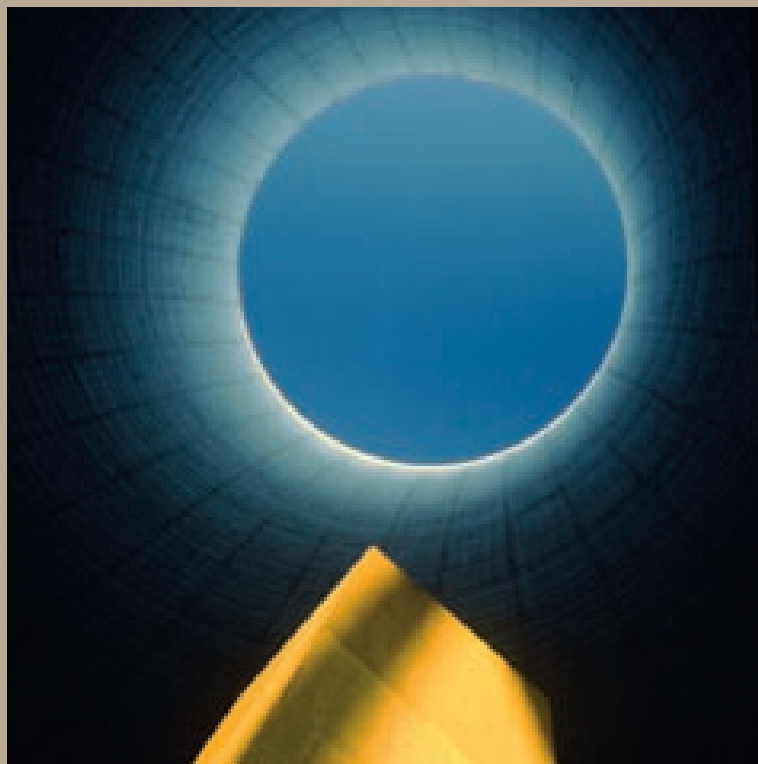


endesa09

ANNUAL REPORT OPERATIONS REVIEW



ENDESA was incorporated in 1944 as Empresa Nacional de Electricidad, S.A. Its name was changed to **ENDESA, S.A.** at the General Shareholder's Meeting held on 25 June 1997. **It is registered** in volume 323, book 1, sheet 143, page M6045 of the Madrid Mercantile Register. The company's registered office and headquarters are at Ribera del Loira, 60, 28042 Madrid and its corporate tax identification number (NIF) is A-28023430. At 31 December 2009, the company had **share capital** of Euro 1,270,502,540.40, represented by 1,058,752,117 shares, each with a par value of Euro 1.20. Its shares are listed in Spanish stock markets and in the off-shore stock market of Santiago de Chile. ENDESA's **main business activity** is the generation, transmission, distribution and supply of electricity. The company is also an increasingly important operator in the natural gas sector, has significant operations in renewables, and provides various other energy-related services. ENDESA is the leading company in the Spanish electricity sector and the largest private electricity multinational in Latin America with **total assets** of Euro 60,195 million at 31 December 2009. In 2009 the company reported **net income** of Euro 3,430 million, **EBITDA** of Euro 7,228 million, **EBIT** of Euro 5,052 million and **total revenues** of Euro 25,692 million. At year-end 2009, it **directly employed** 26,305 people, 13,380 in Spain and Portugal, 12,676 in Latin America and 249 in other countries and business areas.

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INGENDESA
INGENIERIA DE INICIACIÓN Y DESARROLLO S.A.

INGENDESA

VISION

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

MISSION

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

VALUES

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



Presentation



Borja Prado Eulate
Chairman

I am pleased to present to our shareholders and stakeholders a detailed account of ENDESA's main activities for 2009.

It was a particularly complex and difficult year, marked by the consequences of the international crisis which had a hard-hitting effect on the companies with whom we do business and, in the case of the electricity sector, demand for energy.

In spite of this, the industrial, commercial and economic activities reflected in this report clearly demonstrate ENDESA's ability to successfully tackle demanding situations such as these and its ability to meet challenges head-on in a manner which demonstrates intelligence, strength and responsibility.

Given the challenging backdrop, the year's financial results can be considered excellent. We would also point out that in 2009 and the first few months of 2010 ENDESA rolled out a number of initiatives which clearly display the motivation and leadership qualities of a large, multinational company.

Since becoming Chairman of ENDESA in February, I have been guided by the desire to obtain strong results and to lead the way.

Certain conditions were essential to achieve this. First of all, the stability of the management team which has made ENDESA one of the strongest and best-managed power companies in Spain and the world. Secondly, the Board of Directors was shored up by bringing on board people with outstanding skills and recognised prestige who are able to play a key role in our business project. Thirdly, we have leveraged on Enel's strength as a stable partner with whom we share a number of values and its commitment to our company. And finally, and no less important than the above, we can boast the commitment and trust of thousands of people who work at ENDESA all across the world. Judging by the results of the latest Satisfaction Survey carried out among our employees in December, we are clearly on the right path.

These firm foundations have helped ENDESA regain its corporate drive which is vital for us to do business. One of my first objectives as Chairman was to ascertain at first hand the situation of our company in the countries where we operate and to hold top-level meetings with the pertinent authorities.

This collaboration with authorities and regulators has meant ENDESA has been able to help find a solution to the most pressing issues facing the energy sector in the countries where it operates, such as the implementation of the deregulated business in Spain or the modification of regulatory frameworks in various Latin American countries.

This is why one of my main obligations as Chairman is to guarantee and bolster ENDESA's commitment to sustainable development, ensuring that, thanks to our technical know-how and proven innovation ability, we can help fine-tune those alternatives which meet the energy needs of our immediate future which is in fact nearly the present.

We have rolled out specific initiatives such as the electric vehicle, carbon capture and storage plants, SmartCity and smart meters, all of which have brought reliable results. We would also include the significant boost to ENDESA's status in the renewable energies field in Spain with the creation of Enel Green Power in partnership with our key shareholder.

Our company's commitment to innovation and environmental sustainability is matched by our obligation to the needs of the communities where we are operate. This pledge is evidenced by the numerous social initiatives we carry out each year and which in 2009 entailed a total investment of Euro 39 million.

However, these important and vital schemes are meaningless unless they are included in our mission to honour the fundamental responsibilities of our businesses: providing our customers with a basic service, offering our shareholders returns and creating wealth for society as a whole.

Our 2010-2014 Strategic Plan ensures that we will be able to honour these commitments in the short and long term. The plan, which we presented to the markets in March 2010, envisages investment of Euro 10,500 million, a considerable sum if we take into account that it has been drawn up taking into consideration the current crisis and is evenly divided among our generation and distribution businesses in order to guarantee supply.

I am also pleased to announce that the ENDESA board has decided to propose to shareholders at the 2010 General Shareholders' Meeting a dividend payment of a Euro 1.03 per share charged against 2009 earnings, thus continuing our company's traditional commitment of offering our shareholders returns.

In short, based on these and other projects we have embarked on over the past year and in the first few months of 2010, ENDESA is in a position to ensure the development of a leading business project which is solvent and responsible and is predicated on in-depth knowledge of our business and a clear vision of the future.

This project is viable thanks to the confidence of our shareholders, the commitment of our employees, the loyalty of our customers and the expectations of those people in the societies where we are present, driving us to be even better.

We have been entrusted with social and human capital of invaluable worth which demands commitment and for this I am deeply honoured and grateful.



Borja Prado Eulate
Chairman



Andrea Brentan
 Chief Executive Officer

A company's strength and abilities are not only evident when it is able to take advantage of business opportunities in favourable conditions but particularly when it is able to meet the expectations of its stakeholders in tough and challenging times such as these.

The excellent results contained in this Operations Review are proof that in 2009 ENDESA was able to honour its commitments and execute its responsibilities in spite of the complex backdrop shaped by the economic crisis and the negative effect this has had on the financial climate and the energy markets. In addition to these difficulties, we must note the long-term challenges our sector will continue to face: security of supply, competition and environmental sustainability — three variables which comprise an essential energy equation which we are obliged to solve in the most efficient way possible.

One of the best indications of the company's excellent performance in 2009 are its sound financial results. ENDESA's net income totalled Euro 3,430 million, the second highest in the company's history and 1% greater than in 2008 on a like-for-like basis, i.e. excluding from 2008 accounts earnings from the sale of assets to E.On and doing the same for 2009 with the sale of assets to Acciona. The terms and conditions of these operations are detailed later on in this report.

In turn, EBITDA totalled Euro 7,228 million in 2009, 4.8% higher than in 2008 and, in absolute terms, the largest figure in ENDESA's history. Revenue was up 12.5% to Euro 25,692 million.

Of particular note are the excellent results thanks to the strong showing by the business areas and despite the negative performance seen by prices and demand in Spain and Portugal and lower growth in demand in Latin America.

The business in Spain and Portugal posted EBITDA of Euro 4,060 million, up 3.4% on 2008. The progress made on synergies and cost cutting measures significantly impacted this growth. The company also leveraged its strength in the deregulated market: in the generation business, thanks to its mix of competitive output and in the supply business where it cemented its position as market leader with a 41.7% share against the challenging backdrop of market deregulation which came into effect on 1 July 2009.

Added to this is the optimal supply of energy achieved, divided between our own supply and purchases in the wholesale markets as well as the improved results from regulated activities. And finally, we would note the quality of service offered by this business: in the Spanish market supply continuity was equivalent to 99.98% of annual hours, with an interruption time of just 70 minutes/year despite the adverse weather conditions.

Results in Latin America were particularly outstanding. EBITDA for the business in 2009 was Euro 3,168 million, an all-time high with year-on-year growth of 6.7%. These results are largely thanks to significant efficiency gains; sound management of fossil fuel costs and the favourable effect of higher rainfall in Chile and Peru. We would also note that the generation activity grew 3.4% in physical terms and the unit margin rose 9.8%, offsetting the 1.8% decline in the distribution business.

The size of our generation assets in the region has also grown thanks to the following additions: the commissioning of the 257 MW Quintero open-cycle gas plant; the enlargement of the Santa Rosa plant in Peru with the addition of a 200 MW gas turbine and the second phase of the 60 MW Canela II wind farm in Chile.

As I mentioned above with regard to both businesses, one of the key factors which has helped the company achieve such excellent results in 2009 is the

progress made on achieving internal efficiency and obtaining synergies thanks to the common working plan with Enel.

Proof of this is the fact that in 2009 we not only raised our synergies target from Euro 397 million to Euro 436 million but we even beat it, growing by 113% to Euro 494 million.

Based on this outstanding result, we have continued to determine new synergies for the coming years. We have identified a further Euro 240 million which would bring our 2012 target to over Euro 1,000 million. We have also forged ahead with best practices, identifying new opportunities in the generation, distribution and supply businesses.

As I noted above, these figures are particularly relevant considering they were achieved in a tough context of weak demand and prices in Spain due to the economic crisis. The situation was also aggravated by the regulatory changes which ushered in market deregulation in Spain on 1 July 2009.

These sound financial and industrial results are the bedrock on which the company can build its strategy for the next few years, the cornerstones of which are outlined in the 2010-2014 Strategic Plan which we presented to the markets on 18 March 2010. Our main objectives are to maintain our leadership position in Spain and Latin America; foster organic growth in the region; build on efficiency improvements and drive our presence in renewable energies. The recent decision to integrate the renewable activities of ENDESA and Enel Green Power (EGP) in Spain and Portugal into a single organisation within the scope of EGP, a company which is 100% owned by Enel, is vital to achieve this.

This strategy will be complemented by the inroads made thanks to our endeavours in the field of technological innovation and which is already bearing fruit such as development of the electric vehicle, the deployment of smart grids using our remote management project and the development of carbon capture and storage systems.

We shall remain committed to environmental issues and the results speak for themselves. In 2009, we managed to cut CO₂ emissions by 50.5% compared to 1990 figures; we are still one of the most active companies in the world in Clean Development Mechanisms (CDM) with a portfolio of over 50 projects; and 52.5% of our generation in Spain was emission-free in 2009.

We are also acutely aware that our industrial and commercial activities have a major affect on the regions and communities where we are present. We are not content with being mere energy producers or distributors. We also have a duty to uphold, given our size and the work we undertake, to contribute to the economic, social and environmental progress in the regions and countries where we operate. We therefore act as "good citizens" with integrity and resolve, based on Corporate Social

Responsibility principles and are always mindful that we must meet the needs and expectations of our various stakeholders.

An important cornerstone for our activities in this regard is the large number of initiatives we undertake to help the social and economic development of the communities where we are present. We would highlight schemes such as the Ecoelce programme in Brazil which offers discounts on the electricity bills of customers living in deprived neighbourhoods who help recycle waste. There is also the Pehuén Foundation which helps Chile's indigenous population; the biodiversity conservation work carried out by the Huinay Foundation in Chile and the Endesa Solidarios volunteer scheme in Spain. We are also involved in promoting the training programme for electricity installers at the Pachacútec College aimed at underprivileged youngsters living in Lima (Peru).

I would also like to mention the over 26,000 people who work at ENDESA and its subsidiaries who, on a daily basis, embody our ethical and professional commitment and our dedication. They are the heart of our company, they keep us alive and constantly growing. It is for this reason that one of our main responsibilities is to help our employees in their professional and personal endeavours by offering training and the opportunity to achieve a healthy work-life balance as well as by promoting diversity. However, more than this, we must always be aware of their working conditions to be able to guarantee optimum levels of well-being and occupational health and safety. Our commitment here is clear: to achieve "zero accidents", a challenge we must irrevocably meet.

And we have taken specific action here as manifested in the recent Satisfaction Survey carried out in December 2009. According to our employees, occupational health and safety is the highest valued attribute which defines our company. Participation in the latest survey was high, reaching a record 79%, with employee commitment to the company standing at 78%, practically identical in Spain and Latin America and much higher than the average at those companies we used as a benchmark.

Based on this reciprocal commitment with our employees, we will be well-positioned to continue motivating and forging ahead with our business and human project which focuses on clear leadership skills, a proven track record in developing businesses and an unwavering pledge to collaborate closely with, interact with and reach all the groups who have helped make this possible in one way or another.



Andrea Brentan
Chief Executive Officer

Corporate governance

BOARD OF DIRECTORS

Honorary Chairmen

Feliciano Fuster Jaume
Rodolfo Martín Villa
Manuel Pizarro Moreno

Chairman

Borja Prado Eulate

Executive Vicechairman

Fulvio Conti

Chief Executive Officer

Andrea Brentan

Members

Luigi Ferraris
Claudio Machetti
Gianluca Comin
Luis de Guindos Jurado
Miquel Roca Junyent
Alejandro Echevarría Busquet

Secretary (non director)

Salvador Montejo Velilla

EXECUTIVE COMMITTEE

Chairman

Borja Prado Eulate

Members

Fulvio Conti
Andrea Brentan
Luis de Guindos Jurado
Luigi Ferraris

Secretary (non director)

Salvador Montejo Velilla

AUDIT AND COMPLIANCE COMMITTEE

Chairman

Alejandro Echevarría Busquet

Members

Borja Prado Eulate
Luigi Ferraris
Miquel Roca Junyent

Secretary (non director)

Salvador Montejo Velilla

APPOINTMENTS AND COMPENSATION COMMITTEE

Chairman

Luis de Guindos Jurado

Members

Claudio Machetti

Luigi Ferraris

Miquel Roca Junyent

Secretary (non director)

Salvador Montejo Velilla

EXECUTIVE MANAGEMENT COMMITTEE (1)

Chief Executive Officer

Andrea Brentan

General Manager – Legal Department

Borja Acha Besga

General Manager – Latin America

Ignacio Antoñanzas Alvear

General Manager – Spain and Portugal

José Damián Bogas Gálvez

General Manager – Finance

Paolo Bondi

General Manager – Procurements

Francesco Buresti

Deputy General Manager – Systems and Telecommunications

Rafael López Rueda

General Manager – Communication

Alfonso López Sánchez

General Manager – Strategy and Development

Héctor López Vilaseco

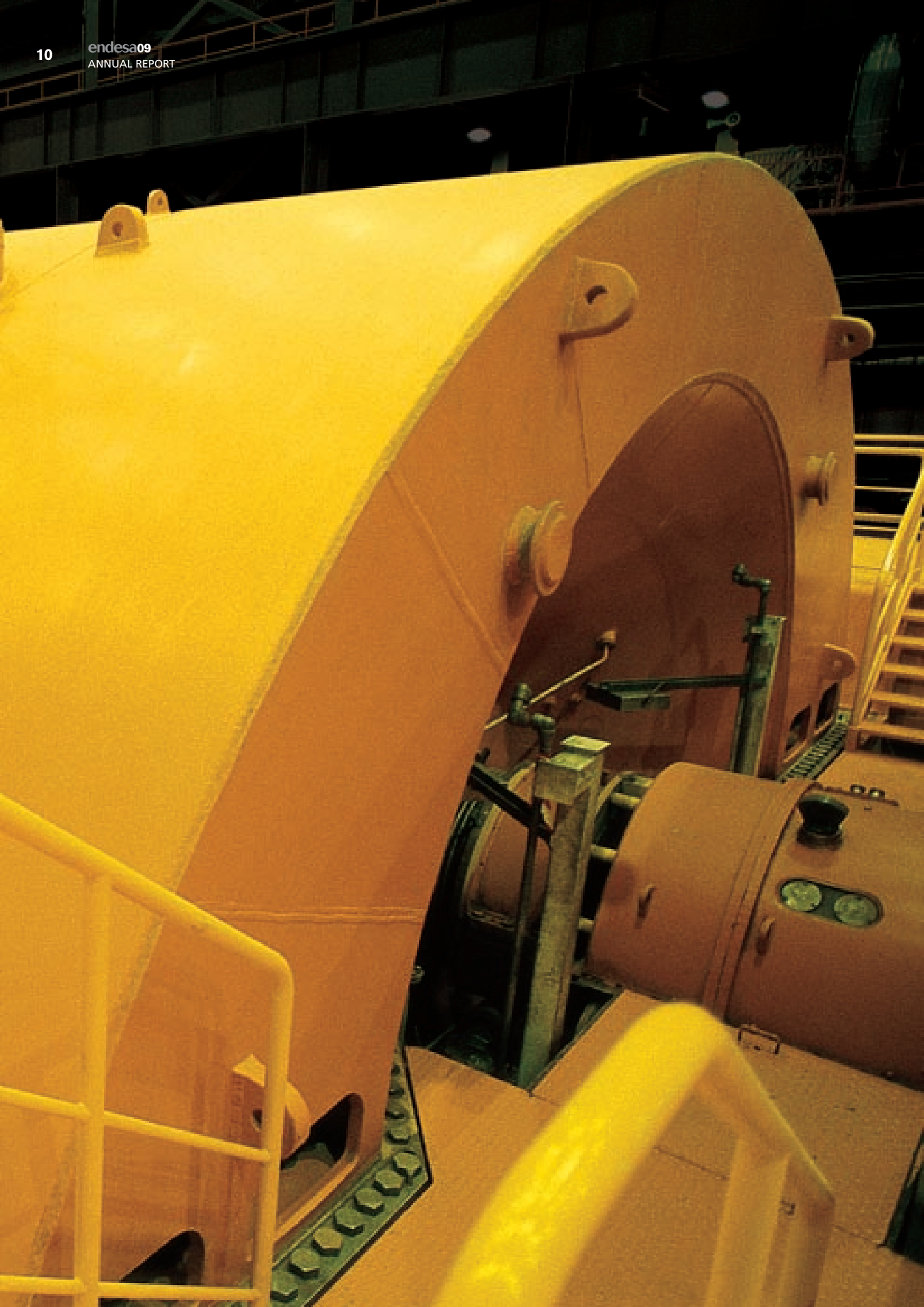
General Manager – Organisation and Human Resources

José Luis Puche Castillejo

General Secretary and Secretary to the Board

Salvador Montejo Velilla

(1) To provide the most up-to-date information possible this section lists the members of the Executive Management Committee at March 2010.



Macroeconomic, energy and regulatory framework

01. MACROECONOMIC HIGHLIGHTS

01.1. GLOBAL ECONOMIC CLIMATE

In 2009, the global economy was still hit by the recession caused by the international financial crisis which appeared at the end of 2007.

According to international economic bodies, the economic policies adopted up to until now have not been entirely efficient although they have managed to contain some negative trends. Therefore, the lack of market confidence continues to hold back any sustainable economic recovery in the short term.

That said, the economic situation appears to have stabilised in the last quarter of 2009 and judging by the performance of certain activity indicators, the global economy seems to be growing once again, albeit moderately.

The world's leading economies, mainly the United States and the EU, have adopted unprecedented aid packages to help certain sectors and reactivate demand.

Despite growing in the second half of 2009, US GDP shrank 2.4% in the year as a whole, the worst figure since 1946 and in sharp contrast to the moderate 0.4% growth marked in 2008. Following this sharp downturn, growth in the second half of the year was bolstered by increased consumption, investment and exports. The government's stimulus measures have helped boost private demand, particularly in the automobile and housing sectors.

Turning to the euro zone, according to IMF figures, GDP fell by 4.2% at year-end 2009 compared to growth of 0.8% in 2008. This decline was exacerbated by the inflexible labour market and restructuring of the banking system via huge injections of public aid.

Thanks to their lower exposure to the crisis, it is interesting to note that emerging economies are recovering better than the more developed ones.

01.2. ECONOMIC CLIMATE IN SPAIN

In Spain, the turbulence caused by the severe economic and financial crisis has overshadowed the woes of the real estate sector and the private sector's high debt levels.

The combination of both factors has propagated greater uncertainty, lower confidence, notably tougher conditions for accessing credit and considerable wealth erosion in the private sector.

The pace of economic activity slowed significantly, causing GDP to fall 3.6% vs. 2008. Nevertheless, the decline in activity in the last quarter was less than originally forecast. The decline in domestic demand eased significantly in the latter part of the year thanks to recovery in private consumption and investment.

In any event, this correction has further to run and growth is likely to remain affected for some time.

Against this backdrop, the price of consumer goods fell and for eight months of the year CPI remained in the red ending 2009 up at just 0.8 %, 0.6 percentage points less than in 2008.

Employment has been particularly hard hit by the economic crisis. In 2009 unemployment rose 1.1 million to 4.3 million or 18.8%. This figure is nearly 5 percentage points higher than the previous year.

01.3. ECONOMIC CLIMATE IN LATIN AMERICA

Even though Latin America also suffered the impact of the global slowdown, economic activity in the region was more positive than in the United States or Europe. Many countries even showed signs of recovery, helped by the local financial situation and the overall greater macroeconomic stability achieved in previous years.

Of the various factors behind this recovery, we would highlight the stimulus measures adopted in various countries and higher raw material prices as well as the positive effects of the wealth generated by the performance of the stock markets. Notwithstanding the above, given that the region's export levels still fall short of pre-crisis levels, an effective recovery would largely depend on external factors.

Estimated GDP and inflation figures for 2009 in the countries in which ENDESA operates are shown below.

Country	%		Chg. vs. 2008 (p.p.)	
	GDP growth	Inflation	GDP	Inflation
Chile	-1.5	-1.4	-5.2	-8.5
Argentina	0.9	7.7	-5.9	0.5
Brazil	-0.2	4.3	-5.3	-1.6
Colombia	0.1	2.0	-2.3	-5.7
Peru	0.9	0.2	-8.9	-6.4

Source: IMF, April 2009

02. INTEREST RATE AND EXCHANGE RATE TRENDS

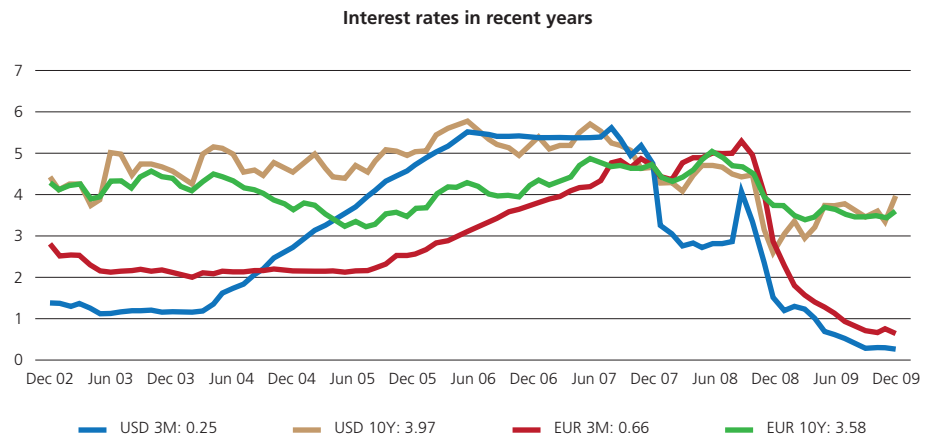
In 2009, the euro interest rate trend remained bearish with the 3M Euribor ending the year at a low of 0.70%.

Regarding long-term euro rates, the 10Y swap rate fell from 3.73% at the end of 2008 to 3.58% at 31 December 2009. A low of 3.26% was reached in March with a high of 3.88% recorded in January.

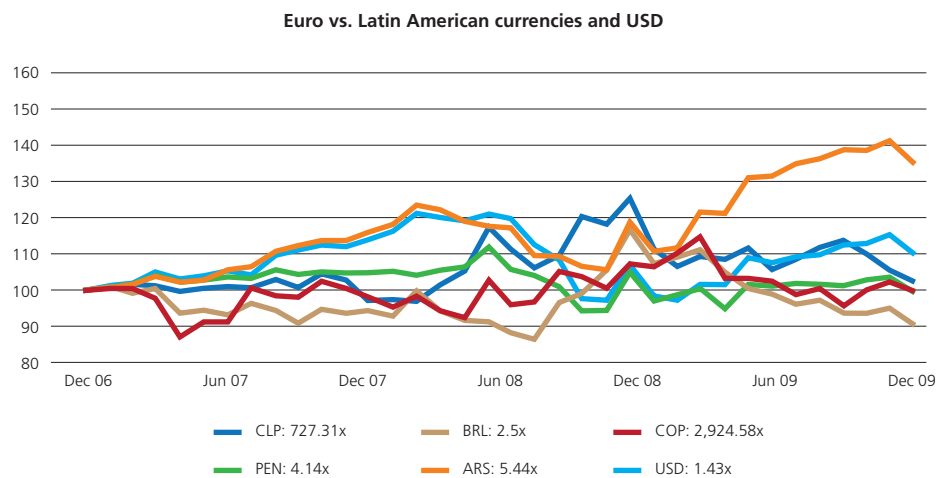
Between 1 January and 31 December euro interest rates and long-term rate curves both fell.

Dollar interest rates, on the other hand, performed differently. Dollar rates, measured by the USD 3M Libor rate, fell sharply from 1.42% in 2008 to 0.25% in 2009. The 10Y US swap rose from 2.57% to 3.97% year-on-year.

Benchmark interest rates set by Central Banks in the Latin American countries where ENDESA operates fell by over 500bp in Chile, Peru, Brazil and Colombia and 160bp in Argentina.



With regard to the parity between the euro and the major currencies on ENDESA's balance sheet, we would highlight the dollar's 2% depreciation, from USD/EUR1.40 in 2008 to USD/EUR1.43 at the end of 2009. In February 2009 the euro fell to its lowest level against the USD (EUR/USD 1.25) and in November 2009 it reached its highest level (EUR/USD 1.51).



The majority of region's leading currencies appreciated against the euro in the year: 19% for the Chilean peso; 23% for the Brazilian real; 6% for the Colombian peso and 6% for the new Peruvian sol. Only the Argentine peso depreciated against the euro, falling 13%.

03. INTERNATIONAL FUEL AND FREIGHT MARKET

03.1. OIL AND OIL DERIVATIVES

The international oil market was characterised by successive price increases throughout 2009 with prices topping USD77.67/bbl in December.

Oil derivative prices behaved similarly. Fuel oil and gas prices ended the year at USD460.5/tn and USD635.5/tn, respectively.

03.2. NATURAL GAS

The main natural gas markets recorded weak demand and low prices in 2009.

The recession affected consumption and gas imports in the company's main LNG markets such as Japan, Korea and Spain with imports falling 9.5% in these markets while global LNG supply rose 20% year-on-year.

During the year buyers focused on reducing deliveries via long-term contracts, exercising flexibility instruments downwards and eliminating spot purchases.

In Spain demand for natural gas was 10.5% lower than in 2008 with both the conventional and utility sectors recording declines.

03.3. COAL

The global economic crisis and the resulting generalised drop in energy consumption caused international coal prices to fall in 2009 (API4). Prices ended 2008 at USD80/tn and in March reached a low of USD57.91/tn, thereafter remaining at around USD60-70/tn until mid-December.

Prices rallied at the end of 2009 with increases of around 15-20% to end the year at USD82.69/tn due to the harsh weather conditions in Europe and Asia, internal problems in China for transporting domestic coal from the mines to the large cities (Pacific coast) and the first signs of recovery.

03.4. FREIGHT MARKET

In addition to the global economic crisis, 2009 also saw excess supply in the *dry bulk transport sector*. The huge number of tankers under construction, driven by ship-owners' reactions to the boom enjoyed by freight prices in 2007 and 2008 averaging USD34/tn on the RB-Rotterdam route for 150,000 tn class Cape tankers, saw a general decline in prices at the end of 2008 and a low of USD6.25/tn at the beginning of 2009.

Prices began to pick up in the second quarter of the year, reaching 12-13/tn, followed by a rally in June to an average of USD20/tn, then USD14-16/tn in July and USD10.5/tn in September. November saw another rally with prices averaging USD21/tn only to end the year at USD14.23/tn. These spikes were largely due to lower iron stocks in China and congestion at the ports of Tubarao, (iron loading), Newcastle (coal loading) and Qingdao in China (iron unloading).

04. REGULATORY FRAMEWORK IN 2009

04.1. MAIN REGULATORY CHANGES

04.1.1. Spain

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

This amendment established the creation of the “tariff of last resort” (TLR) which should have been applied in January 2009 but was eventually applied in 1 July 2009 once the pertinent amendments had been made.

Since that date all customers have had to buy their electricity from a supplier as the integrated regulated rate previously applied by distributors ceased to exist. Nevertheless, customers meeting certain requirements can acquire their electricity at a price pre-established by the government, the TLR. In these cases customers must be supplied by a “supplier of last resort” (SLR).

Real Decree Law 6/2009

Royal Decree Law 6/2009 of 30 April 2009 was published on 7 May 2009 introducing certain measures in the energy sector and approving the discount rate (bono social) which has implemented various amendments to the sector's regulation:

- From 1 January 2013 access tolls will be sufficient to cover all costs relating to regulated activities without the ex-ante deficit. This also limits the maximum deficit for 2009-2012.
- Past and future deficit collection rights will be assigned to the Deficit Securitisation Fund for the Electricity System. This will include compensation for stranded costs related to non-mainland generation accrued to 31 December 2008. This fund will be guaranteed by the Government.
- The excess generation costs of non-mainland systems will be financed gradually via the State budget, reaching 100% in 2013. The part not included in the budget for the excess cost of these systems by 2013 will be financed via access tariffs and will remain a permanent system cost.
- From 1 January 2010, costs associated with the management of radioactive waste and used fuel generated at nuclear power stations in operation will be financed via a charge to be paid by the owners of these plants based on the gross kilowatt-hours generated by each facility.
- The discount rate was created for certain eligible groups. This power subsidy covers the difference between the TLR and a benchmark tariff called the Lower Tariff.
- Royal Decree Law 11/2007, pursuant to which sector companies' revenue was reduced in line with the market price of CO₂ emission rights allocated under the National Allocation Plan, was also repealed from 1 July 2009.

04.1.2. Power generation market

Royal Decree 1634/2006, of 29 December and Royal Decree 324/2008, of 29 February, stipulate that the main operators, including ENDESA, must carry out primary energy emissions, consisting of the auction of options to purchase energy up to a specific hourly capacity. These options can be exercised at any time within a set delivery period. The last auction of primary emissions as per Royal Decree 324/2008, of 29 February took place on 24 March 2009. No further auctions are envisaged.

Following the creation of the TLR, Suppliers of the Last Resort (SLRs) are now purchasers in the CESUR auctions and the resulting prices are used to calculate the TLR as stipulated in Royal Decree 485/2009, of 2 April and Ministerial Order ITC/1659/2009, of 22 June implementing it. In 2009 there were two CESUR auctions to determine the TLR on 25 June and 15 December. At these, quarterly basic and peak products were auctioned corresponding to the two quarters preceding each auction.

04.1.3. Shortfall from regulated activities

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

2008 tariff deficit

At 31 December 2008 the 2008 tariff deficit was Euro 4,136 million once the effect of the amount corresponding to the application of Royal Decree Law 11/2007 was taken into account for that year in addition to revenue from final settlements relating to previous years, amounts not allocated under quality improvement programmes, etc.

Ministerial Order ITC/3801/2008, of 26 December, whereby electricity tariffs would be revised from 1 January 2009, envisages an annual amount of Euro 348 million to recover the 2008 deficit.

2009 deficit

As per Royal Decree Law 6/2009 and the enactment implementing it, a maximum deficit of revenue from settlements from regulated activities in the electricity sector of Euro 3,500 million is estimated for the period 1 January to 31 December 2009.

04.1.4. 2009 electricity tariff

Ministerial Order ITC 3801/2008, of 26 December, established the electricity tariffs to be applied from 1 January 2009, the main aspects of which are as follows:

- Integrated low-voltage tariffs rose an average of 3.4%. The average increase for high-voltage tariffs was 3.8%.
- Access tolls and tariffs rose 24.9% on average.

Access tariffs and tolls were once again revised in Ministerial Order 1723/2009, of 26 June effective 1 July 2009. The main aspects of this Order are as follows:

- Access tolls and tariffs rose an average of 19.4%.
- The estimated revenue shortfall from settlements of regulated activities was Euro 3,500 million.

The CESUR auction to set the TLR for the second half of 2009 was held on 25 June. This was published in the General Directorate of Energy and Mining resolution of 29 June 2009. The result of this auction meant a 2% price increase for TLR customers with no time restrictions.

In 2009 huge advances were made towards eliminating the tariff deficit, determining suitable access tariffs, obtaining suitable access tariffs and ensuring TLRs are fully accretive.

04.1.5. 2010 electricity tariff

Ministerial Order ITC/3519/2009 stipulating that access tariffs are to be revised from 1 January 2010, has led to an average increase of 14.5%. Access tolls for customers entitled to the TLR with no time restrictions have been revised upwards by 9% on average.

Furthermore, the period during which customers not eligible for the TLR with no supply contract can continue to be supplied by SLRs has been extended until 31 December 2010.

The second CESUR auction to establish the TLR for the first six months of 2010 was held on 15 December 2009 and published on 29 December. The outcome of this auction has meant an average price increase of 2.6% for TLR customers with no time restrictions.

04.1.6. Tariff of last resort for the gas system

On 1 July 2008 the TLR was introduced for the natural gas sector. The TLR is the maximum price including the cost of raw materials, access tolls, supply costs and costs related to the safety of supply.

Under the Council of Minister's agreement of 3 April 2009 the timetable for introducing this tariff and the eligible consumption threshold have been amended, with the latter now at 50,000 kWh/year for customers with pressure below 4 bar. There have been two TLRs in the gas sector since 1 July 2009: TLR.1 and TLR.2.

During 2009 a methodology for calculating the natural gas TLR was devised (Ministerial Order ITC/1660/2009, of 22 June), and the auctions for acquiring natural gas which will be used as a benchmark for setting the tariff of last resort were regulated (Ministerial Order ITC/863/2009, of 2 April). It was also established that the natural gas TLR will be the only one which SLRs can charge eligible customers (Royal Decree 485/2009, of 3 April).

Quarterly reviews of the TLR were also made during 2009, which have led to increases of 17% on average.

04.1.7. European regulations

In August 2009, the “Third Legislative Package” was published in the Official Journal of the European Union. This package aims to provide the necessary regulatory framework to deregulate the European electricity and gas markets. The European Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for electricity and gas (ENTSO), were also set up to promote greater solidarity between systems, collaboration and investment in interconnections and transparency as well as giving priority to consumer rights.

In June 2009 the “Green Package”, a set of Directives and other legal texts which regulate renewable energy throughout Europe, was also published in the Official Journal of the European Union, modifying the present system of emission rights trading and establishing a regulatory basis for CO₂ capture and storage.

For these regulations to be transposed into Spanish law, in November and December the Council of Ministers was issued with the text of both draft acts, one to transpose the regulation amending the emission rights trading and the other concerning the geological storage of carbon dioxide.

According to the new legislation, there will be no free rights allocated to the electricity sector, these will be auctioned instead, whereas for the rest of industrial sectors the free rights will be centralised via the European Commission and gradually phased out.

04.2. MAIN REGULATORY CHANGES IN LATIN AMERICAN COUNTRIES WHERE ENDESA OPERATES

04.2.1. Chile

Decree 320 regulating sub-transmission was published on 9 January 2010 leading to a reduction in Chilectra’s Distribution Added Value (DAV), adapting remuneration for this activity to the regulated tariff set for the sector. This decree will remain in force until October 2010.

Also, on 8 April, 2009, Decree 385/2008 was published finalising the distribution tariff review for the period November 2008-October 2012. This will mean a 16% reduction in Chilectra’s DAV to adjust this activity to the regulated tariff.

On 1 December the National Energy Commission (CNE) published a regulation enacting Act 20.257 of 1 April 2008 promoting electricity generation using unconventional renewable sources. Consequently, from 1 January 2010 to 2014, electricity companies will be obliged to certify that 5% of the electricity to be sold to distribution companies or end customers has been generated using unconventional renewable sources. This will increase by 0.5% a year until 2015, finally reaching 10% in 2024.

On 3 December, Act 20.402 was published, creating the new Ministry of Energy. The CNE reports directly to this Ministry while the Fuel and Energy Superintendence and the Chilean Commission for Nuclear Energy fall under its remit.

Finally, on 4 December the Official Journal published Decree 197/2009 for setting one-off service prices for power supplies associated with electricity distribution (related services). These services include customer support and the cost of disconnecting and re-establishing the service.

04.2.2. Brazil

Under the framework of the distribution tariff reviews carried out by the Brazilian regulator (ANEEL), on 15 March 2009 the Ordinary Tariff Review for 2009-2014 became effective at Ampla, implying a 2% increase in the DAV. This review recognised the investment carried out in the previous tariff period (2003-2008).

Likewise, on 22 April 2009, ANEEL approved the annual Tariff Adjustment Index which ratified the Ordinary Tariff Review for tariffs at Coelce (2007-2011 period) with a 6.1% increase in the DAV.

On 17 February 2009, ANEEL granted authorisation for CIEN ó the company managing the Brazil-Argentina electricity interconnection ó to receive remuneration for energy transmission from Brazil to Argentina and Uruguay for nine months in 2009. Remuneration was set based on a toll determined by ANEEL for 2007. Act 12.111 amending the regulation governing the future integration of systems excluded from the National Interconnection System was also approved on 9 December. The act establishes, inter alia, that international interconnections may be treated as part of the national transmission grid and receive a regulated fixed tariff.

Finally, on 29 December 2009, Act 12.187 regarding climate change was approved, establishing a National Climate Change Policy (PNMC) to slash greenhouse gas emissions by 36.1-38.9% by 2020. The Act does not specify the reduction required for each segment of the industry.

In April 2009, the Brazilian Environment and Natural Resources Institute (IBAMA) stated that, in order to obtain environmental permits, coal and fuel electricity generation facilities must have a CO₂ emissions reduction scheme in place which includes reforestation, renewable energy generation and energy efficiency plans.

04.2.3. Colombia

On 26 May 2009, the CREG passed Resolution 069 proposing an Organised Regulated Market (MOR) to auction power to regulated end customers.

CREG Resolution 100 of 24 October 2009 set a new distribution tariff for Codensa for a five-year period leading to a 4.2% decrease in the company's DAV and bringing it in line with the regulated tariff for the sector. This tariff, which was due to come into force at the beginning of 2008, will not be retroactive.

04.2.4. Peru

In March 2009 Supreme Decree 020 approved an amendment to the Regulations on Electricity Supply Tenders, improving the rules of long-term auctions.

Under Supreme Decree 022, of April 2009, the Ministry of Energy and Mines approved the Regulations for Deregulated Power Users, which stipulates a reduction in the consumption threshold for eligible customers of up to 0.2 MW. Under the terms and conditions of this Decree, customers with consumption rates of 0.2-2.5 MW will be able to choose their supplier while those which consume over 2.5 MW will be considered deregulated customers.

On 16 October, the energy and mining watchdog, Osinergmin, published Resolution 181-2009 approving distribution tariffs for Edelnor for the period November 2009-October 2013. Edelnor appealed against this resolution, with the result that the company's DAV has remained unchanged.

Osinergmin Resolution 184-2009 approved a 6.9% increase in the secondary transmission tariff.

Finally, in January 2010 Supreme Decree 01 was published which includes a series of measures to improve and ensure the availability of Peru's generation system with regard to remuneration paid for capacity at generation facilities.

04.2.5. Argentina

Still pending is the integrated tariff review for Edesur's concession contract, as stipulated in the agreement signed in 2005. In November 2009, Edesur submitted to ENRE its proposed tariff review for the next five years.

On 17 July 2009, the Federal Planning Ministry and the country's leading gas producers signed an agreement regarding restructuring in this sector which includes a progressive increase in gas prices.

Finally, on 25 November, the Argentine parliament agreed to extend the Economic Emergency Act until 31 December 2011. This Act, which has been extended annually since January 2002, allows the government to regulate prices in the basic basket and, in particular, renegotiate contracts and tariffs at privatised public services.



2009 results

01. FINANCIAL DATA

01.1. KEY FIGURES

01.1.1. Net income

ENDESA reported net income of Euro 3,430 million in 2009. On a like-for-like basis this figure is 1% higher than the result posted in 2008 as the prior year included the capital gain from the sale of assets to E.On in the first half (Euro 4,798 million net of taxes and minorities), while figures for 2009 include net income from the sale of assets to Acciona (Euro 1,035 million).

Excluding discontinued activities, 2009 net income would be 52.2% lower than the previous year.

ENDESA 2009 net income

	Euro million	% chg. (1)	% contrib. to total net income
Spain and Portugal	2,759	24.9	80.4
Latin America	671	32.6	19.6
TOTAL	3,430	(52.2)	100.0

(1) Income for 2008 included Euro 4,454 million relating to discontinued activities in Europe sold to E.On in June 2008.

01.1.2. Revenues and EBITDA

Despite the decline in electricity generated, ENDESA reported a 12.5% increase in revenues in 2009 to Euro 25,692 million, due to higher sales margins in all business lines.

At the same time, variable costs rose by 15.7% and fixed costs were up by 14.7%.

As a result, EBITDA stood at Euro 7,228 million, 4.8% higher than in 2008.

EBIT fell 3.5% to Euro 5,052 million, due mainly to the 31% in the depreciation and amortisation charge, which stood at Euro 515 million. Of this amount, Euro 212 million related to one-off charges.

Meanwhile, gains of Euro 494 million were made during the year as a result of the synergy plan implemented jointly with Enel, which achieved 113% of the original target. The main savings were made in the following areas: Euro 164 million from improved distribution practices, Euro 157 million relating to improved practices and developments in the generation and fuel supply businesses and Euro 173 million from efficiencies obtained in specific developments in the areas of infrastructure, general services and information systems.

	Revenues		EBITDA		EBIT	
	Euro million	% chg vs. 2008	Euro million	% chg vs. 2008	Euro million	% chg vs. 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
TOTAL	25,692	12.5	7,228	4.8	5,052	(3.5)

01.1.3. Financial information

ENDESA reported net finance expense of Euro 1,018 million in 2009, an increase of 0.9% on 2008.

Net financial expenses were down 3.1% on 2008 at Euro 984 million with exchange losses of Euro 34 million in 2009 compared to the gain of Euro 7 million in 2008.

In 2008, the cut in interest rates had a negative effect of Euro 28 million in this heading, mainly due to changes in the current value of provisions allocated to cover commitments relating to headcount reduction plans. In 2009, the negative impact was Euro 197 million.

This negative impact was offset by the 2.1 point decline in the average cost of debt and higher financial revenue in 2009, on the back of various collection rights pertaining to the group, including the tariff deficit and compensation relating to non-mainland generation.

01.1.4. Net income from asset disposals

Net income from asset disposals totalled Euro 1,513 million in 2009.

Under the terms of the agreement between Acciona, S.A. and ENDESA dated 20 February 2009, ENDESA sold specific wind farm and hydro generation assets in Spain and Portugal to Acciona for a total of Euro 2,814 million. ENDESA recognised a gross capital gain for this transaction of Euro 1,229 million.

Similarly, in October 2009 the group sold its 7.2% stake in Empresa Eléctrica de Bogota (EEB), recording a gross capital gain of Euro 98 million.

Lastly, in November, Codensa's customer financing business for products and services (Codensa Hogar) was sold for Euro 197 million. The gross capital gain on this operation was Euro 17 million (Euro 6 million after taxes and minorities).

01.1.5. Cash flow

Cash flow from operating activities in 2009 totalled Euro 5,236 million, up 0.4% on 2008.

Cash flow		
	Euro million	% chg vs 2008 (1)
Spain and Portugal	3,095	4.1
Latin America	2,141	9.0
TOTAL	5,236	0.4

(1) 2008 cash flow includes Euro 276 million relating to discontinued operations in Europe sold to E.On in June 2008.

01.1.6. Investment

ENDESA invested a total of Euro 4,180 million in 2009. Of this figure, Euro 3,493 million was capex and the remaining Euro 687 million related to financial investments.

Investment			
	Euro million		
	Capex and intangible assets	Financial investments	TOTAL
Spain and Portugal	2,403	569	2,972
Latin America	1,090	118	1,208
TOTAL	3,493	687	4,180

Financial investments included Euro 444 million relating to the acquisition of certain assets from the Irish state company, Electricity Supply Board (ESB), in January 2009.

01.1.7. Financial management

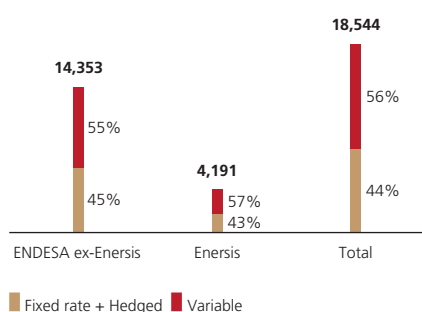
In 2009, the financial markets started gradually but clearly to return to normal after the widespread instability seen in 2008.

The support provided by the expansive monetary policy adopted by the regulatory authorities in the world's major economies prompted significant growth in credit market activity and credit risk indicators declined substantially.

In 2009, ENDESA's financial management was shaped by the uncertainty surrounding the possible monetisation of regulatory assets which prompted the company to tap the credit markets in the first half of the year.

Against this backdrop, ENDESA and its subsidiaries, excluding the Enersis Group, entered into long-term financing operations totalling Euro 3,998 million as well as short-term debt issues launched on local and international capital markets worth Euro 2,636 million.

Breakdown of net debt by interest rates
(Euro million)

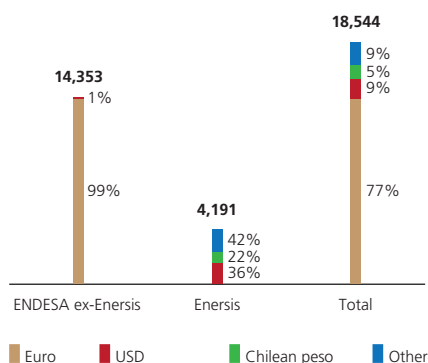


The average life of debt for Endesa Group companies, once again excluding the Enersis Group, was 3.8 years at December 2009. Liquidity stood at Euro 7,119 million, of which Euro 6,826 million corresponded to undrawn sums on unconditional long-term credit lines, sufficient to cover debt maturities for the next 24 months.

Additionally, Enersis Group companies continued to access the local and international financial markets. The average life of debt was 5.3 years at the year end and liquidity stood at Euro 1,965 million, of which Euro 420 million related to unconditional long-term credit lines, and cash of Euro 1,545 million. These amounts are sufficient to cover debt maturities falling due in the next 35 months.

Additionally, on 24 July 2009 the consent solicitation presented against Enersis and Endesa Chile Yankee bonds (USD 1,517 million) was successfully completed, with all cross references to non-Chilean subsidiaries eliminated. This has isolated any potential default on payment, bankruptcy or insolvency among the group's foreign subsidiaries on the debt of their Chilean parent companies under these bonds.

Breakdown of net debt by currency
(Euro million)



The average life of the Endesa Group's debt at 31 December 2009 was 4.3 years.

At year-end 2009, 77% of this debt was denominated in euros, 9% in US dollars and 14% in Latin American currencies. ENDESA continues to deploy a policy whereby its companies' debt is always denominated in the currency in which its cash flows are generated.

At 31 December 2009, 44% of total group debt was fixed-rate or hedged while the remaining 56% was at a variable rate.

01.1.8. Indebtedness and average cost of debt

At 31 December 2009, ENDESA had net debt of Euro 18,544 million, an increase of Euro 4,541 million, or 32%, on the year-end 2008 figure. The increase was due mainly to the payment of the dividend that included the capital gain on the sale of assets to E.On, for an amount of Euro 6,243 million.

Breakdown of net debt by business area

	Euro million			
	31-12-09	31-12-08	Difference	% chg.
Business in Spain and Portugal	13,865	8,732	5,133	58.8
Business in Latin America	4,679	5,271	(592)	(11.2)
Enersis Group	4,191	4,260	(69)	(1.6)
Other	488	1,011	(523)	(51.7)
TOTAL	18,544	14,003	4,541	32.4

Of this total debt, Euro 14,353 million corresponded to debt pertaining to ENDESA and its direct subsidiaries — excluding the Enersis Group — and Euro 4,191 million to the Enersis Group and its subsidiaries.

Structure of ENDESA's net debt

	ENDESA and direct subsidiaries		Energis Group		Total Endesa Group	
	Euro million	% of total	Euro million	% of total	Euro million	% of total
Euro	14,275	99	—	—	14,275	77
US Dollar	62	1	1,517	36	1,579	9
Other currency	16	—	2,674	64	2,690	14
TOTAL	14,353	100	4,191	100	18,544	100
Fixed rate	4,825	34	1,780	42	6,605	36
Hedged	1,563	11	29	1	1,592	8
Variable	7,965	55	2,382	57	10,347	56
TOTAL	14,353	100	4,191	100	18,544	100
Average life (years)	3.8		5.3		4.3	

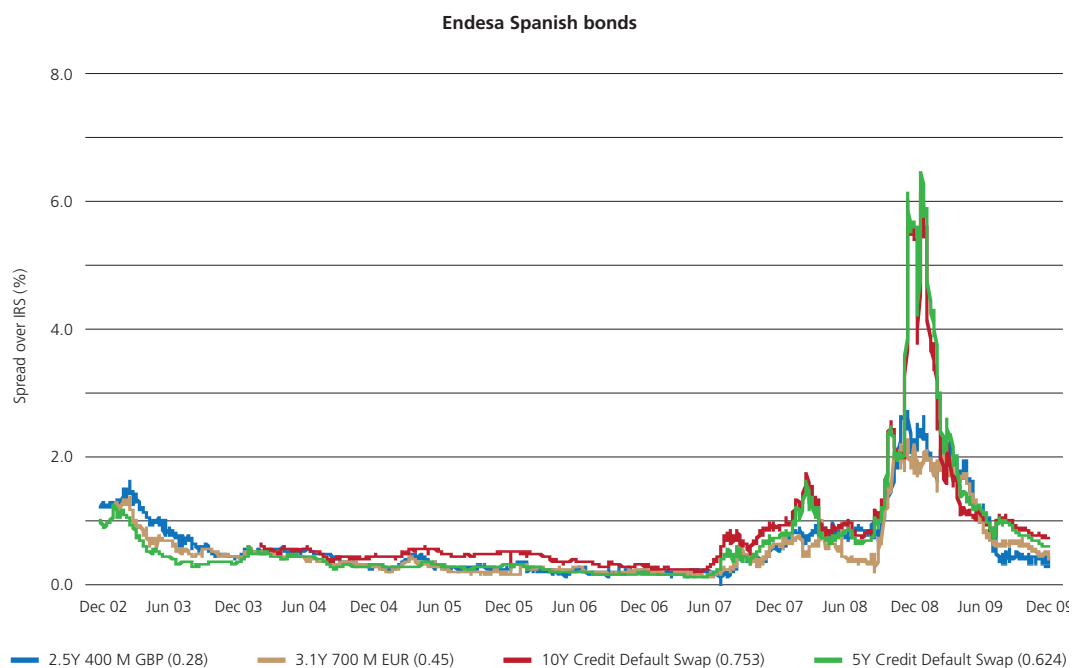
We would point out that ENDESA had the recognised right at 31 December 2009 to collect Euro 6,898 million in connection with two regulatory issues in Spain: Euro 4,656 million for financing the revenue shortfall from regulated activities and Euro 2,242 million in compensation for stranded costs in non-mainland generation. Excluding this effect, net debt at year-end 2009 stood at Euro 11,646 million.

The average cost of ENDESA's total debt was 4.3% in 2009 compared to 6.4% in 2008. The average cost of debt, excluding the Energis Group, was 3.3%, versus 4.9% in 2008 and the average cost of Energis Group debt was 7.3% compared to 10.1% in 2008.

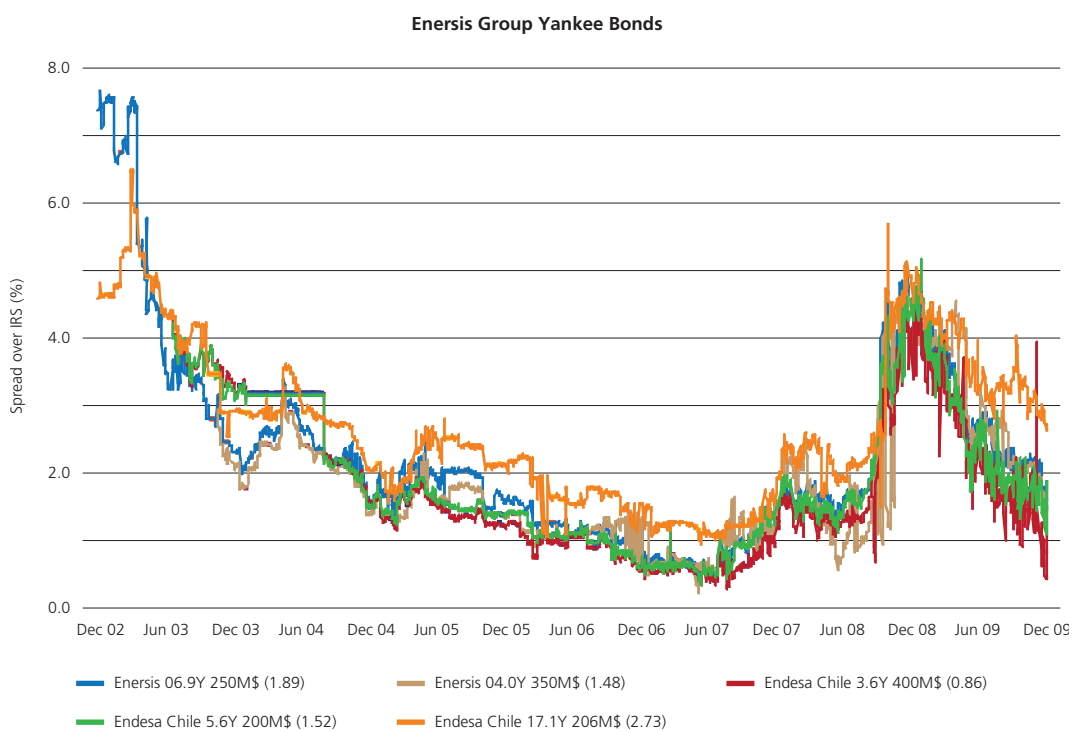
ENDESA had liquidity of Euro 7,119 million at year-end 2009, covering debt maturities for the next 24 months. Of this amount, Euro 6,826 million corresponded to undrawn sums on unconditional credit lines. At the same date, the Energis Group held cash and cash equivalents totalling Euro 1,545 million and Euro 420 million in undrawn, unconditional credit lines, covering debt maturities for the next 35 months.

01.1.9. ENDESA's performance in the secondary market

Credit risk declined gradually throughout 2009 to levels which, while still higher than those seen prior to the international economic crisis, can be considered normal for companies in the sector.



Even the most liquid bonds of Enersis and Endesa Chile were affected by the lack of confidence and the scant liquidity in the market.



01.1.10. Main financial transactions

We would highlight the following risk transactions carried out by Endesa, S.A. and its subsidiaries, excluding the Enersis Group, during 2009:

- Two syndicated financial transactions were signed for a total of Euro 3,410 million: a two-year syndicated loan for Euro 2,000 million, arranged with 21 leading financial institutions, and a Euro 1,410 million syndicated credit facility involving 12 financial institutions was extended from 2010 until 2012.
- A long-term Euro 150 million loan was arranged with the European Investment Bank, partly for the purpose of financing the investment needed to improve the Spanish electricity distribution network. The loan was brokered by a leading financial institution.
- Endesa Capital continued to hold regular auctions as part of its domestic issues programme, subscribed to by the main Spanish financial institutions, and heavily subscribed by telephone. The outstanding balance was Euro 851 million at year-end.
- The maximum limit was raised from Euro 2,000 million to Euro 3,000 million on commercial paper issues in Europe through the iEuro Commercial Paper programme implemented by International Endesa, B.V. and guaranteed by ENDESA. The outstanding balance was Euro 1,785 million at year-end.

The main financial transactions performed by the Enersis Group in 2009 via its subsidiaries were as follows:

- Enersis arranged domestic and international long-term committed credit facilities for an amount equivalent to USD 200 million and Endesa Chile arranged facilities for an amount equivalent to USD 100 million.
- In Brazil, Coelce arranged credit lines with the Banco do Nordeste do Brasil (BNB) worth USD 57 million and issued long-term bonds in the local market totalling USD 133 million.
Ampla also issued long-term bonds in the local market totalling USD 143 million.
- In Colombia, Emgesa and Codensa issued long-term bonds in the local market totaling USD 339 and USD 61 million dollars respectively.

01.1.11. Credit ratings

As of the date of preparation of the company's 2009 consolidated financial statements, ENDESA's long-term debt ratings were A- at Standard & Poor's and A at Fitch, both with a stable outlook, and A3 at Moody's with a negative outlook.

01.1.12. Equity

ENDESA's consolidated equity was Euro 18,970 million at 31 December 2009, Euro 1,794 million lower than at year-end 2008. Of this amount, Euro 14,231 million corresponded to ENDESA shareholders and Euro 4,739 million to minority shareholders of group companies.

Equity corresponding to ENDESA shareholders fell Euro 2,851 million in 2009 versus 2008 due to two effects: the payment of Euro 6,243 million in a dividend against 2008 earnings and the interim dividend of Euro 529 million paid against 2009 results.

01.1.13. Financial leverage

ENDESA's equity and financial debt put the leverage ratio at 97.8% at 31 December 2009, compared to 67.4% at year-end 2008.

01.1.14. Accounting presentation criteria

In 2009, ENDESA started proceedings to sell its stake in Compañía Americana de Multiservicios (CAM) and its 50.01% interest in Endesa Hellas. In relation to the Greek operation, ENDESA and Mytilineos are currently involved in arbitration proceedings due to a dispute over the sale price.

Proceedings also got underway for the sale of the 1% stake held by the company in Red Eléctrica de España (REE). This transaction was completed in February 2010 at a price of Euro 51 million. The gross capital gain obtained was Euro 44 million, of which Euro 39 million will be recognised in 2010.

As a result, and in accordance with IFRS 5, ENDESA's 2009 consolidated financial statements present the effects of balances and transactions involving these assets as detailed below:

- The consolidated balance sheet recognises the assets of CAM and Endesa Hellas and the stake held in REE under a single heading, "Non-current assets held for sale and discontinued operations". Assets classified under this heading are not depreciated. Liabilities associated with these assets are also grouped into the single heading "Liabilities associated with non-current assets held for sale and discontinued operations".
- In the consolidated income statement and consolidated cash flow statement each heading includes the cash flows from assets reclassified as held for sale or discontinued.

The 2008 consolidated income statement recognised the after-tax income generated by assets sold to E.On in June 2008 until the date of their sale under the single heading «After-tax income from discontinued operations».

Additionally, the 2008 consolidated balance sheet included the renewable energy assets and liabilities contributed to the joint venture with Acciona under the headings "Non-current assets held for sale and discontinued operations" and

"Liabilities associated with non-current assets held for sale and discontinued operations" respectively. This contribution was made in accordance with the agreement initially signed between ENEL and Acciona in April 2007 and modified on 20 February 2009.

As a result of the sale of the bulk of ENDESA's business in Europe in 2008, an organisational change was implemented in 2009, as a result of which all the group's European business outside Spain and Portugal, in addition to Africa, is now part of the Spain and Portugal unit. Businesses included are Endesa Ireland, Endesa Hellas and the group's trading activities.

Therefore, 2009 accounts include two business units only: Spain and Portugal and Latin America. In contrast, the 2008 accounts included, for purposes of comparison, in addition to the units mentioned above, a third unit containing the group's assets in Europe outside Spain and Portugal that were sold to E.On in June 2008.

01.2. BREAKDOWN BY BUSINESS LINE

01.2.1. Business in Spain and Portugal

01.2.1.1. Net income – Spain and Portugal

ENDESA reported net income of Euro 2,759 million in Spain and Portugal in 2009, Euro 550 million, or 24.9%, higher than the figure seen in 2008. This represents 80.4% of the company's total net income. Over the past two years results in this business line have been affected by the capital gains generated by the sale of assets to Acciona and E.On.

EBITDA totalled Euro 4,060 million, up 3.4% on 2008. This figure was not affected by the asset sales made.

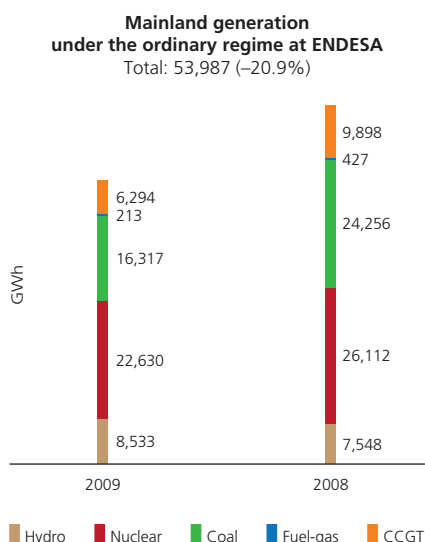
01.2.1.2. Highlights

In 2009, activity in this segment was shaped by a series of regulatory changes introduced in the Spanish Electricity System which significantly altered the way it operates.

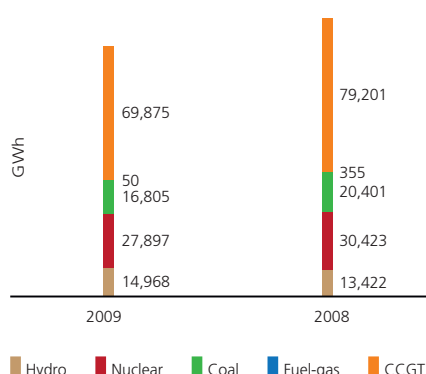
The main changes are the assimilation by suppliers of last resort (SLR) of the regulated integrated tariff and the implementation of power subsidies (bono social) to cover the difference between the tariff of last resort (TLR) and the benchmark tariff. This difference will be financed by power generators (36.77% corresponding to ENDESA).

Furthermore, Royal Decree 11/2007, according to which sector companies' revenue was reduced in line with the market price of CO₂ emission rights allocated under the National Allocation Plan, was repealed from 1 July 2009.

Meanwhile, Royal Decree 6/2009 of 30 April established a series of measures addressing the deficit in the mainland and non-mainland electricity systems. ENDESA has to finance Euro 1,905 million of the revenue deficit in regulated activities in 2009, estimated at Euro 4,314 million for the sector as a whole.



**Mainland generation
under the ordinary regime – rest of the sector**
Total: 129,595 GWh, –9.9%



In December, the access tariffs applicable from 1 January 2010 were published, with an average increase of 14.5%. Access tolls for customers entitled to the tariff of last resort with no time restrictions have been revised upwards by 9% on average. Furthermore, the period during which customers not eligible for the TLR and who have no supply contract can continue to be supplied by suppliers of last resort has been extended until 31 December 2010. Lastly, during the same month the tariff of last resort applicable in the first half of 2010 were published, with an average increase in the tariff with no time restrictions of 2.6%.

Spanish electricity demand fell by 4.6% overall in 2009 and wholesale market prices dropped 39.7%.

Despite the regulatory changes and shrinking demand, ENDESA's gross margin increased by 10.4% in 2009, due, among other factors, to the rise in electricity volume sold to deregulated customers and the improved production mix (higher hydro output and lower thermal output).

ENDESA maintained its leadership position in the Spanish electricity market, with a 29.4% generation market share under the ordinary regime, a 43.2% share of the distribution market, 41.7% of sales to the deregulated market and a 42% share of total sales to end customers.

01.2.1.3. Revenues

ENDESA reported revenues of Euro 17,473 million from its business in Spain and Portugal in 2009, a year-on-year increase of 20.7%. Of this amount, Euro 16,435 million corresponded to electricity sales, up 20.5% on 2008.

Revenues in Spain and Portugal

	Euro million			
	Jan-Dec 2009	Jan-Dec 2008	Difference	% chg.
Electricity sales	12,560	9,403	3,157	33.6
<i>Sales on the deregulated market</i>	5,374	4,557	817	17.9
<i>Sales to Suppliers of Last Resort</i>	2,824	—	2,824	n/a
<i>Sales in auctions</i>	87	827	(740)	(89.5)
<i>Wholesale market sales</i>	862	1,375	(513)	(37.3)
<i>Deductions under Royal Decree Law 11/2007</i>	(110)	(422)	312	(73.9)
<i>CHP/renewables generation</i>	276	380	(104)	(27.4)
<i>Supply to deregulated customers outside Spain</i>	278	179	99	55.3
<i>Non-mainland compensation</i>	1,393	1,540	(147)	(9.5)
<i>Power 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 supply	975	1,204	(229)	(19.0)
Other sales and services rendered	682	852	(170)	(20.0)
TOTAL	16,435	13,636	2,799	20.5

Mainland generation

Despite the 20.6% drop in mainland electricity generation and the fall in pool prices, revenues from electricity sales at this business unit rose by 34.7% due to the offsetting of the lower sales mix in the pool with higher sales to deregulated customers, and above all to the regulatory changes applied from 1 July 2009.

Supply to deregulated customers

Sales on the Spanish deregulated market totalled Euro 5,374 million in 2009, a year-on-year rise of 17.9%. Of this amount, Euro 4,763 million corresponded to the mainland market and Euro 611 million to the non-mainland market.

Revenues from sales to deregulated European markets other than Spain were Euro 278 million, up 55.3% on 2008.

Sales to suppliers of last resort

In 2009, ENDESA sold 20,392 GWh of power to suppliers of last resort, raising revenues of Euro 2,824 million.

CHP/renewables generation

Revenues from the sale of CHP/renewable energy generated by consolidated companies totalled Euro 276 million, 27.4% lower than in 2008.

Non-mainland compensation

Compensation for stranded costs in non-mainland generation stood at Euro 1,393 million, down 9.5% on 2008, on the back of lower generation costs during the period.

Distribution

Regulated revenues from distribution activities totalled Euro 2,158 million, up 2% on 2008.

Gas distribution and supply

Revenues from gas sales in the deregulated market rose to Euro 975 million (–19% compared to 2008).

Electricity generation in the rest of the segment

Electricity sales in the rest of the segment totalled Euro 264 million, up 118.2% on 2008, with the following breakdown: Ireland: Euro 146 million, Portugal: Euro 91 million, Greece: Euro 12 million and Morocco: Euro 15 million.

01.2.1.4. Operating expenses

The breakdown of operating expenses in the Spanish and Portuguese business in 2009 is shown in the table below:

Operating expenses in Spain and Portugal

	Euro million			
	Jan-Dec 2009	Jan-Dec 2008	Difference	% chg.
Supplies and services	10,492	8,158	2,334	28.6
<i>Power purchases</i>	3,931	3,028	903	29.8
<i>Fuel consumption</i>	1,961	3,047	(1,086)	(35.6)
<i>Transmission expenses</i>	3,243	623	2,620	420.6
<i>Other supplies and services</i>	1,357	1,460	(103)	(7.1)
Personnel expenses	1,497	1,241	256	20.6
Other operating expenses	1,571	1,328	243	18.3
Depreciation and amortisation charges	1,505	1,101	404	36.7
TOTAL	15,065	11,828	3,237	27.4

Power purchases

Power purchases stood at Euro 3,931 million in 2009, a year-on-year rise of 29.8%. This increase was due to the power purchases recognised in the second half of the year to supply SLR customers in excess of the group's own production and higher power purchases for trading in Europe.

Fuel consumption

Fuel consumption totalled Euro 1,961 million in 2009, down 35.6% on 2008 on the back of lower thermal production during the year and lower fuel prices.

Other services

Power transmission costs were Euro 3,243 million, Euro 2,620 million higher than in 2008. This increase was due mainly to the recognition of the cost of access tariffs paid by SLR and the higher tolls paid for supply to deregulated customers due to the significant rise in the volume of power sold to these customers.

Personnel and other fixed operating expenses

Fixed costs totalled Euro 3,068 million in 2009, up 19.4% on 2008.

Personnel expenses rose Euro 256 million to Euro 1,497 million. Other operating expenses grew Euro 243 million to Euro 1,571 million.

These included Euro 298 million relating to the higher provisions allocated for headcount restructuring as a result of the early retirement of employees under the current redundancy programme.

The increase in Other operating expenses was also due to the recognition of extraordinary costs relating to claims and provisions made for sanctions.

Depreciation and amortisation charges

Depreciation and amortisation charges totalled Euro 1,505 million, Euro 404 million higher than in 2008. This increase was due to the following:

- A charge of Euro 43 million relating to the assets intended to be contributed to the joint venture with Acciona which in the end were not sold as they were not included in the agreement of 20 February 2009. During the year charges were recorded on these assets which were not included in 2008.
- A Euro 82 million adjustment corresponding to the portion of goodwill assigned to certain renewable energy asset groups which, following the sale of assets to Acciona, is now not expected to be recovered.
- A Euro 37 million adjustment to the value of CO₂ emission rights, as a result of lower market prices for these rights.
- Other adjustments relating to the lower value of certain assets as a result of lower estimated cash flows given the current market conditions, totalling Euro 87 million.
- Depreciation and amortisation charges on new facilities developed in 2008 and 2009.

01.2.1.5. Financial results

ENDESA reported net financial expenses of Euro 547 million in Spain and Portugal in 2009, Euro 95 million more than in 2008.

The net finance expense was Euro 535 million, up 7.4% on 2008. Meanwhile, foreign exchange differences produced a loss of Euro 12 million, compared to a gain of Euro 46 million in 2008.

This increase was due mainly to the impact of interest rate trends on the recognised carrying amount of provisions for contingencies, essentially provisions for redundancy expenses, which are measured at present value and implied an expense of Euro 197 million.

Net debt in the Spanish and Portuguese business at 31 December 2009 stood at Euro 13,865 million versus Euro 8,732 million at the end of 2008. Of this amount Euro 6,898 million was incurred to finance regulatory receivables: Euro 4,656 million to finance the revenue shortfall from regulated activities and Euro 2,242 million to fund the non-mainland generation deficit.

The increase in net debt was mainly due to the net effect of the payment of a dividend of Euro 6,243 million against 2008 earnings, which included the distribution to shareholders of the capital gains resulting from the sale of assets to E.On and the collection of Euro 2,814 million from the sale of assets to Acciona.

01.2.1.6. Cash flow

Cash flow from operations in the Spanish and Portuguese electricity business totalled Euro 3,095 million in 2009, an increase of 4.1% on 2008.

01.2.1.7. Investment

Investments in Spain and Portugal totalled Euro 2,972 million in 2009. Of this figure, 75.9% corresponded to capex for the development or improvement of electricity generation and distribution facilities.

Total Investment in Spain and Portugal*

	Euro million		% chg.
	Jan-Dec 2009	Jan-Dec 2008	
Capex	2,255	2,384	(5.4)
Intangible	148	76	94.7
Financial investments	569	169	236.7
Total investments	2,972	2,629	13.0

Capex in Spain and Portugal*

	Euro million		% chg.
	Jan-Dec 2009	Jan-Dec 2008	
Generation	1,041	1,012	2.9
Distribution	1,172	1,296	(9.6)
Other	42	76	(44.7)
TOTAL	2,255	2,384	(5.4)

* Excluding investment relating to assets sold to Acciona.

01.2.2. Business in Latin America

01.2.2.1. Net income

In ENDESA's Latin America business net income rose 32.6% year-on-year in 2009 to Euro 671 million.

01.2.2.2. Highlights

The economic environment in ENDESA's Latin American operating markets led to slower growth in demand in 2009. Demand fell by 1.3% and 1% in Argentina and Brazil, respectively, while Colombia, Chile and Peru saw rises of 1.5%, 0.7% and 0.3%.

Improvement in generation margins

ENDESA's favourable production mix in Latin America and lower variable costs led to a 9.8% increase in the unit margin on generating activity to Euro 29.2/MWh.

The generation margin, measured in euros, increased in Peru (+21.8%), Chile (+12.3%), Colombia (+11.3%) and Brazil (+5.5%), while in Argentina higher fuel costs triggered an average drop of 10.9%.

The distribution unit margin was Euro 30.9/MWh, 1.8% lower than in 2008, rising in Peru (+7.1%), Brazil (+5.5%) and Colombia (+2.5%), and declining in Chile (–25%) and Argentina (–3.7%).

01.2.2.3. EBITDA

EBITDA in ENDESA's Latin American business totalled Euro 3,168 million in 2009, a 6.7% increase on 2008.

EBIT rose 3.7% compared to 2008 to Euro 2,497 million.

EBITDA and EBIT in the Latin American Business

	EBITDA (Euro million)			EBIT (Euro million)		
	Jan-Dec 2009	Jan-Dec 2008	% chg.	Jan-Dec 2009	Jan-Dec 2008	% chg.
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)	n/a	(55)	(68)	n/a
TOTAL	3,168	2,968	6.7	2,497	2,408	3.7

EBITDA and EBIT in the Latin American Business

	EBITDA (Euro million)			EBIT (Euro million)		
	Jan-Dec 2009	Jan-Dec 2008	% chg.	Jan-Dec 2009	Jan-Dec 2008	% chg.
Generation and transmission						
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)
Total generation	1,846	1,626	13.5	1,510	1,349	11.9
Brazil-Argentina interconnection	86	85	1.2	63	62	1.6
Total generation and transmission	1,932	1,711	12.9	1,573	1,411	11.5

EBITDA and EBIT in the Latin American Business

	EBITDA (Euro million)			EBIT (Euro million)		
	Jan-Dec 2009	Jan-Dec 2008	% chg.	Jan-Dec 2009	Jan-Dec 2008	% chg.
Distribution						
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)
Total distribution	1,259	1,314	(4.2)	979	1,065	(8.1)

01.2.2.4. Generation and transmission

Chile

Energy output increased by 4.6% in 2009 on the back of higher hydro production and increased availability of gas. These two factors triggered a 38.1% decline in variable costs relating to fuel and power purchases, putting EBITDA at Euro 1,010 million and EBIT at Euro 830 million, up 16.2% and 11.4% year-on-year respectively.

Colombia

Despite the 1.8% drop in output, EBITDA in the generation and transmission business totalled Euro 370 million and EBIT was Euro 323 million, up 15.3% and 14.9% respectively, as a result of higher sales prices.

Brazil

Output fell by 2% due to lower production at the Cachoeira Dourada plant that was partially offset by the increased availability of gas at the Fortaleza plant. The 5.5% improvement in unit margins put EBITDA at Euro 192 million and EBIT at Euro 173 million, a year-on-year increase of 4.3% and 4.8% respectively.

Peru

Output fell by 0.6% compared to 2008. However, the increase in sales prices as a result of improvements made to the client and production mix triggered a 22.4% increase in EBITDA in the generation business and 33.7% growth in EBIT, to Euro 164 million and Euro 111 million, respectively.

Argentina

The 10.1% increase in output was insufficient to offset the 10.9% decline in the unit margin caused by higher fuel prices. This gave rise to a 6.8% drop in EBITDA and a 2.7% fall in EBIT compared to 2008, to Euro 110 million and Euro 73 million, respectively.

The Argentina-Brazil interconnection

2009 results reflect the power exchange agreements signed by Brazil and Uruguay between February and June 2009, and between Brazil and Argentina between April and October the same year. The toll charged by Cien (the interconnection management company) was Euro 108 million.

The interconnection reported EBITDA of Euro 86 million and EBIT of Euro 63 million, a rise of 1.2% and 1.6%, respectively in 2009 vs 2008.

01.2.2.5. Distribution

Chile

Power sold in 2009 increased by 0.4%. EBITDA in the distribution business was Euro 196 million, down 35.9% year-on-year. Meanwhile, EBIT dropped 40.9% to Euro 166 million. These falls were mainly due to the 25% decline in the unit margin.

Colombia

EBITDA in the distribution business grew 1.5% on the back of higher sales volumes (+2.9%). EBIT contracted by 0.4% due to higher supply costs (+17.9%).

Brazil

EBITDA grew 11.5% and EBIT was up 9.6% year-on-year as a result of the 5.5% increase in the unit margin and 3.4% rise in energy volumes sold, standing at Euro 562 million and Euro 435 million respectively.

Peru

EBITDA was up 11.6% to Euro 106 million year-on-year, while EBIT grew 14.3% to Euro 80 million, due to the increase in power sold (+2.1%) and the higher unit margin (+7.1%) deriving from the improved sales mix.

Argentina

EBITDA totalled Euro 62 million and EBIT was Euro 41 million, down 23.5% and 30.5% respectively on 2008. These drops were due to the 0.8% decline in sales volumes and higher fixed costs caused by rising inflation.

Financial results

ENDESA's Latin American business generated a net finance expense of Euro 471 million in 2009, a reduction of 15.4% compared to 2008.

Net financial expenses were Euro 449 million, down 13.3% or Euro 69 million year-on-year due to the 2.63 point reduction in the average cost of debt.

Exchange rate losses totalled Euro 22 million compared to a loss of Euro 39 million in 2008.

Lastly, ENDESA's Latin American business reported net debt of Euro 4,679 million at 31 December 2009, down Euro 592 million year-on-year.

Cash flow

Cash flow generated by ENDESA's business in Latin America totalled Euro 2,141 million in 2009, an increase of 9% with respect to 2008.

Investment

Investment in this business area totalled Euro 1,208 million, of which Euro 1,071 million corresponded to capex.

Capital expenditure in Latin America

	Euro million		% chg.
	Jan-Dec 2009	Jan-Dec 2008	
Generation	476	361	31.9
Distribution and transmission	534	599	(10.9)
Other	61	98	(37.8)
TOTAL	1,071	1,058	1.2

02. STOCK MARKET PERFORMANCE AND INVESTOR RELATIONS

02.1. ENDESA ON THE STOCK MARKET

Despite the decline in economic activity witnessed in 2009, the world's leading stock markets closed the year with gains due the improved macroeconomic outlook that emerged during the second half.

The ECB cut its interest rate four times in 2009, bringing it to a historic low of 1%. Furthermore, the EURIBOR hit successive record lows, closing December at 1.248%.

These stimulus measures boosted confidence and helped stabilise consumption, giving way to signs of recovery in the GDPs of some European countries such as Germany and France, and as a result, the major European bourses, including Spain's, rebounded sharply from the lows hit in March.

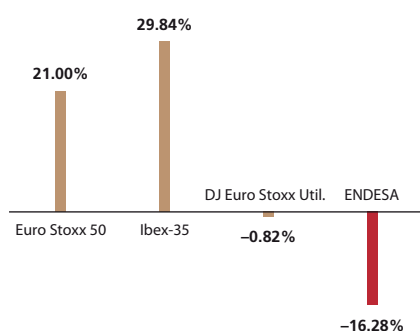
Although Spain's economic situation exceeded the most negative expectations in 2009, the Ibex-35 closed the year with a gain of 29.84%, recouping 75% of the value lost from March.

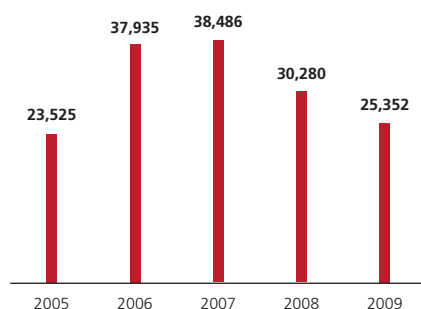
The other main European indices performed in a similar vein, albeit reporting slightly smaller year-end gains. The German Dax Xetra gained 23.85% in the year, while Britain's FTSE rose by 22.07% and France's CAC 40 by 22.32%. Meanwhile, the Dow Jones Eurostoxx 50 index closed the year up 21%.

In contrast to the strong overall stock market performance, the electricity sector was one of the underperformers. All the European electricity companies were affected by the fall in demand and the strong decline in electricity prices. The 0.82% drop registered by the Eurostoxx Utilities index was a clear reflection of sector companies' weak share price performance.

ENDESA was not exempt from this trend although corporate issues such as the changes in the shareholder structure following the agreement signed between Acciona and Enel on 20 February 2009, the decision taken by National Energy Commission (CNE) on 3 March to free Enel from the obligation of launching a de-listing tender offer and the unprecedented dividend of Euro 5.897 per share paid on 16 March also had a significant impact.

Share price performance:
ENDESA versus benchmark indices
2009



ENDESA's stock market capitalisation
 (Euro million)


These events, which all occurred in the first quarter of the year, helped bring the company's share price to a low of Euro 13.96 per share on 30 March. From this level, the lowest seen since 2003, ENDESA's share price rebounded sharply to close the year at Euro 23.945 per share, 16.28% down on 2008, but 71.5% higher than the 2009 year low.

As a result of this share price performance, ENDESA had a total market capitalisation of Euro 25,352 million at year-end 2009.

02.2. DIVIDEND

On 16 March 2009, ENDESA paid its shareholders a gross dividend of Euro 5.897 per share against 2008 results, the highest amount ever paid by the company.

This dividend, which implied a total payout of Euro 6,243 million, included an ordinary dividend of Euro 1.5934 per share and Euro 4.3036 per share relating to the distribution of 100% of the net capital gain obtained in 2008 on the sale of assets to the German group E.On.

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

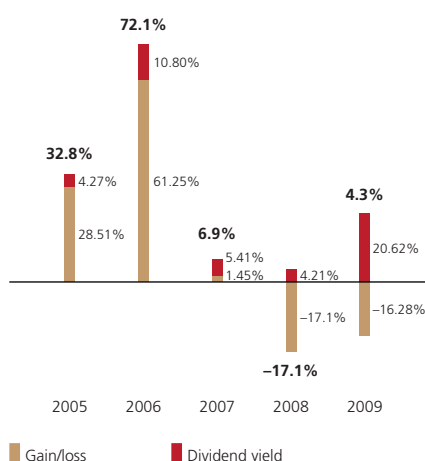
Additionally, at its meeting held on 14 December 2009, ENDESA's Board of Directors agreed to pay a gross dividend to shareholders of Euro 0.50 per share against 2009 earnings. This was paid on 4 January 2010 and involved a total payout of Euro 529 million.

02.3. ENDESA ON THE MAIN BENCHMARK INDICES

The total return for ENDESA's shareholders in 2009 was enhanced by the payment of the aforementioned historic dividend.

As we have already seen, following the dividend paid in March, the share price hit a low of Euro 13.96 on 30 March and from there gained ground to close the year at Euro 23.945, down 16.28% on 2008. However, this stock market loss was offset by the dividend yield of Euro 20.62%, putting the total shareholder return in 2009 at a positive 4.34%.

In the last five years, the total annual return for ENDESA shareholders has averaged 19.79%.



02.3.1. ENDESA on the Ibex-35

Following Enel and Acciona's successful takeover bid in October 2007, ENDESA returned to the Ibex-35 index, although with a free float factor of 0.05, reflecting its free float of 7.94%.

ENDESA was 32nd in the Ibex-35 ranking in 2009 measured by capitalisation.

02.3.2. Liquidity

One of the main reasons why ENDESA is still listed on the Ibex-35 is its high liquidity.

In absolute terms, including trading on the Spanish stock market (continuous market) and block trades and special transactions, the average daily number of shares traded in the company in 2009 was 1,924,981, up 107.5% on the figure of 927,717 shares traded in 2008.

Total trading volume for 2009 was 0.46 times the company's capital. However, trading volume was 5.8 times the market capitalisation represented by the real number of outstanding shares, a figure more in line with previous years.

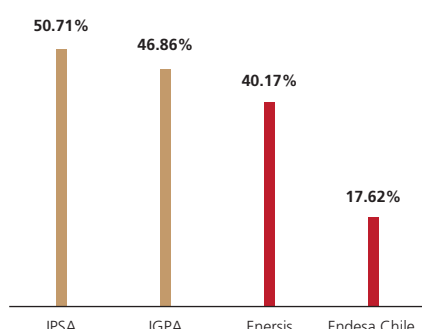
In economic terms, the effective volume traded in 2009 was Euro 15,627 million, up 124.5% on 2008.

02.4. SHARE PERFORMANCE OF ENERSIS AND ENDESA CHILE

02.4.1. The Chilean Stock Exchange

The main Latin American stock market indices closed 2009 with substantially higher gains than their European counterparts.

Share price performance: Enersis and Endesa Chile on the Santiago (Chile) stock exchange versus benchmark indices. 2009

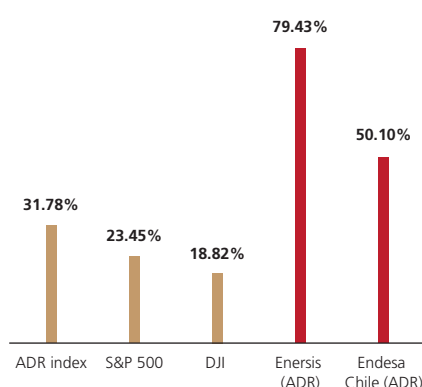


In Chile, the Santiago stock exchange closed at a record high. The IGPA index rose 46.86%, while the IPSA index, comprising the market's most liquid stocks, offered an annual return of 50.71%, the best result seen in the past 16 years. In 2008, the same indicator had fallen by 22.13%, dragged down by the global economic crisis.

ENDESA's main Chilean investees were driven up by this positive stock market performance and closed the year with substantial gains. Enersis' share price rose 40.17% to close at 230.91 pesos per share, the highest price seen since 2000. Endesa Chile shares rose 17.62% to 863.29 pesos, very close to the record high reached on 15 July of the same year (902.39 pesos per share).

Enersis and Endesa Chile shares were once again some of the most widely traded on the Chilean stock market in 2009, exceeded only by two non-energy companies. The total trading volume in Endesa Chile shares was 924,845 million pesos and 956,974 million pesos in Enersis.

ADR performance: Enersis and Endesa Chile on the NYSE versus benchmark indices. 2009



The average daily trading volume at Enersis was 20.84 million shares a day, 40.2% less than the figure of 34.84 million seen in 2008. The average daily trading volume at Endesa Chile fell by 22.25 from 6.56 million to 5.1 million shares.

02.4.2. New York Stock Exchange

The stock market performance of Enersis and Endesa Chile shares in dollars was better than the performance in local currency. Enersis' ADR (*American Depositary Receipt*) closed the year with a gain of 79.43% at USD 22.86, while Endesa Chile's ADR rose 50.10% to close the year at USD 50.27.

Both stocks outperformed their benchmark indices. The Standard & Poor's ADR index closed the year up 31.78%, while the S&P 500 climbed 23.45% and the Dow Jones Industrial Average rose 18.82%.

02.4.3. Latibex

Enersis' shares gained 77.06% on the Latibex to Euro 16.13 per share while Endesa Chile shares gained 46.41%, closing the year at Euro 35.68 per share.

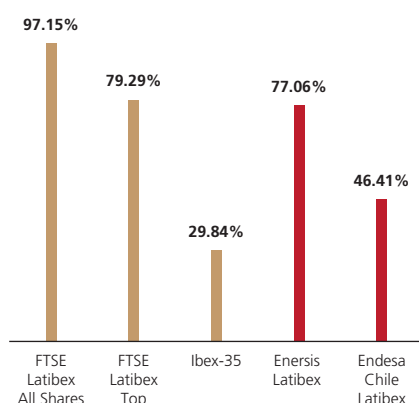
02.4.4. Enersis and Endesa Chile ratings

The ratings assigned by the ratings agencies to Enersis and Endesa Chile remained unchanged in 2009: Moody's: Baa3 and Standard & Poor's and Fitch: BBB.

On 11 January 2010, Fitch upgraded its rating for Enersis and Endesa Chile from BBB to BBB+, with a stable outlook. According to the agency, this upgrade is the result of the improvements made by both companies at operating and financial level, and reflects the view that strong credit protection measures are expected to remain in place in the medium term.

Standard & Poors also upgraded its rating of Enersis and Endesa Chile from BBB to BBB+ on 16 February 2010, also with stable outlook. At Enersis, the agency valued the company's strong competitive position in the five countries where it operates (Argentina, Brazil, Chile, Colombia and Peru) and, particularly, the solvency of its business in Chile; while for Endesa Chile, the agency highlighted the cash flow generation in Spain, low levels of consolidated debt, satisfactory debt coverage and good liquidity levels and financial flexibility.

Share price performance: Enersis and Endesa Chile on the Latibex versus benchmark indices 2009



Key share price data for ENDESA, Enersis and Endesa Chile in 2009

	High	Low	Average	Closing price	% gain in the year	Volume of shares traded
Spanish stock market						
ENDESA (€/share)	29.67	13.96	20.3	23.945	(16.28%)	488,945,396
Chilean Stock Exchange						
Enersis (pesos/share)	230.91	163.13	189.36	230.91	40.17%	5,211,026,229
Endesa Chile (pesos/share)	902.39	710.36	809.57	863.29	17.62%	1,275,190,243
NYSE						
Enersis (US\$/ADR)	22.86	12.96	17.14	22.86	79.43%	164,878,510
Endesa Chile (US\$/ADR)	51.11	34.14	43.85	50.27	50.10%	38,225,245

02.5. INVESTOR RELATIONS AND SHAREHOLDERS' OFFICE ACTIVITIES

02.5.1. Investor relations

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

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

The activities of the Investor Relations Department in 2009 included five public presentations to analysts and investors. Four of these were quarterly results presentations and the fifth reported on ENDESA's assets in Latin America and the economic backdrop and various regulatory frameworks in place in the region.

ENDESA held two Shareholders' Meetings in 2009: an Ordinary General Meeting on 30 June with a quorum of 93.54% of the share capital and an Extraordinary General meeting on 14 December 2009 with a similar quorum (93.76%) at which the proposed modification of some of the company's bylaws and various aspects of the shareholders' meeting regulations were submitted for approval.

02.5.2. Shareholders' Office

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

In 2009, the Shareholders' Office handled some 5,110 telephone enquiries and 310 visits, most regarding the Shareholders' Meetings mentioned above, and sent more than 700 information mailings by post or e-mail.

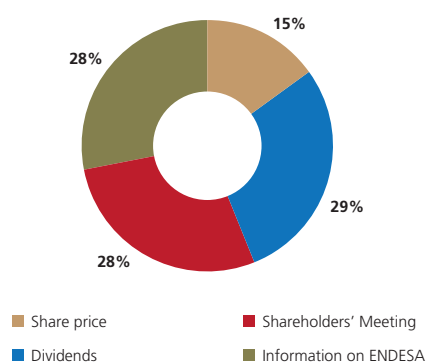
One of the main sources of information for shareholders is the "Information for Shareholders and Investors" section of ENDESA's website (www.endesa.es).

This channel provides access to the company's main financial documents and publications, summaries of reports issued by leading analysts, investment banks or rating agencies, documents related to shareholders' meetings and information on corporate governance, etc.

In addition, the conference calls on quarterly earnings and other company events are broadcast in real-time via this channel.

Lastly, ENDESA sends investors and shareholders press releases, quarterly results statements, reports, corporate magazines and other corporate publications at their request.

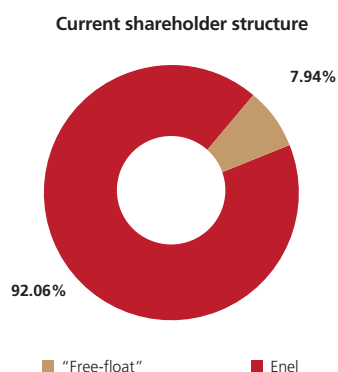
Type of information requested by ENDESA private shareholders in 2009



02.5.3. ENDESA shareholder structure

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

On 20 February 2009, Enel and Acciona signed an agreement under which Enel acquired Acciona's entire stake in ENDESA. As a result of this transaction, Enel became the owner of 92.06% of ENDESA.



The company's current shareholder structure is shown in the chart below.



Businesses

01. BUSINESS IN SPAIN AND PORTUGAL

01.1. KEY DATA

01.1.1. Presence in Spain

At the end of 2009, ENDESA had 21,530 MW of capacity under the ordinary regime in Spain and 886 MW total capacity in renewables and CHP. Ordinary regime output totalled 68,474 GWh and attributable output for renewables and CHP was 3,183 GWh.

Power sold on the deregulated market totalled 81,173 GWh. At year end ENDESA had 11,699,681 supply points in the Spanish deregulated market. In the regulated market, i.e., customers who receive their electricity supply at the tariffs established by the government, ENDESA sold 23,445 GWh in 2009 and distributed 115,265 GWh to end customers.

ENDESA also has a sizeable presence in the natural gas sector. In the regulated market, the company supplied gas to over 412,000 clients at the end of 2009 and distributed 8,366 GWh. Gas sales in the deregulated market were 46,396 GWh, 13.3% up on 2008, with over 1,070,506 supply points.

01.1.2. Presence in Portugal

At the end of 2009, ENDESA had installed capacity of 244 MW in Portugal under the ordinary regime and 269 MW of renewable/CHP capacity. In the year as a whole, ordinary regime output totalled 1,195 GWh and renewable and CHP output was 869 GWh.

The company continued to supply electricity on the Portuguese deregulated market and at the end of the year was the second largest operator in that market.

01.2. ACTIVITIES IN THE SPANISH ELECTRICITY SECTOR

01.2.1. The Spanish electricity market

According to Red Eléctrica de España (REE), electricity demand totalled 267,047 GWh in 2009, down 4.6% on 2008. The overall effect of the fall in demand and higher output under the renewable/CHP regime (up 20.4% on 2008), reduced the thermal gap and resulted in a decrease in coal-fired output (–24.9%), combined-cycle output (–13.9%), fuel gas output (–5.3%) and nuclear output (–10.6%), the latter due to decreased availability.

In contrast, the higher rainfall levels meant that hydro production in the sector rose to 23,844 GWh in 2009, up 11.3% year-on-year, although this was outpaced by wind-powered generation which grew 15.6% to 36,188 GWh.

Therefore, the generation balance in 2009 featured a decline in output from almost all technologies under the ordinary regime where production was down 12.7% on 2008.

01.2.2. Electricity Generation

01.2.2.1. Ordinary regime

Installed capacity and power produced under the ordinary regime

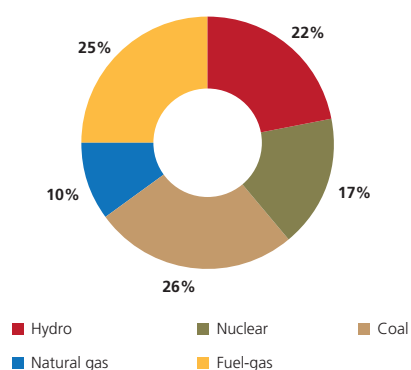
As indicated above, ENDESA's total installed capacity under the ordinary regime was 21,530 MW at year-end 2009. Of this amount, 16,619 MW corresponded to the mainland electricity system and the remaining 4,911 MW to island and non-mainland systems, i.e., the Balearic Islands, Canary Islands, Ceuta and Melilla.

ENDESA had a total net production of 68,474 GWh between mainland and non-mainland ordinary regime generation, a decline of 17.7% compared to 2008.

Mainland generation fell by 14,255 GWh in absolute terms, in line with the general trend. Production declined in domestic coal (–53.6%), combined cycle (–36.4%), imported coal (–15%) and nuclear (–13.3%), while hydro output rose by 13%.

Non-mainland output stood at 14,488 GWh, 3.4% down on 2008.

Structure of installed capacity under the ordinary regime in Spain at 31/12/09



ENDESA power output at busbar cost (GWh)

	2009	2008	% chg.	% of total
Hydro	8,533	7,548	13.0	12.5
Nuclear	22,630	26,112	–13.3	33.0
Domestic coal	5,188	11,170	–53.6	7.6
Imported coal	11,129	13,086	–15.0	16.3
Fuel-gas	213	427	–50.1	0.3
Combined cycle	6,294	9,898	–36.4	9.2
Total mainland	53,987	68,241	–20.9	78.8
Non-mainland	14,488	15,001	–3.4	21.2
TOTAL	68,475	83,243	–17.7	100.0

New facilities, extensions and operational upgrades

The following infrastructure projects were developed, started or completed by ENDESA in Spain during 2009.

Mainland system

- Combustion gas desulphurisation plant for groups 4 and 5 installed and brought on stream at the Compostilla thermal power station in León.
- Start of commercial operations of the new 43,000 tn/day coal unloading facilities at the port of Ferrol (La Coruña).
- Installation of low-emission NOx burners at group 1 of the Teruel thermal plant and at group 2 of the Litoral thermal plant (Almería).
- ENDESA continued to work on the construction, assembly and start up of the 800 MW Besós 5 combined cycle plant (Barcelona).

- Start of operating tests on the flue gas desulphurisation facilities at group I of the Litoral thermal power station in Almería.
- Assembly and start up of the project to modify the coal-fired operation at the Compostilla thermal plant.
- Start of the project to install low-emission NOx burners at group 2 of the Teruel thermal plant and at group 3 of the Compostilla thermal plant.
- Preparation and presentation of dam emergency plans.

Balearic Islands

- Start up and commercial operations of two gas open cycle turbines at the Ca's Tresorer 2 combined cycle facility in Mallorca.
- Start up and commercial operations of the 58 MW gas turbine at the Mahón diesel plant in Menorca and the new fuel feed pipes at this facility.
- Start up and commercial operations of the 25 MW turbine at the Ibiza diesel plant.
- Start up of a new 132 kV DB/DI substation connecting all the Mahón diesel plant's generation groups to the grid.
- Start up of a new 132 kV substation (one and a half switch) connecting to the transmission grid to progressively replace the current 66 kV Ibiza 3 and Ibiza 4 substations at the Ibiza diesel plant.
- Construction and assembly of natural gas regulation and measuring stations at the Ca's Tresorer and Son Reus plants in Mallorca.
- Continuation of construction and assembly activities on the combined cycle facility of the Ca's Tresorer 2 group.
- Continuation of the installation project for the natural gas regulation and measurement station at the Ibiza diesel plant.
- Start of construction and assembly activities for the fuel treatment facility at the Mahón diesel plant.

Canary Islands

- Completion of construction and assembly and start up in open cycle of the 228 MW Granadilla 2 combined cycle group in Tenerife.
- Underwater intake at Punta Grande diesel plant (Lanzarote) brought onstream.

Ceuta and Melilla

- Start up and commercial operation of the 14 MW turbine at the Ceuta diesel plant.
- Completion of the assembly of a 12 MW diesel group at the Ceuta diesel plant.
- Assembly of the cooling pipes for the Melilla diesel plant.

01.2.2.2. CHP/Renewables

At year-end 2009, ENDESA had CHP/renewables installed capacity of 1,459 MW in Spain, of which 1,299 MW corresponded to renewables technologies and 160 MW to cogeneration facilities. Net output at these installations, adding cogeneration and renewable energy production, was 3,183 GWh.

The most significant event occurring in this generation unit during the year was the transfer of wind and mini-hydro assets to Acciona, as part of the deal between Enel and Acciona relating to the purchase of its stake in ENDESA. 1,158 MW of wind powered assets were transferred as part of this agreement, with the following geographical breakdown: 342 MW in Andalusia, 182 MW in Castilla-La Mancha, 21 MW in Castilla-León, 309 MW in Galicia and 304 MW in Valencia. 173 MW of mini-hydro assets were also transferred, of which 88 MW were in Aragón, 44 MW in Cantabria and 41 MW in Catalonia.

Breakdown by technology

In 2009, ENDESA brought 215 MW of wind powered capacity onstream, of which 145 MW were transferred to Acciona as part of the above-mentioned agreement. At year-end 2009, total installed wind capacity in which ENDESA had a stake was 1,086 MW, with an average ownership interest of 66%, or 718 MW.

The company also held stakes in 17 mini-hydro plants with total capacity of 83 MW and an average ownership interest of 43.4%; 14 MW of photovoltaic capacity; stakes in five biomass and biogas plants with a total capacity of 57 MW; and stakes in two waste treatment plants with a joint capacity of 59 MW.

In the cogeneration business, ENDESA held interests in various facilities with total gross capacity of 159 MW at the year end. The company decommissioned this type of facility over the course of the year (for a total of 149 MW) through winding up operating companies and divestments.

01.2.3. Mining: coal extraction and land reclamation

In 2009, ENDESA had five coal mining operations in Spain, all of them open cast: two in the Andorra area (Teruel): Barrabasa Oeste and Gargallo Oeste seams; two in the Guadiato area (Córdoba): Cervantes and Ballesta Este seams; and, lastly, an operation in Puertollano (Ciudad Real): Emma seam. The Barrabasa Oeste and Cervantes seams are no longer operational.

Output totalled 1.8 million tonnes of coal, equivalent to 5,891 million therms. This figure is 4.7% down on 2008, in line with the reduction stipulated in the 2006/2012 Coal Plan and accounts for approximately 185 of domestic coal production.

ENDESA mining production by type of coal

Producer	Type of coal	Mill. therms L.H.V.		
		2009	2008	% chg.
Endesa Generación	Black lignite	1,739	2,009	-13.4
Encasur	Bituminous	3,845	3,347	14.9
Encasur	Anthracite	307	826	-62.8
TOTAL		5,891	6,182	-4.7

L.H.V.: Lower Heating Value.

Coal sales slightly outpaced production, dropping 2.6% on 2008. Of this coal, 37% was sold to Endesa Generación, 10% to its investee, Elcogas, and 31% to E.On Generación.

During the year, supplies delivered by Encasur to E.On were significantly delayed, as this company refused to allow delivery at its plants of part of the coal contracted (227 kt at Puertollano and 172 kt at Peñarroya). This coal was produced by Encasur, deposited at the mines and billed to E.On pursuant to prevailing contracts.

In relation to land reclamation and execution of end-of-activity plans, the ongoing environmental restoration carried out at the Andorra, Peñarroya and Puertollano plants, in tandem with the exploitation phase, is noteworthy. Also worth highlighting is the end-of-activity project at the As Pontes mine, consisting of restoring the hole left behind by the mine by creating a natural lake of high environmental and landscape value that will enrich the area and provide social benefits. This activity is linked to ENDESA's sustainability strategy.

01.2.4. ENDESA in the regulated electricity market

On 1 July 2009 the Spanish electricity market was fully deregulated following the liberalisation of the retail market and the separation of grid and energy supply activities.

Pursuant to Royal Decree 485/2009, of 3 April, and Ministerial Order ITC 1659/2009 of 22 June, at that date Endesa Distribución transferred its supply contracts to supply companies, maintaining the grid access contracts held with customers. This implied the transfer of more than 11 million contracts.

In Spain, ENDESA distributes electricity to a market covering 20 provinces in seven autonomous regions (Catalonia, Andalusia, the Balearic Islands, Canary Islands, Aragón, Extremadura and Castilla-León), covering 200,000 km² and with a total population of around 22 million.

ENDESA's network supplied 115,265 GWh of power in 2009 measured at busbar cost, a reduction of 3.7% on 2008. The reduction for the entire Spanish electricity system was 4.4%, according to data from UNESA.

01.2.4.1. Development of distribution infrastructure

In 2009, ENDESA's distribution grid lines were increased by 2.7%, to 313,392 km. Underground lines accounted for 38% of this total.

During the year, 21 new high and medium voltage substations came onstream, putting the total number of substations at 1,234 at year-end.

In addition to the development of this infrastructure, a number of activities to improve the quality of supply were carried out. These included increasing maintenance work, upgrading facilities and improving the automation of the high and medium voltage networks. As a result, the company continued to roll out its Medium Voltage Grid Automation Plan, with a total of 21,376 remote-controlled elements. Furthermore, all substation switches are remote controlled, with 6,178 breakers in place.

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

ENDESA distribution facilities

	End 2009	On service in the year
High voltage lines (km)	20,349	277
Underground high voltage lines (km)	1,074	93
Medium voltage lines (km)	80,352	713
Underground medium voltage lines (km)	37,029	1,013
Low voltage lines (km)	93,902	1,315
Underground low voltage lines (km)	80,686	4,493
High voltage substations (n.º)	973	17
High voltage substations (MVA)	80,925	3,838
Medium voltage substations (n.º)	261	4
Medium voltage substations (MVA)	2,291	0
Transformer centres (n.º)	123,024	3,430

Note 1: Lower voltage network figures are estimated.

The main actions carried out to develop distribution infrastructure were the following:

- High-voltage lines coming onstream: Don Rodrigo-Morón in Sevilla, Alcorisa-Andorra in Teruel, Buixalleu-Salt in Gerona, Cas Tresorer-Son Orlandis in Mallorca and Buenos Aires-Guajara in Tenerife: The Tenerife line is a 66 kV underground line extending more than 7 km.
- Additionally, six substations were built in the province of Barcelona, four in the Balearic Islands, four in Tenerife and three in Sevilla. The four remaining substations are located at other points of the company's distribution network.

01.2.4.2. Transmission

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

Therefore, ENDESA considers that to maintain and improve service quality levels in its areas of distribution, it is essential to control the transmission network closest to its markets. To do this, the company maintains the operations and development of these installations according to the ninth transitory provision and has filed a request with the Ministry of Industry, Tourism and Commerce to extend the exemptions stipulated in said act to facilities under development that have the greatest impact on its distribution network.

01.2.4.3. Continuity of supply

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

In 2009, the Average Interruption Time in markets supplied by ENDESA was 70 minutes. This is three minutes more than in 2008. This result can be qualified as excellent, bearing in mind the adverse weather conditions affecting the company's networks in virtually all its distribution areas, particularly at the beginning and the end of the year. This implies availability of service equal to 99.98% of total hours for the year.

All the cities and urban areas supplied by ENDESA enjoy levels of service quality on a par with the best in Europe. The largest provincial capitals supplied by ENDESA, including Barcelona, Seville, Girona, Malaga, Palma de Mallorca, Las Palmas de Gran Canaria, Huesca, Santa Cruz de Tenerife, Teruel, Zaragoza, Lleida, Tarragona, Córdoba, Almería and Badajoz, had an Average Interruption Time of around 30 minutes/year.

01.2.5. ENDESA in the deregulated market

The Spanish electricity market has been fully deregulated since 2003, allowing any customer to choose a supplier other than the local distribution company at a price which is different from official prices. However, at 30 June 2009, approximately 85% of customers and 48% of energy was still supplied by distributors.

On 1 July 2009, the process to gradually eliminate regulated tariffs was completed, with the abolition of low voltage tariffs (for low consumption companies and the residential segment), which were the only ones remaining. At the same time, all customers, who, at that date, were still paying the distribution company's official tariffs, were transferred by law to the Suppliers of Last Resort (SLR) appointed by the Ministry of Industry, Tourism and Commerce. For the area covered by Endesa Distribución, Endesa Energía XXI, S.L. was appointed as Supplier of Last Resort and since 1 July 2009 this company has been supplying and attending to 10.1 million customers, of which 9.9 million were residential customers.

Customers transferred to the SLR with up to and including 10 kW of power contracted became eligible for the Tariff of Last Resort (TLR), which is the only price at which the SLR can supply power to these customers. This tariff is published by the government on a six-monthly basis and is an additive cost mechanism designed to ensure that the SLR costs are covered. However, the CESUR auctions (auction of bilateral contracts for the supply of energy at established rates) have not provided sufficient coverage for the total power required by the SLRs and the supply management costs recognised by the TLR are also insufficient.

ENDESA supplied of 81.2 TWh of power to deregulated customers in 2009. This is a 41.7% share of total power supplied, making the company the undisputed leader in the sector. It is worth noting that the company's average market share in those areas not covered by its distribution grid exceeded 14%.

01.2.5.1. ENDESA's customer service channels

To offer customers the best possible service, ENDESA has a wide range of channels: personal contact, phone or Internet. The company has a Customer Service Excellence Plan which has allowed it to improve the main customer indices year after year.

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

Furthermore, service channels for the company's domestic customers include 39 sales offices and 439 service points distributed across the country; three telephone service platforms, which in 2009 attended more than 19 million calls (up 58% on the previous year) and an online office (www.endesaonline.es) with over 400,000 registered users who made more than 8 million interactions last year.

During the year, the activities carried out by the company's commercial channels focused mainly on adapting the system to the monthly billing required by the government, the definitive elimination of regulated tariffs and setting up the TLR and the *bono social* (a discount applied to the Tariff of Last Resort that mostly benefits lower income customers).

As a consequence of these regulatory changes ENDESA's commercial channels had to be resized to deal with a considerable increase in activity. To do this, a series of training programmes for more than 2,000 employees and external staff were rolled out.

01.2.5.2. Customer Service Excellence Plan

The Customer Service Excellence Plan mentioned above focused on three main items in 2009: reducing the time needed to contract gas supply, clearer information relating to billing and functionalities (large multi-point customers and the general public) and internal quality control (employee relations plan and commercial targets).

Highlights of the results obtained include the more than 30% reduction in the time needed to contract gas supply services in the deregulated market, the adaption of billing models to the needs to multi-point customers and increased efficiency in the management of sales targets.

01.2.6. ENDESA's Customer Ombudsman

ENDESA's Customer Ombudsman works independently from the company's management teams and was appointed to provide customers with an additional means of dialogue in connection with the services that ENDESA provides in the Spanish market, listening to external and in-house representatives and proposing immediately to the company recommendations for learning about customers' needs and expectations and improving quality of service.

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

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

In 2009, the Ombudsman made recommendations to the company in relation to the following:

- Making commercial offers.
- Reducing complaints about billing estimates and consumption billed following the changes in metering equipment.
- Informing customers on the quality and security of the electrical equipment installed at their homes.

Other activities and projects developed by the Customer Ombudsman during the year include the seminars on Conditions making Deregulation a Success for Customers held in June at the headquarters of UNESA, with a view to analysing the difficulties associated with the application of the Tariff of Last Resort from the customer's perspective.

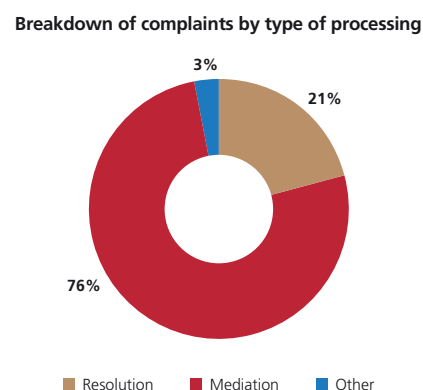
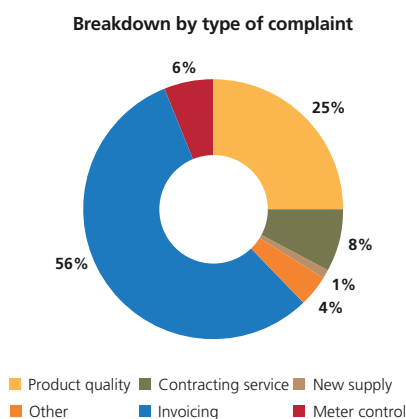
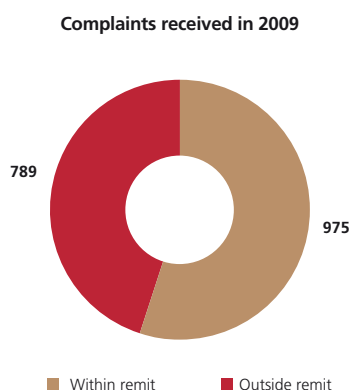
Additionally, José Luis Oller was appointed chairman of the European Energy Ombudsmen Group (EEOG), the first independent customer ombudsman group in the European energy sector. The objective of this organisation is to ensure the protection of consumer rights, promoting mediation as a means of resolving complaints and encouraging the creation of internal mechanisms to ensure customer services are available. ENDESA's Customer Ombudsman's Office will also have a permanent secretary to guarantee the work of the association and ensure its continuity.

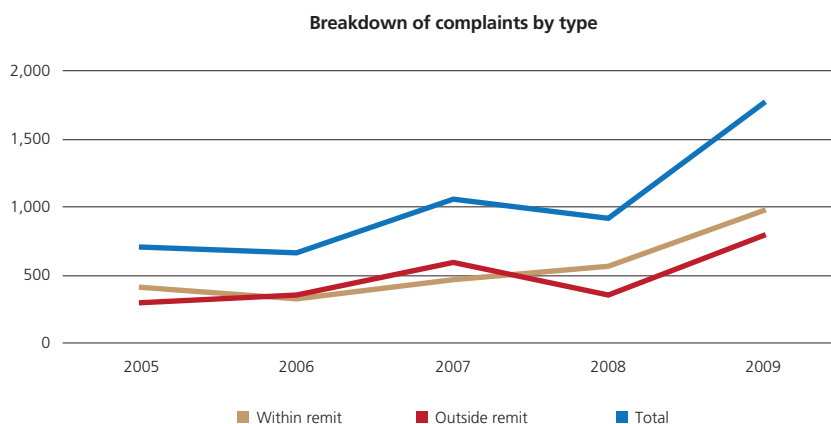
Lastly, as in previous years, the Customer Ombudsman maintained contact and ties with public administrations, consumer organisations and regulatory authorities, and with internal company representatives.

01.2.6.1. Complaint management

In 2009, ENDESA's Customer Ombudsman's office received a total of 1,764 complaints, 92% more than in 2008. Of these, 975 complaints fell within the remit of the Ombudsman, an increase of 70% on 2008. Complaints related mainly to meter reading, billing and collection of payments, and to the administrative changes in customer billing practices mentioned elsewhere in this section.

In total, 78% of these complaints were resolved through mediation, i.e. through an agreement between the customer and the company while the remaining 21% were resolved via a resolution made by the Ombudsman.



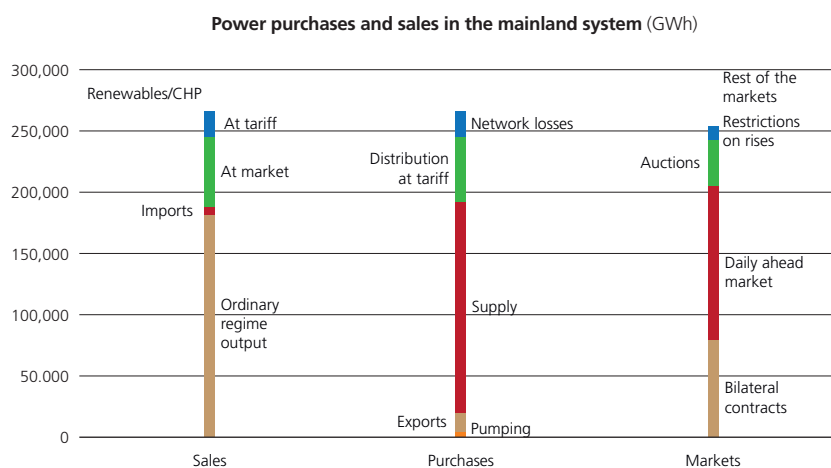


01.2.7. ENDESA in the wholesale market

01.2.7.1. The Spanish electricity wholesale market

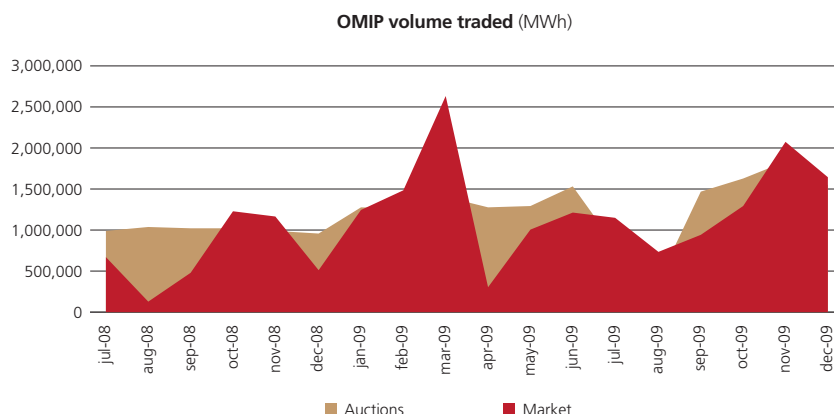
In 2009, 250,901 GWh of power were allocated for sale to end customers through distributors and suppliers, for export and to cover the consumption of the system itself (i.e. grid losses, auxiliary consumption by power stations and pumping consumption). Pumping consumption and exports totalled 12,242 GWh.

Of this amount, 46.8% of power supplies were obtained in the day ahead market managed by the Electricity Market Operator (OMEL), 29.6% from bilateral contracts, 14.9% from primary energy emission auctions (VPPs) with physical delivery and CESUR auctions, 0.9% in the operations markets run by Red Eléctrica de España (REE) and the rest, some 7.8% of output, was acquired directly from distributors at the renewables/CHP tariff rate.



In 2009, 51,535 GWh were purchased through OMIP forward contracts, 31% in auctions, and the remainder through continuous trading.

OTC forward contracting through financial contracts also accounted for 20,097 GWh in the year.



01.2.7.2. Electricity auctions in the wholesale market

The two main market operators are obliged to hold primary energy emission auctions (VPPs), one of which took place in 2009. At this auction ENDESA sold 5,074 GWh (785 GWh with physical delivery), deliverable over time periods of up to 12 months.

At the same time, distribution companies operating in the Spanish market took part in CESUR auctions in accordance with purchases made in 2009 with the following breakdown: ENDESA 38%, Iberdrola 32%, EDP 12%, Unión Fenosa 15%, and Hidrocantábrico and E.On 2%.

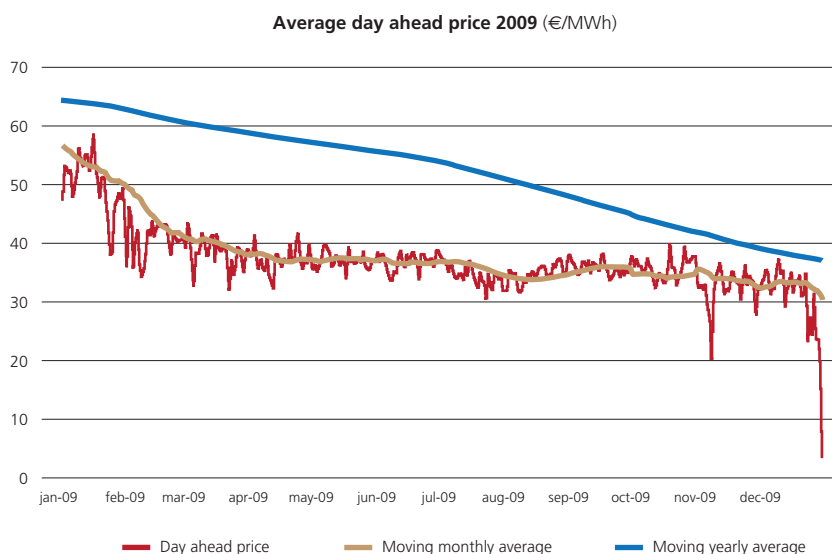
From July 2009, bidders at these auctions will be the suppliers of last resort with the following breakdown: ENDESA 40%, Iberdrola 41%, Unión Fenosa 15%, Hidrocantábrico 2% and E.On Viesgo 2%. During the year auctions were held in which 35.4 TWh were awarded, deliverable in 2009 and 21.72 TWh deliverable in 2010. The average price was Euro 46.25/MWh and Euro 40.12/MWh, respectively.

01.2.7.3. Electricity price trends in the wholesale market

The weighted average price on the day ahead market was Euro 37.70/MWh in 2009, compared with Euro 65.70/MWh in 2008.

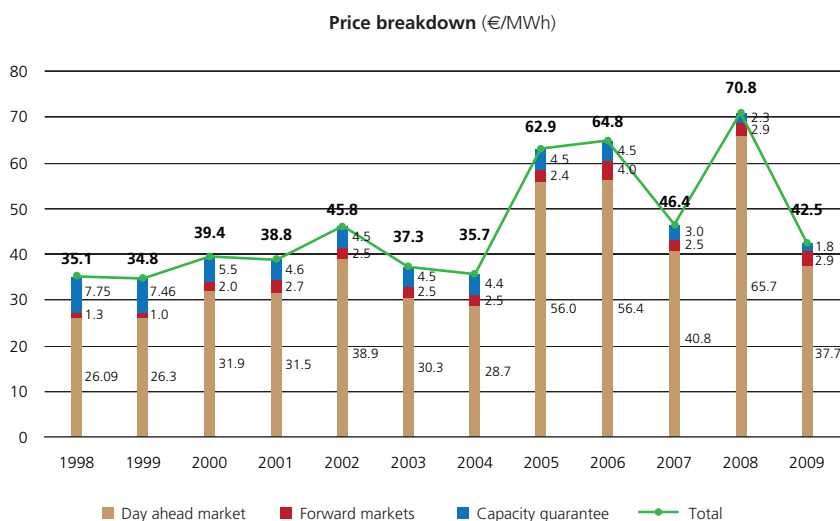
In 2009, as stranded costs in forward markets added Euro 2.92/MWh to the average price and capacity payments added Euro 1.85/MWh, the final year-end price was Euro 42.5/MWh: a year-on-year decrease of 40%.

The decline was caused mainly by the sharp fall in electricity demand and fuel prices triggered by the international economic crisis.



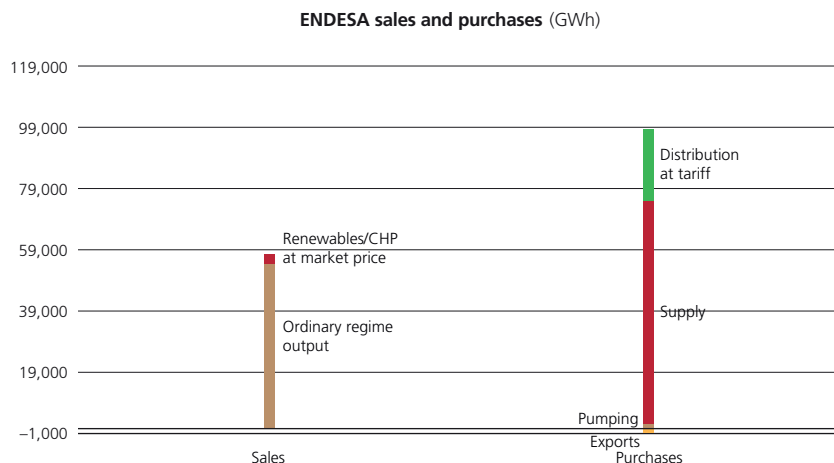
According to data released by Red Eléctrica de España, electricity demand fell by 4.3% in Spain compared to 2008. Energy prices dropped with the following breakdown: Imported coal (API2): -52.2%; gas (NBP): -48.5% and CO₂, -41%. The effect of the 20.4% rise in renewables/CHP output should also be taken into account.

All these trends were exacerbated by the apparent needs of some agents to produce power using combined cycle infrastructure (CCGT) to meet their gas supply commitments.



01.2.7.4. ENDESA sales and purchases in the wholesale market

In 2009, ENDESA sold 56,522 GWh on the wholesale market; 22.8% of total mainland energy supply (output under the ordinary regime, renewables/CHP output and imports).



Almost 65% of sales derived from bilateral contracts, including 502 GWh sold at auctions (VPPs and Cesur); and the remaining 35% came from the OMEL and REE markets.

Bilateral contracts with suppliers grew 15% to represent 75.8% of total sales. Forward sales effected via capacity auctions and for purchases by distributors (VPPs and CESUR respectively) accounted for 1% of sales.

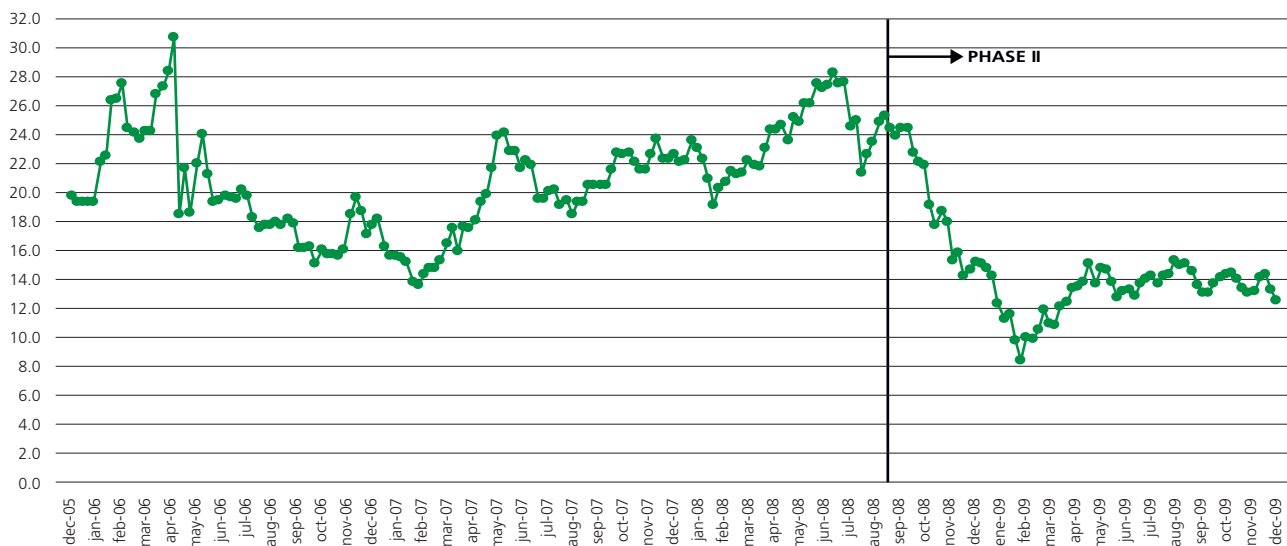
ENDESA acquired 98,749 GWh on the wholesale market, of which 75% corresponded to supply, 23.5% to distribution and the rest to pumping consumption and exports.

01.2.7.5. CO₂ market: meeting ETS commitments

In 2009, ENDESA continued to apply its environmental policy within the framework of EU regulations for emission rights trading (ETS) to comply with the objectives of the Kyoto Protocol.

The company played an active role in the main European OTC and organised markets (Bluenext and ECX) and had accounts open in different registers to optimise the management of its emissions rights position.

Emission rights trading prices for phase II of the ETS



ENDESA's allocation for emissions under the Spanish National Allocation Plan (NAP) was 25.58 million tonnes in 2009 (including non-mainland facilities) of which 20.68 million tonnes have been used.

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

01.2.8. Fuel procurement

In 2009, the drop in electricity demand reduced the market's thermal gap, penalising coal and making it compulsory to trade on all financial and physical wholesale markets.

In this context, ENDESA increased its fuel sales to third parties, securing forward sales agreements and making its portfolio more flexible.

ENDESA fuel sales, including own production

	2009	2008	% chg.
Domestic coal (kt)	3,614	5,081	-28.3
Imported coal (kt)	7,049	8,801	-19.9
Oil coke (kt)	413	242	70.7
Liquid fuel (kt)	2,721	2,897	-6.1
Natural gas bicomb. (millions of m ³)	95	151	-37.1
Natural gas ciblos. (millions of m ³)	1,126	2,165	-48.0

* Including non-mainland sales.

ENDESA managed 11.08 million tonnes of coal in 2009, a year-on-year decrease of 21.6%. In terms of liquid fuel, the company managed 1.8 million tonnes of fuel-oil and 1.05 million tonnes of gasoil, down 3.9% and 9% year-on-year respectively. These decreases in the quantities of coal and liquid fuels used were due to lower consumption as demand for electricity dropped. ENDESA also supplied 1.83 million tonnes of coal to third parties.

Finally, Endesa Generación managed 1.12 bcm of gas for CCGT consumption and 0.095 bcm for consumption at bi-combustible thermal power plants while 2.34 bcm of gas was also sold to Endesa Energía for supply activities.

01.2.9. Risk management in the electricity business

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

The company's risk management policy establishes, among other concepts, limitations on both added risk (risk margin), and portfolio risk (value at risk in the business portfolio or exposure to counterparty credit). In 2009, an appropriate balance was obtained between margin and risk.

Credit risk management was particularly significant, given the global credit crisis.

The hedge strategy applied in 2009 took into account commercial sales activity, according to which ENDESA sells a greater volume of electricity than its own production, and the reduction of spreads in coal and gas plants.

This strategy combines dynamic delta strategies for thermal generation assets that minimise risk and capture the option value of assets, together with power purchase programmes in wholesale markets to cover short positions resulting from the sale of electricity.

Furthermore, the hedge strategy applied to the gas portfolio takes into account positions relating to supply, sales to the final customer and demand for electricity generation.

The implementation of these strategies has allowed the company to maintain a low level of risk, within established limits, while at the same time beating target margins.

In the CO₂ emission rights market, it is noteworthy that ENDESA has a large portfolio of CDM projects that generate sufficient CERs at competitive prices for 2009-2012, managing the surplus by optimising the wholesale markets.

01.3. ACTIVITIES IN THE PORTUGUESE ELECTRICITY SECTOR

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

01.3.1. Generation

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

The plant's output in 2009 was 3,026.2 GWh, representing 6.1% of total consumption in Portugal.

ENDESA also wholly owns Finerge, with gross capacity of 165 MW in operation in wind farms, and 28 MW in cogeneration, plus another 30 MW in wind farms under construction. In 2009, it produced 666 GWh.

Finerge has a 38% holding in Empreendimentos Eólicos do Vale do Minho (EEVM), which had net capacity of 95 MW and output of 203 GWh in 2009.

In addition, ENDESA and Sonae, one of Portugal's largest industrial groups, jointly (50/50) own Sociedade Térmica Portuguesa, which had capacity of 28 MW in cogeneration and renewables, with output of 92 GWh in 2009.

01.3.1.1. Projects under development

The 1,200 MW wind power contract awarded by the Portuguese government in 2006 via tender to the Eólicas de Portugal consortium in which ENDESA has a 30% stake through its shareholdings in Térmica Portuguesa and Finerge is also noteworthy.

The Eólicas project in Portugal contemplates an investment of over Euro 1,500 million in 2007-2012 for the installation of 48 wind farms with a unit capacity of between 20 MW and 25 MW. At year-end 2009, the first 130 MW of capacity relating to this project came onstream, with output of 54.3 GWh; and the remaining 196 MW are under construction.

In addition, in 2007 ENDESA and International Power obtained a licence to build and operate an 840 MW CCGT plant in the Tajo region, near Abrantes. The project was started in 2008 and will involve an investment of Euro 600 million. Tests for the plant will start in 2010 and it is estimated that it will be brought onstream in 2011, with an output corresponding to 8-10% of Portugal's total electricity consumption.

Lastly, ENDESA is still developing the Girabolhos hydro plant, located on the Montego river in the central region of Portugal, for which a 65-year concession was awarded at the end of 2008.

This will be the second largest project in the Portuguese government's Dams Plan and one of the ten largest in the country. It will have capacity of approximately 360 MW and an estimated annual output of around 500 GWh. At the end of 2009, the preliminary project and environmental impact study was delivered to the Portuguese government and the pertinent authorisation is expected to be obtained in the second half of 2010. Construction is scheduled to start on the plant in 2012 and completion is forecast for 2015.

01.3.2. Supply in the deregulated market

ENDESA continues to develop and strengthen its supply business in Portugal. Despite the limitations of the Spain/Portugal interconnection, in 2009 the company was the second largest operator in the deregulated market, with a share of 16%.

01.4. NATURAL GAS BUSINESS IN SPAIN

ENDESA operates in the natural gas sector in Spain, in both the regulated and deregulated segment, mainly in the business of gas distribution and supply of natural gas to the final customer.

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

01.4.1. The Spanish natural gas market in 2009

Natural gas consumption in Spain declined by 10.5% in 2009 compared to 2008. Sales totalled 402 TWh, including demand from electricity generation plants, accounting for 40% of the total. Conventional demand from final customers fell by 7.9% in comparison with 2008, as a result of the sharp decline in economic activity, particularly in construction-related activities.

In all, 99.6% of total Spanish market demand was covered by imports: 34% from Algeria, 18% from Persian Gulf countries, 16% from Nigeria, 11% from Egypt, 10% from Trinidad and Tobago, 9% from Norway and 2% from Libya.

01.4.2. ENDESA in the Spanish natural gas market

ENDESA operates in the three areas of the gas business: supply to deregulated customers, distribution and transport. The company also takes part in reception, storage, regasification and LNG transport projects.

01.4.2.1. Gas sales in the deregulated market

Conventional deregulated market

As of 31 December 2009, ENDESA's customer portfolio in the conventional deregulated gas market included 1,070,000 supply points, with annual consumption of 46.4 TWh, a year-on-year increase of 13.3%.

A total of 33.8 TWh was supplied during the year, down 10.3% on 2008.

Electricity generation plant market

Sales of natural gas to electricity generation plants (bi-combustible and combined cycle plants) totalled 12.6 TWh in 2009.

ENDESA's share of the whole Spanish deregulated market (including the generation market and conventional deregulated market) was 11.5% in 2009.

01.4.2.2. ENDESA in the regulated gas market

ENDESA operates in the Spanish gas distribution sector through its wholly-owned subsidiary Endesa Gas, the umbrella for ENDESA's natural gas transport and distribution business interests in Spain.

Distribution areas and markets served

Endesa Gas operates in nine regions in Spain and is authorised to distribute piped gas in over 330 towns and cities. The company already provides service in 164 of these.

At the end of 2009, Endesa Gas supplied gas to 412,663 consumers, distributing 8,336 GWh. These figures reflect a 4% rise in the number of consumers and a 13% increase in the volume of energy distributed versus 2008.

Endesa Gas holdings in gas companies

Endesa Gas distributes natural gas through the following companies: Gas Aragón (Aragón, 60.67% holding); Distribuidora Regional del Gas (Castilla-León, 50% holding); D.C. Gas Extremadura (47%) and Gasificadora Regional Canaria

(Canary Islands, 65%). It also operates through Gesa Gas (Balearic Islands) and Endesa Gas Distribución (Andalusia, Castilla-La Mancha and Valencia region), where it is the sole shareholder.

	Consumers	GWh
Gas Aragón	199,979	4,278
Gesa Gas	92,541	552
D. Regional del Gas	25,123	2,114
D.C. Gas Extremadura	58,416	1,049
Endesa Gas Distribución	36,598	366
Gasificadora Regional Canaria	6	8
TOTAL	412,663	8,367

Transport and distribution infrastructure

ENDESA operates in the natural gas transport sector through Endesa Gas Transportista, S.L. (wholly-owned subsidiary); Transportista Regional del Gas, S.A. (in which it has a 50% stake) and Gas Extremadura Transportista, S.L. (in which it has a 40% stake). Together, these three companies operate 651 km of the transport network.

In 2009, these companies had various gas pipelines under construction or at project stage which will allow them to operate 1,116 km of the transport system by the end of 2010.

Gas pipelines brought onstream in 2009 include the pipeline to "Plataforma Logística Plaza" (366 m), Villanueva de Gállego and Zuera regulation and measurement stations (ERMs), and the "Zaragoza-Calatayud" (66 km), "Azaila-Albalate del Arzobispo" (24 km) and "San Juan de Dios-Ca's Tresorer-Son Reus" (17 km) gas pipelines.

In 2009, Endesa Gas companies built 246 km of pipeline, taking its distribution network in Spain to 4,580 km, a 6% increase on the previous year.

	Km built in 2009	Total network at end 2009
Gas Aragón	53	1,577
Gesa Gas	22	837
D. Regional del Gas	52	467
D.C. Gas Extremadura	16	669
Endesa Gas Distribución	102	1,026
Gasificadora Regional Canaria	1	4
TOTAL	246	4,580

01.4.2.3. Reception, storage and regasification projects

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

- Reganosa in Mugardos (La Coruña), in which it holds a 21% stake. Work has begun on extending this plant, which will double its regasification capacity to 825,000 m³(n)/h.
- Sagunto, S.A. regasification plant in Sagunto (Valencia), in which it has a 20% stake. In 2009, the third tank was opened at this installation, with storage capacity of 150,000 m³. Work has also begun on building a fourth LNG storage tank (150,000 m³) and a new LNG vaporiser (200,000 m³(n)/h).

Additionally, ENDESA holds a 47.18% ownership interest in Compañía Transportista de Gas Canarias, S.A. (Gascan) that is developing two LNG reception, storage and regasification projects in the Canary Islands. Each of these plants has a planned storage capacity of 150,000 m³ of LNG and natural gas regasification capacity of 150,000 m³(n)/h (1.31 bcm/year).

Lastly, ENDESA has a 12% holding in the Medgaz project to construct a direct gas pipeline between Algeria and Spain, via Almería, which will carry 8 bcm of natural gas a year. In 2009, start up tests for the submarine cable were carried out and the overground sections of the pipeline in Spain and Algeria are being completed.

02. THE LATIN AMERICAN BUSINESS

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

02.1. KEY TECHNICAL DATA

The companies in which ENDESA has interests in Latin America had total installed capacity of 15,853 MW at the close of 2009. Their aggregate output in the year was 62,767 GWh — a 3.4% advance on the previous year's level — with sales of 63,745 GWh, i.e. 1.5% more than in 2008, to a total of 12.9 million clients.

ENDESA operates in Latin America through its 60.62% ownership interest in Chilean multinational Enersis and its direct holdings in other electric utilities in the region.

ENDESA is firmly committed to protecting the environment in these countries. As evidence of this, at the end of 2009 practically all of ENDESA's installed capacity in Latin America and that of its six distributors in the region were ISO 14001 certified.

ENDESA's Latin American investees are also firmly committed to the principles of Corporate Social Responsibility. Internally, the group is working proactively to steadily improve the health and safety conditions of its investees' workforces. It has worked to obtain certification for occupational health and safety management systems at its workplaces under the standard OHSAS 18001 and at year-end 2009, 100% of ENDESA'S investees in the region had obtained this certification.

Externally, ENDESA's Latin American investees have developed a large number of social welfare projects. These are described in greater detail in the section on Social Initiatives in this report.

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

02.2.1. Chile

Of ENDESA's total consolidated assets in Latin America, 36.3% are located in Chile and the company's workforce in this country numbers 3,229.

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

Through this holding in Enersis, ENDESA has an interest in Endesa Chile, the main generator in Chile, which owns 5,650 MW of capacity either directly or through its investees. Enersis holds a 59.98% stake in Endesa Chile.

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

Also through Enersis, ENDESA holds a 99.08% controlling interest in the distributor Chilectra which has 1.6 million customers. Enersis also has significant stakes in real estate, engineering, IT and services companies in both Chile and other Latin America countries.

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

02.2.2. Brazil

Investments in Brazil are grouped together in the Endesa Brasil holding company. 27.1% of ENDESA's consolidated assets in Latin America are located Brazil. The company has a total workforce in Brazil of 3,030 employees.

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

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

In the distribution segment, ENDESA manages Ampla and Coelce in which it has controlling interests of 91.93% and 58.86%, respectively. Ampla distributes electricity to 2.5 million customers in the state of Rio de Janeiro, while Coelce, which is listed on the Sao Paulo stock exchange, sells energy to almost three million customers in the state of Ceará.

02.2.3. Colombia

Of ENDESA's total consolidated assets in Latin America, 20.2% are located in Colombia where the company has a total of 1,916 employees.

ENDESA holds a 48.48% controlling stake in Emgesa, the country's largest generating company, with 2,895 MW of installed capacity.

ENDESA also holds a 48.48% controlling stake in the distribution company, Codensa, that supplies power to 2.4 million customers in Bogotá and to 96 towns in neighbouring areas. Furthermore, Codensa holds a minority stake in Empresa de Energía de Cundinamarca (EEC), which supplies more than 230,000 customers in the Cundinamarca region.

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

02.2.4. Peru

Of ENDESA's total consolidated assets in Latin America, 10.1% are in Peru where the company employs 1,247 people.

ENDESA manages a total capacity of 1,800 MW in this country. It has an 83.60% controlling interest in the generation company Edegel, which has capacity of 1,667 MW and 60% of Empresa Eléctrica de Piura (Eepsa), with capacity of 133 MW.

ENDESA also holds a 75.68% controlling stake in Edelnor, which distributes electricity to 1.1 million customers in the northern part of Lima.

02.2.5. Argentina

Of ENDESA's total consolidated assets in Latin America, 6.3% are located in Argentina where the company employs 3,211 people.

In the generation business, ENDESA holds a 69.99% controlling stake in Central Dock Sud, a plant which has two units with joint capacity of 870 MW. Through Enersis and Endesa Chile it also controls 69.76% of the 2,324 MW Costanera thermal plant and 67.67% of the 1,328 MW El Chocón hydro plant.

In the distribution business, ENDESA holds a 99.45% stake in Edesur which supplies electricity to 2.3 million customers in the southern part of Buenos Aires.

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

02.2.6. Central America

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

This infrastructure is being developed through Empresa Propietaria de la Red (EPR). ENDESA has an 11.1% stake in this company and holds executive management functions.

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

02.3. GENERATION

02.3.1. Key Data

At year-end 2009, ENDESA's generation investees in Latin America had a total installed capacity of 15,853 MW, i.e. 569 MW more than at year-end 2008.

Installed capacity in Latin America

	MW		
	2009	2008	% chg.
Chile	5,650	5,283	6.9
Argentina	4,521	4,522	0.0
Colombia	2,895	2,895	0.0
Peru	1,800	1,597	12.7
Brazil	987	987	0.0
TOTAL	15,853	15,284	3.7

ENDESA's total electricity output in Latin America was 62,767 GWh in 2009, a year-on-year increase of 3.4%.

Electricity generation in Latin America

	GWh		
	2009	2008	% chg.
Chile	22,239	21,266	4.6
Argentina	15,806	14,350	10.1
Colombia	12,674	12,905	-1.8
Peru	8,728	8,780	-0.6
Brazil	3,320	3,389	-2.0
TOTAL	62,767	60,690	3.4

02.3.2. Generation plants and projects

02.3.2.1. Chile

- The 257 MW GT Quintero open-cycle gas plant came onstream in the second half of 2009.
- The San Isidro II plant, which had operated as a fuel-oil combined cycle plant with capacity of 353 MW since January 2008, started to work on gas from the Quintero LNG regasification plant in December 2009, increasing its capacity to 399 MW.
- The 60 MW Canela II wind farm owned by Endesa Eco, a subsidiary of Endesa Chile, started commercial operations.
- Construction continued on the Bocamina II coal-fired plant, which will contribute 370 MW of power to the grid, ensuring the security of supply in Chile.
- In September 2009, the Quintero LNG regasification plant started commercial operations, at fast track stage, with a theoretical regasification capacity of 6.5 million m³ of LNG per day. Endesa Chile owns this terminal jointly with Metrogas, ENAP and British Gas. At full capacity the plant will process 9.6 million m³ per day, with storage capacity of 320,000 m³ of LNG. This regasification terminal will play a key role in supplying gas to Chile's central region and will also supply fuel to the San Isidro II CCGT power station, the Endesa Chile Quintero GT plant, and other facilities.
- Endesa Chile holds a 51% stake in Centrales Hidroeléctricas Aysén (Hidroaysén), the company developing this project. The remaining 49% is owned by the Chilean electricity company Colbún. The project will involve 2,750 MW of hydroelectric power being added to the Chilean grid, split between five plants, and also envisages the construction of a 2,000 km high-voltage transmission line, to be developed by third parties. In October 2009, the Addendum to the Environmental Impact Study was presented including the observations made in the ICSARA report (consolidated report requesting clarifications, rectifications and/or amplifications) issued by CONAMA in November 2008. Continuing the environmental processing of the project, CONAMA published a second ICSARA report in January 2010, containing further observations that Hidroaysén shall respond to within the established time frame.

02.3.2.2. Colombia

In August 2009, the Colombian Ministry of the Environment, Housing and Land Development published Resolution 1628 granting the environmental permit for the development of the El Quimbo hydro plant, a project being carried out by Emgesa on the Magdalena River. The plant will have installed capacity of 400 MW.

The project, awarded in June 2008 at a GPPS auction, has committed generation capacity of 1,650 GWh per year, for a period of 20 years commencing in 2014.

02.3.2.3. Peru

In November 2009, the new gas turbine for the extension of the Santa Rosa plant came onstream, contributing additional capacity of 200 MW. This turbine is in addition to the existing three and puts the plant's total capacity at 429 MW.

During the year, smaller changes were made in other existing plants, increasing capacity by 6 MW in Chile and Peru.

02.4. TRANSMISSION

In 2009, more than 80% of the foundation and structural lifting work was completed on the SIEPAC project in El Salvador, Nicaragua and Panama. Conductor lines have also been laid in Panama.

02.5. DISTRIBUTION

02.5.1. Key Data

ENDESA's Latin American distribution subsidiaries sold a total of 63,745 GWh in 2009, up 1.5% from 2008.

Electricity distribution in Latin America

	GWh		% chg.
	2009	2008	
Chile	12,585	12,535	0.4
Argentina	16,026	16,159	-0.8
Colombia	12,164	11,822	2.9
Peru	5,716	5,599	2.1
Brazil	17,254	16,690	3.4
TOTAL	63,745	62,805	1.5

Highlights include the increase in sales in Brazil, with Coelce and Ampla seeing rises of 3.8% and 3% respectively.

At the end of the year, ENDESA had approximately 13 million customers in total in the five Latin American countries where it operates, an increase of 3.9% on 2008.

ENDESA customers in Latin America

	Thousands of customers		% chg.
	2009	2008	
Chile	1,579	1,534	2.9
Argentina	2,305	2,262	1.9
Colombia	2,476	2,285	8.4
Peru	1,060	1,028	3.1
Brazil	5,487	5,308	3.4
TOTAL	12,907	12,417	3.9

02.5.2. Distribution networks and service quality

The concession surface area of the six distribution companies in which ENDESA has an interest in Latin America totals 203,387 km², the equivalent to 40% of the total surface area in Spain.

The high-voltage lines owned by these companies had a total length of 11,275 km at year-end 2009, an increase of 375 km year-on-year. Meanwhile, low and medium voltage lines totalled 141,411 km and 128,195 km, respectively, increases of 10,129 km and 3,906 km, compared to 2008.

Installed capacity at substations owned by these companies totalled 28,241 MVA at 31 December 2009, up by 394 MVA year-on-year.

Energy losses reported by ENDESA's Latin American distribution companies stood at 11% for the region as a whole, down 0.2% year-on-year.

Service quality at these companies was affected by various external factors. For instance, the supply incident that occurred in November 2009 when 18 Brazilian states were affected by a fault in the Itaipú plant's power transmission network and the incident at Angra dos Reis in December as a result of flooding caused by storms.

The annual average interruption time by customer at ENDESA's six distribution companies was nine hours in 2009, 6% higher than the previous year's figure.

02.6. FINANCIAL STRATEGY

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

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

02.6.1. Solvency

Despite the international financial crisis, ENDESA's investees in Latin America successfully tapped the capital markets in 2009, allowing them to repay debt early, refinance maturities and extend the average life of their loans. This was achieved through the implementation of prudent financing and hedging policies which helped to maintain their financial strength.

Energis's domestic bond programme, launched in 2008 for 12.5 million Unidades de Fomento (UF) or USD 360 million - remained available in 2009. Furthermore, Energis paid on maturity the USD 150 million relating to a revolving credit line held with various international banks. Another USD 200 million revolving credit line, taken out in 2006, expired in 2009 without having been used. This was replaced by another equivalent credit line of USD 200 million divided equally between the international and domestic markets.

Of the revolving credit line taken out by Endesa Chile in 2008 with several international banks, USD 200 million were used, half of the financing granted. Also, the two revolving credit lines available at the end of 2008 for an amount of USD 450 million remained available during 2009. Another USD 200 million revolving credit line taken out in 2006, expired in December 2009 and was replaced by another equivalent line of USD 100 million taken out on the domestic market.

In relation to Endesa Chile's international bonds, in February 2009 USD 149 million was paid corresponding to the exercise of the Put option on a Yankee Bond worth USD 220 million, maturing in February 2037. In April 2009, the USD 400 million bond maintained since April 1999 was paid, financed largely via the domestic bond issue in December 2008 for 10 million UFs and cash belonging to Endesa Chile.

Lastly, in January 2009, Enersis and Endesa Chile registered with the Chilean Securities and Insurance Supervisor two credit lines for a maximum amount of USD 200 million each. These lines are currently undrawn.

The rest of ENDESA's investees in Latin America carried out refinancing operations, new issues and hedges totalling around USD 1,540 million of which USD 208 million corresponded to Argentina, USD 492 million to Brazil, USD 633 million to Colombia and USD 207 million to Peru.

02.6.2. Foreign currency hedging policy

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

The financial operations made by Enersis in 2009 enabled it to maintain dollar-denominated liabilities, at consolidated level, adjusted for expected cash flows in that currency.

ENDESA's investees in Chile, Brazil, Colombia and Peru, and its distribution company in Argentina, balanced the currency of their cash flow with their debt. In the Argentinean generation companies, when terms of maturity and market rates allow, financing in dollars is being replaced with local currency debt.

02.6.3. Liquidity

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

At year-end 2009, the Enersis Group held cash and cash equivalents of USD 2,226 million and USD 605 million in undrawn sums on unconditional credit lines.

02.7. CORPORATE STRATEGY

ENDESA has continued with its policy of corporate streamlining and restructuring in Latin America in order to optimise the management of its assets, continue to take advantage of synergies and facilitate cash returns. It has kept its commitment to driving ordered growth, combining the sale of non-core assets with new acquisitions. In 2009, the following operations were carried out.

02.7.1. Colombia

Codensa, in consortium with Empresa de Energía de Bogotá (EEB), set up Distribuidora Eléctrica de Cundinamarca (DECSA), in which EEB holds a 51% stake and Codensa 49%. DECSA was created to take part, in consortium with the Cundinamarca administration, in the tender put out by the Colombian government for Empresa Eléctrica de Cundinamarca (EEC). The bid presented was awarded 88.12% of EEC and on 13 March, DECSA assumed control of EEC with an interest of 82.34%.

In October 2009 all ENDESA's shares in EEB (held through its subsidiaries Endesa Latinoamérica, S.A. Chilectra, S.A. and Enersis, S.A.) were sold on the Bogota stock exchange. The operation totalled USD 247 million, corresponding to a total stake of 7.18%.

Additionally, in November Emgesa set up Sociedad Portuaria Central Cartagena to offer port services at the Cartagena thermal plant.

02.7.2. Peru

In May 2009, the asset restructuring at the Yanango and Chimay plants was completed by which Edegel spun off a block of assets, liabilities, rights, concessions, authorisations, permits and licences associated with these plants and their transmission networks which it contributed to its 80%-owned subsidiary, Chinango.

Additionally, the shares held by Generalima (owned by Endesa Latinoamérica) in Edelnor and Edegel, equivalent to a 24% stake and a 29.40% stake respectively, were acquired on the stock market by Enersis and Endesa Chile, also respectively, in October.

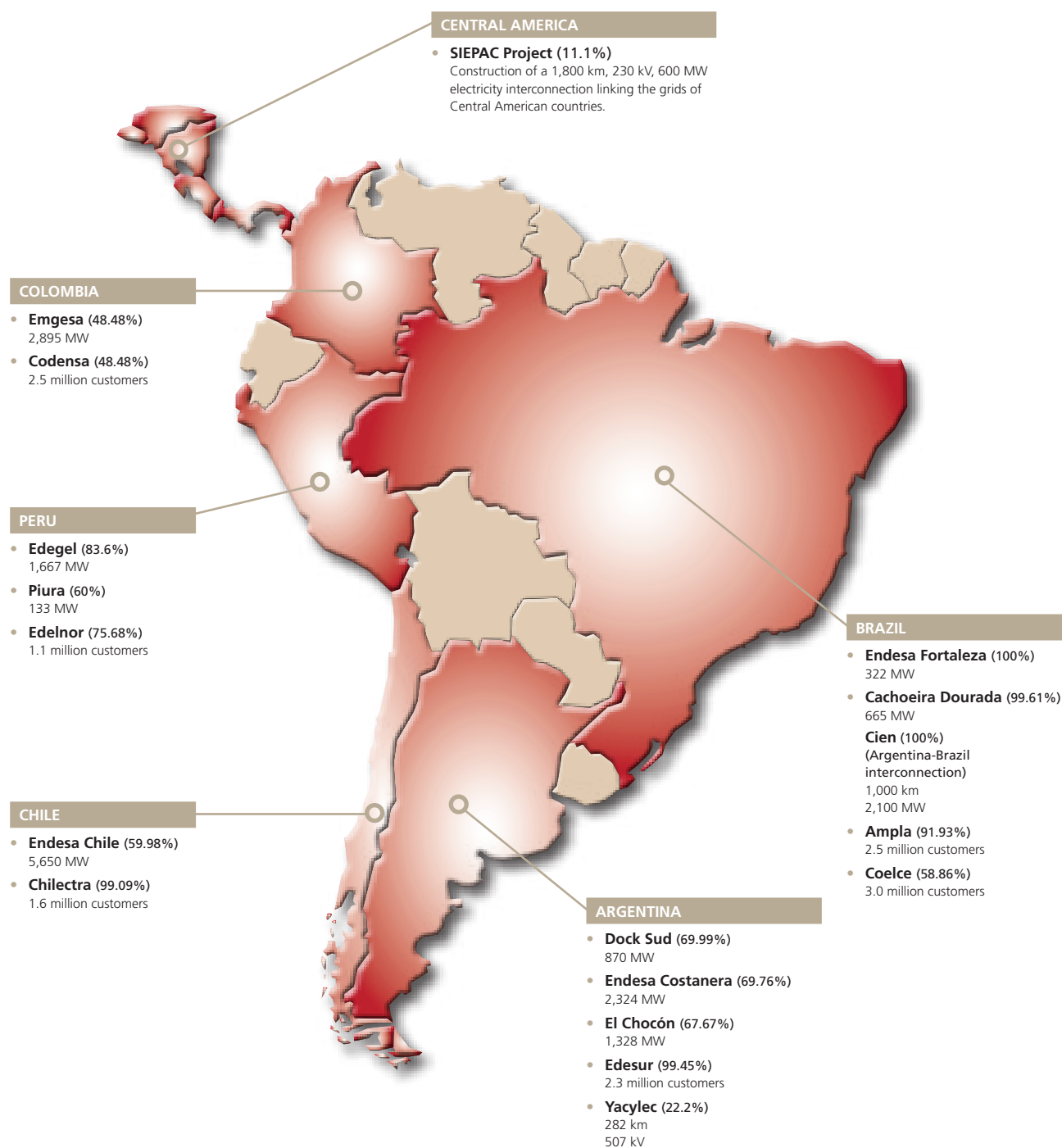
In the distribution segment, on 27 November 2009 Inversiones Distrilima was spun off. As a result, this company, the main shareholder of Edelnor, gained ownership of a 51.68% stake and became fully owned by ENDESA companies.

02.7.3. Brazil

In 2009, the activities carried out by Ampla and Coelce in addition to electricity distribution, such as the supply of energy efficient products and services, network management and brokering of insurance products, were transferred to Sociedad Comercio e Serviços, S.A., 99.99% owned by Endesa Brasil.

Also, in September, Endesa Brasil acquired 99.95% of Eólica Fazenda Nova, the company owning the studies for the development of a >180 MW wind farm project in the region of Rio Grande do Norte.

02.7.4. ENDESA in Latin America



03. OPERATIONS IN OTHER COUNTRIES

03.1. KEY DATA

The main activities carried out by ENDESA in 2009 outside Spain and Portugal and Latin America were as follows:

03.2. IRELAND

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

The acquisition encompassed 1,068 MW in operation across four sites: Tarbert, with four fuel oil units and 620 MW total installed capacity, Great Island with three fuel oil units and 240 MW total installed capacity, and Tawnaghmore and Rhode, each with two gas oil units and 104 MW capacity. A further two sites were purchased, which could be used in the future for additional capacity.

The plants acquired account for approximately 16% of total installed capacity in the Republic of Ireland and make ENDESA the second largest operator in that country.

In 2009, Endesa Ireland had output of 627 GWh and sales of 651 GWh.

In its first year of operations, the company met its management targets. These include the development of a new organisational structure, setting up a new headquarters, hiring staff, implementing internal management systems, improving the availability of groups, processing administrative permits for the Industrial Growth Plan, and lastly, rolling out environmental and corporate security policies.

Furthermore, in 2009 the Tarbert and Great Island plants were ISO 14001 certified by the pertinent authorities.

03.3. MOROCCO

ENDESA operates in Morocco through the 32% stake it holds in Energie Electrique de Tahaddart, the company which owns the 384 MW CCGT plant in Tahaddart. The other shareholders in this company are Office National d'Electricité (ONE) with a 48% stake and Siemens, with 20%. In 2009 output at this plant totalled 2,843 GWh.

In May 2009, Energie Electrique de Tahaddart paid a dividend against 2008 results; Euro 4.3 million of this corresponded to ENDESA.

Also during the year the company started proceedings to obtain ISO 14001 environmental certification, which it achieved in 2010, becoming the first African power plant to obtain this certification.

03.4. ENERGY MANAGEMENT AND PARTICIPATION IN THE WHOLESALE MARKETS

03.4.1. European wholesale activities

ENDESA operates in several European wholesale markets to manage its generation and supply activities outside the Iberian region. Among other targets, this gives the group the necessary power supply to meet its contracts with European customers and balance out risk positions in areas where it operates.

In 2009 price hedging operations were carried out on the French and German markets, taking advantage of correlation between European power prices. ENDESA has also extended its activities in the European wholesale gas markets to increase the value of its portfolio.

The company carries out its activities against the backdrop of a growing trend towards removing barriers between countries by building interconnections and the creation of pan-European markets such as the Dutch APX, the EPEX in France and Germany, and Belpex in Belgium.

ENDESA continues to play an active role in the CASC-CWE — *Capacity Allocation Service Centre for the Central West European Electricity Market* — facilitating its interconnections business in the region.

In 2009, electricity spot prices in France and Germany trended downward as a result of the international crisis. In France the average price was Euro 43.25/MWh (Euro 69.06/MWh in 2008) and in Germany it was Euro 39.28/MWh (Euro 65.65 /MWh in 2008).

Two significant events took place on October 4 and 19, 2009. The day ahead price reached Euro –11/MWh in Germany due to surplus capacity, and Euro 612/MWh in France, peaking at Euro 3,000/MWh for a period of four hours, due to problems of nomination on the France/Switzerland interconnection.

In the European markets, Endesa Trading managed a total volume of 46.2 TWh, compared to 34.7 TWh in 2008. Activity primarily focused on interconnections, tolling and VPPs (Virtual Power Plant) in France and Germany as well as collaborating with Endesa Energía to win customers in France, Germany and the Netherlands. Endesa Trading also secured a portfolio of virtual assets and interconnections, managing 450 MW and 275 MW respectively.

04. OTHER ACTIVITIES

04.1. ACQUISITIONS

In 2009, ENDESA managed the acquisition of materials, equipment, works and services for a total of Euro 3,248 million, a 28% reduction on the figure for the previous year. Savings achieved by the procurement department were approximately 11%.

04.1.1. Corporate activities

These are activities related to the company's core businesses, designed to achieve economies of scale and optimise processes. The main activities carried out in 2009 were:

- Synergies: A detailed synergy plan was completed and work completed on creating the necessary conditions required to achieve the expected results.
 - *Design to Cost (DTC)*: Technical specifications on the main pieces of equipment were further revised: including power and MV transformers, MV cables, substation cells and transformation centres, conductors and hybrid models, leading to a 20% reduction in costs. Plan 50 was rolled out in Latin America to identify the main design criteria for substations and power lines.
 - Processes: Progress was made on implementing the Supplier Rating System, adopting the Enel rating system for global purchasing families. Furthermore, a new version of the general terms and conditions for contracting materials, works and services was drawn up to simplify these terms and ensure standardisation between group companies.
- SAGA (procurement management support system). The roll out of this system in Colombia and Brazil marked the completion of the corporate development plan. This will optimise control over procurement activities, facilitating the use of more modern tools and improving the integration of processes and information management.
- *Risk management*: A control system was developed to monitor the financial situation of the company's major suppliers.

04.1.2. Business in Spain and Portugal

ENDESA's total purchasing volume in Spain and Portugal totalled Euro 1,497 million in 2009, a 45% reduction on the previous year. The main contracts carried out during the year include:

- *Call Center* services for ENDESA for a period of five year and a total amount of Euro 143.4 million.
- Electric metering services for Endesa Distribución, for a period of four years and a total amount of Euro 94.7 million.
- Installation services and revision of electric metering equipment for Endesa Distribución Eléctrica, for a period of five years and a total amount of Euro 74.2 million.
- Supply, transport, assembly and maintenance during the guarantee period for wind turbines, for a total installed capacity of 92 MW and an amount of Euro 66.4 million.

04.1.3. Main activities in Latin American

ENDESA's total purchasing volume in Latin America totalled Euro 1,294 million in 2009, a 6% increase on the previous year. The main activities carried out were the following:

- Supplies made according to corporate technical specifications applying DTC criteria. The main actions related to the awarding of power transformers to Codensa and Edelnor, distribution transformers for Codensa and cables and aluminium conductors for Chilectra, Codensa, Ampla and Edelnor.
- Contratacting of cement posts and accessories for Ampla and Coelce for Euro 69.9 million.
- Awarding of four open-book processes to complete the management of the extension of the Bocamina plant in Chile.
- Within the scope of the Enlace project, aimed at improving the quality and security of distributors' technical and commercial operations, services were awarded for the next five years for an amount of Euro 481 million.

04.1.4. Key activities in systems and telecommunications purchasing

ENDESA's total volume awarded in systems and telecommunications purchasing was Euro 457 million in 2009, down 20% on the previous year. Cost savings totalled 28%. The main activities carried out were the following:

- Telephone operator services in Spain and Latin America for a period of three years and for the amount of Euro 88.4 million.
- *Software Factory* services and function support for a period of five years in Corporate and Internal Management Systems for an amount of Euro 69.5 million. Technical generation and distribution systems for an amount of Euro 52.6 million and services for its own telecommunications network in Spain for an amount of Euro 34.8 million.
- The acquisition for the next two years of GPRS modem equipment for remote metering and control in Spain, via electronic auction.

05. SERVICES AND TECHNOLOGY

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

05.1. SYSTEMS AND TELECOMMUNICATIONS

In 2009, various initiatives were carried out as part of the IT Plan for 2009-2010. Specifically, a new model for software development and maintenance management was defined that will optimise the construction of the necessary systems to develop ENDESA's business while increasing product quality and saving costs.

In the area of telecommunications, various projects were undertaken to provide group companies with a standardised service model with guaranteed quality levels and lower costs.

05.1.1. Commercial Systems

Initiatives in the commercial systems segment in 2009 were shaped by regulatory changes and requirements deriving from business trends. The following activities should be highlighted:

- Implementation of commercial systems adapted to the elimination of the integrated tariff and the introduction of the tariff of last resort (TLR) and introduction of the discount rate (*bono social*) for customers contracting less than 3 kW.
- Development of the remote management project for low voltage supply of less than 15 kW by means of a system that allows most tasks to be carried out remotely. Overhaul of the DIANA system (work installed at customers' homes) and the new module of campaigns for the large-scale replacement of meters (more than 12 million in a period of up to 8 years).
- Roll out of the SEI and SVA project management service applications for the large customers and companies segment (GESEIVA).
- Roll out of the commercial portal (www.energiaaldia.com) for sales units and teams, customer service agents and regional customer service supervisors and heads of RCU and related areas.
- Completion of the project to select the new CRM platform for Endesa Energía.
- Start up of a support system for commercial activities in Portugal.
- Implementation of the LIMA project (settlement of aggregate measures module) in the support systems map for the distributor.
- Start up of the Multiempresas project for SVE (front office) and SCE ML (back office) systems at supply companies.

05.1.2. Internal corporate management

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

- Definition and functionality analysis (BBP) of the PAGO project for implementation in Latin America of the corporate management model for HR and payroll administration based on the SAP platform.
- Start up of employee services and time sheets on the self service corporate portal.
- Adaptation of the SPRESO system for the financial administration of tools managed by the social benefits unit.
- Participation in the Global Application Management project, through the creation of an RFP to award services for project development and small upgrades, maintenance and support services for corporate management and energy management systems.
- Implementation of RFID technology at the HV/MV storages sites at Sant Just (Catalonia) and Sevilla.
- Start up of SWIFT electronic banking project which will allow payments to be made to suppliers on a more reliable and flexible basis.
- Commencement of the Global Planning and Reporting (P&R) project to adapt to the Enel control model.
- Start up of the Delfos project in Chile and Argentina, which will complete the implementation of this risk prevention and occupational health and safety project.
- Adaptation of the corporate BW in the HR and legal departments to the new reporting model, as agreed with Enel.

05.1.3. Distribution systems

In 2009 the Systems Plan for Endesa Red was completed, encompassing the most important initiatives to be developed over the next few years and providing the unit with the IT tools that add most value to its processes. Activities started or completed in 2009 include:

- SAC start up, as part of the ICONO (*Intelligent Control Network Operation*) project of the first versions of the Control Centre Virtual Operator for the localisation and repair of breakdowns and the execution of complex manoeuvres.
- Development of the S2G project for the design and start up of a prototype advanced substation monitoring, control and maintenance system for the power distribution network.
- Start of the *Smartcity* project to develop a demonstration of a new generation power distribution grid, where customers and distribution companies work together to foster the use of renewable energies, bringing generation and demand into line and encouraging rational and efficient consumption.
- Development of the low voltage remote management project to achieve full remote operation of meters and meter concentrators. The first stage of the

project involves the roll out of a pilot programme of 25,000 meters. During the year, AMM interfaces were developed and commercial and distribution systems were adapted.

- The PIHIS project involved the start up of the first Monitoring and Diagnostics Centre (CMD) that combines in a single repository all readings, alarms and events recorded on ENDESA's networks.
- The INFIERE project to improve the quality of the information reported to the national energy commission (CNE).
- Implementation of the substation maintenance project (MANSUB) in Catalonia and Aragón that will permit compliance with regulatory reviews, standardisation of criteria and processes and improved plant inventories.

05.1.4. Generation systems

The following activities were carried out under the Systems Plan drawn up for the Generation business:

- As part of the ACSPEC project to upgrade control systems technology, trial runs for the thermal production unit (TPU) control systems were carried out in the Canary Islands. Progress was also made on the development and roll out of TPU systems in the Balearic Islands and hydro production units (HPU) systems in the Ebro-Pyrenees region.
- In the area of plant systems architecture, trials were run on the SIP-CMD application for servers in remote locations.
- As part of the reengineering of the GESCOMBUS application covering secondary fuel logistics requirements, new requirements, inventories and analyses were defined.
- The technological development of Production Management applications continued, with the incorporation of new functions.
- The roll out of the new version of mobile devices for monitoring surveillance at thermal and hydro plants and the management of warehouse reserves was completed.

05.1.5. Energy management systems

A Systems Plan was drawn up for the Energy Management area and an Integrated Fuel Management project was defined and given key standing.

Initiatives in this area were shaped by changes in rules, procedures and protocols carried out in the markets. The main projects developed were:

- Technological migration to an updated and stable version of the Energy Management Control System in real time.
- Adaptation of the mainland settlement system to new REE and OMEL operational methods.

- Inclusion of last resort suppliers into the settlement system.
- Creation of a single platform for brokers and exchanges price information for a unified management of wholesale market operations by traders.
- Incorporation of commodities sales/purchase operations in new markets (EEX, APX).
- Implementation of a communications system with REE to exchange information on metering, objections and confirmations.
- Roll out of a corporate fuel management system.

05.1.6. Corporate operations and infrastructure

05.1.6.1. Telecommunications and remote control

The key projects carried out in 2009 were:

- Global RFP for Telecommunications Operators: Contracts were signed with Vodafone, Telefónica and Oi completing the tender process initiated in 2008. The project, worth more than Euro 50 million, will consolidate fixed and wireless telephone services, data transmission and teleservices in Spain, Argentina, Chile, Brazil, Colombia and Peru.
- RFP for Own Network Services: The contract signed with Ericsson completes the tender process in Spain for a new services management model.
- *Total Mobility Telephone Plan*: Telecommunications services were awarded to Vodafone initiating the transformation of the corporate telephone system. This transformation is a move towards a service model based on full mobile and IP technology and a more simplified billing system.
- A proprietary telecommunications system has been developed for management support services on the medium voltage network. This uses TETRA radio infrastructure and allows direct IP connectivity and traffic capacity to be increased.
- Technological migration to IP telephony of four new telephony platforms (CATs), making for a total of seven CATs in operation.
- Implementation of a remote control system with over 343 remote medium voltage installations as part of the Electricity Supply Quality Technical Improvement Plan.
- Start up of telecommunications infrastructure and services for the remote control of 27 new substations.

05.1.6.2. IT systems

The most significant projects completed during the year were as follows:

- Transfer of services as part of the new Global Operation and Infrastructure Outsourcing contract signed with IBM in December 2008 completed.
- Start of the transformation phase for infrastructure, processes and tools. This includes the construction of a virtual data processing centre (CPD) at IBM's installations in Spain, the transfer and consolidation of Latin American systems and the consolidation of emails for countries and companies in the CPDs.
- Work was carried out jointly with Synapsis and the Latin American IT unit on the following projects:
 - Roll out of new Internet access proxy infrastructure. In 2009 the roll out was completed in Spain and got underway in Chile.
 - Joint tender and roll out in Spain of a new corporate antivirus and anti-spam platform. This is expected to be rolled out in Latin America from March 2010.
 - Definition and development of a new unified global communications platform based on *Microsoft Office Communications Server 2007*. This platform will start up in 2010.
- Renovation of Gateways communications infrastructure providing access to the ENDESA's SCE MR and ML commercial systems, preventing the risk of these becoming obsolete.
- Roll out of more than 800 virtual PCs for ENDESA's SVE system, 100 virtual PCs for SAPs in external warehouses and 30 virtual PCs for SDEs at external partners.
- Renovation of networking and network electronics infrastructure, that supports data communication and system access at the Ribera del Loira building in Madrid and data backbone network that supports communication with other regions.
- Roll out of printers and plotters, and the new on-demand printing service offering the most modern multifunction equipment in all company offices.
- Progress was made on improving the services and systems implemented in 2008: BSM (business service management support for the new generation of service level agreements) and virtual PCs (SCE access support from service points).

05.1.6.3. IT security

The most significant projects carried out during the year were as follows:

- Upgrade of Security Service Management: This upgrade extends to Latin American systems and to a larger number of systems and services.

- Network security for remote control systems: Definition and implementation of a dedicated policy to strengthen security.
- SAP and Oracle system security: Security was strengthened based on internal audit recommendations.

06. PROPERTY ASSET MANAGEMENT: BOLONIA REAL ESTATE

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

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

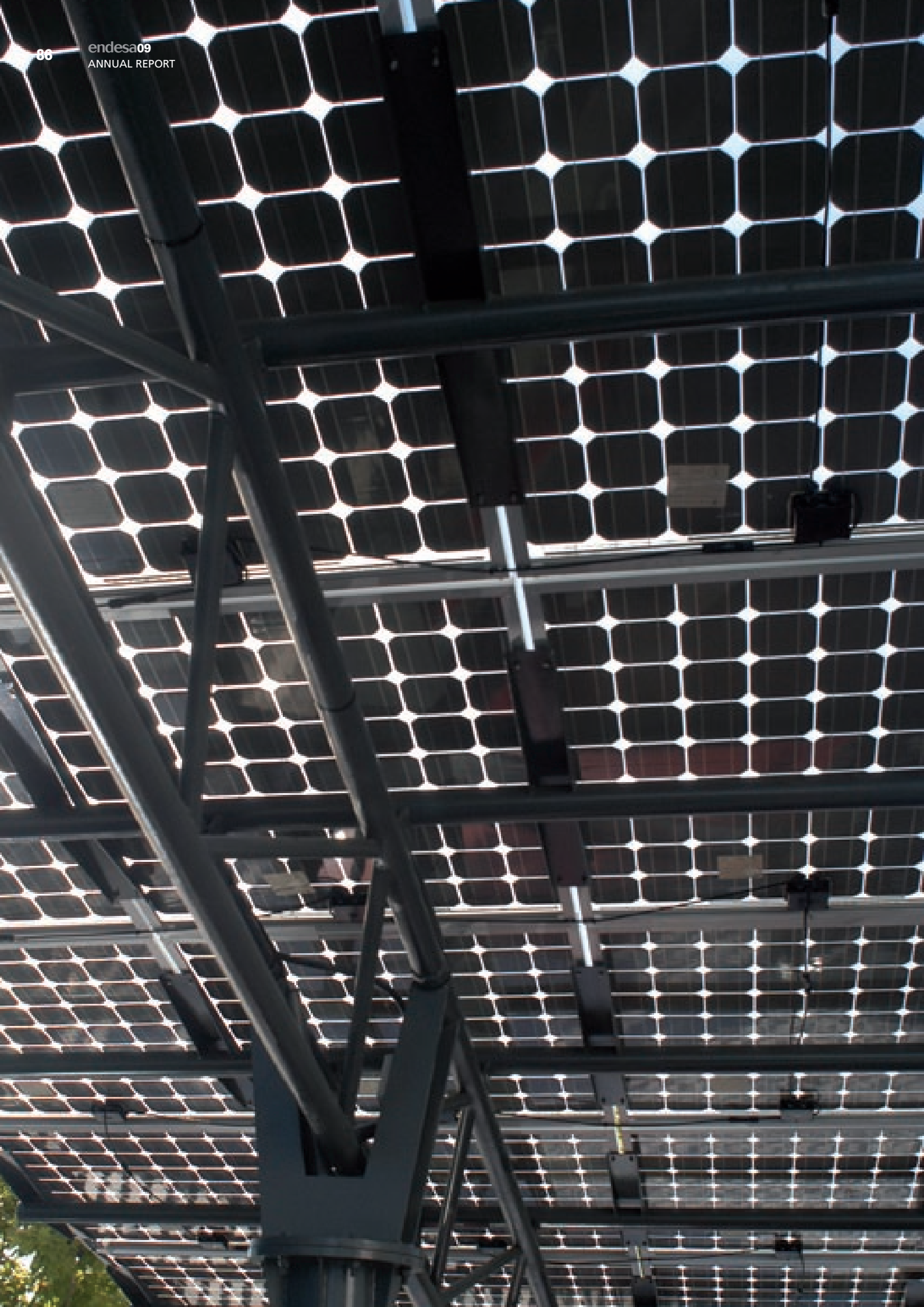
In 2009, 18 new land parcels with development potential and economic viability were added to the portfolio of assets under management. At the end of the year, this portfolio comprised more than 60 assets. Furthermore, the Espacio project was launched to rationalise rental office space and unlock value at ENDESA's owned offices in Spain.

Despite the recession hitting the real estate market, transactions worth Euro 31.3 million were completed during the year, of which Euro 9.9 million corresponded to transactions carried out in Latin America.

The conditions relating to the sale of land belonging to the former thermal plant located at Playa de la Misericordia in Malaga, Spain, were met, with an additional payment of Euro 12.5 million, on top of the Euro 120 million already booked in 2007.

In Latin America, despite the weakness of the Chilean real estate market and thanks to the restructuring of the Commercial Plan and other initiatives carried out at the Enea Business Park (55% owned by Inmobiliaria Manso de Velasco), sales of land parcels associated with this project totalled Euro 9.3 million. At the same business park, 300 hectares of agricultural land has been requalified as residential/industrial land. This process is in the final stages of approval. Divestments of smaller properties were also made by Coelce and Ampla (Brazil) and Codensa (Colombia) for the amount of Euro 700,000.

Lastly, work was completed on the new SALT headquarters in Girona and on the new employment centre in Palma de Mallorca, and demolition and zoning work continued on the land located at Son Molines, also in Palma de Mallorca.



Sustainable
development
and the environment

ENDESA's strategy in the area of sustainable development is outlined in its 2008-2012 Strategic Sustainability Plan (PES for its initials in Spanish). In 2009, its second year, we were extremely active in rolling out initiatives with the whole of Spain now covered.

01. ENDESA'S 2008-2012 SUSTAINABILITY PLAN

ENDESA's 2008-2012 Sustainability Plan has been designed based on the company's Sustainability Policy and its Seven Commitments to Sustainable Development, and builds on the results achieved by the 2003-2007 Strategic Environment and Sustainable Development Plan (PEMADS).

On this basis we have developed two action levels. Firstly, the need to build upon the achievements obtained with regard to the commitments outlined in the seven basic lines and also the urgency to devote special attention to two crucial challenges, namely, the fight against climate change and forging links with local communities in the countries and territories where ENDESA operates.

The following is a summary the main activities carried out under the strategic sustainability plan in 2009. A more detailed description of these activities is offered in the company's 2009 Sustainability Report.

01.1. COMMITMENT TO OUR CUSTOMERS

In 2009, ENDESA continued to bolster its commitment to customers through various initiatives such as the 2009 Quality Scheme aimed at achieving excellence in the area of customer service. There was a notable increase in the number of new gas customers, progress was made on Multi-Point Invoicing and using invoices as a means of managing the customer base. A management model was also designed for Large Corporate Customers, the working environment of our contractors improved and a system designed to measure and monitor the Plan's objectives.

The Value Added Products and Services portfolio (VAPS) was also expanded. Due to the various regulatory changes, the company made a concerted effort to adapt its value proposal to the needs of its customers and the requirements of the new operating environment. It designed a photovoltaic package and managed the corresponding grants and financing as a lever for its technical services as well as signing agreements and forging alliances to develop different products.

More details on the customer-oriented initiatives can be found in the chapters on the businesses in Spain and Portugal and Latin America.

01.2. COMMITMENT TO OUR EMPLOYEES

In the area of occupational health and safety (OHS) we would note that both Endesa Generación and Endesa Distribución received OHSAS 18001 accreditation; the second edition of the Apolo Awards for contractors was launched; in addition to an OHS evaluation programme; OHS training for

managers was carried out, as well as training, refresher and dissemination programmes regarding safety procedures; health policies and programmes and a global health and safety management model were implemented and disseminated and we devised a corporate OHS audit model, etc.

The company also organised or participated in a series of activities to endorse OHS such as the second working group on OHS for the International Organisation of Employers (IOE) and International Safety Week which saw the roll-out, in conjunction with the Labour Ministry and ANEPA, of the first Spanish business observatory for occupational health and safety.

The company also approved and disseminated its Social Dialogue Policy which includes internal policies concerning sustainability and human resources. It also implemented the integrated talent management model across the entire group.

Various activities were also organised to encourage good practices in achieving a healthy work/life balance and diversity. The company also signed the Diversity Charter; launched other initiatives to foster workplace integration of disabled workers (agreements were signed with the Adecco, Randstad and ONCE foundations, with FEAPS and the Universia Foundation) and outsourced the auxiliary services at its workplaces in Spain to a special employment bureau which saw over 100 people join the company, 90% of which have some form of disability.

More details on ENDESA's initiatives in this area can be found in the Human Resources chapter of this report.

01.3. COMMITMENT TO GOOD GOVERNANCE: ETHICAL BEHAVIOUR AND TRANSPARENCY

In 2009 the company continued to roll out various programmes to aid the application of its corporate integrity regulations such as the Charter Governing Senior Management, the Charter Governing Executives and the Employee Code of Conduct.

Also, in order to improve the company's Ethics Channel and widen its dissemination, procedure F110 "Ethics Channel and complaint management" was updated. In 2009, some 103 complaints were received. Of these, 74% of the cases were resolved in the year while corrective measures were necessary for the remaining 13% such as the cancellation of agreements with contractors, the dismissal of the parties involved or other suitable measures for each case.

01.4. COMMITMENT TO OUR INVESTORS

In 2009, the Shareholders' Office handled some 5,110 telephone enquiries and received 310 visits, most regarding the General Shareholders' Meeting, and sent more than 700 information mailings by post or e-mail.

The "Information for Shareholders and Investors" channel on the company's website (www.endesa.es) provides access to its main financial documents and publications, summaries of reports issued by leading analysts, investment

banks or rating agencies, documents related to the General Shareholders Meeting and information on corporate governance, etc. In addition, the conference calls on quarterly earnings and other company events are broadcast in real-time via this channel.

ENDESA was ranked seventh in the utilities sector in the 2009 Benchmark Investor Relations Study.

Two investor meetings were held in the year to discuss sustainability issues, the company was more proactive in informing investors of its renewables strategy and also updated the sustainability section of its website.

01.5. COMMITMENT TO THE ENVIRONMENT

ENDESA's commitment to the environment largely centres on combating climate change, obtaining excellence in environmental management and preserving biodiversity. The second cornerstone includes the integrated management of water, advances in environmental management systems and the pertinent accreditation, controlling environmental risks and damage as well as supervising emissions regulations.

Noteworthy steps taken in this area in 2009 include the following:

- In the area of water management, consumption in various processes was quantified and the main areas for improvement analysed. The company also compiled various regulations to be applied in the countries where it operates regarding eliminating dried-up sections in rivers. For the integrated management of reservoirs, three aspects were studied: quality and use of the water and the related ecology.
- To obtain a balance between assumable risks and investment costs, facilities were classified in accordance with Enel's Risks Programme which is currently being applied to all ENDESA facilities in Spain and Latin America. In 2009, work continued at ENDESA on the implementation and accreditation of its environmental management systems under the ISO 14001 and EMAS standards at its main centres. At present 80.6% of total installed capacity in Spain and Portugal has received this accreditation and all hydroelectric and nuclear plants are ISO 14001 certified as are the company's port, mining and distribution facilities. Environmental Management Systems were implemented at non-accredited facilities such as the Compostilla plant and the As Pontes combined cycle plant. The initial accreditation stage was also completed at the As Pontes plant. Of those facilities which obtained ISO 14001 accreditation in 2009, the Almería thermal production unit and the Cristóbal Colón combined cycle plant were EMAS registered. All of Endesa Distribución's businesses are now AENOR certified after the Spanish certification agency granted the company's businesses in Extremadura and Andalusia accreditation. In 2009, nearly all of the company's generation and distribution facilities in Latin America were ISO 14001 certified for its environmental management policies and OHSAS 18001 certified for OHS prevention. In the generation business, 98.7% of installed capacity boasted environmental accreditation while all of the distribution companies were duly certified.

In April 2009, the Environmental Management System was rolled out at the Tahaddart combined cycle plant in Morocco. Following the successful audit in December, this plant became the first of its kind on the African continent to become ISO 14001 certified.

- Work was completed on the desulphurisation facilities in group I of the Litoral de Almería thermal power station. This project concludes ENDESA's environmental action plan to reduce sulphur, nitrogen oxide and particles emissions at its thermal power plants throughout Spain. The Plan's initiatives have entailed a total outlay of Euro 648 million in the 2004-2009 period which has seen SO₂ emissions slashed by 78.8%, NO_x emissions reduced by 21.8% and particles emissions cut by 55.5% at all ENDESA facilities. In Latin America we continued to implement European methodology in accordance with Directive 2007/589/EC on controlling CO₂ emissions at thermal plants. Even though this is an EC directive, ENDESA has wished to apply the same concepts and requirements in Latin America as in Spain to calculate and control emissions.

Application of Regulation 19 concerning emissions at Endesa Chile's thermal generation plants was also revised to provide better and more precise data and information concerning the emission of conventional pollutants as stipulated in this regulation. It will now be possible to compare and contrast all the company's data and information in this area.

- Following the presentation of the company's biodiversity programme as part of the national congress of the environment (CONAMA), the programme was largely rolled out based on three objectives: integrating biodiversity conservation into operations, creating an internal biodiversity conservation culture and unlocking the value of natural assets.

One of the most important projects is the reconditioning of the slag heap at the As Pontes open-pit coal mine into the largest "natural" lake in the Iberian peninsula. Meanwhile, work to physically restore the environment continued at the Emma mine in Puertollano (Ciudad Real) and in Andorra.

Other conservation programmes are also being carried out via Endesa Entornos Naturales, such as planting trees at the ENDESA head offices in Madrid to help offset the emissions from energy consumption there, reforestation around the perimeter of the As Pontes mine with over 38,500 trees planted covering 47 hectares, waste at the Sineu lagoon in Mallorca has been cleaned and removed while the perimeter fence has been restored and access improved, an agreement has been signed with the Salas de Pallars town council (Lleida) to develop alternative activities in the land adjacent to the San Antoni de Talarn reservoir.

Another important initiative is the development of the project for environmental improvement at the Cortijo de La Torre located at the Bolonia cove in Tarifa (Cadiz). This work is part of the framework agreement signed with the Department for the Environment of the Autonomous Regional Government of Andalusia and the Andalusia branch of the platform for environmental conservation.

In Latin America, in addition to the creation of the Biodiversity Committee in September 2009, work continued on safeguarding and investigating fjords through various activities organised by the San Ignacio del Huinay Foundation in Chile. Of note is the publication of the guide to benthic fauna in the Chilean Patagonia which details the discovery of over 40 new species. The Foundation also embarked on a second scientific expedition to previously unexplored lakes where peculiarities in the composition of planktonic communities were discovered.

01.6. COMMITMENT TO TECHNOLOGY AND INNOVATION

In 2009, ENDESA expanded its technological innovation activities with various projects including the preparation of the 2009-2014 Technological Plan, the *SmartCity* technological project, smart meters, various electric vehicle initiatives and the *Store* and *Cenit Verde* projects.

The company also prepared and disseminated 30 smart technology products, launched the development system for the *Tecnosfera* knowledge network, held the *Novare* awards for employees to promote RDI projects and participated in various technological platforms. We would also note that the company presides the Spanish Technological Platform for Energy Efficiency.

More details on ENDESA's initiatives in this area can be found in the Technological Innovation section of this report.

01.7. COMMITMENT TO SOCIETY: OUR PARTNERS

In order to extend its sustainability commitments to its supply chain, in the year ENDESA rolled out various initiatives including the launch of the Accreditation System for Suppliers, it revised the general terms and conditions for contracts, notified its strategic suppliers of ENDESA's commitment to the UN Global Compact and implemented the principles of its Code of Conduct across its supply chain.

It also identified groups of suppliers and strategic product purchasing families to help improve the quality of the products purchased and a rating system for suppliers was established.

01.8. THE CLIMATE CHANGE CHALLENGE

As we have noted above, combating climate change is one of the key pillars of the 2008-2012 ENDESA Sustainability Report. The initiatives in this regard have five strategic aims:

- Active participation in the development of renewable energies. We would note that in 2010 Enel and ENDESA decided to set up a specialist company with the aim of becoming one of the world's leading renewable energy operators.
- Spearheading new developments in technology that lead to reduced CO₂ emissions via carbon capture and storage (CCS) projects, developing combined cycles and installing peak capacity, among other actions. For example the Spanish Endesa-CIUDEN CCS project which was approved by the European Commission in 2009 with a budget of Euro 180 million.
- Taking advantage of energy efficiency and cogeneration opportunities in all business lines. Endesa Energía has created value-added products and services that are energy efficient and renewable (*low cost batteries*), the *Ilumina Plan* (efficiency as a service) and various rental schemes. As part of its PE³ Energy Efficiency Plan, various campaigns were also launched to raise customer awareness regarding energy efficiency (*Twenergy website*, videos on Youtube, etc.).

- Leading the sustainable transport model based on electric vehicles. ENDESA has signed a memorandum to promote the electric vehicle at the request of the Ministry of Industry, Tourism and Trade and is one of the most active Spanish companies in developing the government's electric mobility plan (MOVELE) which aims to launch 2,000 electric vehicles and install 546 recharging points in Madrid, Barcelona and Seville (75), it is working with the Madrid city council, via the Movilidad Foundation, to launch the MOVELE project in the capital. The company has also signed a collaboration agreement with the Barcelona city council to create Oficina Live to develop and promote electric mobility in the city, it participates in the "VERDE" project financed by the Ministry of Science and Innovation's Cenit programme (National Strategic Consortia for Technical Research) to promote technological research on rolling out the EV to the market, it is involved in projects aimed at integrating the EV into smart grids such as SmartCity, DER-22@ and REVE, has signed agreements with players in this new market such as Cepsa, Telefónica, Bergé and Renault-Nissan and is collaborating on research and demonstration projects for the EV across Europe such as G4V and ELVIRE.
- ENDESA is playing a leading role in building a Clean Development Mechanism (CDM) project to guarantee coverage of its emissions and generate a surplus. Following the creation of Endesa Carbono which is responsible for identifying CDM projects, ENDESA has raised its international profile in this area, becoming the leading utility and one of the five most active companies in this field with 6% of the total credits granted by the United Nations. At the end of 2009 there were 52 CDM projects in its portfolio, representing over 82 million tonnes of CO₂ reductions and it had joined the *Carbon Partnership Facility*, a fund set up by the World Bank for clean energy projects.

01.9. THE LOCAL COMMUNITY CHALLENGE

The company's response to the challenge of forging ties with local communities, and which forms part of the strategic sustainability plan, entails developing local plans to adjust corporate strategies to local models. In 2009 we drew up Country Plans to encourage this adaptation with a view to rolling these out from 2010.

A great deal of ENDESA's efforts to forge ties with local communities focus on social initiatives in favour of the communities where the company operates.

In 2009, ENDESA allocated Euro 39.2 million to conducting and promoting activities regarding social development and general interest, an amount equivalent to 1.64% of net profit from continued operations attributable to the company's shareholders.

Of this amount, 55% was earmarked for Latin America and 45% for Spain and Portugal. Also, 52% was used for cooperation projects to assist the social and economic development of the local communities while the rest went towards educational, cultural and environmental initiatives.

More details on ENDESA's initiatives in this area can be found in the Social Initiatives chapter of this report.

02. MAIN AWARDS RECEIVED IN 2009

ENDESA's sustainable development initiatives received various awards in 2009.

For the ninth year running the company was high in the ranking of the utilities section of the *Dow Jones Sustainability Indexes* (DJSI) for advances in sustainable development. It was also awarded the highest score in the *Carbon Disclosure Project* ranking of power companies worldwide.

The company continued to adopt the main international benchmarks for sustainable development, focusing its efforts on the United Nations Global Compact, OECD Principles and the UN's Millennium Goals.

In this regard, Edesur (ENDESA's subsidiary in Argentina) was chosen to be one of 11 members of the governing committee of the country's UN Global Compact network for 2009-2011. The company's subsidiaries are also members of the executive bodies of the local Global Compact networks in nearly all the countries where it operates. It is also a founding member of the Global Compact Regional Center for Latin America and the Caribbean.

The Pehuén Foundation, promoted by ENDESA in Chile, was also included in the UN's *Doing Business in a Multicultural World* guide while the Ecoelce project, which exchanges energy for rubbish in Brazil, was mentioned in the third edition of the *Embedding Human Rights into Business Practice*. Six case studies from various ENDESA subsidiaries were also included in the guide for implementing Principle 10 of the Global Compact. Progress reports concerning compliance with the commitments of the Global Compact at both ENDESA and its Latin American subsidiaries consistently obtain a "B" grade.

Other awards in 2009 were:

- Integration and Solidarity Award for Edelnor in Peru for its Nuevo Pachacútec Electricity School.
- CIER quality and customer satisfaction award given to Coelce, the group's distribution company in Brazil.
- Coelce was also named the best distribution company in Brazil and the most highly-valued by its customers in the Abraddee Awards.
- Enersis was awarded the Chilean safety association's honorary prize for its low accident rates and prevention efforts as part of a fundamental corporate value.
- Emgesa in Colombia received the Andesco CSR Award for the progress made in the fields of safeguarding the environment and in corporate governance issues.
- Enersis was named *The New Economy's Energy company of the Year, Latin America*.
- ENDESA's university-company collaboration efforts were recognised by the University of Seville.

- The company's efforts at home and abroad to safeguard and protect information at all levels, areas, businesses, activities and processes received the SIC award.
- ENDESA received the 2nd Research, Development, Innovation and company prize from the Andalusia Academy for Social Sciences and the Environment in conjunction with the Andalusia Confederation of Businessmen and the Andalusia Council of Chambers of Commerce, Industry and Navigation.
- The Operating Excellence Award from the internationally-renowned US-based *Electric Power Research Institute* (EPRI) which performs research and development in the electricity sector.
- For the second consecutive year, ENDESA received the AUTELSI award in the Social and Environmental Commitment category.
- The AEDME award for Enterprise Sponsorship and Patronage in the Environment category for Emgesa's biodiversity conservation project carried out at the Cartagena power plant in Colombia.
- The National Irish Safety Organisation (NISO), charged with promoting occupational health and safety throughout the country, also honoured Endesa Ireland with its Safety Quiz Award.
- Aberje Award for corporate communication in Brazil for its "new way of disseminating information regarding Corporate Social Responsibility".



Research, technological
development and
innovation

01. ENDESA: RDI

ENDESA stepped up its research, technological development and innovation (RDI) activities in 2009. The company coordinated its portfolio of strategic RDI projects with Enel in a bid to maximise added value over the medium and long term. The two companies streamlined efforts on this front to take better advantage of the areas of interest in their markets of operation.

ENDESA's endeavours in RDI are part of its commitment to sustainability, contained in its 2008-2012 Sustainability Plan. Targets of the plan include gaining recognition as a leader in industrial innovation from the markets, scientific community and society at large.

Meanwhile, ENDESA's 2009-2013 Technology Plan contains actions with a budget of Euro 233 million of investment by the utility itself, in addition to Euro 87 million contributed by a number of technological partners participating in projects carried out through consortia. This type of cooperation is consistent with the open and shared innovation model established by the company in 2004.

ENDESA's direct investment in RDI activities in 2009 amounted to Euro 45 million. Another Euro 16 million were spent by technological partners on projects and consortia led by the company. Noteworthy were the approval and start-up of the *SmartCity and Store* projects, entailing combined investment of Euro 43 million.

All ENDESA's RDI actions are promoted and coordinated through the Corporate Unit working with the various business lines in each of the company's markets, unifying project selection criteria, management and technological knowledge capture models, and unlocking their value while bearing in mind the differences in regulation and businesses in each country. Obtaining and optimising grants, tax credits and financial aid for RDI initiatives are managed centrally, in the same way throughout the organisation.

As part of its innovation strategy, ENDESA has earmarked corporate resources and set up an "ad hoc" organisation for two particularly important areas: e-mobility and energy efficiency.

02. KEY TECHNOLOGY AND INNOVATION INITIATIVES

02.1. E-MOBILITY

ENDESA is firmly committed to carrying out e-mobility initiatives in its markets, especially in Spain, where its actions are aligned with the Spanish government's push for this sustainable transport alternative.

By playing an active role, the company's various actions have made it the industry leader in e-mobility:

- *Standardisation and certification.* ENDESA was one of the first companies to join international standardisation and regulation groups for e-mobility equipment, systems and solutions. Of particular note are the Group of Berlin internationally and the FOREVE forum in Spain, organised by the Ministry of Industry, Tourism and Trade.
- *RDI projects.* ENDESA has spearheaded critical projects for the G4V (*Grids for Vehicles*) consortium under the European Union's Seventh Framework Programme for Research and Technological Development (FP7) in order to create medium and long-term solutions for the optimal integration of vehicles into electricity grids.

In Spain, ENDESA is a core partner in the CENIT VERDE consortium, a four-year project with a budget of nearly Euro 40 million, in which it is in charge of advanced interaction concepts between the electric vehicle (EV) and the electricity grid.

- *Mobility promotion and exhibition initiatives.* ENDESA is the most committed company to rolling out the Ministry of Industry, Tourism and Trade's "Plan MOVELE" e-mobility project. Plan MOVELE is a pilot programme involving the installation of 550 EV recharging points in Madrid, Barcelona and Seville.

Meanwhile, in Barcelona the "LIVE" office has been set up to unify and manage the city's efficient mobility-related initiatives — LIVE is the Spanish acronym for logistics for the implementation of the electric vehicle —.

ENDESA is also working on major European initiatives, such as the city of Malaga's candidacy to lead the demonstration of fast vehicle charge systems under the *Green Cars initiative*.

- *Design of new electric mobility business models.* ENDESA is the only European utility chosen by the ELVIRE consortium, under the FP7, to define and exhibit future business models and promote new uses in e-mobility. The objective of ELVIRE is to develop solutions that enable vehicles to manage battery levels and usage with respect to the grid, and provide data and value added services between the EV and the various types of suppliers.

02.2. ENERGY EFFICIENCY

ENDESA is the leader of the Málaga *SmartCity* energy efficiency project, committed to developing smart grids and sustainable urban planning under the framework of the "Smart City" concept. Initiatives under this project include other power generation and storage, demand management, efficient lighting and e-mobility initiatives in which end customers play an active role, making the Málaga *SmartCity* a pioneering project.

In short, *SmartCity* entails a new energy management model for cities aimed at achieving greater efficiency, lower CO₂ emissions and increased usage of renewable energies.

The project has a budget of Euro 31 million, partly financed by the European regional development fund (ERDF) with backing from the Andalusian regional government and the Ministry of Science and Innovation's Centre for the Development of Industrial Technology (CDTI for its initials in Spanish). ENDESA is working on the project together with 11 international technology companies.

The ultimate aim of the project is to achieve 20% energy savings and reduce CO₂ emissions by 6,000 tonnes per year.

02.3. ENERGY STORAGE

Corporate research is also heavily geared towards energy storage. One of the main initiatives in this area is the STORE project, endorsed by the CDTI and carried out with leading technological partners. Its objective is to demonstrate new energy storage technologies applied to power systems for realistic use-cases as a means of managing temporary imbalances between generation and demand, thus helping to make transmission grids more flexible and reliable and enhancing both supply quality and system operation.

At the European level, ENDESA continued to carry out activities with the IUA (*Innovation Utilities Alliance*) in 2009 in conjunction with utilities Enel, EDF, RWE and EDP-HC. This alliance was set up to exchange technology know-how and share experiences, as well as to carry out joint RDI projects.

02.4. PARTICIPATION IN TECHNOLOGY PLATFORMS

Last year, the company played an active role in a variety of technology platforms, including the Spanish Technological Platform for Energy Efficiency, in which it holds the presidency, and the Spanish Electrical Grid Platform (FUTURED), in which holds the office of Technical Secretary.

During the year, it continued to conduct research in its markets, highlighted by its involvement in the Catalanian Institute for Energy Research (IREC) and the Andalusian Technology Corporation (CTA) foundations.

Another initiative worth highlighting is the ENDESA Innovation Circles (CIDE), in which 34 technology partners and seven universities and research centres took part. The activities and projects included under the scope of this meeting point were carried out over the year, enabling participants to put forward their outlooks for technology and debate the lines of action to uncover valuable solutions for the sector.

Elsewhere, initiatives were carried out in Latin America, including participation in the DICTUC-Feedback Corporate Entrepreneurship Platform, designed to develop innovation management within the company, or Chilectra's Innovation Week, which included a number of activities aimed at promoting in-house innovation, with some 400 employees taking part.

03. INNOVATION PROJECTS: TECHNOLOGICAL CORNERSTONES

ENDESA's portfolio of innovation projects is structured around the key technology areas encompassed in its strategic medium- and long-term resource optimisation and added-value generation targets. These areas are.

03.1. FOSSIL FUEL GENERATION

- *The CIUDEN Project and the OXY-300 CCS demonstration plant.* This is a global programme geared towards demonstrating carbon capture and storage (CCS) technologies that brings together public research initiatives into combating climate change and ENDESA's private initiatives with a view to developing commercially viable technologies that reduce emissions in electricity production. The CIUDEN project is the only Spanish project of its kind chosen by the EU to develop oxy-combustion-CFB technology for CCS in deep saline aquifers.
- *CENIT CO₂ Project.* Since 2006, ENDESA has led the CENIT CO₂ Project (the National Strategic Consortium for Technical Research into CO₂), Spain's leading R&D initiative to combat climate change. This project brings together 13 companies and 16 research centres, and operates with a budget of Euro 26 million.
- *Novare CO₂ SOLSORB Project.* This project aims to develop and demonstrate a new type of absorbent based on a solid substrate with amines for carbon capture at conventional thermal power plants. This could lead to a significant reduction in energy consumption during absorption and regeneration.
- *Plan AlgaE Project.* This is a pilot plant located in the Almería thermal power set up for the recovery of carbon dioxide from combustion gases through microalgae in order to obtain commercially viable products such as biofuels. This project receives scientific and financial aid by the government through its inclusion in the national "PlanE" programme.

03.2. RENEWABLE ENERGIES

- *GDV-500 Project*. This project is designed to develop new systems to harness solar thermal power and generate steam more efficiently, while reducing environmental risks.
- *El Hierro Project*. The aim of this project is to develop a wind/hydro power system that is fully renewable. The El Hierro Project was carried out in collaboration with the Island Authority of El Hierro and the Technology Institute of the Canary Islands (ITC) to supply the island with wind power and regulate it through a pumping system, which makes up for any power not provided due to a lack of wind.
- *Novare Hydro Project*. This project, carried out in Chile in conjunction with Starlab and Pontificia Universidad Católica de Chile, was designed to introduce satellite remote sensing technologies in renewable hydro energy management.
- *Hidráulica Project*. This project entailed the development of a pilot plant for the study and optimisation of hydrogen and electricity production at wind farms.

03.3. GRID AND ENERGY EFFICIENCY

- *Cervantes Project*. This project was designed to define, develop and roll out an automatic and remote electricity supply control and operating system for domestic customers. Its ultimate goal is to gradually transform domestic meters.
- *Integris Project*. This is a European-wide project led by ENDESA for the development of ICT infrastructure for smart grids that allow for the integration and operation of PLC and wireless communication technologies.
- *OPTIGES Active Demand Management Project*. This project was designed to achieve large-scale active demand management in the SME sector. The outcome will determine the conditions necessary for the viability of demand management and solutions to control problems.
- *Icono Project*. This project aims to automate, assist and improve the work of network operators with elements that forecast network conditions and provide control measures in order to guarantee stability and security.
- *S2G Project*. This aim of this project is to design and put into service an advanced power distribution monitoring, tracking and maintenance system from substations to transformer centres.
- *Project CENIT DENISE (Intelligent, Safe and Efficient Electricity Distribution)*. This ENDESA-led consortium was set up to research and develop technologies and IT systems that meet the energy distribution requirements of emerging societies. The project, scheduled to run from 2007 to 2010, has a Euro 24 million budget.

03.4. NUCLEAR ENERGY

ENDESA performs R&D in nuclear energy through its participation in different programmes. In addition, it holds the position of secretary in the Spanish nuclear fission energy technology platform, CEIDEN, which coordinates sector RDI.

Through the Nuclear Energy Committee of the Spanish Energy Industry Association (UNESA for its initials in Spanish), ENDESA undertakes research projects of interest to its nuclear power plants.

Some of its special interest programmes are:

- *The EPRI Nuclear Programme*, which pursues operational excellence at nuclear power plants.
- *Coordinated PCI Research Programme*, with the participation of sector companies and the Nuclear Safety Council (CSN), set up to analyse plant security for both operators and the regulator.
- *Joint PIC Programme*, between electric utilities and ENUSA, which coordinates RDI activities related to nuclear combustion and defines common interest projects.



Human resources

ENDESA's human resources policy is consistent with its corporate mission, vision and values. The management and initiatives carried out in 2009 focused on the company's firm commitment to safeguarding the health and safety of our employees and also creating a motivating and stimulating working environment to help foster commitment, a pride in belonging and a greater commitment from all employees. In sum, helping guide our employees' ability and talent towards creating value for the company's shareholders.

01. HIGHLIGHTS AND MAIN INITIATIVES

Highlights and the main initiatives in the field of Organisation and Human Resources in 2009 were as follows:

- Restructuring of the human resources function. The department's organisational model was reviewed in September to adapt it to the company's new circumstances. The cornerstones were:
 - Integrating the human resources units in all the geographical areas where ENDESA operates into a single unit reporting to the company's Organisation and Human Resources department.
 - Transferring the organisational function to the Human Resources Department.
 - Achieving organisational efficiency and capturing the most synergies possible.
 - Ensuring that a quality service is provided to the Business units.
 - Bringing people together within the company.

The Organisation and Human Resources department is now divided into seven areas: Occupational Health and Safety, Policies and Reporting, Organisation and Planning, Development, Social Welfare and Security, Human Resources for Spain and Portugal, and Human Resources for Latin America.

- A Loyalty Plan was approved (long-term deferred remuneration) aimed at guaranteeing compliance with all the company's strategic objectives as well as reinforcing the commitment of its managers and key employees. This Plan is linked to meeting strict EBITDA targets for ENDESA and net profit targets for both ENDESA and Enel.
- Workplace Satisfaction and Commitment Survey. ENDESA's 4th Workplace Satisfaction and Commitment Survey was carried out between 3 and 22 December. We would note the high participation level, much greater than in previous years (79% in 2009 compared to 61% in 2007), and the high level of commitment among our employees (78%). The results of this Survey were used to draw up the action plan for the Organisation and Human Resources function for 2010.

02. WORKFORCE-ENDESA AND SUBSIDIARIES

At the end of 2009 ENDESA's workforce totalled 26,305, 1.1% fewer than the previous year.

ENDESA's workforce in Spain and Portugal fell from 13,561 at year-end 2008 to 13,380 at year-end 2009, a decrease of 1.3%; in the Latin American business, it stood at 12,676 at the end of 2009, a decline of 1.7%, while in the other countries the workforce rose to 217 following the addition of Ireland to the consolidation scope.

Workforce at 31/12/09	2005	2006	2007	2008	2009	% chg. 2009-2008	% chg. 2009-2005
Spain and Portugal*	12,709	12,625	12,677	13,561	13,380	-1.3	5.3
Latin America	12,317	11,962	12,169	12,896	12,676	-1.7	2.9
Other countries**	2,153	2,130	2,147	101	217	114.9	-89.9
Other businesses (Endesa Network Factory and Bolonia Real Estate)	25	41	26	29	32	10.3	28.0
TOTAL	27,204	26,758	27,019	26,587	26,305	-1.1	-3.3

* The workforce in Spain and Portugal includes Corporation and Services employees (1,327 and 370 people, respectively).

** Includes Endesa Hellas (52 people), Energie Electrique de Tahaddart (1) and Endesa Ireland (164).

Average workforce	2005	2006	2007	2008	2009	% chg. 2009-2008	% chg. 2009-2005
Spain and Portugal	12,833	12,663	12,666	13,646	13,562	-0.6	5.7
Latin America	12,105	12,078	12,111	12,699	12,963	2.1	7.1
Other countries	2,333	2,172	2,172	1,210	214	-82.3	-90.8
Other businesses (Endesa Network Factory and Bolonia Real Estate)	23	35	32	26	31	19.2	34.8
TOTAL	27,294	26,948	26,981	27,581	26,770	-2.9	-1.9

Workforce age pyramid

Age range	%
<35	23.4
35 to 44	27.9
45 to 54	36.1
55 to 59	9.8
>60	2.8
TOTAL	100.0

03. OCCUPATIONAL HEALTH AND SAFETY

03.1. MAIN OCCUPATIONAL HEALTH AND SAFETY INDICATORS

In 2009, ENDESA's occupational health and safety indicators remained at the same levels as in the previous five years (overall, they declined two thirds compared to 2004), making the company one of the leading utilities worldwide in this area.

- The accident frequency index among ENDESA employees remained flat at around 3 (3.37 in 2009 against 3.02 in 2008).
- The index of severity of workplace accidents involving ENDESA employees rose slightly (0.14 in 2009 against 0.12 in 2008). The total number of calendar days lost due to workplace accidents was approximately 0.1% of total time worked.
- Absenteeism for non-work related accidents and common illness among ENDESA personnel rose 4.7% compared to 2008 (2.66 vs. 2.54).
- There were 10 workplace fatalities in 2009, all affecting contractors (one in Spain and nine in Latin America). This is 27% lower than the average of the past five years.

Accident rate (frequency index) – ENDESA employees

	2004	2005	2006	2007	2008	2009	% chg. 2009-2008
Spain & Portugal	14.26	11.94	9.38	7.59	3.75	4.20	12.0
Other countries*	14.25	9.04	13.85	8.04	—	0.00	—
Latin America	3.81	4.76	3.19	2.75	2.47	2.75	11.3
TOTAL	9.13	8.11	6.45	5.05	3.02	3.37	11.6

Number of accidents resulting in sick leave of more than one day, per million hours worked.

Severity Rate – ENDESA employees

	2004	2005	2006	2007	2008	2009	% chg. 2009-2008
Spain & Portugal	0.77	0.71	0.45	0.41	0.23	0.24	4.04
Other countries*	0.82	0.63	0.43	0.25	—	0.00	—
Latin America	0.08	0.23	0.06	0.05	0.04	0.06	55.30
TOTAL	0.43	0.39	0.25	0.21	0.12	0.14	15.16

Number of sick leave days resulting from workplace accidents, per thousand hours worked.

Number of fatalities – ENDESA and contracted employees

		2004	2005	2006	2007	2008	2009
Spain & Portugal	ENDESA employees	1	0	4	0	0	0
	Contracted workers	8	6	4	2	1	1
Other countries*	ENDESA employees	0	0	0	0	—	0
	Contracted workers	1	0	0	0	—	0
Latin America	ENDESA employees	0	0	0	0	0	0
	Contracted workers	4	15	10	7	10	9
TOTAL	ENDESA employees	1	0	4	0	0	0
	Contracted workers	13	21	14	9	11	10

Absence due to common illnesses and non-work related accidents – ENDESA employees

	2004	2005	2006	2007	2008	2009	% chg. 2009-2008
Spain & Portugal	2.97	3.17	3.23	3.23	2.98	2.95	-1.0
Other countries*	2.68	3.62	3.53	2.81	—	—	—
Latin America	2.24	2.48	1.94	2.56	2.09	2.36	12.9
TOTAL	2.88	3.18	2.92	2.91	2.54	2.66	4.7

Percentage of work days lost due to common illnesses and non-work related accidents

* In 2009 "Other countries" refers to the businesses in Ireland whereas in 2004-2007 it referred to businesses in France and Italy.

03.2. MAIN OCCUPATIONAL HEALTH AND SAFETY INITIATIVES IN 2009

ENDESA undertakes a wide range of activities with the aim of achieving excellence and becoming an international benchmark in this the field of Occupational Health and Safety. These activities are carried out in the following areas:

03.2.1. Occupational Health and Safety culture and awareness (OHS)

Once the main OHS actions are defined and disseminated, it is important to initiate ongoing awareness campaigns, offer courses, develop a communication plan and run refresher courses.

It is for this reason that Safety Week (held 30 November to 4 December) was particularly important. The entire company became involved, with the Chairman, CEO and top executives all taking an active role to raise awareness of the importance of working in a safe environment. Representatives from various contractors also took part in these events which were organised in collaboration with Enel Group companies and presented their action plans on how to improve OHS.

Timed to coincide with these events, ENDESA rolled out its Prevention Observatory in which the company's management, social representatives and health and prevention associations also took part. The aim of this forum is to analyse, draw up and return to society knowledge regarding good practices and predictive safety, the causes of accidents and legislation and social trends in this regard.

In Spain nine awareness workshops were held for 1,300 executives and team managers as well as a number of prevention courses totalling 280,025 training hours (21.5% of all training hours provided in 2009).

The generation units of Endesa Ireland (164 people) were also added in the year following the pertinent OHS diagnosis and assessments. ENDESA's preventative management guidelines were applied.

03.2.2. Common OHS management systems

The Delfos OHS management system was fully rolled out to all ENDESA businesses and countries where it operates. The business warehouse is the only information extraction module pending implementation.

Work continued on obtaining OHSAS 18001 accreditation and at 31 December nearly all of ENDESA's facilities in Europe and Latin America had been certified.

03.2.3. Collaborating Companies

One of the main OHS challenges for ENDESA is transmitting its policies and practices to collaborating companies. The company rolls out initiatives prior to entering into a contract (a ranking of suppliers with high OHS management requirements), as well as during the execution phase (assessing OHS results and, where applicable, issuing fines for non-compliance).

It is worth noting that in Latin America over 40,000 on-site IPAL inspections (occupational accident prevention index) were carried out in 2009 and more than 150 fines were issued for non-compliance. In Spain, strategic alliances were signed with the company's main collaborating companies to guarantee its pledge of preventing accidents.

03.2.4. Health

The company adopts a "healthy company" approach to its prevention policy by seeking to improve the general health (physical, mental and social) of its employees. It has therefore adopted various action plans on how to manage stress; tackle muscular problems; prevent cardiovascular disease; fight alcohol, tobacco and drug abuse and encourage healthy eating, etc.).

03.2.5. Motivation and awards

Every year ENDESA establishes criteria to assess and encourage good OHS practice in the company's various business units and among both its own and contractors' employees. It also sets up common management indicators and parameters. A system for setting OHS targets exists, affecting all ENDESA employees from senior managers to supervisors.

In this regard, in 2009 the second edition of the Apolo awards was held for collaborating companies while the third edition was rolled out internationally. The NOVARE-OHS awards were also held for ENDESA employees to promote innovative ideas in this area.

During Safety Week Enel conferred to ENDESA awards for two of its facilities (the As Pontes mine in Spain and the Malacas thermal plant in Peru) due to their outstanding performance in the area of occupational health and safety.

04. HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT

Highlights in this field in 2009 were as follows:

04.1. DEVELOPMENT

04.1.1. Talent Management

The company strengthened the processes related to Talent Management (general management competencies, performance and potential), making a special effort to align its management team with company strategy and thereby boost its development.

Highlights:

- A total of 6,253 ENDESA employees worldwide took part in the 2008 Performance Assessment process (directors and selected employees in Spain and their counterparts in Latin America, qualified staff in Spain and other groups in Latin America).
- Some 6,890 people were also evaluated based on general management competencies in the year.
- Talent Management was also introduced to other strategic groups (selected employees and their counterparts in Latin America) with 1,848 people taking part.
- A total of 77 evaluation committees were held where the potential of the abovementioned groups was assessed. Here, 759 individual development areas were identified for 241 employees.

04.1.2. Individual Development Plans

Individual development plans are created for newly-appointed executives (38) to offer personalised support, advice and supervision.

04.1.3. Training

In 2009, 1,302,271 hours of training were given, an average of 51.98 hours per employee. Of this total, 17.6% was distance learning and 82.3% live tuition.

Some 21,918 employees took part, or 87.5% of the average workforce in the year. Investment totalling Euro 12.6 million was earmarked for training programmes.

	Total ENDESA	Argentina	Brazil	Chile	Colombia	Spain and Portugal	Peru
Total hours of training	1,302,271	45,605	288,280	187,608	141,465	584,832	54,480
Thousands of live tuition hours	1,072.25	41.02	275.38	141.17	111.82	451.21	51.66
Thousands of distance-learning hours	230.02	4.59	12.90	46.44	29.65	133.62	2.82
Hours/employee	51.98	14.17	92.07	59.69	77.27	46.91	43.14
Total costs (€)	12,603,628	182,430	975,973	1,945,468	519,911	8,613,148	366,699
Costs/employee	479.1	56.7	322.7	602.5	271.4	604.8	249.1
Total number of people trained	21,918	1,433	3,325	2,545	1,859	11,721	1,035

04.1.3.1. Breakdown of hours by area

ENDESA places special emphasis on occupational health and safety training. In 2009, 21.5% of total training hours was in this area with 14,331 employees taking part. Special attention was paid to developing general management and leadership skills (16.7%), as well as technical and corporate-wide competences such as generation (9.7%), languages (9.5%), quality and the environment (9.4%) and distribution (8.2%).

	People trained	Events	Hours	% hours
OHS	14,331	2,496	280,025	21.50
General management / leadership competences	7,539	1,222	217,147	16.67
Technical generation	2,504	740	126,229	9.69
Languages	2,201	501	124,036	9.52
Quality and Environment	3,976	478	122,092	9.38
Technical distribution	4,335	683	106,314	8.16
Technical others	2,945	551	79,934	6.14
Sales and Marketing	2,008	382	74,911	5.75
IT	3,219	523	65,498	5.03
Economic-financial	1,308	338	60,681	4.66
Human resources	2,938	236	39,939	3.07
Other	175	41	5,465	0.42
Total	21,918	8,191	1,302,271	100

04.1.3.2. Corporate programmes

We would highlight the following corporate programmes carried out in the year:

- Personal leadership and talent management: 11 events were held with 220 executives taking part, totalling 6,994 hours of live tuition and coaching.

- Skill-building, potential management 2009: 24 live-tuition events were held totalling 4,832 hours geared at assessors and evaluators of the potential management process (302 people).
- A total of 1,557 people took part in the online training course over a total of 8,823 hours.
- Some 42 Human Resources employees were trained to be evaluators.
- Post-graduate studies. In 2009 the company authorised funding for 20 post-graduate programmes for executives and key personnel.

04.1.3.3. Energy School (Technological Training and Innovation)

ENDESA believes the management of its professionals' intellectual and technological capital is key to its RDI policy. This strategy aims to integrate and coordinate technical learning and knowledge management of ENDESA employees.

The mission of Endesa Energy Education is to boost the company's capacity to generate and share knowledge and innovation across the entity and to foster fruitful relations with the international scientific and academic community.

The company carried out various initiatives in 2009 including the third ENDESA-ICAI-Electrical Technology Official Master's Degree and sponsorship of the IV Barcelona Tech Summer Sessions (BTSS).

04.2. MANAGEMENT

04.2.1. Compensation

In 2009 the company approved a long-term Loyalty Plan linked to meeting certain EBITDA targets for ENDESA and net profit targets for both Enel and ENDESA. Some 1,200 employees (executives at all Endesa Group companies and other key staff) will be entitled to participate.

04.2.1.1. Overseas assignments

A total of 85 ENDESA employees were on overseas assignments at 31 December in 15 countries.

In the year 28 new assignments were arranged, one localisation contract signed and nine repatriations made.

We would note ENDESA's active participation in preparing and launching the White Paper on International Mobility published by the Spanish Expatriation Forum. This is a series of measures covering tax, labour, migration and social security issues aimed at improving management of overseas assignments which will be put before the government.

04.2.1.2. Executive appointments

In 2009, 33 new executives were named, 25 in Europe and 13 in Latin America. Of these 61% arose from internal promotions.

In 2009 the breakdown of executive workforce was as follows:

Number of ENDESA executives			
Grade	Europe	Latin America	Total
Senior Management	27	4	31
SD. General	14		14
Manager	112	59	171
Deputy Manager	313	190	503
TOTAL	466	253	719

05. MANAGING DIVERSITY AND WORK/LIFE BALANCE

The main diversity and work/life balance management policy initiatives rolled out by ENDESA in 2009 were:

- Participation in the consultation process of signatories to the Global Compact concerning Principles for Women (ONU-Unifem) which aims to promote female advancement in the business, economic and social spheres.
- Adherence to the Diversity Charter in Spain. This EC-sponsored initiative is aimed at eradicating gender discrimination in compliance with the EU directive.
- ENDESA drew up an on-line training programme entitled 'Enjoying Diversity' with 2,475 ENDESA Group HR managers taking part.
- In Spain, within the framework of the company's Equality and Work-life balance Plan, five social responsibility and equality seminars were held aimed at outlining the company's commitments in the areas of work-life balance, equal opportunities, managing diversity, integrating disabled workers and managing psychosocial risk factors. Some 528 staff took part in these seminars. We would also note the signing of the 'Code of good practices to prevent sexual harassment and/or gender-based discrimination' and the six Sexual Equality and Opportunities seminars held with 482 participants.
- In Chile, the first 'Women, architects of the future' programme was held to encourage leadership among female employees.
- Paternity leave was introduced in Peru, in a pioneering move aimed at obtaining a healthy work-life balance.
- Endesa Chile was named for the third consecutive year as one of 'The top 10 companies for working mothers and fathers' by Chile's Unido Foundation and the Ya magazine of El Mercurio newspaper.
- Finally, the new 'Family psychology counselling service' was introduced at all Enersis group companies.

In Spain, the company drew up its Plan for Integrating People with Disabilities which included entering into various collaboration agreements with the UNIVERSIA Foundation aimed at providing access to higher education via a series of grants to people with disabilities. The company also outsourced the auxiliary services available at its main workplaces in Spain to the Sifu group's special employment bureau which saw 100 disabled people hired. ENDESA launched the Endesa-ADECCO Foundation Family Plan to foster the workplace integration of disabled workers to which 58 families signed up.

06. MANAGEMENT OF EMPLOYEE RELATIONS

ENDESA maintains a policy of dialogue and collective agreement as part of its long-standing respect for human rights, freedom of association and the right to collective bargaining.

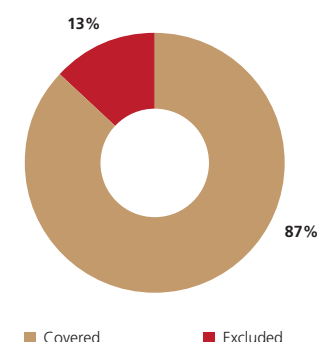
06.1. KEY MILESTONES

Highlights of employee relations initiatives for 2009 are as follows:

- The signing of 20 collective bargaining agreements in Latin America, Spain and Ireland, covering 3,429 people.
- The signing of an agreement in Spain regarding the rights and guarantees of all employees affected by the disposal of UPH Ebro Pirineos, Saltos del Nansa and ECyR.
- Labour agreements were reached and initiatives rolled out amid a positive working climate.

06.2. COLLECTIVE BARGAINING

Percentage of ENDESA employees covered by CLAs



There were 55 collective labour agreements (CLAs) at ENDESA companies in its seven largest countries of operations at 31 December 2009. In total, 87% of the workforce is covered by CLAs.

The company had six CLAs in Spain at the end of 2009, four in force and two under negotiation. In all, 12,387 people were covered by these agreements. In addition, two agreements were signed during the year.

In Ireland, a CLA covering 164 people was signed.

There were 48 CLAs in Latin America at the end of 2009, of which 38 were still in force and 10 were under negotiation, covering a total of 10,468 employees. Of the 17 signed in Latin America during the year, nine were in Brazil, two in Chile and six in Peru.

The number of hours lost as a result of strike action at ENDESA in 2009 was equivalent to 0.002% of total hours worked. There were no strikes in Latin America.

06.3. TRADE UNION REPRESENTATION

Union membership among the workforce of ENDESA and its subsidiaries in Spain and Latin America stood at 49% and 67%, respectively. The highest membership levels were in Brazil and Peru.

ENDESA companies in its seven most important countries of operation have 1,296 workers' representatives.

Membership of international labour federations breaks down as follows:

Structure of union membership at ENDESA

ICEM	18%
ICEM and ISP	26%
UNI	13%
ISP	4%
Other	39%

ICEM: International Federation of Chemical, Energy, Mine and General Workers' Unions.

UNI: Union Network International.

PSI: Public Services International.

06.4. MANAGEMENT OF SUBCONTRACTORS

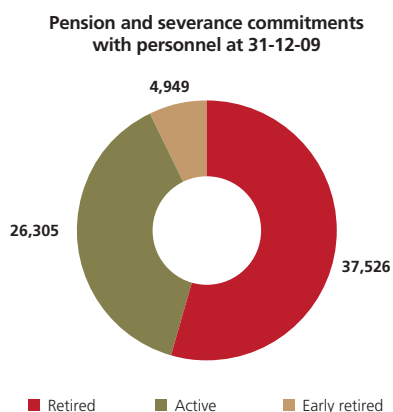
ENDESA takes responsibility for ensuring that the work done by contractors and subcontractors meets its own occupational safety and quality standards. Accordingly, its relationships with these companies are based on:

- Mitigating or preventing operational risks.
- Building mutually beneficial and sustainable relationships with contractors.
- Helping to extend the company's corporate responsibility principles and culture throughout the supply chain.

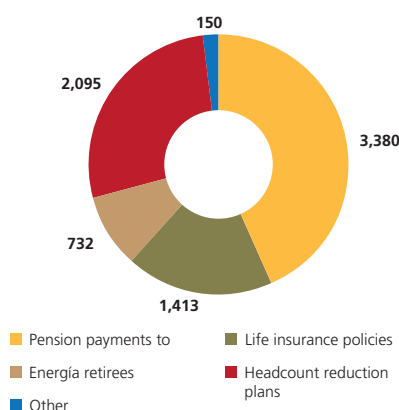
ENDESA set up a specific unit for the integrated labour management of contractors in Spain in 2009 to promote actions in this area.

07. PENSION MANAGEMENT

ENDESA has pension or similar commitments with some 68,780 persons, including current employees, employees taking early retirement, and retired employees. These commitments totalled Euro 7,770 million at the end of 2009.



The company has externalised all its pension commitments in those countries where this is mandatory. The total amount externalised at year-end 2009 was Euro 4,670 million, of which over Euro 2,640 million related to commitments to the 23,199 members and beneficiaries of the ENDESA Group employees pension plan, Euro 521 million to pension plans in Brazil and another Euro 176 million to employees of Ascó-Vandellós. The remaining externalised obligations relate to commitments for headcount reduction plans through insurance policies in Spain.

Commitments assumed at 31-12-09 (Euro million)


Pension commitments not externalised and recognised in the company's balance sheet stood at Euro 3,100 million at the end of 2009 and cover the following obligations: Euro 1,995 million to severance payments in Spain, Euro 732 million to Energía Eléctrica for retirement pensions and the remaining Euro 395 million mainly to internal pension funds in Latin America and, to a lesser degree, commitments to defined benefit pension schemes in Spain and index-linked pension costs in Spain resulting from an increase in the CPI.

With respect to property security, the Corporate Property Security Management Centre (CGS for its initials in Spanish) began operating in 2009. This centre oversees and operates the video surveillance and intrusion detection systems in ENDESA's remote installations. Some 30 Endesa Red substations were connected to the centre during the year. The CGS provides 24 hour support to any property security function or incident.

08. ORGANISATIONAL DEVELOPMENT

ENDESA tailors its organisational models to its strategic priorities, the performance of its businesses and its management structures. Key actions on this front in 2009 were:

Spain and Portugal

Adaptation of Endesa Operaciones y Servicios Comerciales' organisational structure in light of the enactment of the new Electricity Sector Act on 1 July 2009.

Rest of Europe

Integration in the Spain and Portugal business of the organisation resulting from the sale of assets belonging to Endesa Europe to E.On.

Corporate area

- Design of a new organisation structure that fully integrates the resources allocated to organisational and HR functions in all businesses and geographical areas where ENDESA does business, with a particular emphasis on providing quality service to the businesses and bringing people together within the company.
- Consolidation of a new and integrated global organisational model for finance and procurement, approved in 2008, marking a leap forward in streamlining resources, extracting synergies and attaining efficiencies.
- Design of a new organisational structure to reinforce and optimise communication.

08.1. PROCESS IMPROVEMENT

ENDESA carried out several projects entailing the redesign of processes in 2009 in its endeavour for continuous improvement and the pursuit of excellence.

One such initiative was the first LEAN Project carried out in the Latin American distribution business launched by Ampla (Brazil), extending the development of this type of product, which began in 2008 in the generation business in Spain and Portugal.

The LEAN project at Ampla focused on construction work management processes (network enlargement) and, above all, management of the related materials.

This initiative spawned other LEAN Projects for operational improvement in both Ampla and the rest of ENDESA's companies in Latin America.

08.2. INFORMATION SECURITY

ENDESA's commitment to compliance with good corporate governance has led to an appropriate level of information security within the company to uphold the confidence shown by investors, customers, suppliers and employees.

The company's work in this respect in 2009 garnered an award by SIC, the Spanish specialist technology, IT and communications systems security magazine, and was acknowledged with invitations to take part in a variety of seminars where it could transfer best practices in information protection, both its own and of third parties.

In a bid to achieve higher efficiency levels in security management, ENDESA undertook a variety of actions during the year, highlighted by:

- Creation of information security committees at companies throughout Latin America where ENDESA operates.
- Performance of information-asset risk assessments at the corporate level, as well as in the Spain and Portugal business unit.
- Installation of a measurement system under international ISO 27001/2005 standards to achieve a balance between "security level" and "cost of security".



Social initiatives

ENDESA considers that an integral part of its business activities is to actively assume the consequences of the relationships it maintains with the regions and communities in which it operates, contributing to their development through a variety of community actions.

This is part of the company's 2008-2012 Sustainability Plan that has as one of its main strategic pillars the strengthening of social ties in the regions where it is present.

01. ENDESA'S SOCIAL POLICY

ENDESA places great importance on meeting its economic, social and environmental responsibilities in a balanced way, based on criteria of sustainability. Fostering regional ties is a key component of its corporate culture.

The company is aware that the supply of energy is fundamental to the advancement and well-being of the community. It therefore attends to the obligations typical of this service, striving to provide the best possible conditions of safety, quality and respect for the environment. Accordingly, social initiatives are conceived as a means of furthering this commitment which is especially aimed at deprived groups and neighbourhoods.

These initiatives have been designed with the collaboration of the agents and institutions which represent the various communities and are based on reaffirming human rights and democratic values as fundamental factors for achieving social progress.

ENDESA only participates in community initiatives which meet the following fundamental criteria. They must:

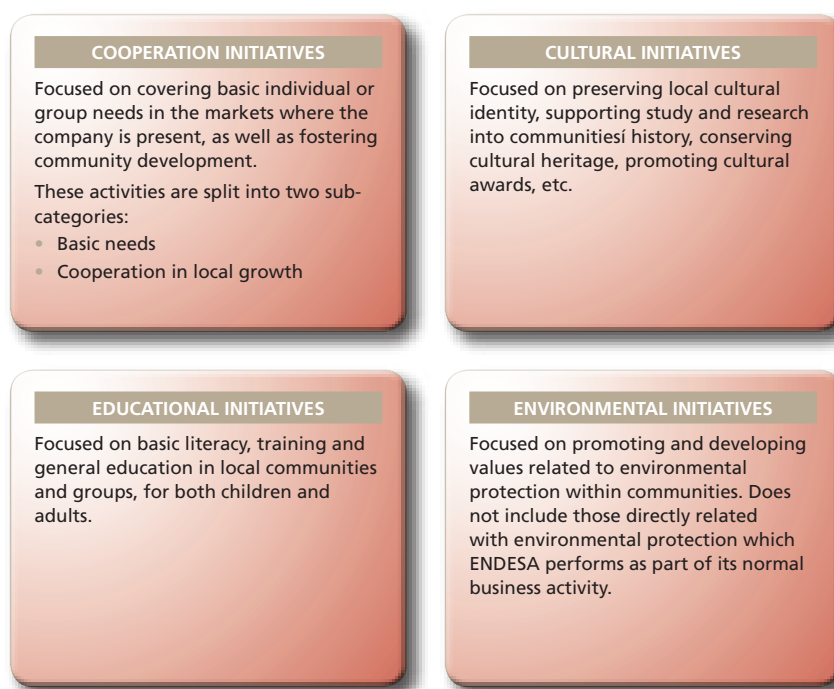
- Complement its function as a basic service provider.
- Develop projects linked to the nature and characteristics of the company's businesses; doing what it does best.
- Provide access to goods and services that are related to electricity.
- Respond to the needs of the communities with which ENDESA interacts.
- Contribute to wealth and job creation, as well as social integration.
- Address the needs of the most underprivileged groups, including rural communities and displaced urban communities.
- Be sustainable over time. Ideally, the most successful ones should be replicable.
- Collaborate with the social representatives of communities involved in these projects.
- Disclose financial information to society in a systematic, transparent manner.

Social action is one of the Seven Commitments to Sustainable Development which are set forth in 2008-2012 Sustainability Plan. In line with the last item in

the above list, the most important or representative social initiatives carried out in 2009 are enumerated below. A more detailed description can be found in the company's 2009 Sustainability Report.

02. INVESTMENT IN SOCIAL PROJECTS

ENDESA's social initiatives are carried out through projects backed by its corporate centre, regional offices and subsidiaries. These projects can be broken down into four areas:



In 2009, ENDESA allocated Euro 39.2 million to conducting and promoting activities focusing on social development, equivalent to 1.64% of net profit from continued operations attributable to the company's shareholders.

Of this amount, 55% was earmarked for Latin America and 45% for Spain and Portugal.

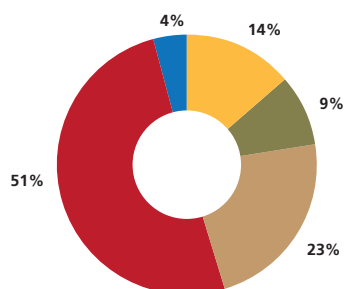
ENDESA's investments in general interest social development activities in 2009 (thousands of Euro)*

Spain and Portugal	17,612
<i>Corporate Centre total</i>	<i>9,039</i>
<i>Endesa Foundation total</i>	<i>6,000</i>
<i>Spain and Portugal total</i>	<i>2,573</i>
Latin America	21,564
TOTAL	39,176

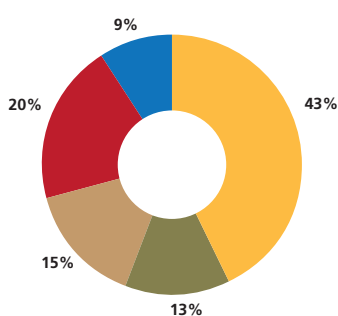
Excludes investment in rural electrification (Euro 4.55 million) and contribution to the United Nations Framework Convention on Climate Change Adaptation Fund (Euro 2.2 million), as these investments are directly related to conducting ENDESA's business.

Of the Euro 17.6 million invested in social initiatives in Spain and Portugal, Euro 6 million was used for programmes financed by the Endesa Foundation and Euro 11.6 million was channelled directly through the company. Of this latter amount, Euro 2.6 million corresponded to actions carried out through its regional offices.

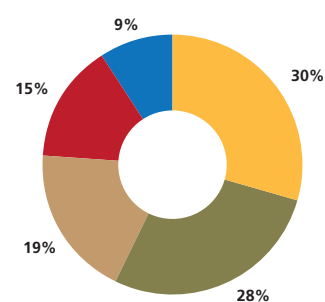
ENDESA's foundation investment in social initiatives in Spain in 2009 (%)



ENDESA's investment in social initiatives in Spain and Portugal via the corporate headquarters and regional offices in 2009 (%)



Breakdown of the social initiatives programme in Latin America in 2009 (%)



Cooperation Community Development

Cooperation in meeting basic needs

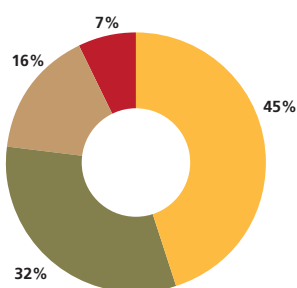
Educational

Cultural

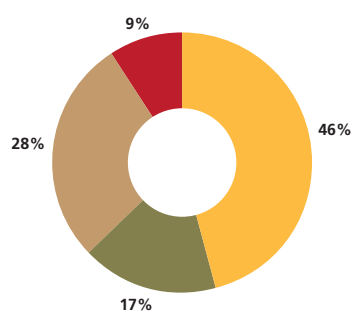
Environmental

Comprehensive history of social initiatives by category (% of total social welfare projects for each year)

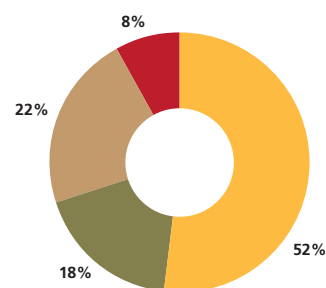
2007



2008



2009



Cooperation

Educational

Cultural

Cultural

Socio-environmental

03. MAIN LINES OF ACTION

03.1. CO-OPERATION INITIATIVES:

The main pillar of ENDESA's work in this area is social action projects which are developed based on an awareness of the needs of the communities in which the company is present, seeking to increase communities' capacity to provide their own solutions.

A good part of these initiatives are aimed at meeting the basic needs of the community in general or certain disadvantaged groups in particular. Consequently, these activities are carried out both in communities with a low degree of development, and in more developed communities in which underprivileged groups or areas exist, or for those groups which suffer from a lack of basic attention.

Individuals have therefore been appointed in each region and subsidiary to identify, select and promote social development initiatives. ENDESA's corporate headquarters also invests in social cooperation initiatives when the economic contribution required is especially significant or an initiative simultaneously involves several regions in which the company operates.

These initiatives include rural electrification, volunteer programmes, Christmas campaigns, donations to libraries and hospitals, and construction and refurbishments to schools in underprivileged neighbourhoods, etc. The following are examples:

- In 2009, ENDESA's Latin American subsidiaries invested Euro 4.55 million in electrification projects, bringing electricity to underprivileged communities for the first time. During this period, work was carried out in Colombia and Peru.
- Corporate Volunteer Programme Endesa Solidarios Programme (Spain).
- Products and services
 - Ecoelce (Brazil): Social development programme and environmental awareness building, offering discounts on electricity bills for low income customers who recycle selected urban solid waste.
 - Energy bills in Braille (Ampla, Brazil) and (Chilectra, Chile).
 - Service which entails providing telephones for the deaf and hard of hearing (Chilectra, Chile).
- VII Copa Chilectra: Social activity carried out by Chilectra employees, in collaboration with UNICEF, Conace and the Iván Zamorano Foundation, involving the sponsorship of a children's football and volleyball championship, with the participation of 6,000 children from low income neighbourhoods in the metropolitan area of Santiago, Chile.
- Pehuén Foundation (Chile), non-profit organisation created in 1992 with the aim of promoting programmes to improve the quality of life in the six indigenous communities which are adjacent the Pangue and Ralco hydro-electric power plants (Chile).
- Campaign to find missing children (Argentina). The aim is to collaborate in searches for missing children by including, free of charge, pertinent information on electricity bills issued by Edelnor. 2009 was the sixth year of this campaign and over the course of its existence it has contributed to protecting children's rights under the aegis of the Missing Children organisation.
- The Paneleros Programme (Colombia) implemented in the Gualivá province to improve the productivity of the panelera chain in the region, producing high quality panela (sweetener) for human consumption and improving productive infrastructure.

03.2. EDUCATIONAL INITIATIVES

ENDESA also works closely with the academic community. It has entered into agreements and directly participates or promotes programmes at each level of education, from early years through to university and professional training. Many of these programmes involve an educational campaign to promote the safe and

efficient use of electricity among children and young people, both in Spain and Latin America.

Some of the most important projects are:

- The Instituto Tecnológico Pachacútec (Pachacútec Technology Institute) in Peru, is the fruit of a collaboration between the company Edelnor and the El Callao diocese, through the Fundación Desarrollo Integral Nuevo Pachacútec (New Pachacútec Integrated Development Foundation). The aim is to train professionals in the electricity sector in an especially disadvantaged neighbourhood in Lima. The company has collaborated on the project for the last five years and two classes of specialised electricians have already graduated from this centre, and are currently working in the sector.
- The Paseo Itinerante de la Electricidad (Travelling Electricity Exhibit) is an educational exhibition touring the Cundinamarca region to teach about the transformation process brought about by electricity through ten entertaining, educational and interactive modules.
- El Viaje de la Energía (Argentina), a programme which disseminates basic knowledge about electricity and its safe and efficient use to grammar school students living in the area around the Edesur company concession. It will complete its fourth year of this development programme in 200.
- Endesa Educa, a programme aimed at Spanish students to teach them about efficient and rational energy use. This initiative has been implemented by providing schools with educational material related to energy resources, raising awareness among students about the importance of energy to general quality of life issues. The programme offers a range of activities which encompasses everything from introductory educational material on this topic to visits to ENDESA installations.

03.3. CULTURAL INITIATIVES

ENDESA is involved in conserving and promoting the local heritage and cultures in the areas in which it operates. In 2009, 22% of ENDESA's social action comprised activities in this area. A significant number of these activities are related to illuminating monuments or organising artistic and cultural events.

- "Carlos III: Between Naples and Spain" exhibit in Madrid, organised by the Italian Embassy and the San Fernando Royal Academy of Fine Art, which was inaugurated October by His Majesty King Juan Carlos I and Giorgio Napolitano, the President of Italy, to mark the 250th anniversary of his coronation.
- Las Médulas Foundation, a development project aimed at building awareness of the historical and cultural importance of the El Bierzo (Leon) region, and to highlight Las Médulas, which has been designated a UNESCO World Heritage Site.
- Illuminating historic buildings and monuments. During 2009, ENDESA illuminated over 20 historic buildings and monuments in Spain and Latin America, improving their aesthetic value, increasing their attractiveness to tourists, and making the local community prouder of their cultural heritage.

03.4. SOCIO-ENVIRONMENTAL INITIATIVES

ENDESA promotes awareness and values regarding environmental protection, protecting endangered flora and fauna, and repopulating and conserving areas of special ecological value. It also sponsors forums and conferences on the environment.

- Support for developing countries which are signatories to the Kyoto Protocol. In 2009, ENDESA contributed Euro 2.2 million to the Adaptation Fund of the *United Nations Framework Convention on Climate Change* (UNFCCC). Some 2% of the Certificates of Emission Reductions (CERS) issued for Clean Development Mechanism projects are pumped into this adaptation fund.
- Fundación Huinay Foundation (Chile), a research institute which aims to defend and preserve the bio-geographical heritage of Huinay and the Patagonian fjord region of Chile.
- Sembrando Vida (Peru), a programme which seeks to recover green areas in Lima, with community participation as a key component.

04. LONDON BENCHMARKING GROUP

ENDESA forms part of the task force of the *London Benchmarking Group* (LBG) in Spain. This initiative has adopted a methodical approach to measuring and assessing the company's social initiatives in terms of their impact on society.

The LBG methodology, a world leader in the field of evaluating the effectiveness of social initiatives, helps companies develop strategies which bring added value to both communities and the company itself.

In addition to the account just given in this chapter of the company's social initiatives, which follow the calculation methodology which ENDESA has been using for several years, the following table provides the figures obtained using the LBG methodology, which generated figures quite similar to those obtained using ENDESA's "traditional" methodology.

Total contribution of ENDESA in 2009 using the LBG methodology	€37,640 thousand
<i>Total contributions in Spain and Portugal</i>	<i>€15,287 thousand</i>
<i>Total contributions in Latin America</i>	<i>€22,353 thousand</i>



Appendices

KEY FINANCIAL DATA

Balance sheet data (Millions of Euro)	2005	2006	2007	2008*	2009
TOTAL ASSETS	55,365	54,088	58,522	58,546	60,195
Business in Spain and Portugal	30,204	30,254	32,753	41,668	40,876
Business in Latin America	17,136	16,595	17,590	16,878	19,319
Rest	8,025	7,239	8,179	0	0
PROPERTY, PLANT AND EQUIPMENT	32,313	33,714	30,595	31,528	35,059
Business in Spain and Portugal	18,176	19,758	20,035	21,727	23,404
Business in Latin America	10,565	10,084	10,463	9,801	11,655
Rest	3,572	3,872	97	0	0
EQUITY ATTRIBUTABLE TO PARENT COMPANY	11,590	11,291	11,989	17,082	14,231
Business in Spain and Portugal	5,918	5,936	6,045	14,325	10,218
Business in Latin America	3,164	3,022	3,367	2,757	4,013
Rest	2,508	2,333	2,577	0	0
EQUITY CORRESPONDING TO MINORITY SHAREHOLDERS	4,737	4,645	5,141	3,682	4,739
Business in Spain and Portugal	119	44	51	200	199
Business in Latin America	3,763	3,642	3,907	3,482	4,540
Rest	855	959	1,183	0	0
FINANCIAL DEBT	18,281	19,840	20,834	14,003	18,544
Business in Spain and Portugal	11,461	12,548	14,017	8,732	13,865
Business in Latin America	6,109	5,618	5,570	5,271	4,679
Rest	711	1,674	1,247	0	0

Key income statement lines (Millions of Euro)	2005	2006	2007	2008*	2009
OPERATING REVENUE	18,229	20,580	18,073	22,836	25,692
Business in Spain and Portugal	9,274	10,090	10,273	14,482	17,473
Business in Latin America	5,232	6,079	7,308	8,354	8,219
Rest	3,723	4,411	492	0	0
EBIT	4,244	5,239	4,619	5,234	5,052
Business in Spain and Portugal	2,264	2,705	2,663	2,826	2,555
Business in Latin America	1,376	1,688	1,919	2,408	2,497
Rest	604	846	37	0	0
INCOME AFTER TAXES AND MINORITIES	3,182	2,969	2,675	7,169	3,430
Business in Spain and Portugal	1,358	1,843	1,785	2,209	2,759
Business in Latin America	262	462	471	506	671
Rest	1,562	664	419	4,454	0
EBITDA	6,020	7,139	6,368	6,895	7,228
Business in Spain and Portugal	3,266	3,835	3,790	3,927	4,060
Business in Latin America	1,878	2,188	2,541	2,968	3,168
Rest	876	1,116	37	0	0

KEY ECONOMIC FLOWS (Millions of Euro)	2005	2006	2007	2008*	2009
CASH FLOW FROM OPERATIONS	4,209	4,643	5,317	5,214	5,236
Business in Spain and Portugal	2,669	2,721	2,684	2,973	3,095
Business in Latin America	1,180	1,218	1,801	1,965	2,141
Rest	360	704	832	276	0
TOTAL INVESTMENT	3,640	4,336	4,746	4,150**	4,180
Business in Spain and Portugal	2,660	2,921	3,079	2,628**	2,972
Business in Latin America	670	952	1,047	1,442	1,208
Rest	310	463	620	80	0
DIVIDENDS PAID	2,541	1,736	1,621	6,243	1,088***

PER SHARE DATA (*) (Euro)	2005	2006	2007	2008	2009
Earnings	3.01	2.80	2.53	6.77	3.24
Dividend	2.40	1.64	1.53	5.90	1.03***
Cash flow	3.98	4.39	5.02	4.92	4.95
Shareholders' equity	10.95	10.66	11.32	16.13	13.44
Total shareholder return (%)	32.80	72.10	6.90	-17.10	4.34***
P/E ratio (Price/Earnings (x))	7.38	12.8	14.37	4.22	7.39

* LFL data for the segment at 31/12/08.

** Excluding amounts corresponding to renewable assets which were to be contributed to a joint venture with Acciona, S.A. (Euro 595 million).

*** Pending approval at the General Shareholders' Meeting.

KEY OPERATING DATA

All data have been prepared in accordance with International Financial Reporting Standards (IFRS). The sharp year-on-year declines observed in several lines are due to the sale of specific wind and hydro assets in Spain and Portugal to Acciona pursuant to the agreement signed between this company and Enel and ENDESA in April 2007.

	2005	2006	2007	2008	2009
WORKFORCE	27,204	26,758	27,019	26,587	26,305
Spain and Portugal (1)	12,709	12,625	12,677	13,590	13,380
Latin America	12,317	11,962	12,169	12,896	12,676
Europe and other	2,178	2,171	2,173	101	249
INSTALLED CAPACITY (MW)	45,908	47,113	49,187	39,656	39,642
Spain and Portugal	22,416	23,021	24,490	24,228	22,577
Hydro	5,379	5,362	5,363	5,417	4,729
Conventional thermal (2)	12,632	13,089	14,100	13,136	13,375
Thermal – nuclear (2)	3,397	3,397	3,397	3,641	3,670
Cogeneration and renewables (2)	1,007	1,173	1,630	2,034	803
Latin America (3)	14,095	14,317	14,707	15,284	15,853
Europe (2) (7)	9,397	9,775	9,990	144	1,212
OUTPUT (GWH)	185,264	186,411	183,946	149,830	137,054
Spain and Portugal (4)	93,625	88,808	91,058	88,189	72,708
Hydro	7,479	7,571	7,149	7,548	8,533
Conventional thermal	61,006	54,372	58,126	50,942	38,507
Thermal – nuclear (2)	23,020	24,389	22,906	26,112	22,630
Cogeneration and renewables (2)	2,120	2,476	2,877	3,587	3,038
Latin America (3)	57,890	62,028	59,512	60,690	62,767
Europe (2)	33,749	35,575	33,396	951	1,579
SALES (GWH)	203,335	220,299	227,502	172,788	169,985
Spain and Portugal	100,868	109,412	113,375	109,032	104,937
Regulated market	64,095	71,599	72,746	61,327	23,445
Deregulated market (5)	36,773	37,813	40,629	47,705	81,492
Latin America	55,246	58,281	61,610	62,805	63,745
Europe (2)	47,221	52,606	52,517	951	1,303
CUSTOMERS (THOUSANDS)	21,936	22,701	23,454	24,066	24,607
Spain and Portugal	10,714	11,120	11,481	11,649	11,700
Regulated market (6)	9,716	10,042	10,326	10,296	–
Deregulated market	998	1,078	1,155	1,353	11,700
Latin America	11,222	11,581	11,973	12,417	12,907
Europe	–	–	–	–	–

(1) In contrast to previous years, 2008 and 2009 data include figures for Asociación Nuclear Ascó-Vandellós, Carbopego, Nuclenor, Pegop Energía Eléctrica, Tejo Energía, Endesa Ingeniería, Endesa Gas Distribución and Endesa Gas Transportista due to changes in the consolidation scope.

(2) Data consolidated by ENDESA.

(3) Includes the Chilean plant GasAtacama, accounted for using the proportionate consolidation method from 1 January 2008.

(4) Data measured according to busbar cost. 2009 hydro output sold to Acciona to June and output from Nuclenor and Tejo Energía is included throughout the year as these assets were accounted for using the proportionate consolidation method.

(5) To coincide with economic data for this business we include sales made by Endesa Energía in European countries outside of Spain and Portugal.

(6) Tariff customers. Does not include toll customers.

(7) In 2009, 1,212 MW from Endesa Ireland was included.



ENDESA'S GENERATION FACILITIES IN SPAIN **AT 31 DECEMBER 2009 (Ordinary Regime) MW b.a.**

	Company	Location	Type of fuel	No of groups	Total capacity (MW)	% ENDESA	Capacity corresponding to ENDESA (MW)	
MAINLAND SYSTEM								
Conventional Thermal Plants								
Coal								
Compostilla	ENDESA	Cubillos del Sil-León	HCA	4	1,199.6	100.0	1,199.6	
Anllares	33.33% ENDESA	Anllares-León	HCA	1	365.2	33.3	121.7	
As Pontes	ENDESA	As Pontes-La Coruña	BrL	4	1,468.5	100.0	1,468.5	
Teruel.	ENDESA	Andorra-Teruel	BL	3	1,101.4	100.0	1,101.4	
Litoral	66.66% END-33.33% SEV	Carboneras-Almería	IC	2	1,158.9	100.0	1,158.9	
Total Coal				14	5,293.6		5,050.1	
Conventional fuel-gas								
Foix	TERBESA (G. ENHER)	Cubelles-Barcelona	F-NG	1	519.7	100.0	519.7	
San Adrián 1 & 3	FECSA	San Adrián-Barcelona	F-NG	2	575.5	100.0	575.5	
CCGT								
San Roque 2:		San Roque-Cádiz	CCGT	1	408.3	100.0	408.3	
Besós 3		Besós-Barcelona	CCGT	1	419.3	100.0	419.3	
Colon 4		Huelva	CCGT	1	397.8	100.0	397.8	
As Pontes		As Pontes-La Coruña	IC	3	849.1	100.0	849.1	
Total fuel-gas				9	3,169.6		3,169.6	
Total Conventional Thermal				23	8,463.2		8,219.7	
Nuclear								
Ascó I	40% END - 60% FEC	Ascó-Tarragona	N	1	1,032.5	100.0	1,032.5	
Ascó II	40% END - 45% FEC	Ascó-Tarragona	N	1	1,027.2	85.0	873.1	
Vandellós II	72% ENDESA	Vandellós-Tarragona	N	1	1,087.1	72.0	782.7	
Garoña*	NUCLENOR	Stª Mª Garoña-Burgos	N	1	466.0	50.0	233.0	
Almaraz I	36% SEVILLANA	Almaraz-Cáceres	N	1	1,060.1	36.02	381.8	
Almaraz II	36% SEVILLANA	Almaraz-Cáceres	N	1	987.9	36.02	355.8	
Trillo*	2% NUCLENOR	Trillo-Guadalajara	N	1	1,067.5	1.0	10.7	
Total Thermal Nuclear**				7	6,728.3		3,669.7	
Hydroelectric								
Conventional hydroelectric								
U. de Prod. Hidr. Noroeste				H	31	749.4	100.0	749.4
U. de Prod. Hidr. Ebro-Pirineos								
U. Territorial Pont de Suert				H	51	712.3	100.0	712.3
U. Territorial Zaragoza				H	1	3.2	100.0	3.2
U. Territorial Lleida				H	64	1,250,6	100,0	1,250.6
U. de Prod. Hidr. Sur								
U. Territorial Córdoba				H	48	395.7	100.0	395.7
U. Territorial Antequera				H	52	266.6	100.0	266.6
Pumping plants								
Moralets				H	3	221.0	100.0	221.0
Sallente y Montamara				H	6	539.8	100.0	539.8
Ip				H	3			
Tajo Encantada y Guillena				H	7	589.8	100.0	589.8
Total hydroelectric					4,728.3		4,728.3	
TOTAL MAINLAND					19,919.8		16,617.7	

	Company	Location	Type of fuel	No of groups	Total capacity (MW)	% ENDESA	Capacity corresponding to ENDESA (MW)
NON MAINLAND SYSTEMS							
Balearic Islands							
Coal							
Alcudia	GESA	Mallorca	IC	4	510.0	100.0	510.0
Fuel-Gas							
Alcudia	GESA	Mallorca	G	2	75.0	100.0	75.0
Son Reus		Mallorca	G	11	612.8	100.0	612.8
Ca's Tresorer		Mallorca	G	3	396.3	100.0	396.3
Mahón	GESA	Menorca	F-G	6	271.6	100.0	271.6
Ibiza	GESA	Ibiza	F-G	17	308.2	100.0	308.2
Formentera	GESA	Formentera	G	1	14.0	100.0	14.0
Total Balearic Islands					2,187.9		2,187.9
Canary Islands							
Fuel-Gas							
Jinámar	UNELCO	Gran Canaria	F-G	13	415.6	100.0	415.6
Barranco de Tirajana	UNELCO	Gran Canaria	F-G	10	697.0	100.0	697.0
Candelaria (1)	UNELCO	Tenerife	F-G	11	336.8	100.0	336.8
Granadilla (1)	UNELCO	Tenerife	F-G	11	562.2	100.0	562.2
Punta Grande	UNELCO	Lanzarote	D-G	12	212.5	100.0	212.5
Las Salinas	UNELCO	Fuerteventura	D-G	12	186.6	100.0	186.6
El Palmar		La Gomera	D	10	22.9	100.0	22.9
Llanos Blancos		El Hierro	D	9	12.7	100.0	12.7
Los Guinchos		La Palma	D-G	11	107.7	100.0	107.7
Hydro	UNELCO	La Palma	H	1	0.8	100.0	0.8
Total Canary Islands					2,554.9		2,554.9
Ceuta and Melilla							
Ceuta	ENDESA	Ceuta	F-D	8	84.80	100.0	84.8
Melilla	ENDESA	Melilla	F-G	7	85.00	100.0	85.0
Total Ceuta & Melilla					169.8		169.8
TOTAL MAINLAND AND NON MAINLAND					4,912.6		4,912.6
TOTAL ENDESA PLANTS IN SPAIN					24,832.4		21,530.4

(1) Candelaria includes the Guía de Isora facility (GT: 48.6 MW)

(2) Granadilla includes the Arona facility (GT: 2*24.3 MW)

Fuel:

H-A (hard coal-anthracite), BrI (brown lignite), BL (black lignite), IC (imported coal),

F (fuel oil), G (gasoil), NG (natural gas), CCGT (combined cycle—gas turbine) D (diesel), N (nuclear), H (hydroelectric).

ENDESA'S GENERATION FACILITIES IN LATIN AMERICA

	Country	Installed capacity 31/12/09 (MW)	Hydro	Fuel Gas	Coal	CCGT	Wind	Stake held Endesa Latinoamérica	Capacity equivalent to stake held (MW)
Los Molles	Chile	18.0	18.0					36.36%	6.5
Rapel	Chile	377.0	377.0					36.36%	137.1
Sauzal	Chile	76.8	76.8					36.36%	27.9
Sauzalito	Chile	12.0	12.0					36.36%	4.4
Cipreses	Chile	106.0	106.0					36.36%	38.5
Isla	Chile	70.0	70.0					36.36%	25.5
Pehuenche	Chile	570.0	570.0					33.69%	192.0
Curillinque	Chile	89.0	89.0					33.69%	30.0
Loma Alta	Chile	40.0	40.0					33.69%	13.5
Abanico	Chile	136.0	136.0					36.36%	49.4
El Toro	Chile	450.0	450.0					36.36%	163.6
Antuco	Chile	320.0	320.0					36.36%	116.4
Pangue	Chile	467.0	467.0					39.55%	184.7
Ralco	Chile	690.0	690.0					36.36%	250.9
Tarapacá (gas turbine)	Chile	24.0		24.0				36.36%	8.7
Tarapacá (coal)	Chile	158.0			158.0			36.36%	57.4
Atacama	Chile	390.3				390.3		18.18%	141.9
Tal Tal	Chile	244.9		244.9				36.36%	89.0
Diego de Almagro	Chile	46.8		46.8				36.36%	17.0
Huasco (gas turbine)	Chile	64.2		64.2				36.36%	23.4
Huasco (steam turbine)	Chile	16.0			16.0			36.36%	5.8
San Isidro	Chile	379.0				379.0		36.36%	137.8
San Isidro II	Chile	399.0				399.0		36.36%	145.1
Quintero GT	Chile	257.0		257.0				36.36%	93.4
Bocamina	Chile	128.0			128.0			36.36%	46.5
Palmucho	Chile	34.0	34.0					36.36%	12.4
Canela	Chile	18.2					18.2	27.27%	4.9
Canela II	Chile	60.0					60.0	27.27%	16.4
Ojos de Agua	Chile	9.0	9.0					36.36%	3.3
TOTAL CHILE*		5,650.2	3,464.8	636.9	302.0	1,168.3	78.2	–	2,043.5
Costanera (Steam)	Argentina	1,138.1		1,138.1				25.37%	288.7
Costanera (CCGT)	Argentina	859.0				859.0		25.37%	217.9
CBA	Argentina	327.0				327.0		25.37%	83.0
Dock Sud (CCGT – closed cycle)	Argentina	797.5				797.5		39.99%	318.9
Dock Sud (CCGT - open cycle)	Argentina	72.0		72.0				39.99%	28.8
El Chocón	Argentina	1,200.0	1,200.0					23.77%	285.2
Arroyito	Argentina	128.0	128.0					23.77%	30.4
TOTAL ARGENTINA		4,521.6	1,328.0	1,210.1	–	1,983.5	–	–	1,253.0
Cachoeira Dourada	Brazil	665.2	665.2					61.16%	406.8
Fortaleza	Brazil	321.6				321.6		61.40%	197.4
TOTAL BRAZIL		986.8	665.2	–	–	321.6	–	–	604.3

	Country	Installed capacity 31/12/09 (MW)	Hydro	Fuel Gas	Coal	CCGT	Wind	Stake held Endesa Latinoamérica	Capacity equivalent to stake held (MW)
El Guavio	Colombia	1,213.0	1,213.0					31.37%	380.5
Charquito-Limonar-Tinta-Tequendama	Colombia	76.6	76.6					31.37%	24.0
La Junca	Colombia	19.5	19.5					31.37%	6.1
Cadena Pagua (Guaca and Paraiso)	Colombia	601.2	601.2					31.37%	188.6
Termozipa	Colombia	235.5			235.5			31.37%	73.9
Betania	Colombia	540.9	540.9					31.37%	169.7
Cartagena	Colombia	208.0		208.0				31.37%	65.2
TOTAL COLOMBIA		2,894.7	2,451.2	208.0	235.5	-	-	-	908.1
Ventanilla	Peru	492.7				492.7		22.71%	111.9
Piura (Malacas)	Peru	132.8		132.8				48.00%	63.7
Huinco	Peru	247.3	247.3					22.71%	56.2
Matucana	Peru	128.6	128.6					22.71%	29.2
Callahuanca	Peru	80.4	80.4					22.71%	18.3
Moyopampa	Peru	64.7	64.7					22.71%	14.7
Huampaní	Peru	30.2	30.2					22.71%	6.9
Santa Rosa	Peru	429.8		429.8				22.71%	97.6
Yanango	Peru	42.6	42.6					18.17%	7.7
Chimay	Peru	150.9	150.9					18.17%	27.4
TOTAL PERU		1,800.0	744.7	562.6	0.0	492.7	-	-	433.6
TOTAL		15,853.3	8,653.9	2,617.6	537.5	3,966.1	78.2	-	5,242.5

ENDESA'S GENERATION FACILITIES IN OTHER COUNTRIES

Power station	Country	Type of plant	Installed capacity at 31/12/09(MW)
Tahaddart (32% proportionately consolidated)	Morocco	Combined cycle	384
Tarbert	Ireland	Thermal	620
Great Island	Ireland	Thermal	240
Rhode	Ireland	Thermal	104
Tawnaghmore	Ireland	Thermal	104

* 100% of the plant

SIGNIFICANT EVENTS IN 2009 AND JANUARY-APRIL 2010

2009

8 JANUARY

ENDESA becomes Ireland's second largest operator following the acquisition of 20% of the generation assets of Irish power company ESB.

29 JANUARY

ENDESA unifies operations and infrastructure services management for its information systems in Spain and Latin America.

20 FEBRUARY

ENDESA's Board of Directors approves payment of a gross interim dividend of Euro 5.897 per share against 2008 earnings.

21 FEBRUARY

Enel reaches an agreement with Acciona for the purchase of its entire stake in ENDESA making it the company's main shareholder with 92.06% of its capital. According to the terms of the agreement, ENDESA undertakes to sell certain wind farm and hydro generation assets to Acciona.

3 MARCH

ENDESA starts work on planting 700,000 trees in Spain to offset emissions from its headquarters over the next 25 years.

For the second consecutive year, ENDESA receives the AUTELSI award in the Social and Environmental Commitment category.

12 MARCH

ENDESA sends the General Principles of its 2009-2013 Strategic Plan to the Spanish Securities Exchange Commission (CNMV).

13 MARCH

Distribuidora de Energia de Cundinamarca, the company owned by Empresa de Energia de Bogotá and Codensa, acquires 82.34% of Empresa de Energia de Cundinamarca in a public tender, thereby attaining control of the company.

23 MARCH

ENDESA receives two awards from the US-based Electric Power Research Institute (EPRI) in recognition of its operating excellence in programme application at its thermal power stations.

24 MARCH

ENDESA's Board of Directors elects Borja Prado Eulate as Chairman of the company and appoints Jorge Vega-Penichet López as a new director. It is also decided that the powers delegated to the Board of Directors will be exercised jointly by the Vice-Chairman, Andrea Brentan, and the CEO, Rafael Miranda.

17 APRIL

Endesa Carbono and AENOR sign an agreement to certify the company's Clean Development Mechanism (CDM) and Joint Implementation (JI) projects for the reduction of greenhouse gas emissions.

28 APRIL

The Carbon Disclosure Project (CDP) leadership index, one of the most prestigious benchmarks for climate change, awards ENDESA the highest score of all power companies worldwide.

28 MAY

ENDESA presents its 2008-2012 Sustainability Plan, whose main cornerstones are the fight against climate change and forging links with local communities in the countries and territories where ENDESA operates.

2 JUNE

ENDESA joins the Carbon Partnership Facility, a fund aimed at providing investment for CDMs in developing countries.

18 JUNE

Enersis named best Latin American utility of the year and is the only local company included in the Energy and Environmental Awards.

25 JUNE

Acciona and Finanzas Dos transfer to Enel shares representing 25.01% of ENDESA's capital as per the terms and conditions of the contract signed on 20 February 2009. Also, ENDESA transfers to Acciona various wind and hydro assets in Spain and Portugal (capacity transferred equals 2,079 MW) for Euro 2,634 million.

25 JUNE

ENDESA's Board of Directors appoints Fulvio Conti, Miquel Roca Junyent, Alejandro Echevarría Busquet and Luis de Guindos Jurado company directors.

30 JUNE

The Board of Directors approves the appointments of Fulvio Conti as Vice-Chairman of the Board and Andrea Brentan as CEO.

7 JULY

Coelce is named Best Power Distribution Company in Brazil by the Brazilian Association of Power Distributors.

9 JULY

ENDESA and the Andalusia Autonomous Government present Smartcity, a pioneering project promoting a new urban energy management model.

23 JULY

The first unit of the Quintero power plant in Chile comes on stream (129 MW).

3 SEPTEMBER

ENDESA cements its position as one of the leading global sustainability benchmarks according to the Dow Jones Sustainability World Index.

4 SEPTEMBER

The second unit of the Quintero power plant in Chile comes on stream (128 MW).

14 SEPTEMBER

ENDESA's Board of Directors appoints Gianluca Comin company director.

2 OCTOBER

Endesa Latinoamérica and its subsidiary companies sell the shares they hold in Empresa Energía de Bogotá on the Bogota stock exchange, representing 7.18% of the company's capital.

8 OCTOBER

ENDESA wins the European Utility Awards at Metering Europe 2009, thanks to its innovative electricity meter remote management system.

15 OCTOBER

Energis and Endesa Chile acquire, via Generalima, 24% of Edelnor and 29.4% of Edegel, respectively, on the Lima Stock Exchange.

4 NOVEMBER

CIER (Brazil's Regional Commission for Electricity Integration) quality and customer satisfaction award given to Coelce

26 NOVEMBER

The President of Peru and the Chairman of ENDESA inaugurate the newly enlarged Santa Rosa power plant in Lima. Output at the end of the year totalled 200 MW.

27 NOVEMBER

Distribution company Codensa finalises the sale of its customer loans portfolio to Colombian bank Colpatría.

10 DECEMBER

Canela II, Chile's largest wind farm with 60 MW, comes on stream.

14 DECEMBER

Shareholders at ENDESA's Extraordinary Shareholders' Meeting approve amendments to several of the company's Articles of Association as well as certain aspects of the Shareholders' Meeting Regulations, among other resolutions.

15 DECEMBER

ENDESA's Board of Directors agrees to pay a gross interim dividend against 2009 earnings of Euro 0.50 per share.

18 DECEMBER

ENDESA and a group of private partners set up the project management office for the Movele Project, a nationwide scheme to promote electric vehicle use.

2010
14 JANUARY

Cenit Verde, the Spanish consortium dedicated to developing the electric vehicle, of which ENDESA is a member, is launched.

21 JANUARY

ENDESA, is the only Spanish company to participate in the European G4V project evaluating the large-scale impact of the electric vehicle.

3 FEBRUARY

The Mayor of Madrid presents the Chairman of ENDESA with the first free-parking discs for electric vehicles. Parking times for these vehicles will be unrestricted in designated parts of the city.

According to the Business Commitment Foundation's "Building Confidence" report, the Endesa Foundation is the most transparent in providing online financial information.

16 FEBRUARY

Standard & Poor's raises the ratings for debt issued by Energis and Endesa Chile to BBB+ from BBB, following the upgrades made by Fitch Ratings.

17 FEBRUARY

ENDESA and Cepsa sign an agreement to roll out electric vehicle recharging points to Cepsa service stations.

22 FEBRUARY

Construction begins at ENDESA's Carboneras power plant in Almeria on the first facility to carry out tests on the cultivation of microalgae which capture CO₂.

3 MARCH

The Prince and Princess of Asturias reward ENDESA for its "Ecoelce: energy for rubbish" scheme carried out in Brazil by its distribution company there, Coelce.

16 MARCH

ENDESA Chairman, Borja Prado, meets with the President of Chile, Sebastián Piñera, and announces a USD 10 million fund to help rebuild the country following the 27 February earthquake.

18 MARCH

ENDESA presents its 2010-2014 Strategic Plan at an event held in London where the Enel Group outlines its strategy and reports 2009 results.

ENDESA confirms it has reached an agreement with its Greek partner, Mytilineos, to wind up its PIN venture in Greece, Endesa Hellas.

22 MARCH

ENDESA and Enel Green Power SpA's (EGP) renewable energy activities in Spain and Portugal are integrated into a single organisation.

25 MARCH

The Thaddart plant in Morocco becomes the first power station on the African continent to be ISO 14001 certified.

7 APRIL

ENDESA and Enel team up with Japanese association CHAdeMO to expand the installation of EV express recharging points across the globe.

8 APRIL

ENDESA and Bergé Automoción sign an agreement to develop electric vehicles in Spain.

9 APRIL

ENDESA, Enel and the Renault-Nissan alliance sign a Memorandum of Understanding to develop electric mobility in various countries simultaneously.

23 APRIL

ENDESA launches a Euro 1.2 million aid package for victims of the Río de Janeiro storms.

27 APRIL

The third edition of the Endesa Solidarios programme ends with a total contribution of Euro 40,000 to five community initiatives.

28 APRIL

ENDESA celebrates World Day for Safety and Health at Work, highlighting this as one of its key corporate values.

ENDESA SINCE ITS INCORPORATION

1944

- ENDESA is incorporated on 18 November.

1945/1957

- The Compostilla I thermal plant in Ponferrada (León) is built and comes on stream.

1961/1972

- The first three units of the Compostilla II thermal plant in Ponferrada (León) are built and begin production.

1964

- The hydro plant at Cornatel (León) comes on stream.

1972

- Merger with Hidrogalicia.
- Acquisition of the As Pontes (La Coruña) open pit coal mine and the Andorra (Teruel) underground coal mines from Empresa Nacional Calvo Sotelo.

1972/1979

- The As Pontes (La Coruña) thermal plant is built and comes on stream.

1976/1980

- The Andorra (Teruel) thermal plant is built and starts production.

1979/1984

- The new groups of the Compostilla II thermal plants are built and come on stream.

1980

- The Ceuta and Melilla diesel groups come into operation.

1980/1984

- The first groups at the Litoral and Puerto de Carboneras thermal plants (both in Almería) are built and come on stream.

1981

- Mining begins at the Corta Alloza open pit coal mine in Andorra (Teruel).

1983

- The Endesa Group is created following the acquisition of the Spanish Institute of Industry's (INI) holdings in Enher, Gesa, Unelco and Encasur.

1985

- The Electricity Asset Swap Agreement is signed with other companies in the sector leading to a significant increase in the company's installed capacity.

1986

- The Ascó II (Tarragona) nuclear power station starts production.
- Mining begins at the Corta Barrabasa mine in Andorra (Teruel).

1987

- The Vandellós II nuclear power plant is connected to the national grid.

1988

- Initial Public Offering of ENDESA shares, which reduces the state's holding to 75.6%.
- ENDESA's shares are traded for the first time on the New York Stock Exchange.

1990

- Completion of the Escatrón thermal plant (Teruel).

1991

- Acquisition of 87.6% of Electra de Viesgo, 40% of Fecsa, 33.5% of Sevillana and 24.9% of Saltos del Nansa.

1992

- Acquisition of 61.9% of Carboex.
- ENDESA increases its holdings in Fecsa and Nansa to 44.9% and 37.5% respectively.
- Elcogas is incorporated to build the first gasification plant integrated into a CCGT unit in Puertollano.
- ENDESA acquires its first foreign holdings, acquiring stakes in two Argentine companies.

1993

- Acquisition of a 55% stake in Hidroeléctrica de Cataluña.
- Acquisition of a shareholding in Tejo Energía (Portugal), which owns the Pego thermal plant.

1994

- Public Offering of ENDESA shares which sees state ownership reduced to 66.89%.
- ENDESA takes a stake in Compañía Peruana de Electricidad y de Distrilima at its incorporation.
- Acquisition of 11.78% of Sociedad General de Aguas de Barcelona (AGBAR).

1995

- ENDESA acquires a 9.7% holding in Edenor, the Argentine electricity distributor, and a 7.2% holding in Airtel, Spain's second largest mobile operator.
- Enher acquires 100% of Hidroeléctrica de Cataluña.

1996

- ENDESA increases its stake in Fecsa to 75%.
- Increases its stake in Sevillana to 75%.
- Signs the Protocol for the new Spanish Electricity System Regulation.

1997

- A consortium in which ENDESA participates is awarded the second telephony operating licence (Retevisión).
- Public Offering for an additional 25% of ENDESA.
- ENDESA acquires 31.9% of the Latin American group Enersis.
- 4x1-split of ENDESA shares, with the par value established at Ptas 200 (€1.20).

1998

- Public Offering of an additional 33% of ENDESA's shares.
- ENDESA makes a capital reduction of 8.19%.

1999

- ENDESA completes its corporate consolidation process by incorporating minority shareholders from its Spanish electricity subsidiary companies into the shareholder structure of ENDESA, Sociedad Anónima. The merger is approved at the respective General Shareholders' Meetings on 27 April.
- ENDESA acquires an additional 32% of Enersis and becomes the controlling shareholder.
- ENDESA sells its stake in Airtel.

2000

- The telecommunications holding AUNA is set up in which ENDESA holds an initial 27.8% stake.
- ENDESA acquires Smartcom, a Chilean mobile telephony company.
- ENDESA's shares are traded for the first time on the Santiago de Chile Off-Shore Stock Exchange.

2001

- ENDESA agrees to sell its stake in Argentine distributor, Edenor.
- ENDESA acquires 30% of French electricity generator, Snet.
- A consortium led by ENDESA, and in which it holds a 45% stake, is awarded the Italian generation company Elettrogen.

- Viesgo's generation and distribution assets are awarded to the Italian company, Enel, in a competitive tender.

2002

- ENDESA is included in the Dow Jones Sustainability World Index (DJSI).
- ENDESA's first CCGT power plants come on stream: Besós, San Roque and Son Reus.
- ENDESA sets up Sodesa, a joint venture with Sonae of Portugal to sell electricity in the Portuguese market.
- ENDESA's Customer Ombudsman's Office commences its activities.

2003

- ENDESA sells its electricity transmission network to Red Eléctrica, S.A.
- ENDESA sells its 3.01% stake in Repsol YPF, 7% of Red Eléctrica, S.A and 100% of Made, a company that manufactures wind generators and solar panels.
- ENDESA's Board of Directors modifies its Regulations and approves the Internal Code of Conduct in Stock Markets.
- ENDESA relocates the registered offices of ENDESA Generación to Seville and ENDESA Red to Barcelona.
- The Fortaleza power plant came on stream in Brazil.

2004

- The 400 MW Tahaddart plant in Morocco, the country's first CCGT plant, in which ENDESA owns 32%, is synchronised to the grid.
- ENDESA sells its 11.64% stake in Aguas de Barcelona, as well as its NETCO Redes shareholding and its subsidiary companies Senda Ambiental and Enditel.

2005

- ENDESA sells its holding in Moroccan company, Lydec.
- ENDESA joins Nordpool, the most active trading market for emissions rights in Europe.
- Gas Natural launches a hostile takeover bid for 100% of ENDESA's capital.
- ENDESA creates Endesa Brasil, a holding company for all its Brazilian operating assets.
- ENDESA sells France Telecom a 27.7% stake in the telecommunications group Auna.
- ENDESA sells its 40% stake in CEPM, the Dominican Republic based generation company.
- ENDESA sells its remaining 5.01% stake in Auna to Deutsche Bank.
- Endesa Chile acquires 25% of the San Isidro plant, assuming outright ownership of the facility.

2006

- E.On of Germany launches a takeover bid for 100% of ENDESA.
- ENDESA sells 49% of Portuguese company NQF Gas.
- ENDESA signs an agreement with Algerian company Sonatrach to supply natural gas through the MedGaz gas pipeline.
- International Finance Corporation (IFC), a World Bank affiliate, acquires 2.7% of the Endesa Brasil holding company.
- ENDESA is rated the leading electric utility in the world for its commitment to sustainable development, according to the Dow Jones Sustainability World Index.
- Acciona acquires 10% of ENDESA.
- The Eólicas de Portugal consortium, in which ENDESA holds a 30% stake, is awarded the tender to construct and operate 1,200 MW of wind capacity in Portugal.

2007

- Acciona notifies the CNMV that its total stake in ENDESA stands at 23.01%.
- Gas Natural withdraws its takeover bid for 100% of ENDESA.
- Enel acquires a 9.993% stake in ENDESA.
- ENDESA signs an agreement with International Power to build an 830 MW combined cycle plant next to the Pego plant (Portugal).
- Enel confirms that its direct and indirect stake in ENDESA now totals 24.973%.
- E.On withdraws its takeover bid for ENDESA.
- Enel and Acciona request that the CNMV authorise their joint takeover bid for 100% of ENDESA.
- Colombian utilities Emgesa and Betania merge to become the country's leading electricity generator.
- The CNMV announces the successful outcome of the takeover bid launched by Enel and Acciona for ENDESA.
- Endesa Eco inaugurates Canela I, ENDESA's first wind farm in Latin America.
- ENDESA sells 2,705,400 shares in Red Eléctrica de España, representing 2% of the company's share capital.

2008

- Edegel (Peru) signs a turnkey agreement with Siemens Power Generation, Inc. to enlarge the Santa Rosa thermal plant by 189 MW.
- ENDESA takes over the presidency of SIEPAC, the project for electricity interconnection between the six Central American countries.
- The San Isidro II power plant in Chile comes on stream with a fuel oil combined cycle, totalling 353 MW of installed capacity.
- ENDESA opens a representative office in Shanghai (China).
- ENDESA inaugurates its first two wind farms in the Valencia Region (Alto Palancia I and II), with a combined capacity of 74 MW.
- ENDESA is awarded a licence to sell gas in Portugal.

- Enel and Acciona reach a deal with E.On on the value of the assets to be transferred to the latter following the agreement signed by the three companies in April 2007. The total value agreed is Euro 11,500 million.
- ENDESA is awarded 20% of the first auction of natural gas storage capacity held in Spain.
- Unit 2 of the Termocartagena plant in Colombia comes on stream, with installed capacity of 65.9 MW.
- The As Pontes (A Coruña) combined cycle plant comes on stream.
- Agreement signed for the sale of Endesa Europa and other ENDESA assets to E.On.
- Endesa Eco's Ojos de Agua hydro power plant with capacity of 9 MW, comes on stream in Chile.
- ENDESA acquires an additional 23.78% in Edegel and an additional 24% in Edelnor, in Peru.

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