the Company also understand that there are no probable or certain future expenses in relation to environmental risks for which provisions should be made at 31 December 2009.

## 21. SUBSEQUENT EVENTS

Negotiations to sell the 1% interest held in REE, classified as non-current assets held for sale, were commenced in December 2009 and the transaction was completed in February 2010 at the final price of Euros 51 million, resulting in gross capital gains of Euros 44 million (Euros 5 million in 2009 and Euros 39 million in 2010).



## APPENDIX

ENDESA PARTICIPADAS, S.A.  
DISSOLUTION BALANCE SHEET AT 7 OCTOBER 2009

Millions of Euros

ASSETS	07/10/2009	EQUITY AND LIABILITIES	07/10/2009
<b>NON-CURRENT ASSETS</b>	<b>535</b>	<b>EQUITY</b>	<b>514</b>
<b>Non-current investments in group companies and associates</b>	<b>488</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>514</b>
Equity instruments	3	<b>Share capital</b>	<b>328</b>
Loans to companies	485	Registered share capital	328
<b>Non-current financial assets</b>	<b>41</b>	<b>Share premium</b>	<b>238</b>
Other financial assets	41	<b>Reserves</b>	<b>141</b>
<b>Deferred tax assets</b>	<b>6</b>	Legal and bylaw reserves	66
		Other reserves	75
<b>CURRENT ASSETS</b>	<b>6</b>	<b>Prior years' profit/(losses)</b>	<b>(201)</b>
<b>Trade and other receivables</b>	<b>4</b>	Prior years' losses	(201)
Other receivables	4	<b>Profit for the year</b>	<b>11</b>
<b>Current investments in Group companies and associates</b>	<b>1</b>	<b>Interim dividend</b>	<b>(3)</b>
Loans to companies	1		
<b>Current financial assets</b>	<b>1</b>	<b>NON-CURRENT LIABILITIES</b>	<b>21</b>
Loans to companies	1	<b>Non-current provisions</b>	<b>21</b>
		Long-term employee benefits	2
		Provision for personnel restructuring costs	2
		Other provisions	17
		<b>CURRENT LIABILITIES</b>	<b>6</b>
		<b>Current provisions</b>	<b>1</b>
		<b>Group companies and associates – current</b>	<b>5</b>
<b>TOTAL ASSETS</b>	<b>541</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>541</b>

# Endesa, S.A.

## 2009 DIRECTORS' REPORT

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## EVOLUTION OF THE BUSINESS

Endesa, S.A. (hereinafter ENDESA) is a holding company and, accordingly, its revenue mainly consists of the dividends collected from its subsidiaries, and its expenses primarily relate to the costs of its debt. Impairment losses may also be recognised and reversed based on changes in the value of investments in its subsidiaries.

In 2009 net turnover totalled Euros 2,147 million, due to revenue from dividends totalling Euros 1,871 million and revenue from the rendering of services to Group companies, totalling Euros 276 million.

Operating revenues totalled Euros 2,221 million and operating expenses Euros 386 million, leading to total operating profit of Euros 1,835 million.

ENDESA reported a financial loss of Euros 237 million, which mainly included finance revenue of Euros 232 million from loans extended (particularly the financing of the deficit in revenues from regulated activity within the Spanish electricity system) and finance expenses totalling Euros 377 million, relating to financial debt.

The Company's profit before tax stood at Euros 1,598 million, and accrued income tax accounted for income of Euros 199 million. Income tax is considered income as the dividends received from Group companies, which are the main source of the Company's revenue, are not subject to taxation, as tax has already been paid on the profit generated by these companies, which are included in the consolidated tax return filed by the Group, the parent company of which is Endesa, S.A.

In 2009 ENDESA's net profit totalled Euros 1,797 million. The board of directors proposed to the shareholders at their annual general meeting that Euros 1,088 million of this amount be distributed as dividends to the shareholders, with Euros 709 million being held as retained earnings and added to the Company's existing retained earnings of Euros 1,744 million. Total retained earnings after the distribution of profits therefore totalled Euros 2,453 million.

At 31 December 2009 the Company's equity totalled Euros 10,841 million, down Euros 5,027 million on the figure at 31 December 2008. This was due to the distribution of a Euros 6,244 million dividend in March 2009 with a charge to profit for 2008, which was largely extraordinary in nature as the entire capital gain obtained by the Group from the sale of assets to E.On was distributed to the shareholders.

## INVESTMENTS AND DIVESTMENTS

The main investment and divestment transactions carried out in 2009 are detailed in Note 7 to the annual accounts.

## FINANCING TRANSACTIONS

The main transactions carried out by ENDESA in the risk area in 2009 were as follows:

- In April the Company extended a syndicated credit facility until 2012 (originally due to mature in 2010). The initial amount of this facility was Euros

945 million, and was increased to Euros 1,410 million in subsequent months. A total of 12 banks were involved in this credit facility.

- In May a syndicated loan of Euros 2,000 million was arranged for a term of two years. A total of 21 top-level domestic and international banks participated in this loan. This transaction was arranged for a period of two years, as a potential cash inflow had been forecast for collection of the receivable relating to financing of the deficit in revenues from regulated activity within the Spanish electricity system.
- In September a bilateral loan of Euros 150 million was obtained from the European Investment Bank, arranged by a prestigious financial institution. The purpose of the loan is partial financing of investments to improve the Spanish electricity distribution network.
- Under the domestic promissory note programme, the subsidiary Endesa Capital, S.A. continued to hold regular auctions, in which the main Spanish banks participate and which involves active telephone trading. The outstanding balance at year end was Euros 851 million.
- In December the maximum limit for issues of commercial paper in Europe was raised from Euros 2,000 million to Euros 3,000 million, through the International Endesa, B.V. "Euro Commercial Paper" programme, guaranteed by Endesa, S.A. The outstanding balance at year end was Euros 1,785 million.

## SUBSEQUENT EVENTS

Events occurring subsequent to year end are described in note 21 to the consolidated annual accounts.

## OUTLOOK

ENDESA's earnings in future years will be mainly determined by the dividends that it receives from its subsidiaries, as it is the Company's intention that these subsidiaries distribute practically all their distributable profit in the form of dividends.

The Company's directors consider that the dividend policy established for its subsidiaries will be sufficient to enable ENDESA to achieve earnings that ensure adequate remuneration for its shareholders.

## MAIN RISKS ASSOCIATED WITH THE ENDESA GROUP'S OPERATIONS

ENDESA, as the parent of a Group of companies, is exposed to all the risks to which the Group is exposed, as any risk that may arise at subsidiary level would have an effect on ENDESA through the valuation of its investment portfolio and the dividends it receives from its subsidiaries. The subsidiaries of the Endesa Group (also collectively referred to as ENDESA in this section) carry out their activities in an environment with external factors that may affect their operations and earnings. The main risks to which ENDESA's operations are exposed are as follows:

### 1. RISKS ASSOCIATED WITH OPERATIONS AND THE INDUSTRY

The Group's operations are subject to a wide range of regulations, and any changes made could have an adverse effect on the Group's business activities, financial position and the results of its operations.

The Endesa Group's operating subsidiaries are subject to wide-reaching legislation on tariffs and other aspects of their operations in Spain and in each of the countries in which they operate. Although ENDESA substantially complies with all the laws and regulations currently in force, the Group is subject to a complex set of laws and regulations that both public and private bodies try to apply. The introduction of new laws or regulations or changes in prevailing laws and regulations could have an adverse effect on the Group's business activities, financial position and the results of its operations.

These new laws or regulations sometimes modify certain regulatory aspects that can affect existing rights, which could negatively impact the Group's future accounts.

In recent years the Spanish electricity system has generated insufficient revenue, giving rise to a deficit. Royal Decree Law 5/2005 of 11 March 2005 established the requirement for certain companies, including ENDESA, to finance that deficit. The Endesa Group is also pending recovery of a significant portion of cost overruns from non-mainland generation from the period 2001-2008.

Royal Decree Law 6/2009 established the possibility for companies funding the deficit from the system to recover the accumulated deficit, including cost overruns from non-mainland generation, by contributing that receivable to a securitisation fund set up for that purpose. The same Royal Decree Law also established the maximum possible deficit from the system in 2009-2012 and that after 2013 there could be no deficit and that the cost overruns from non-mainland generation would be covered after 2013 by General State Budgets and in the transitional period 2009-2012 jointly by the electricity system and General State Budgets in percentages that vary each year.

The Endesa Group's financial position in the coming years will be significantly affected by the application of Royal Decree Law 6/2009.

**The Group's operations are subject to wide-reaching environmental legislation, and any changes introduced could have an adverse effect on the Group's business activities, financial position and the results of its operations.**

ENDESA and its operating subsidiaries are subject to requirements of environmental legislation that include performing environmental impact studies for future projects, procuring the necessary licences, permits and other authorisations and complying with all the requirements of those licences, permits and standards. Like any regulated company, ENDESA cannot guarantee that:

- Public authorities will approve its environmental impact studies;
- Public opposition will not cause delays or changes to any proposed project;
- Laws or standards will not be amended or interpreted so as to increase the costs of compliance or affect the operations, plants or plans of companies in which the Group has invested.

Certain legal environmental requirements have been tightened in Spain and the European Union in recent years. Although ENDESA has made the appropriate investments to meet these requirements, their application and future amendments could adversely affect its business activities, financial position and the results of its operations. The results of its operations could also be affected by prices of emission rights or a shortage of these rights on the market.

**A considerable volume of the power produced by ENDESA in certain markets is subject to market forces that can affect the price and volume of power it sells.**

ENDESA is exposed to market price and availability risks for the purchase of the fuel (including fuel oil-gas, coal and natural gas) used to generate electricity and the sale of part of the power that it produces. ENDESA has long-term supply contracts to guarantee fuel supplies for its power production activities in Spain. ENDESA has entered into certain natural gas supply contracts that contain “take or pay” clauses. These contracts were established on the basis of certain reasonable assumptions regarding future requirements. Any highly significant variations in the assumptions used may mean that fuel purchases exceeding the Company’s needs may have to be made.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indices with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives. Although ENDESA actively manages these risks, it cannot guarantee that such measures will eliminate all the market price risks relating to fuel requirements.

**The Group’s business could be affected by rainfall and climatic patterns.**

ENDESA’s operations include hydroelectric production and, accordingly, depend on the weather conditions at any given time in the extensive geographic regions in which the Group’s hydroelectric generating facilities are located. Droughts or other conditions that adversely affect the Group’s hydroelectric generation business can reduce its earnings. The electricity business is affected by atmospheric conditions such as average temperatures, which determine levels of consumption. The margin on the business changes depending on weather conditions.

**The Group’s financial results can be adversely affected by certain market risks.**

The Group is exposed to various types of market risk in the ordinary course of its business, including the impact of interest rate and commodity price changes and foreign currency exchange rate fluctuations. It therefore actively manages these risks to prevent them from significantly affecting its results.

**Interest rate risk**

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to floating interest rates.

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement.

Depending on the estimates made by the Endesa Group and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

### Currency risk

Currency risk essentially affects the following transactions:

- Borrowings in foreign currency arranged by Group companies and associates.
- Payments to be made in international markets for purchases of fuel stocks.
- Income and expenses of the Latin American subsidiaries in the functional currency of each company and, in certain cases, indexed to the US dollar.

Additionally, the net assets deriving from net investments in foreign companies with a functional currency other than the Euro are exposed to the risk of exchange rate fluctuations on translation of the financial statements of these companies in the consolidation process.

The Endesa Group has contracted derivatives and borrowings in US dollars to mitigate the currency risk for revenue indexed to the US dollar. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

However, risk management strategies cannot always entirely eliminate exposure to changes in interest rates and foreign currency exchange rates, which could adversely affect the Group's financial position and the results of its operations.

### Commodity price risk

The Endesa Group is exposed to the risk of changes in electricity-related commodity prices, including CO<sub>2</sub> emission rights and CERs, mainly through:

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

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the limits predetermined by the Risks Committee. These limits are based on expected results using a confidence interval of 95%.

Individual analyses are also carried out on the impact of certain relevant transactions on the Company's risk profile and achieving its set limits.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indices with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements.

In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives.

### Liquidity risk

The Group's liquidity policy consists of arranging committed credit facilities and current financial assets for a sufficient amount to cover projected requirements for a period that depends on the situation and expectations of the debt and capital markets.

However, it is not possible to guarantee that a prolonged liquidity crisis in the markets that prevented the access of issuers to the capital markets would not have an adverse effect on the Group's liquidity position in the future.

### Credit risk

Given the current economic climate, the Group is monitoring credit risk very closely.

Historically, credit risk on trade receivables is very limited, given the short period of collection from customers, to which supply may be cut off in accordance with the applicable regulations before very significant arrears are accumulated.

The Group's policies for managing credit risk on financial assets are as follows:

- Cash placements are made with top institutions in the markets where it operates.
- Derivatives and the credit risk associated with commodities included in the scope of IAS 39 are arranged and limited with highly solvent institutions.

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

- Analysis of the risk associated with each counterparty when there is no external credit agency rating.
- Guarantees are requested where required.
- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.

Although the measures taken by the Group considerably reduce exposure to credit risk, in the current economic climate it is not possible to guarantee that the Group will not incur losses due to non-payment of trade or financial receivables.

### **The construction of new facilities can be adversely affected by the factors commonly associated with these types of projects.**

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex.

These investments have to be planned well in advance of their foreseen entry into operation and, therefore, decisions may need to be adapted to possible changes in market conditions, which could involve additional unplanned costs.

To build these facilities, the Group is also generally required to obtain permits and authorisations from the government, purchase or lease land and procure equipment procurement and construction contracts, operating and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and sufficient equity and debt financing. Factors that may affect the Group's ability to construct new facilities include:

- Delays in obtaining regulatory authorisations, including environmental permits.
- Shortages or changes in the price of equipment, materials or labour.



- Opposition from political and ethnic groups.
- Adverse changes in the political and regulatory environment in the countries where the Group operates.
- Adverse meteorological conditions that could delay completion of power plants or substations, or natural disasters, accidents and other unforeseen events.
- Inability to obtain financing at rates that are satisfactory for ENDESA.

Any of these factors may cause delays in the completion or commencement of the Group's construction projects and increase the cost of planned projects. If ENDESA is unable to complete these projects, the costs incurred may not be recoverable.

**ENDESA could incur environmental and other liabilities in connection with its operations.**

ENDESA is exposed to environmental risks inherent in its operations, including those derived from management of the waste, spills and emissions from the generating facilities, particularly nuclear power plants. Therefore, ENDESA may be subject to claims for environmental and other damage in connection with its power generation, distribution and transmission facilities as well as its coal mining activities.

ENDESA is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish legislation limits the liability of nuclear plant operators in the event of accidents, and these limits are consistent with the international treaties ratified by Spain. According to Spanish legislation, operators of nuclear facilities are liable for a maximum of Euros 700 million in relation to claims arising from a single nuclear accident. ENDESA's potential liability in relation to its interests in nuclear facilities is fully covered by third-party liability insurance of up to Euros 700 million.

ENDESA's potential liability for pollution and other damage to third parties or their assets has also been insured for up to Euros 150 million. If a complaint were filed against ENDESA for environmental or other damage caused by its operations (except for the nuclear plants) for amounts exceeding the insurance coverage, its business activities, financial position and the results of its operations could be adversely affected.

**Deregulation of the European electricity industry could bring more competition and lower prices.**

The deregulation of the electricity industry in the European Union has led to increased competition as a result of the consolidation and entry of new market players in European Union electricity markets, including the Spanish electricity market. The deregulation of the electricity industry in the European Union has also led to lower electricity prices in certain market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which have led to greater liquidity in the electricity markets. This deregulation of the electricity market has meant that various ENDESA business areas operate in an increasingly competitive environment. If ENDESA were unable to adapt to and adequately manage this competitive market, its activities, financial position and the results of its operations could be adversely affected.

## **2. RISKS ASSOCIATED WITH THE COUNTRIES WHERE THE GROUP OPERATES**

### **The Group's companies are exposed to a number of economic and political risks**

The Group is subject to various risks inherent in investment and activity in its different countries of operation, including risks relating to the following:

- Changes in administrative policies and regulations of the governments.
- Monetary and other restrictions on the movement of capital.
- Changes in the business or political environment.
- Economic crises, political instability and public disorder affecting operations.
- Nationalisation of assets.
- Exchange rate fluctuations.

Revenue from subsidiaries, their market value and dividend payments from these subsidiaries are exposed to risks specific to the countries in which they operate, which could adversely affect demand, consumption and exchange rates.

ENDESA cannot predict how any future worsening of the political and economic situation in its countries of operation or any other changes in the legislation of those countries, including amendments to current legislation or any other regulatory framework, would affect its subsidiaries or their business activities, financial position or the results of their operations.

## **3. OPERATIONAL RISKS**

### **ENDESA's activity can be affected by technological failures or human error**

In all the business activities of the ENDESA Group, direct or indirect losses could be caused by inadequate internal processes, technological failures, human error or certain external events. Control and management of these risks, particularly those affecting generation and distribution facilities, are based on adequate training and empowerment of personnel and operating procedures, preventive maintenance plans and specific programmes, backed by quality management systems, that minimise their possible occurrence and impact.

## **4. OTHER RISKS**

### **The Group is a party to legal and arbitration proceedings that could affect ENDESA**

The Group is a party to various legal proceedings related with its business, including tax and regulatory disputes. It is also subject to ongoing or possible tax inspections. Although ENDESA considers that the appropriate provisions have been made for legal contingencies at 31 December 2009, it cannot be guaranteed that the Group will be successful in all proceedings or that an adverse ruling might not significantly and adversely impact its business operations, financial position or the results of its operations.

**RISK MANAGEMENT POLICY**

Information on the Company's risk management policy is included in Note 12 to the annual accounts.

**TREASURY SHARES**

At 31 December the Company did not hold any treasury shares, and no transactions were performed using treasury shares in 2009.

**RESEARCH AND DEVELOPMENT ACTIVITIES**

The Company did not directly carry out any research and development activities during the year, as such activities are carried out directly by its subsidiaries.

**DISCLOSURES REQUIRED BY ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET LAW:**

a) The capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent:

The Company's share capital amounts to Euros 1,270,502,540.40 and it has been fully subscribed and paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of Euros 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 shares making up the share capital, traded by the book-entry system, are marketable securities and are governed by the legislation regulating the securities market.

The shares of ENDESA, traded by the book-entry system, have been registered in the Iberclear Central Registry, the entity responsible for accounting for shares.

The shares of ENDESA are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

**b) Restrictions on the transferability of securities:**

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

**c) Significant direct or indirect ownership interests in the share capital:**

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Enel Energy Europe, S.R.L. (1)	974,717,763	—	92.063
Enel, S.p.A.	—	974,717,763	92.063
<b>TOTAL</b>	<b>974,717,763</b>	<b>974,717,763</b>	<b>92.063</b>

(1) Enel Energy Europe S.R.L. is fully owned by Enel, S.p.A.

On 25 June 2009, Acciona and Finanzas Dos, S.A. transferred shares representing 25.01% of the share capital of Endesa, S.A. to Enel Energy Europe, S.L., in accordance with the share purchase and transfer contract signed between Enel, Enel Energy Europe, Acciona and Finanzas Dos on 20 February 2009.

This transfer ended the corporate agreement signed between Enel, S.p.A.; Enel Energy Europe, S.L.; Acciona, S.A. and Finanzas Dos, S.A. on 26 March 2007.

**d) Restrictions on voting rights:**

There are no legal or bylaw restrictions on voting rights.

**e) Corporate agreements:**

No corporate agreements are currently in force.

The corporate agreement signed between Enel, S.p.A. and Acciona, S.A. on 26 March 2007 was ended on 25 June 2009.

**f) Rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Company's bylaws.**

**Rules applicable to the appointment and replacement of the members of the managing body:**

Pursuant to Articles 37 and 38 of the bylaws, "The appointment and removal of the directors is the responsibility of the shareholders at the General Meeting. The post of director may be rejected, appointments may be revoked and directors may be re-appointed", "The term of appointment of directors shall be four years, and the directors may be re-appointed for periods of equal duration".

The appointment and re-appointment of directors are governed by the Board of Directors Regulations:

**Article 5: Structure and composition of the Board**

"5.3. Proposals for the appointment or re-appointment of directors made by the Board of Directors shall be made for persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties and who assume a commitment to dedicate sufficient time to performing the work of the Board."

**Article 22: Appointment of board members**

"The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in conformity with the Spanish Companies Law and with the bylaws.

The Board of Directors shall make the appointment proposal on the basis of a report of the Appointments and Remuneration Committee."

**Article 25: Re-appointment of board members.**

"The Appointments and Remuneration Committee shall issue its mandatory report on the proposals to re-appoint directors that the Board decides to submit to the General Meeting."

## Article 26: Removal of directors

"26.1. The directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all the other cases where this is required by law, the bylaws or these Regulations.

26.2. Directors must tender their resignation when they are involved in any of the situations of incompatibility or prohibition; provided for in the law and when the Board, based on a report of the Appointments and Remuneration Committee, resolves that the director has seriously infringed his duties as a director.

26.3. When for any reason a director ceases to sit on the Board, he may not provide services to any competitor for two years, unless the Board waives or reduces the time period of this prohibition."

The procedure to be followed and the methods to be used are those provided for in the Spanish Companies Law and in the Mercantile Registry Regulations.

### **Rules applicable to the amendment of the Company's bylaws:**

Pursuant to Article 26 of the bylaws, for the shareholders at the Annual or Extraordinary General Meeting to validly resolve to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.

When shareholders holding less than 50% of the subscribed voting stock are present or represented, the resolutions referred to in the preceding section may only be validly adopted with the affirmative vote of shareholders representing two-thirds of the share capital present or represented at the Meeting.

### **g) The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares:**

The Executive Chairman and the CEO have been granted, jointly, all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.

As regards the possibility of the Board of Directors issuing or repurchasing shares of ENDESA, the shareholders at the Annual General Meeting held on 27 May 2005 empowered the Board of Directors to, pursuant to Article 153.1.b of the Spanish Companies Law, increase share capital, one or several times and at any time for five years after the date of the aforementioned Annual General Meeting, by a maximum amount of Euros 635,251,270.20, i.e. 50% of the existing share capital, through the issuance of new shares, to offer freely the new shares not subscribed in the pre-emptive subscription period or periods, and to establish that, if the subscription is incomplete, the share capital will only be increased by the amount of subscriptions made. Also, the Board of Directors was empowered to rescind the pre-emptive subscription right in the terms provided for in Article 159 of the Spanish Companies Law and to apply for the admission to listing of the new shares issued on the stock market.

Also, the shareholders at the Annual General Meeting of ENDESA held on 27 May 2005 empowered the Board of Directors for five years to issue debentures

not convertible into shares of the Company, preference shares, promissory notes and other similar fixed-income securities, to secure those issued by subsidiaries, and to apply for the admission of the securities issued to trading on secondary markets.

In addition, the shareholders at the Annual General Meeting of ENDESA held on 30 June 2009, in conformity with Article 75 of the Spanish Companies Law, authorised the derivative acquisition of treasury shares, together with pre-emptive subscription rights thereon, by any legally permitted means, directly by ENDESA, by the companies in its Group or by an interposed party, up to the legally permitted maximum figure. The acquisitions shall be made at a minimum price per share of the par value of the shares and a maximum price per share of the market value of the shares plus an additional 5%.

**h) The significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control over the Company as a result of a takeover bid, and its effects, except when the disclosure would be seriously harmful for the Company. This exception does not apply when the Company is legally obliged to disclose such information:**

ENDESA and its subsidiaries have loans and other borrowings totalling Euros 3,489 million, which may be subject to early repayment in the event of a change of control over ENDESA. Derivative contracts with a market value of Euros 10 million (notional amount of Euros 75 million) may also be subject to early settlement in the event of the aforementioned change of control.

**i) The agreements between the Company and its directors and executives or employees that provide for benefits when the latter resign or are terminated without just cause or if the employment relationship comes to an end as a result of a takeover bid:**

At 31 December 2009 ENDESA had 54 executive directors, senior executives and executives with guarantee clauses in their employment contracts.

Executive directors	2
Senior executives	23
Executives	29
<b>TOTAL</b>	<b>54</b>

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

The regime for these clauses for the executive directors and senior executives is as follows:

**Termination of the employment relationship:**

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

However, in order to be in line with the market, in the case of three of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service in certain cases of termination of the employment relationship.

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

**Post-contractual non-competition clause:**

In the vast majority of the contracts, the outgoing senior executive is required to refrain from engaging in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to one annual fixed remuneration payment.

The regime governing the clauses for the 29 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits of the senior executives.

**ANNUAL CORPORATE GOVERNANCE REPORT REQUIRED  
BY ARTICLE 202.5 OF THE SPANISH COMPANIES LAW**

The 2009 Annual Corporate Governance Report is included as an Appendix to this Directors' Report and is an integral part hereof, as required by Article 202.5 of the Spanish Companies Law.

# Endesa, S.A.

## PROPOSED DISTRIBUTION OF PROFIT

(Free translation from the original in Spanish.  
In the event of discrepancy, the Spanish  
version prevails)



**PROPOSED DISTRIBUTION OF PROFIT**

The profit of Endesa, S.A. for 2009 is Euros 1,796,678,823.97, which, together with retained earnings of Euros 1,744,268,731.88, total Euros 3,540,947,555.85.

The directors will propose to the shareholders that profit for the year be used to distribute a dividend of Euros 1.028 gross per eligible share, and the remaining amount be taken to retained earnings.

	Euros
To dividends (maximum amount to be distributed corresponding to Euros 1.028/share for all eligible shares (1,058,752,117 shares))	1,088,397,176.28
To retained earnings	2,452,550,379.57
<b>TOTAL</b>	<b>3,540,947,555.85</b>

PUBLISHED BY: DIRECCIÓN GENERAL DE COMUNICACIÓN

DESIGN: DIRECCIÓN GENERAL DE COMUNICACIÓN

LAYOUT AND PROOFING: CROMOTEX

PRINTING: TF ARTES GRÁFICAS

Committed to the Environment

NATIONAL BOOK CATALOGUE NUMBER: M-26063-2010

*This publication has been produced according to the ISO 9001:2008 Quality Management System and the ISO 14001:2004 Environmental Management System standards.*

*These standards verify that at all times both production processes and waste management are carried out to the highest standards according to current legislation. All paper used is elemental chlorine-free (ECF) with neutral pH and free of heavy metals.*



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