Annual Report 2010 **Legal Documentation**

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Endesa
Legal Documentation

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Endesa, S.A.
and Subsidiaries

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Auditors' Report

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

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

Auditors' Report on the Consolidated Annual Accounts

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

To the Shareholders of
Endesa, S.A.

We have audited the consolidated annual accounts of Endesa, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As mentioned in note 2.1 to the accompanying consolidated annual accounts, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of financial reporting legislation applicable to the Group, preparation of the Group's annual accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable financial reporting legislation. Our work did not include an examination of the annual accounts or financial statements, as applicable, of certain subsidiaries, jointly controlled entities and associates representing 21% of consolidated assets and 25% of consolidated net profits at 31 December 2010. The annual accounts or financial statements of the aforementioned subsidiaries, jointly controlled entities and associates have been reviewed by other auditors (see Appendices I and II to the accompanying notes). Insofar as it relates to these subsidiaries, jointly controlled entities and associates, our opinion on the consolidated annual accounts of Endesa, S.A. and subsidiaries is based solely on the reports from the other auditors.

In our opinion, based on our audit and the reports of other auditors mentioned in the previous paragraph, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Endesa, S.A. and subsidiaries at 31 December 2010 and the consolidated results of their operations, consolidated comprehensive income and changes in consolidated equity and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable financial reporting legislation.

The accompanying consolidated directors' report for 2010 contains such explanations as the directors of Endesa, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2010. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Endesa, S.A. and subsidiaries.

KPMG Auditores, S.L.

(*Signed on the original in Spanish*)

Julián Martín Blasco
Partner

23 February 2011

Consolidated Annual Accounts for 2010

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

Consolidated Balance Sheets at 31 december 2010 and 2009 and 1 january 2009

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

Millions of Euros

	31 December 2010	31 December 2009 (*)	1 January 2009 (*)
Assets			
Non-current assets	**43,555**	**48,569**	**43,034**
Property, plant and equipment (Note 5)	32,896	32,913	29,991
Investment property (Note 6)	69	58	47
Intangible assets (Note 7)	3,167	2,843	2,501
Goodwill (Note 8)	2,797	2,815	2,053
Investments accounted for using the equity method (Note 9)	899	293	196
Non-current financial assets (Note 10)	1,641	7,603	6,088
Deferred tax assets (Note 22)	2,086	2,044	2,158
Current assets	**19,033**	**11,368**	**15,320**
Inventories (Note 11)	1,129	1,057	1,092
Trade and other receivables (Note 12)	6,109	6,914	6,655
Trade and other receivables	5,433	6,493	6,313
Current income tax assets	676	421	342
Current financial assets (Note 13)	9,434	907	188
Cash and cash equivalents (Note 14)	1,828	1,838	4,787
Non-current assets held for sale and discontinued operations (Note 33)	533	652	2,598
Total assets	**62,588**	**59,937**	**58,354**

	31 December 2010	31 December 2009 (*)	1 January 2009 (*)
Equity and liabilities			
Equity (Note 15)	**23,164**	**18,960**	**20,755**
Of the Parent (Note 15.1)	17,776	14,227	17,079
Capital	1,271	1,271	1,271
Share premium and reserves	12,004	9,820	9,076
Profit for the year attributable to the Parent	4,129	3,430	7,169
Interim dividend	(529)	(529)	—
Valuation adjustments	901	235	(437)
Non-controlling interests (Note 15.2)	5,388	4,733	3,676
Non-current liabilities	**27,383**	**29,743**	**26,752**
Deferred income (Note 16)	3,936	3,636	3,195
Non-current provisions (Note 17)	4,714	4,446	3,957
Provisions for pensions and similar obligations	1,257	1,013	730
Other non-current provisions	3,457	3,433	3,227
Non-current borrowings (Note 18)	16,256	19,512	17,503
Other non-current liabilities (Note 21)	602	581	637
Deferred tax liabilities (Note 22)	1,875	1,568	1,460
Current liabilities	**12,041**	**11,234**	**10,847**
Current borrowings (Note 18)	985	929	1,381
Current provisions (Note 24)	1,020	962	884
Provisions for pensions and similar obligations	5	4	7
Other current provisions	1,015	958	877
Trade payables and other current liabilities (Note 23)	9,824	9,119	7,652
Suppliers and other payables	8,919	8,442	6,865
Current income tax liabilities	905	677	787
Liabilities associated with non-current assets held for sale and discontinued operations (Note 33)	212	224	930
Total Equity and Liabilities	**62,588**	**59,937**	**58,354**

(*) See note 2.1.
The accompanying notes 1 to 39 form an integral part of the consolidated annual accounts at 31 December 2010 and 2009.

Consolidated Income Statements for the years ended 31 december 2010 and 2009

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

		Millions of Euros
	2010	2009 (*)
Income (Note 25)	**31,177**	**25,925**
Sales (Note 25.1)	29,558	24,433
Other operating income (Note 25.2)	1,619	1,492
Procurements and Services	**(19,768)**	**(14,710)**
Power purchased	(7,409)	(6,013)
Cost of fuel consumed	(3,154)	(2,783)
Transmission expenses	(6,087)	(3,603)
Other variable procurements and services (Note 26)	(3,118)	(2,311)
Contribution Margin	**11,409**	**11,215**
Self-constructed assets	265	188
Personnel expenses (Note 27)	(1,852)	(1,994)
Other fixed operating expenses (Note 28)	(2,348)	(2,181)
Gross Profit from Operations	**7,474**	**7,228**
Amortisation, depreciation and impairment losses (Note 29)	(2,443)	(2,176)
Profit from Operations	**5,031**	**5,052**
Financial Loss (Note 30)	**(883)**	**(1,018)**
Finance income (Note 30)	377	639
Finance expenses (Note 30)	(1,272)	(1,623)
Net exchange differences (Note 30)	12	(34)
Net profit of companies accounted for using the equity method (Note 9)	1	45
Gains/(losses) from other investments	6	(2)
Gains/(losses) on asset disposals (Note 31)	2,361	1,513
Profit before tax	**6,516**	**5,590**
Income Tax (Note 32)	(1,398)	(1,230)
Profit after tax from continuing operations	**5,118**	**4,360**
Profit after tax of discontinued operations (Note 33)	—	—
Profit for the year	**5,118**	**4,360**
Parent company	4,129	3,430
Non-controlling interests	989	930
Basic net earnings per share from continuing operations (in euros))	**3.90**	**3.24**
Diluted net earnings per share from continuing operations (in euros)	**3.90**	**3.24**
Basic net earnings per share from discontinued operations (in euros)	—	—
Diluted net earnings per share from discontinued operations (in euros)	—	—
Basic net earnings per share (in euros)	**3.90**	**3.24**
Diluted net earnings per share (in euros)	**3.90**	**3.24**

(*) See note 2.1.
The accompanying notes 1 to 39 form an integral part of the consolidated annual accounts at 31 December 2010 and 2009.

Consolidated Statements of Comprehensive Income for the years ended 31 december 2010 and 2009

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

Millions of Euros

	31 December 2010			31 December 2009		
	Of the Parent	Non-controlling interests	Total	Of the Parent	Non-controlling interests	Total
Consolidated profit for the year	**4,129**	**989**	**5,118**	**3,430**	**930**	**4,360**
Other comprehensive income:						
Income and expense recognised directly in equity	**485**	**647**	**1,132**	**336**	**400**	**736**
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	—	—	—	—	—	—
From measurement of financial instruments	**8**	—	**8**	**3**	—	**3**
Available-for-sale financial assets	8	—	8	3	—	3
Other income/(expenses)	—	—	—	—	—	—
From cash flow hedges	**(46)**	**23**	**(23)**	**(199)**	**(66)**	**(265)**
Translation differences	**661**	**656**	**1,317**	**664**	**468**	**1,132**
From actuarial gains and losses and other adjustments	**(186)**	**(33)**	**(219)**	**(249)**	**(14)**	**(263)**
Companies accounted for using the equity method	**(2)**	**(4)**	**(6)**	—	—	—
Other income and expense recognised directly in equity	—	—	—	—	—	—
Tax effect	**50**	**5**	**55**	**117**	**12**	**129**
Amounts transferred to the income statement and/or investments	**43**	**6**	**49**	**155**	**193**	**348**
From measurement of financial instruments	**(45)**	—	**(45)**	**(6)**	—	**(6)**
Available-for-sale financial assets	(45)	—	(45)	(6)	—	(6)
Other income/(expenses)	—	—	—	—	—	—
From cash flow hedges	**101**	**1**	**102**	**196**	**233**	**429**
Translation differences	—	—	—	—	—	—
Companies accounted for using the equity method	—	—	—	—	—	—
Other income and expense recognised directly in equity	—	—	—	—	—	—
Tax effect	**(13)**	**5**	**(8)**	**(35)**	**(40)**	**(75)**
Total comprehensive income	**4,657**	**1,642**	**6,299**	**3,921**	**1,523**	**5,444**

The accompanying notes 1 to 39 form an integral part of the consolidated annual accounts at 31 December 2010 and 2009.

Consolidated Statement of changes in equity for the year ended 31 december 2010

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

Millions of Euros

	Equity attributable to equity holders of the Parent							
	Capital and reserves							
	Capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Non-controlling interests	Total equity
Balance at 1 January 2010	**1,271**	**9,291**	**—**	**3,430**	**—**	**235**	**4,733**	**18,960**
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of errors	—	—	—	—	—	—	—	—
Adjusted balance at 1 January 2010	**1,271**	**9,291**	**—**	**3,430**	**—**	**235**	**4,733**	**18,960**
Total comprehensive income	**—**	**(138)**	**—**	**4,129**	**—**	**666**	**1,642**	**6,299**
Transactions with equity holders or owners	**—**	**(19)**	**—**	**(1,089)**	**—**	**—**	**(987)**	**(2,095)**
Capital increases/(reductions)	—	—	—	—	—	—	(89)	(89)
Conversion of liabilities into equity	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(1,089)	—	—	(683)	(1,772)
Transactions with treasury shares or own equity instruments (Net)	—	—	—	—	—	—		—
Increases/(reductions) due to business combinations	—	—	—	—	—	—	(204)	(204)
Other transactions with shareholders and owners	—	(19)	—	—	—	—	(11)	(30)
Other changes in equity	**—**	**2,341**	**—**	**(2,341)**	**—**	**—**	**—**	**—**
Share-based payments	—	—		—	—	—	—	—
Transfers between equity items	—	2,341		(2,341)	—	—	—	—
Other changes	—	—		—	—	—	—	—
Balance at 31 December 2010	**1,271**	**11,475**	**—**	**4,129**	**—**	**901**	**5,388**	**23,164**

The accompanying notes 1 to 39 form an integral part of the consolidated annual accounts at 31 December 2010 and 2009.

Consolidated Statement of changes in equity for the year ended 31 december 2009

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

Millions of Euros

	Equity attributable to equity holders of the Parent							
	Equity							
	Capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Non-controlling interests	Total equity
Balance at 1 January 2009	1,271	9,079	—	7,169	—	(437)	3,682	20,764
Adjustments due to changes in accounting policies (Note 2.1)	—	(3)	—	—	—	—	(6)	(9)
Corrections of errors	—	—	—	—	—	—	—	—
Adjusted balance at 1 January 2009	**1,271**	**9,076**	**—**	**7,169**	**—**	**(437)**	**3,676**	**20,755**
Total comprehensive income	**—**	**(181)**	**—**	**3,430**	**—**	**672**	**1,523**	**5,444**
Transactions with equity holders or owners	**—**	**—**	**—**	**(6,773)**	**—**	**—**	**(466)**	**(7,239)**
Capital increases/(reductions)	—	—	—	—	—	—	—	—
Conversion of liabilities into equity	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(6,773)	—	—	(479)	(7,252)
Transactions with treasury shares or own equity instruments (Net)	—	—	—	—	—	—	—	—
Increases/(reductions) due to business combinations	—	—	—	—	—	—	13	13
Other transactions with shareholders and owners	—	—	—	—	—	—	—	—
Other changes in equity	**—**	**396**	**—**	**(396)**	**—**	**—**	**—**	**—**
Share-based payments	—	—	—	—	—	—	—	—
Transfers between equity items	—	396	—	(396)	—	—	—	—
Other changes	—	—	—	—	—	—	—	—
Balance at 31 December 2009	**1,271**	**9,291**	**—**	**3,430**	**—**	**235**	**4,733**	**18,960**

The accompanying notes 1 to 39 form an integral part of the consolidated annual accounts at 31 December 2010 and 2009.

Consolidated Statements of cash flows for the years ended 31 december 2010 and 2009

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

		Millions of Euros
	2010	2009
Gross profit before tax and non-controlling interests	**6,516**	**5,590**
Adjustments for:	**1,090**	**1,413**
Amortisation, depreciation and impairment losses	2,443	2,176
Other adjustments (net)	(1,353)	(763)
Changes in operating assets and liabilities	**77**	**152**
Other cash flows from operating activities:	**(1,778)**	**(2,188)**
Interest received	309	382
Dividends received	12	13
Interest paid	(669)	(844)
Income tax paid	(875)	(1,166)
Other proceeds from and payments for operating activities	(555)	(573)
Net cash flows from operating activities	**5,905**	**4,967**
Acquisitions of property, plant and equipment and intangible assets	(2,593)	(3,224)
Disposals of property, plant and equipment and intangible assets	1,529	2,833
Investments in Group companies	(30)	(479)
Disposals of investments in Group companies	1,532	20
Other investments	(2,221)	(2,035)
Disposals of other investments	879	746
Cash flows from changes in consolidated group	(87)	7
Grants and other deferred income	233	275
Net cash flows used in investing activities	**(758)**	**(1,857)**
Non-current borrowings	1,174	3,801
Repayments of non-current borrowings	(1,201)	(461)
Net cash flows used in current borrowings	(3,670)	(2,967)
Dividends of the Parent paid	(1,088)	(6,244)
Payments to non-controlling interests	(570)	(461)
Net cash flows used in financing activities	**(5,355)**	**(6,332)**
Total net cash flows	**(208)**	**(3,222)**
Effect of exchange rate fluctuations on cash and cash equivalents	191	249
Net decrease in cash and cash equivalents	**(17)**	**(2,973)**
Cash and cash equivalents at beginning of year	**1,860**	**4,833**
Cash on hand and at banks	1,262	3,421
Cash equivalents	598	1,412
Cash and cash equivalents at year end	**1,843**	**1,860**
Cash on hand and at banks	528	598
Cash equivalents	1,315	1,262

The accompanying notes 1 to 39 form an integral part of the consolidated annual accounts at 31 December 2010 and 2009.

Notes to the consolidated annual accounts for 2010

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

1. Activities of the Group and Annual Accounts

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

The Company was incorporated with limited liability under Spanish law in 1944 under the name Empresa Nacional de Electricidad, S.A. and changed its name to Endesa, S.A. pursuant to a resolution adopted by the shareholders at the annual general meeting on 25 June 1997.

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

The Endesa Group's consolidated annual accounts for 2009 were approved by the shareholders at the annual general meeting on 21 June 2010.

The Endesa Group's 2010 consolidated annual accounts and the 2010 accounts of each of the Group companies, on which the consolidated annual accounts are based, are mostly pending approval by the shareholders at their respective annual general meetings. However, the directors consider that these annual accounts will be approved without any changes.

The figures disclosed in the annual accounts are expressed in millions of Euros (unless stated otherwise), which is the Parent's presentation currency.

The Company forms part of the ENEL Group, the ultimate parent company of which is ENEL, S.p.A. (hereinafter ENEL), which is governed by commercial legislation in Italy. ENEL has its registered offices at Viale Regina Margherita, 137, Rome, and the Group's Parent company in Spain is ENEL Energy Europe, S.L.U. (hereinafter EEE), with registered offices at Calle Ribera del Loira, 60, Madrid. The consolidated annual accounts of the ENEL Group for 2009 were approved by the shareholders at their annual general meeting held on 29 April 2010 and filed at the Register of Companies in Rome. The Company's shares are listed on the Spanish stock exchanges and it therefore files consolidated annual accounts in accordance with Article 43 of the Spanish Code of Commerce.

2. Basis of Presentation of the Consolidated Annual Accounts

2.1. Basis of presentation

The Endesa Group's consolidated annual accounts for 2010 were authorised for issue by the directors at their board meeting held on 22 February 2011, and were prepared in accordance with International Financial Reporting Standards (hereinafter IFRS) as adopted by the European Union at the consolidated balance sheet date, pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council, and other applicable financial reporting regulations.

These consolidated annual accounts present fairly the Group's equity and financial position at 31 December 2010 and the consolidated comprehensive income from its operations, changes in consolidated equity and changes in consolidated cash flows of the Group in the year then ended.

These consolidated annual accounts have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS, as stipulated in the measurement standards applicable to each item, and non-current assets and disposal groups held for sale, which are recognised at the lower of their carrying amount and fair value less costs to sell (see note 3).

The Endesa Group's consolidated annual accounts for 2010 and 2009 have been prepared on the basis of the accounting records of the Company and the other companies forming the Group.

Each company prepares its annual accounts using the accounting principles and standards prevailing in the country in which it operates, and the necessary adjustments and reclassifications have therefore been made on consolidation to harmonise these principles and criteria with IFRS and the criteria of the IFRS Interpretations Committee (hereinafter IFRIC).

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

a) Effective for annual periods beginning on or after 1 January 2010

Standards and interpretations	Obligatory application for
Amendments to IFRS 1: Additional exemptions for first-time adopters of IFRS	Annual periods beginning on or after 31 December 2009
Amendment to IFRS 2: Share-based Payment	Annual periods beginning on or after 1 January 2010
Improvements to IFRS (issued by the IASB in April 2009)	Annual periods beginning on or after 1 January 2010
Business Combinations (revised in 2008) and amendments to IAS 27 Consolidated and Separate Financial Statements	Annual periods beginning on or after 1 July 2009
Eligible hedged items (amendment to IAS 39: Financial Instruments: Recognition and Measurement)	Annual periods beginning on or after 1 July 2009
IFRS 1: First-time Adoption of IFRS (revised in 2008)	Annual periods beginning on or after 31 December 2009
IFRIC 12: Service Concession Arrangements	Annual periods beginning on or after 27 March 2009
IFRIC 15: Agreements for the Construction of Real Estate	Annual periods beginning on or after 31 December 2009
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	Annual periods beginning on or after 1 July 2009
IFRIC 17: Distributions of Non-cash Assets to Owners	Annual periods beginning on or after 1 November 2009
IFRIC 18: Transfers of Assets from Customers	Annual periods beginning on or after 31 October 2009
Improvements to IFRS 1 and 5 (issued by the IASB in May 2008)	Annual periods beginning on or after 1 July 2009

The main impact of the application of these new standards and interpretations on the consolidated annual accounts is as follows:

IFRIC 12 Service Concession Arrangements

Due to the first-time application of IFRIC 12 Service Concession Arrangements, the consolidated balance sheet at 1 January 2009 and 31 December 2009 and the consolidated income statement for 2009 presented for comparative purposes have been changed as follows compared with those approved by the shareholders at their Annual General Meeting (hereinafter AGM) on 21 June 2010:

Consolidated Balance Sheet

Millions of Euros

	1 January 2009	31 December 2009
Non-current assets	(219)	(258)
Property, plant and equipment	(1,537)	(2,146)
Intangible assets	1,318	1,818
Non-current financial assets	—	70
Current assets	27	—
Total Assets	**(192)**	**(258)**
Equity	(9)	(10)
Non-current liabilities	(184)	(248)
Deferred income	(203)	(269)
Non-current borrowings	17	18
Deferred tax liabilities	2	3
Current liabilities	1	—
Total Equity and Liabilities	**(192)**	**(258)**

Consolidated Income Statement

Millions of Euros

	2009
Other operating income	233
Other variable procurements and services	233

Amendments to IAS 27: Consolidated and Separate Financial Statements

The Group has applied the aforementioned amendments to IAS 27 in 2010 to recognise its loss of control over Endesa Cogeneración y Renovables, S.A.U. (now ENEL Green Power España, S.L., hereinafter EGP España or Ecyr) and Nubia 2000, S.L. (hereinafter Nubia) (see notes 9, 31 and 33).

In line with this amendment, interests previously controlled by the Group which it no longer controls are initially recognised at fair value at the date control was lost. The difference between the fair value of the consideration received in the transaction, plus the fair value of the investment held, plus the carrying amount of the interests not controlled in the subsidiary, and the assets and liabilities derecognised from the consolidated balance sheet due to loss of control of the previously held interest, is recognised in the consolidated income statement under gains/(losses) on asset disposals.

IFRIC 18 Transfers of Assets from Customers

This standard regulates the recognition of assets transferred by customers, and essentially applies to all the Group’s electricity distribution activity in Spain.

From our analysis of electricity sector regulations on the transfer of assets by customers to distributors, and IFRIC 18, on the recognition of such assets, the accounting treatment to be used in application of IFRIC 18 is open to various possible interpretations.

Based on the recommendation from the corresponding regulatory body and in line with the other companies in the sector in Spain, Endesa has recognised assets received at fair value in property, plant and equipment with a balancing entry in deferred income in the consolidated balance sheet, allocating the income to the consolidated income statement over the useful life of the asset received. This accounting policy has the same effect as that applied before IFRIC 18 came into force.

The other standards and interpretations adopted by the European Union which have taken effect in 2010 have not had a significant impact on the accompanying consolidated annual accounts.

Except for the matters mentioned in the preceding paragraphs, in 2010 the Group applied the same accounting principles and measurement criteria as those used for the 2009 consolidated annual accounts.

b) Not effective from 1 January 2010 but which the Group plans to adopt from 1 January 2011

Standards and interpretations	Obligatory application for
Amendments to IAS 32: Financial Instruments: Presentation	Annual periods beginning on or after 1 February 2010
IAS 24: Related Party Disclosures	Annual periods beginning on or after 1 January 2011
Amendment to IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2011
Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	Annual periods beginning on or after 1 January 2011
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010
Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures	Annual periods beginning on or after 30 June 2010

At the date of authorisation of these consolidated annual accounts, Group management is assessing the effect that application of these standards will have on the Group's financial statements, although no significant impact is expected.

2.2. Responsibility for information and estimates

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

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

- Measurement of assets and goodwill to determine any impairment losses (see note 3 e))
- Assumptions used in the actuarial calculation of liabilities and obligations to employees and the leaving dates for employees affected by personnel restructuring plans (see note 17)
- Useful lives of property, plant and equipment and intangible assets (see notes 3 a) and 3 d)).
- Assumptions used to calculate the fair value of financial instruments (see note 20).
- Unmetered power supplied to customers.
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution

activity incentives, etc., which can be used to estimate the overall settlements in the electricity system to be made in the corresponding final settlements. These settlements, which are pending at the date of authorisation of these consolidated annual accounts, could affect the assets, liabilities, income and expenses related with electricity system activities and, in particular, the shortfall in revenue from regulated activities in Spain.

- Interpretation of certain electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of authorisation of these consolidated annual accounts.
- The probability of occurrence and amount of liabilities for uncertain amounts or contingent liabilities (see note 3 m)).
- Future costs for the closure of facilities and restoration of land (see notes 3 a) and 3 d)).
- Tax profits or losses of the different Group companies to be declared to the taxation authorities in the future, which have served as a basis for income tax balances recognised in the accompanying consolidated annual accounts (see note 3 p)).

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

2.3. Subsidiaries and jointly controlled entities

Subsidiaries are companies in which the parent company has control over the majority of voting rights or, alternatively, the capacity to govern the financial and operating policies of the entity so as to obtain economic benefits from its activities. Any voting rights held by the Group or third parties which may be exercised or converted at year end have been considered for this purpose.

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

The Group considers Special Purpose Vehicles (hereinafter SPV), namely those entities over which the Group exercises effective control even when it does not hold a controlling interest therein, to be subsidiaries. Effective control is considered to be exercised when the Group obtains a substantial majority of the profits generated by the entity and retains most of the risks of that entity, even when it does not hold an interest therein. Endesa had no Special Purpose Vehicles in 2010 and 2009.

Appendix I to these consolidated annual accounts (Endesa Group companies) lists the Group’s subsidiaries and jointly controlled entities.

2.3.1. Changes in the consolidated group

Appendix III to these consolidated annual accounts details changes in the consolidated group during 2010 and 2009.

Three companies joined the consolidated group in 2010: Aysén Energía, S.A., Endesa Ingeniería, S.L.U. – ENEL Sole, S.R.L., U.T.E. II and ICT Servicios Informáticos Ltda. The financial indicators for these companies are not material.

The most significant additions to the consolidated group in 2009 were Endesa Ireland Ltd. (hereinafter Endesa Ireland) and Distribuidora Eléctrica de Cundinamarca, S.A. E.S.P. (hereinafter Cundinamarca):

- The acquisition of Endesa Ireland contributed assets and liabilities to the Group of Euros 193 million and Euros 64 million, respectively, generating goodwill of Euros 315 million.
- The acquisition of Cundinamarca contributed assets and liabilities to the Group of Euros 61 million and Euros 38 million, respectively, generating goodwill of Euros 10 million.

The financial indicators for the other companies joining the consolidated group in 2009 were not material.

The main departures of companies from the consolidated group in 2010 were through the following transactions:

- The integration of the activities of Endesa and Enel Green Power, S.p.A. (hereinafter EGP) in the field of renewable energies in Spain and Portugal into a single EGP consolidated company. This company is fully controlled by Enel, and Endesa has therefore lost control over the Endesa Cogeneración y Renovables Group (hereinafter Ecyr Group) (see note 9). The departure of the Ecyr Group from the consolidated group has reduced non-current assets by Euros 1,242 million, current assets by Euros 212 million, non-current liabilities by Euros 1,090 million and current liabilities by Euros 278 million (see notes 31 and 33).
- Completion of the sale of the 50.01% interest in ENDESA Hellas Power Generation and Supplies, S.A. (hereinafter Endesa Hellas) to Mytilineos Holding, S.A. on 1 July 2010, for Euros 140 million (see note 33). This company's departure from the consolidated group has reduced non-current assets by Euros 365 million, current assets by Euros 48 million, non-current liabilities by Euros 75 million and current liabilities by Euros 76 million in the consolidated balance sheet. At 31 December 2009 the assets and liabilities of this subsidiary were recognised in the consolidated balance sheet as assets and liabilities held for sale.
- The disposal of gas distribution and transmission assets through the sale of 80% of Nubia, resulting in decreases of Euros 555 million in non-current assets, Euros 28 million in current assets, Euros 93 million in non-current liabilities and Euros 92 million in current liabilities in the consolidated balance sheet (see notes 31 and 33).

In 2009, the departure of companies from the consolidated group primarily reflect the sale of renewable assets to the Acciona Group (hereinafter Acciona), as explained in note 33.

Except for the above-mentioned transactions, had the changes in the consolidated group occurred at the beginning of 2010 and 2009, the differences in the key figures in the consolidated income statement and consolidated balance sheet compared to the accompanying consolidated annual accounts would not have been significant.

2.3.2. Consolidated companies in which an interest of less than 50% is held

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

2.3.3. Non-consolidated companies in which an interest of more than 50% is held

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

2.4. Associates

Associates are those companies over which the Group has significant influence. Influence is generally deemed to be significant in those cases where the Group holds an interest of more than 20%.

Appendix II to these consolidated annual accounts (Associates) describes the relationships between Endesa and each of its associates.

2.5. Other investments

The impact of the financial indicators of the Group’s investees that are not considered subsidiaries, jointly controlled entities or associates on the fair presentation required of the consolidated annual accounts is minimal.

2.6. Basis of consolidation and business combinations

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

Jointly controlled entities are proportionately consolidated and their assets, liabilities, income, expenses and cash flows are included in the consolidated annual accounts in proportion to the Group’s percentage of ownership of those companies, after making adjustments and eliminations relating to intra-Group transactions.

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

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

1. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values, except certain assets and liabilities which are measured according to principles set out in the IFRS. Where the acquisition cost of the subsidiary exceeds the fair value of the assets and liabilities, including contingent liabilities, corresponding to the Parent company's interest, this difference is recognised as goodwill. Where the cost of acquisition is lower, the difference is recognised in the consolidated income statement. Costs attributable to the acquisition are recognised as an expense when incurred.
2. Non-controlling interests in the fair value of the net assets acquired and results of the fully consolidated subsidiaries are recognised in equity – non-controlling interests in the consolidated balance sheet and non-controlling interests in the consolidated statement of comprehensive income, respectively.
3. The financial statements of foreign companies with a functional currency other than the Euro are translated to Euros as follows:

   a. Assets and liabilities are translated to Euros at the exchange rates prevailing at the date of the consolidated annual accounts.
   b. Income and expense items are translated at the average exchange rates for the year.
   c. Equity is translated at the historical exchange rates prevailing at the acquisition date or, in the case of retained earnings and contributions made, at the average exchange rates for the year in which these are generated, as appropriate.

Exchange differences arising on translation of the financial statements are recognised, net of the related tax effect, as translation differences in the consolidated statement of comprehensive income (see note 15).

Translation differences arising prior to 1 January 2004 were reclassified under reserves because on first-time adoption of IFRS the Company applied the exception provided for the conversion of financial statements prepared under Spanish GAAP to IFRS.

4. All balances and transactions between fully consolidated companies, or the related portion in the case of proportionately consolidated companies, were eliminated on consolidation.
5. From 1 January 2010 onwards, in accordance with the amendments to IAS 27, when a transaction results in the loss of control of a subsidiary but an investment in that subsidiary is retained, this investment is initially recognised at its fair value at the date control was lost. The difference between the fair value of the consideration received, plus the fair value of the retained investment, plus the carrying amount of non-controlled interests in the subsidiary, and the assets and liabilities derecognised from the consolidated balance sheet following the loss of control of the previously controlled entity is recognised in the consolidated income statement under gains/(losses) on asset disposals.
6. As of 1 January 2010, changes in investments in subsidiaries that do not result in the taking or loss of control are accounted for as equity transactions, and the carrying amount of the controlling and non-controlling interests is adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity of the parent.

3. Measurement Criteria

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

a) Property, plant and equipment

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

- Borrowing costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period of time to be ready for use, such as, for example, electricity generating and distribution facilities. The interest rates used are those applicable to specific purpose financing or, in the absence of such rates, the average financing rate of the company making the investment. The average financing rate depends mainly on the geographical area and ranges from 2.6% to 8.3%. Euros 73 million were capitalised in this respect in 2010 (Euros 84 million in 2009) (see note 30).
- Personnel expenses relating directly to work in progress. The amounts capitalised are recognised under personnel expenses in the consolidated income statement and self-constructed assets in the consolidated balance sheet. Euros 141 million was capitalised in this respect in 2010 (Euros 167 million in 2009) (see note 27).
- The costs that the Group will incur in the future to close its facilities are included in the cost of the asset, at present value, and the related provision is recognised. The Group reviews its estimate of these future costs annually, increasing or decreasing the value of the related asset based on the results of this estimate. In the case of nuclear plants, this provision includes the amount that the Group estimates it will have to pay until the government-owned company Empresa Nacional de Residuos Radioactivos, S.A. (hereinafter Enresa) assumes responsibility for decommissioning these plants pursuant to Royal Decree 1349/2003 of 31 October 2003, and Law 24/2005 of 18 November 2005.

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

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

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

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

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

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

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

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

The useful lives of assets are as follows:

	Years of estimated useful life
Generating facilities:	
Hydroelectric power plants	
Civil engineering works	35-65
Electromechanical equipment	10-40
Coal-fired/fuel-oil power plants	25-40
Nuclear power plants	40
Combined cycle plants	10-25
Renewable energy plants	20-35
Transmission and distribution facilities:	
High-voltage network	10-60
Low and medium-voltage network	10-60
Measuring and remote control equipment	3-50
Other installations	4-25

Land has an indefinite useful life and is therefore not depreciated.

Nuclear power plants have an estimated useful life of 40 years. These power plants require administrative authorisation in order to operate. The operating permits granted to these plants at the date of preparation of these consolidated annual accounts do not cover the full estimated useful life, since the permits are generally granted for 30 years, which is shorter than the useful life of the facilities, and the permits are not renewed until they are close to expiry.

The Group's directors consider that these permits will be renewed to cover at least the 40 years of operation estimated for the power plants based on existing precedent.

Pursuant to Law 29/1985 of 2 August 1985, partially amended by Law 46/1999 of 13 December 1999, all Spanish hydroelectric power plants are operated under administrative concessions.

The terms and conditions of these concessions require that the plants revert to State ownership in good working order when the concessions expire, which is expected to be between 2011 and 2061.

The remaining periods for the finite administrative concessions held by the Endesa Group's electricity companies in Latin America (excluding those to which IFRIC 12 Service Concession Arrangements applies) are as follows (see note 3d):

Company	Activity	Country	Concession term	Period remaining
Empresa Distribuidora Sur, S.A.	Distribution	Argentina	95 years	77 years
Hidroeléctrica El Chocón, S.A.	Generation	Argentina	30 years	13 years
Transportadora de Energía, S.A.	Transmission	Argentina	85 years	77 years
Compañía de Transmisión del Mercosur, S.A.	Transmission	Argentina	87 years	77 years
Centrais Elétricas Cachoeira Dourada, S.A.	Generation	Brazil	30 years	17 years
Central Geradora Termelétrica Fortaleza, S.A.	Generation	Brazil	30 years	21 years
Compañía de Interconexión Energética, S.A. (Transmission Line 1)	Transmission	Brazil	20 years	10 years
Compañía de Interconexión Energética, S.A. (Transmission Line 2)	Transmission	Brazil	20 years	12 years

The Group has assessed the specific situations of each of the above concessions, which vary depending on the country, business and legal jurisdiction. Management has concluded that there are no determining factors indicating that the awarding body, in all cases governmental, has control over the infrastructure and capacity to set the price of the service on a permanent basis. These requirements are prerequisites for application of IFRIC 12 Service Concession Arrangements (see note 3d).

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

b) Investment property

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

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

The market values of investment property are detailed in note 6. For Latin America, these were calculated based on the best estimates of Company management, taking into account market conditions at each date. For the rest of the Group, external appraisals were used.

Investment property (excluding land) is depreciated on a straight-line basis over the useful lives of the assets, which are estimated using the same criteria as for property, plant and equipment.

c) Goodwill

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

The assets and liabilities acquired are measured provisionally at the date on which control of the company is obtained, and revised within a maximum period of one year from the acquisition date. The difference between the acquisition cost and the carrying amount of the acquiree is provisionally recognised as goodwill, until the actual fair value of the assets and liabilities is determined.

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

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

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

Until 31 December 2009, when the Group acquired an additional interest in a company that was already controlled and fully consolidated, the difference between the amount paid for the acquisition of the additional interest, and the balance recognised under equity – non-controlling interests that was derecognised as a result of the acquisition, was recorded as goodwill. Where the Group sold an interest in a controlled company and maintained control after the sale, and therefore continued to fully consolidate that interest, the difference between the proceeds from the sale and the balance recognised in equity – non-controlling interests to be derecognised as a result of the sale was recorded in profit or loss.

Since 1 January 2010, in accordance with the amendment to IAS 27 Consolidated and Separate Financial Statements, the differences mentioned in the preceding paragraph are recognised directly in equity in the consolidated statement of comprehensive income, under equity of the parent (see note 2.1).

d) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over their useful lives, except for those with indefinite useful lives, which are not amortised.

At 31 December 2010 there are no significant intangible assets with indefinite useful lives.

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

d.1. Concessions

IFRIC 12 Service Concession Arrangements gives guidance on the accounting by operators for public-to-private service concession arrangements. This accounting interpretation applies to concessions in which:

a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
b) the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where both the above conditions are met simultaneously, the consideration received by the Group for the construction of infrastructure is recognised at fair value as an intangible asset, provided that the operator receives a right to charge users of the public service, contingent on the extent that the public uses the service, or as a financial asset, to the extent that it has an unconditional contractual right to receive cash or another financial asset from the grantor or a third party. The Group's contractual obligations for maintenance of the infrastructure while it is in operation or for its return to the grantor at the end of the concession arrangement in the conditions specified therein, provided that these activities do not generate revenue, are recognised applying the accounting policy for provisions (see note 3m).

The following Group subsidiaries have recognised an intangible asset for their concession arrangements as a result of applying IFRIC 12:

Company	Activity	Country	Concession term	Period remaining
Ampla Energía e Serviços, S.A.(*)	Distribution	Brazil	30 years	16 years
Companhia Energética do Ceará, S.A.(*)	Distribution	Brazil	30 years	17 years
Sociedad Concesionaria Túnel El Melón, S.A.	Road infrastructure	Chile	23 years	6 years

(*) Considering that part of the rights acquired by the subsidiaries are unconditional, a receivable has been recognised at amortised cost (see notes 3g and 10).

Borrowing costs are capitalised using the criteria specified in letter a) of this note, provided that the concession operator has a contractual right to receive an intangible asset. The average financing rate used in 2009 to capitalise borrowing costs on concession assets ranged between 9.5% and 12.5%. No borrowing costs were capitalised in 2010 (Euros 2 million in 2009).

Personnel expenses of Euros 35 million and Euros 21 million, directly related to buildings under construction, were capitalised in 2010 and 2009, respectively.

Concessions are amortised over the term of the concession.

Concession contracts that are not subject to IFRIC 12 are recognised using the general criteria. Any assets which the Group recognises as property, plant and equipment are depreciated on a straight-line basis over the shorter of the asset's economic life or the concession period. When calculating asset impairment, any obligation assumed by the Group to invest in, improve or replace assets is considered as a contractual future cash outflow required to obtain future cash inflows. Any assets for which the Group has conveyed the rights to use in exchange for consideration are accounted for using the criteria specified in the note on leases (see note 3f).

d.2. Research and development expenditure

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

Research expenditure is recognised as an expense in the consolidated income statement and amounted to Euros 48 million in 2010 (Euros 45 million in 2009).

d.3. CO_2 emission rights

At the beginning of the year the European Group companies that emit CO_2 in their electricity generation activity must deliver CO_2 emission rights equal to the volume of emissions during the preceding year. The Group recognises CO_2 emission rights as non-amortisable intangible assets.

Emission rights are initially recognised at cost of acquisition, and provision is made where market value falls below cost.

The acquisition cost of rights granted free of charge under National Allocation Plans is considered to be the market price prevailing when they are received. Deferred income is recognised for the same amount. If an impairment loss is recognised to reduce the cost of these rights to their market value, provision is made and deferred income is reduced.

d.4. Other intangible assets

This item mainly comprises software, which is initially recognised at cost of acquisition or production and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses. Software is amortised over its useful life which, in most cases, has been estimated at five years.

e) Impairment of assets

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

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

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

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

These projections generally cover a ten-year period for estimates made in 2010, as the Group implemented its ten-year planning process during that year (until 2009 the process only covered a five-year period). Future cash flows until the end of the useful lives of the assets, or the end of the concession period, are estimated by applying reasonable growth rates that do not increase or exceed the average long-term growth rates in the relevant industry or country.

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

The discount rates applied in 2010 and 2009 fall within the flowing ranges:

		2010		2009	
Country	Currency	Minimum	Maximum	Minimum	Maximum
Spain and Portugal	Euro	6.2	6.5	6.9	7.4
Latin America:					
Chile	Chilean Peso	7.5	8.8	9.2	9.5
Argentina	Argentine Peso	15.0	16.8	19.5%	
Brazil	Brazilian Real	9.6	10.8	11.3%	
Peru	Peruvian New Sol	7.3	8.1	9.1%	
Colombia	Colombian Peso	9.6	9.8	11.5%	

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

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

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

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

f) Leases

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

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

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

g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

g.1. Financial assets except derivatives

The Group classifies its non-current and current financial assets, excluding investments accounted for using the equity method (see note 9) and assets held for sale (see note 33), in four categories:

Loans and receivables

Loans and receivables are measured at amortised cost, which is the initial fair value, less repayments of the principal, plus the accrued interest receivable calculated using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is that which exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or financial liability.

Held-to-maturity investments

These are investments that the Endesa Group has the intention and ability to hold until maturity, and which are recognised at amortised cost as defined above. The Group does not have significant investments of this type at 31 December 2010 and 2009.

Financial assets at fair value through profit or loss

These include financial assets held for trading and financial assets designated as at fair value through profit or loss on initial recognition, which are managed and measured on a fair value basis. These assets are recognised in the consolidated balance sheet at fair value and changes in fair value are recognised in the consolidated income statement.

Available-for-sale financial assets

These are financial assets designated specifically as available-for-sale or those that do not fall into any of the above three categories. They are mostly equity investments (see note 10.2).

These assets are recognised in the consolidated balance sheet at fair value when this can be determined reliably. Since it is not usually possible to determine reliably the fair value of investments in companies that are not publicly traded, such investments are measured at cost of acquisition, which is written down if there is evidence of impairment.

Changes in fair value, net of the tax effect, are recognised with a debit or credit, as appropriate, to other comprehensive income in the consolidated statement of comprehensive income (see note 15) until these assets are sold, at which time the cumulative balance of this account relating to these investments is recognised in full in the consolidated income statement.

If fair value is lower than the cost of acquisition and there is objective evidence that the asset is irreversibly impaired, the difference is recognised directly in the consolidated income statement.

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

g.2. Cash and cash equivalents

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

g.3. Financial liabilities except derivatives

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

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

To calculate the fair value of the liabilities, for the purpose of recognition in the consolidated balance sheet and for disclosure of fair value in note 18.5, debt has been divided into liabilities bearing interest at a fixed rate (fixed-rate debt) and liabilities bearing interest at floating rates (floating-rate debt). Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term. Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. All these liabilities are measured by discounting the expected future flows using the market interest rate, depending on the payment currency.

g.4. Derivatives and hedge accounting

The derivatives held by the Group relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or commodity price risk (electricity, fuel, CO_2

emission rights and CERs), the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

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

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

Fair value hedges

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

Cash flow hedges

Changes in the fair value of the derivatives, in respect of the effective portion of the hedges, are recognised as other comprehensive income in the consolidated statement of comprehensive income (see note 15). The cumulative gain or loss recognised in this account is transferred to the consolidated income statement in line with the impact thereon of the underlying in relation to the hedged risk. The effects are netted under the same heading in the consolidated income statement. Gains or losses on the ineffective portion of the hedges are recognised directly in the consolidated income statement.

Hedges of a net investment in a foreign operation

Changes in fair value are recognised, in respect of the effective portion of these hedges, net of the related tax effect, as translation differences in the consolidated statement of comprehensive income (see note 15) and transferred to the consolidated income statement when the hedged investment is sold.

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

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

- The sole purpose of the contract is for own use, which in the case of purchases of fuel or CO_2 emission rights is understood as use to generate electricity; in the case of purchases of electricity or gas for retail, the sale thereof to end customers; and in the case of sales of electricity, the distribution of own production.

- The Group's projections support the purpose of these contracts as for own use.
- Past experience of the contracts shows that these have been for own use, except in those infrequent cases where another use has been necessary as a result of exceptional circumstances or associated with logistics management beyond the control or projections of the Group.
- The contract does not foresee settlement in cash and similar contracts have not been settled in cash in the past.

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

g.5. Disclosure by levels of financial instruments

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

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

Based on the above procedures, the Group classifies different financial instruments in a three-level hierarchy (see note 20):

Level 1
Financial instruments for which fair value is calculated considering quoted prices of identical assets or liabilities in active markets.

Level 2
Financial instruments for which fair value is calculated considering directly or indirectly observable market inputs other than the quoted prices in Level 1.

Level 3
Financial instruments for which fair value is calculated considering inputs, for assets or liabilities, that are not based on observable market data.

g.6. Financial guarantee contracts

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

After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount of the liability determined using the accounting policy described for provisions in note 3 m).

- The amount of the asset initially recognised less any portion recognised in profit and loss on an accruals basis.

g.7. Derecognition of financial assets and financial liabilities

Financial assets are derecognised:

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

In 2010 and 2009 the Group entered into contracts for the transfer of receivables which have been considered as factoring without recourse, as the risks and rewards of ownership of the financial assets have been transferred.

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

Financial liabilities are derecognised when they are extinguished, that is, when the obligation deriving from the liability has been settled or cancelled or has expired.

h) Investments accounted for using the equity method

Investments in associates are accounted for using the equity method.

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

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

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

Appendix II to these consolidated annual accounts (Associates) describes Endesa's relationship with each of its associates.

i) Inventories

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

The cost of acquisition of nuclear fuel includes the interest on its financing while in process. Finance expenses of Euros 1 million were capitalised for this item in 2010 (Euros 2 million in 2009).

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

j) Non-current assets held for sale and discontinued operations

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

A discontinued operation is a component of the Group that has been sold or classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan for disposal of that line of business, or is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

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

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

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

k) Treasury shares

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

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

At 31 December 2010 and 2009 the Group held no treasury shares and no transactions involving treasury shares were carried out in the years then ended.

l) Deferred income

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

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

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

The same treatment is given to the carbon dioxide (hereinafter CO_2) emission rights granted free-of-charge under the National Allocation Plan (hereinafter NAP) for emission rights approved by each country.

These rights are initially recognised as an intangible asset and deferred income at their market value when the rights are received. If the market value of the rights falls below the amount recognised at the date on which they were received, intangible assets and deferred income are written down accordingly. The deferred income is taken to other operating income in the consolidated income statement when CO_2 is emitted, whereas the cost of the emission right is recognised as indicated in note 3 m).

m) Provisions

Obligations existing at the consolidated balance sheet date that arise as a result of past events and could have a negative impact on the Group's equity, materialisation of which is considered probable, and the amount and settlement date of which are uncertain, are recognised as provisions in the consolidated balance sheet at the present value of the most probable amount the Group will need to disburse to settle the liability.

The Group makes provisions to cover the costs of decommissioning certain plants and electricity distribution facilities.

The Group also makes provisions for liabilities arising from lawsuits underway and compensation, obligations and guarantees, and to hedge risks.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognises a provision for the present value of the difference between the costs and foreseen benefits of the contract.

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

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

m.1. Provisions for pensions and similar obligations

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

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

Defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly under other comprehensive income in the consolidated statement of comprehensive income (see note 15).

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under non-current provisions in the consolidated balance sheet. Any negative difference is recognised under non-current financial assets - loans and receivables in the consolidated balance sheet, provided that this negative difference is recoverable by the Group, usually through a reduction in future contributions taking into consideration the limits set by IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The effect of application of this limit is recognised as other comprehensive income in the consolidated statement of comprehensive income (see note 15).

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

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

m.2. Provisions for personnel restructuring

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

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

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

m.3. Provision to cover the cost of CO_2 emission rights

At the beginning of the year the European Group companies that emit CO_2 in their electricity generation activity must deliver CO_2 emission rights equal to the volume of emissions during the preceding year.

The obligation to deliver emission rights for the CO_2 emitted during the year is recognised as a current provision under other current provisions in the consolidated balance sheet. The related cost is recognised under other variable procurements and services in the consolidated income statement. This obligation is recognised at the same amount as the CO_2 emission rights to be delivered to cover this obligation reflected under intangible assets in the consolidated balance sheet (see notes 3 d) and 3 l).

If at the consolidated balance sheet date the Group does not hold all the CO_2 emission rights required to cover its emissions, the cost and the corresponding provision are recognised on the basis of a best estimate of the price that the Group will have to pay to acquire those rights. When a more appropriate estimate does not exist, the Group estimates the acquisition price for the rights not held by the Group as the market price at the consolidated balance sheet date.

n) Translation of foreign currency balances

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

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

The Group hedges the exchange rate risk of income of the Latin American companies that is directly linked to the performance of the US dollar by obtaining financing in that currency. Since these transactions constitute cash flow hedges, the exchange differences arising on the debt in US dollars are recognised, net of the related tax effect, in equity as other comprehensive income (see note 15), and taken to the consolidated income statement over the period in which the hedged cash flows will materialise, which has been estimated to be ten years

o) Current/non-current classification

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

Liabilities due within 12 months are classified as non-current liabilities when long-term refinancing is assured at the Company's discretion through existing unconditional long-term credit facilities. At 31 December 2010 and 2009, these balances amounted to Euros 2,705 million and Euros 3,056 million, respectively.

p) Income tax

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

Since 1 January 2010, as a result of EEE's direct interest in ENDESA reaching 92.063%, all companies in which EEE holds an interest of at least 70%, and which meet the requirements provided for in Spanish legislation on taxation of the consolidated profits of corporate groups, have been integrated into a new tax group, the head of which is EEE. As a result, the tax group headed by Endesa has ceased to exist.

At 31 December 2010 the consolidated tax group comprises 38 companies, the most significant of which are EEE, Endesa, Endesa Generación, S.A. (Sociedad Unipersonal) (hereinafter Endesa Generación), Gas y Electricidad Generación, S.A. (Sociedad Unipersonal) (hereinafter Gesa), Unión Eléctrica de Canarias Generación, S.A. (Sociedad Unipersonal) (hereinafter Unelco), Endesa Red, S.A. (Sociedad Unipersonal) (hereinafter ENDESA Red), Endesa Distribución Eléctrica, S.L. (Sociedad Unipersonal) (hereinafter EDE), Endesa Operaciones y Servicios Comerciales, S.L. (Sociedad Unipersonal) (hereinafter EOSC), Endesa Energía, S.A. (Sociedad Unipersonal) (hereinafter Endesa Energía), Endesa Energía XXI, S.L. (Sociedad Unipersonal) (hereinafter Endesa Energía XXI), Endesa Latinoamérica, S.A. (Sociedad Unipersonal) (hereinafter Endesa Latinoamérica) and Endesa Financiación Filiales, S.A. (Sociedad Unipersonal) (hereinafter Endesa Financiación Filiales).

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

The income tax expense for the year is calculated as the sum of the current tax of the different companies resulting from applying the tax rate to the taxable income (tax loss) for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities, and tax credits for loss carryforwards and deductions. The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are measured at the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

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

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

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

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

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

On 31 July 2010, Law 20455 on financing for the reconstruction of Chile was approved. This law provides for an increase in the Chilean corporate income tax rate from 17% to 20% in 2011. The tax rate for 2012 will be 18.5%, dropping back to 17% in 2013.

Group companies in Spain have open to inspection by the taxation authorities all main applicable taxes since 2007, except income tax, which is open to inspection since 2002.

Group companies in the rest of Europe and Latin America generally have open to inspection by the taxation authorities taxes for the following periods:

Country	Period
Chile	2007-2010
Argentina	2002-2010
Brazil	2006-2010
Colombia	2003-2010
Peru	2005-2010
Portugal	2007-2010
Ireland	2009-2010

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

q) Recognition of income and expenses

Income and expenses are recognised on an accruals basis. Revenue from electricity and gas sales is recognised when these commodities are supplied to the customer, even if not yet billed. Sales therefore include an estimate of the energy supplied before customers’ meters have been read.

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

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

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

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

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

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

Expenses are recognised on an accruals basis. Disbursements that will not generate future economic benefits or which do not qualify for recognition as an asset are recognised immediately.

r) Earnings (loss) per share

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

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

In 2010 and 2009 the Group did not perform any potentially dilutive transactions of any kind leading to diluted earnings per share that differ from the basic earnings per share.

s) Share-based remuneration schemes

Where Group employees participate in a remuneration scheme tied to Enel share prices, and the latter company assumes the cost of the scheme, the Group recognises the fair value of Enel's obligation to employees as an expense under personnel expenses in the consolidated income statement, and records an increase in equity for the same amount as an equity holder contribution (see note 15.1.12.).

t) Dividends

Dividends are recognised as a reduction in equity when approved by the competent body, which is usually the board of directors in the case of interim dividends and the shareholders at their AGM in the case of final dividends.

u) Statement of cash flows

The statement of cash flows reflects the changes in cash occurring during the year in relation to both continuing and discontinued operations, calculated using the indirect method. The following terms are used in the consolidated statements of cash flows with the meanings specified:

Cash flows

Inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value.

Operating activities

The principal revenue-producing activities of the Group, as well as other activities that are not investing or financing activities.

Investing activities

The acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

Financing activities

Activities that result in changes in the amount and composition of equity and financial liabilities.

4. Industry Regulation and National Electricity Systems

4.1. Spain

General aspects

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

- Electricity is generated on a free-market basis.
- Transmission, distribution and the system’s economic and technical management are regulated activities.
- Electricity supply is entirely deregulated and consumers must contract their supply from a supplier. Since 1 July 2009 consumers who meet certain criteria can choose to contract their supply from a last resort supplier (hereinafter LRS), and thereby avail

of the last resort tariff (hereinafter LRT). This tariff is an incremental tariff set by the government considering the cost of electricity production based on futures market prices.

- Access charges are the same throughout Spain and collected by distributors, which act as payment agents in the electricity system.

Non-mainland electricity systems

Article 12 of the Electricity Industry Law establishes that the activities involved in the supply of electricity in non-mainland territories will be subject to a specific regulation addressing the particular nature of their geographical location. This special regulation was developed by Royal Decree 1747/2003 of 19 December 2003 and the ministerial orders of 30 March 2006 which implement that Royal Decree.

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

The remuneration of non-mainland production has been established so as to cover the costs of this activity and provide a return on capital invested. To attain the level of remuneration established, the non-mainland producers receive the corresponding compensation payments in addition to the energy sold at the average mainland price.

Compensation payments accrued until 31 December 2008 will be received with a charge to electricity system earnings whereas those accrued from 2013 will be charged to Spanish General State Budgets. Royal Decree 6/2009 of 30 April 2009 established a mixed system for the 2009-2013 transition period, whereby a declining percentage of the stranded costs in non-mainland generation is financed by electricity system earnings and a rising percentage by General State Budgets.

The resolutions of the Spanish Department of Energy Policy and Mines approved on 2 October 2007, 3 December 2009 and 30 December 2010 definitively determined the amount of the revision of the specific costs earmarked for remunerating the non-mainland systems for 2001-2005, 2006-2008 and 2009, respectively.

Applying the aforementioned legislation, at 31 December 2010 Endesa has a balance receivable of Euros 2,846 million reflecting compensation for non-mainland generation in the 2001-2010 period, recognised under current financial assets in the consolidated balance sheet (see note 13). At 31 December 2009 this receivable totalled Euros 2,242 million, of which Euros 1,933 million was recognised in non-current financial assets (see note 10) and the remainder under current financial assets (see note 13).

Deficit from regulated activities

Royal Decree Laws 6/2009 of 30 April 2009 and 6/2010 of 9 April 2010 stipulate that as of 2013 any grid access charges established should be sufficient to cover all electricity system costs, with no ex ante deficit. For the 2009-2012 period, Royal Decree Law 6/2009 of 30 April 2009 establishes the maximum deficit for each year, stating that access charges established for those years must be sufficient to prevent those limits being exceeded.

This legislation also orders that, in the event of any mismatch in the timing of settlements of regulated activities, a certain percentage should be financed by the companies specified in the above-mentioned standard (44.16% corresponds to Endesa), and that these companies are entitled to recover the amounts paid in settlements of regulated activities for the year in which they are recognised.

The aforementioned Royal Decree Laws in turn regulated the securitisation of the collection rights accumulated by the electricity companies on financing that deficit, including compensation for as yet unrecovered stranded costs in non-mainland generation for the 2001-2008 period.

Royal Decree 437/2010 of 9 April 2010 regulates the securitisation of the electricity system deficit. In accordance with this legislation, on 7 July 2010 Endesa notified the securitisation fund for the deficit in the Spanish electricity system of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities and compensation for stranded costs in non-mainland generation from 2001 to 2008. These collection rights are to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed since the notification, the initial holders are able to waive the commitment to transfer collection rights that have not been securitised by the fund (see note 39).

Balances relating to the financing of the deficit in regulated activities recognised under assets in the consolidated balance sheet total Euros 6,340 million at 31 December 2010 and Euros 4,656 million at 31 December 2009. The entire balance is recognised in current financial assets at 31 December 2010, whereas Euros 4,355 million of the balance at 31 December 2009 was recorded in non-current financial assets (see note 10) and the remainder in current financial assets (see note 13).

Royal Decree Law 14/2010 of 23 December 2010 on urgent measures to correct the tariff deficit in the electricity sector

Royal Decree Law 14/2010 of 23 December 2010 contains a number of measures aimed at cutting the regulated costs of the electricity system and eliminating the tariff deficit from 2013 onwards, as provided for by Royal Decree Law 6/2009 of 30 April 2009.

The new law maintains 2013 as the cut-off for the deficit but raises the caps on annual deficits to Euros 5,500 million, Euros 3,000 million and Euros 1,500 million for 2010, 2011 and 2012, respectively, while increasing the amounts guaranteed by the state for securitisation.

The deficit-cutting measures contained in Royal Decree Law 14/2010 of 23 December 2010 included: the requirement for producers to pay grid access charges, based on the existing framework in the European Union; limits on the operating times of photovoltaic plants entitled to feed-in tariffs in 2011-2013; extension of the transitional period for financing the social tariff to include 2013; and payments into the electricity system by generating companies to fund the 2008-2012 Action Plan (Energy Efficiency and Savings Plans) and the approved Plan for 2013.

When approving the aforementioned payments, Royal Decree Law 14/2010 of 23 December 2010 specifically stipulates the following obligations for certain electricity generating companies:

- In 2011 and 2012 amounts fixed definitively in the Royal Decree Law to finance the 2008-2012 Energy Efficiency and Savings Plan approved by the Council of Ministers on 8 July 2005. Endesa Generación (a wholly-owned subsidiary of the Endesa Group) is required to pay Euros 180 million in this respect.
- An amount up to the maximum established in the Royal Decree Law, payable in 2013 to finance the Energy Efficiency and Savings Plan approved by the government for that year. The maximum amount to be paid by Endesa Generación in this respect is Euros 53 million.

The Group has recognised a provision under other fixed operating expenses in the consolidated income statement for these payments to be made in the 2011-2013 period. The consolidated balance sheet at 31 December 2010 therefore includes a provision of Euros 233 million in this respect, of which Euros 94 million is recognised in other non-current provisions and the remaining Euros 139 million in other current provisions.

Royal Decrees 134/2010 of 12 February 2010 and 1221/2010 of 1 October 2010, creating a mechanism for restrictions to guarantee supply

Royal Decree 134/2010 of 12 February 2010, amended by Royal Decree 1221/2010 of 1 October 2010, establishes a mechanism to guarantee indigenous coal production, for reasons of supply security, setting a regulated price for its remuneration.

2011 electricity tariff

Ministry of Industry, Tourism and Trade Order ITC/3353/2010 maintained access charges from 1 January 2011, having increased the payments per capacity from consumers.

The Resolution of 28 December 2010, establishing last resort tariffs applicable in the first quarter of 2011, increased the last resort tariff by an average of 9.8%.

On 25 September 2010, Royal Decree 1202/2010 of 24 September 2010 was published, which stipulates when the access charges for the electricity transmission and distribution networks should be revised. In accordance with this Royal Decree, access charges must be revised annually. However, in certain cases the Ministry of Industry, Tourism and Trade could revise the charges, at most, on a quarterly basis, incorporating this update into the LRT:

- Possible time lags due to mismatched settlements of regulated activities in the electricity sector.
- Regulatory changes to regulated costs.
- In the event of exceptional circumstances that affect regulated costs or the parameters used to calculate these costs.

Remuneration of the electricity distribution activity

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

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

Ministry of Industry, Tourism and Trade Order ITC/3353/2010 on tariffs stipulates the definitive remuneration receivable by distribution companies for 2010 and 2009 and proposes the provisional remuneration for 2011, applying the methodology foreseen in Royal Decree 222/2008 of 15 February 2008, thereby providing the electricity distribution activity with the stable and predictable regulatory framework it needs.

In accordance with the aforementioned ministerial order, remuneration for the Group's electricity distribution activity in 2009 increased by Euros 97 million compared to the provisional amount. This balance has been recognised as revenue under sales in the consolidated income statement for 2010.

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

The National Allocation Plan (NAP) for greenhouse gas emission rights 2008-2012 (hereinafter 2008-2012 NAP) was approved by Royal Decree 1402/2007 of 29 October 2007, which amended Royal Decree 1370/2006 of 24 November 2006.

2008-2012 NAP:

(i) Establishes the total volume of rights to be allocated to the sectors and facilities to which Law 1/2005 of 9 March 2009 applies, including the electricity industry;
(ii) Defines and describes the methodologies for distributing these industry rights in order to obtain the individual allocations for each facility;
(iii) Declares and caps the use of carbon credits obtained from projects based on the flexible mechanisms of the Kyoto Protocol.

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

The 2008-2012 NAP allocates an annual average of 24.3 million tonnes of CO_2 to Endesa's nuclear plants. Applying the permitted allowance of 42%, Endesa's facilities could use up to 10 million tonnes per year of credits obtained from emission reduction projects.

4.2. Latin America

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

Generation

Legislation in Argentina, Brazil, Chile, Colombia and Peru permits private equity investments in the electricity sector, defends free competition in generation activity and defines the criteria for preventing certain levels of economic concentration and/or market practices leading to a decline in competition.

In principle, this legislation allows companies to engage in different activities (generation, distribution, sales) provided that these are sufficiently segregated for both accounting and corporate purposes. However, the greatest restrictions are normally imposed on the transmission sector, due primarily to the nature of this sector and the need to guarantee that all players have sufficient access.

The electricity generation business is generally conducted in deregulated markets, in which private players make their investment decisions freely following authority guidelines. The exceptions are Brazil and Argentina. In Brazil, based on the contracting requirements specified by distribution players, the Ministry of Energy participates in the expansion of the electricity system by defining the share of capacity for each type of technology (separate tenders for thermal, hydroelectric and renewable energy) or putting specific projects out to tender. In Argentina, the government has backed certain initiatives to promote investment, such as "Energía Plus", although the increase in installed capacity has been smaller than expected. On 25 November 2010, the Energy Department and the electricity generation market players entered into an agreement with a view to increasing the development of new generation projects. Part of the debt repayable by the government to the electricity companies has been earmarked to finance these projects.

In these countries, operations are coordinated centrally, with load dispatch coordinated by an independent operator. Except for Colombia, where dispatch is based on prices offered by the players, centralised dispatch in these countries is based on variable production costs, aiming to guarantee supply to meet demand at the minimum cost for the system. This dispatch system serves as a basis for calculating the marginal generation cost, which in turn determines the price of spot transactions.

However, the governments of Argentina and Peru are currently intervening, to a greater or lesser extent, in setting prices in these marginal generation cost markets: in Argentina since the economic crisis of 2002, and in Peru as a result of the recent emergency legislation in 2008 which defines an ideal marginal cost considering that the current restrictions in the gas and electricity transmission systems do not exist.

In all countries, players in the generation market have the capacity to sell their energy through contracts in the regulated or deregulated market and trade their surplus or deficit on the spot market. The deregulated market focuses on the large user segment, although the limits that define this status vary in each market. The main differences between markets pertain to the way in which energy sales are regulated amongst generators and distributors and how regulated prices are established to determine the tariffs charged to end users.

Until 2009, there was a maximum transfer price between generators and distributors in Chile for supplying regulated customers, known as the baseline price, which was regulated by the Ministry of Energy. Baseline prices were calculated every six months (in April and October), with reference to a report drawn up by the Chilean National Energy Commission (hereinafter the CNdE) using marginal costs projected for the system for the coming months. As of 2010, the transfer price between generators and distributors reflects the result of the tenders they carry out as part of a regulated process.

In Argentina, legislation initially considered that the selling price charged by generators to distributors should be obtained from a centralised calculation of the average spot price forecast for the next six months. However, since the 2002 crisis, the Argentine authorities have fixed this price arbitrarily, requiring the intervention of the marginal system and giving rise to a mismatch between actual generation costs and payments made through distributors to meet demand. Generators may only sell energy up to the limit of the demand reflected in the sales contracts of each generator in the May-June 2005 period.

In Brazil, the regulated purchase price used when calculating tariffs charged to end users is based on average tender prices. There are separate tenders for existing energy and new energy. Tenders for new energy encompass long-term contracts whereby new generation projects should meet growth in demand forecast by distributors. Tenders for existing energy consider shorter contract terms and seek to meet the contracting needs of distributors arising from the expiry of previous contracts. Each tender is coordinated centrally. The authorities stipulate the maximum prices and contracts are signed as a result, whereby all distributors involved in the process purchase on a pro rata basis from the generators offering energy.

Distributors in Colombia are free to decide on their supply. They are able to define the terms and conditions of the public tenders for purchasing the energy required for the regulated market and have the capacity to purchase energy on the spot market. Prices paid by the end users reflect the average purchase price. Since 2004, the Colombian Commission for the Regulation of Energy and Gas (hereinafter CREG) has been working on a proposal to adapt contracting procedures in the Colombian market in favour of an electronic contract system. This mechanism would replace current tender procedures with energy auctions conducted under standard trading terms and conditions, whereby all demand up for contracting would be treated as an aggregate.

In Peru, as in Chile, distributors are obliged to enter into contracts and legislation in these countries was amended to allow energy tenders to be conducted in line with distributor requirements. At present, only a few contracts are still in force between generators and distributors at bar price, which is calculated centrally. However, since 2007 contracting has been conducted through tenders. The authorities approve the terms and conditions of the tender and stipulate the maximum price in each case.

With the exception of Colombia, all countries have legislation that promotes the use of renewable energy. In April 2008, Law 20257 was enacted in Chile, which encourages the use of unconventional renewable energies. Prevailing legislation requires generators to obtain at least 5% of its energy sold to customers from renewable energy sources from 2010 to 2014. This percentage will increase progressively by 0.5% from 2015 to 2024, to reach 10%.

In the other countries, there are practically no incentives or obligations such as those described for Chile that make these technologies more competitive. The authorities are responsible for promoting specific tenders with special terms and conditions to make these projects feasible.

Distribution

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

In Chile, the aggregate distribution value (hereinafter ADV) is set every four years. The regulating body (the CNdE) classifies the companies according to typical areas into which companies with similar distribution costs are grouped. The return on a distributor's investment depends on its efforts to meet the standards of the model company defined by the regulator. In April 2009 the tariff structures for the period from November 2008 to November 2012 were published.

Likewise, the ADV is also established every four years in Peru, also using the model company method based on typical areas. The tariffs for the 2009-2013 period were published in October 2009.

In Brazil tariffs are reviewed in three ways: (i) periodical reviews carried out in accordance with the concession contracts (in Companhia Energética do Ceará, S.A., hereinafter Coelce, every four years and in Ampla Energía e Serviços, S.A., hereinafter Ampla, every five years); (ii) annual adjustments (IRT); and (iii) extraordinary reviews.

The latest periodical tariff review for Ampla covers the 2009-2014 period; and for Coelce the 2007–2011 period. The latest annual adjustments were carried out by the Brazilian Electricity Regulatory Agency (hereinafter ANEEL) in March 2010 for Ampla and in April 2010 for Coelce.

In 2008, the CREG in Colombia devised a new method for calculating the rate of return applicable to remuneration for distribution, as well as a new system for setting charges for use of the regional transmission and local distribution system. In October 2009, the CREG published the distribution charges for Codensa for the 2009-2013 period.

In Argentina, tariffs were frozen after the crisis in 2001. Tariff restructuring for Empresa Distribuidora Sur, S.A. (hereinafter Edesur) commenced with the entry into force of the Acta Acuerdo (Memorandum of Agreement (Acta acuerdo)) in 2007. Since that year, tariffs have been adjusted (with a positive impact on the aggregate distribution value, or ADV), as has inflation (cost monitoring mechanism, hereinafter CMM). In July 2008 increases were authorised for customers with a consumption rate in excess of 650 kWh per two-month period and in October 2008 a decree was passed ordering an increase for consumption rates of over 1,000 kWh per month. The latter rise is a pass-through to generators, application of which was suspended between June and September 2010 and resumed in October 2010. The integral tariff review (hereinafter ITR) for the Edesur concession contract is still pending.

Unregulated customers market

In all countries distributors can supply their customers under the regulated system or in conditions freely agreed between the parties. The minimum supply thresholds at which electricity can be contracted in the deregulated market in each country are as follows:

Country	Minimum kW
Argentina	> 30 kW
Brazil	> 3,000 kW
Chile	> 500 kW
Colombia	> 100 kW or 55 MWh/month
Peru	> 200 kW (*)

(*) In April 2009, it was decided that customers contracting between 200 and 2,500 kW could opt for the either the regulated or deregulated market in Peru.

Integration and concentration limits

In general, the legislation in force defends free competition and defines the criteria for preventing certain levels of economic concentration and/or market practices leading to a decline in competition.

In principle, companies can engage in different activities (generation, distribution, sales) provided that these are appropriately segregated for both accounting and corporate purposes. However, the greatest restrictions are normally imposed on the transmission sector, due primarily to the nature of this sector and the need to guarantee that all players have sufficient access. In Argentina and Colombia there are specific restrictions on generators or distributors being majority shareholders of transmission companies.

Moreover, in Colombia companies formed after 1994 may not be vertically integrated. Electricity generation companies are not permitted to hold an interest of more than 25% in a distribution company, and vice versa.

In Peru companies with an interest of over 5% in a given business require authorisation from the regulator to acquire a holding in a company operating in a different business.

As regards concentration in a given business, in Argentina and Chile there are no specific limits on vertical or horizontal integration. In Peru integration is subject to authorisation: 5% in the case of vertical integration and 15% in the case of horizontal integration. In Colombia, generators and sellers are not permitted to have a market share of more than 25%. Lastly, in the case of Brazil there have been no restrictions on integration of generation companies since 2007. Concentration restrictions apply to distributors both at domestic level and for the electricity subsystem. In the domestic market, concentration of 20% is permitted in both segments, while the electricity subsystem has a restriction of 35% for the north and north-east subsystems and 25% for the south, south-east and mid-west subsystems.

In the case of consolidations or mergers of players in the same segment, regulatory authorisation is required.

System access

In all countries, access rights and the related access charge are regulated by the authorities.

5. Property, Plant and Equipment

Details at 31 December 2010 and 2009 and movement in the years then ended are as follows:

Property, plant and equipment in use

Millions of Euros

	31 December 2010					
	Cost	Accumulated depreciation	Impairment losses	Carrying amount	Property, plant and equipment under construction	Total property, plant and equipment
Land and buildings	**1,110**	**(582)**	**(1)**	**527**	**92**	**619**
Electricity generating facilities	**34,478**	**(19,133)**	**(160)**	**15,185**	**1,877**	**17,062**
Hydroelectric power plants	10,936	(5,704)		5,232	339	5,571
Coal-fired/fuel-oil power plants	9,080	(6,240)	(7)	2,833	975	3,808
Nuclear power plants	9,077	(6,107)	—	2,970	157	3,127
Combined cycle plants	5,198	(1,071)	(148)	3,979	388	4,367
Renewable energy plants	187	(11)	(5)	171	18	189
Transmission and distribution facilities	**23,414**	**(9,871)**	**—**	**13,543**	**1,319**	**14,862**
High-voltage	1,472	(670)	—	802	46	848
Low and medium-voltage	19,968	(7,910)	—	12,058	1,050	13,108
Measuring and remote control equipment	1,738	(1,225)	—	513	82	595
Other installations	236	(66)	—	170	141	311
Other property, plant and equipment	**1,129**	**(817)**	**—**	**312**	**41**	**353**
Total	**60,131**	**(30,403)**	**(161)**	**29,567**	**3,329**	**32,896**

Property, plant and equipment in use

Millions of Euros

	31 December 2009					
	Cost	Accumulated depreciation	Impairment losses	Carrying amount	Property, plant and equipment under construction	Total property, plant and equipment
Land and buildings	**1,056**	**(541)**	**(2)**	**513**	**75**	**588**
Electricity generating facilities	**32,293**	**(17,810)**	**(149)**	**14,334**	**2,546**	**16,880**
Hydroelectric power plants	9,988	(5,074)	—	4,914	255	5,169
Coal-fired/fuel-oil power plants	8,894	(5,959)	(4)	2,931	855	3,786
Nuclear power plants	8,838	(5,910)	—	2,928	184	3,112
Combined cycle plants	3,552	(696)	(129)	2,727	1,085	3,812
Renewable energy plants	1,021	(171)	(16)	834	167	1,001
Transmission and distribution facilities:	**23,005**	**(9,382)**	**(1)**	**13,622**	**1,444**	**15,066**
High-voltage	2,267	(849)	—	1,418	189	1,607
Low and medium-voltage	18,357	(7,186)	(1)	11,170	1,013	12,183
Measuring and remote control equipment	1,669	(1,119)	—	550	69	619
Other installations	712	(228)	—	484	173	657
Other property, plant and equipment	**1,106**	**(823)**	**(1)**	**282**	**97**	**379**
Total	**57,460**	**(28,556)**	**(153)**	**28,751**	**4,162**	**32,913**

Property, plant and equipment in use

Millions of Euros

	Balance at 31.12.2009	Inclusion / excl. of companies	Investments	Disposals	Transfers and other	Translation differences	Balance at 31.12.2010
Land and buildings	**1,056**	**(4)**	**2**	**(12)**	**21**	**47**	**1,110**
Electricity generating facilities	**32,293**	**(899)**	**427**	**(78)**	**1,415**	**1,320**	**34,478**
Hydroelectric power plants	9,988	—	8	(15)	(53)	1,008	10,936
Coal-fired/fuel-oil power plants	8,894	—	51	(51)	91	95	9,080
Nuclear power plants	8,838	—	46	(8)	201	—	9,077
Combined cycle plants	3,552	—	322	(4)	1,137	191	5,198
Renewable energy plants	1,021	(899)	—	—	39	26	187
Transmission and distribution facilities	**23,005**	**(611)**	**11**	**(136)**	**509**	**636**	**23,414**
High-voltage	2,267	—	3	(18)	(942)	162	1,472
Low and medium-voltage	18,357	—	1	(105)	1,284	431	19,968
Measuring and remote control equipment	1,669	(3)	7	(13)	60	18	1,738
Other installations	712	(608)	—	—	107	25	236
Other property, plant and equipment	**1,106**	**(7)**	**19**	**(11)**	**(21)**	**43**	**1,129**
Total	**57,460**	**(1,521)**	**459**	**(237)**	**1,924**	**2,046**	**60,131**

Property, plant and equipment under construction

Millions of Euros

	Balance at 31.12.2009	Inclusion / excl. of companies	Investments	Disposals	Transfers and other	Translation differences	Balance at 31.12.2010
Land and buildings	**75**	**(1)**	**33**	**—**	**(18)**	**3**	**92**
Electricity generating facilities	**2,546**	**(146)**	**791**	**(218)**	**(1,213)**	**117**	**1,877**
Hydroelectric power plants	255	—	115	(1)	(59)	29	339
Coal-fired/fuel-oil power plants	855	—	259	—	(213)	74	975
Nuclear power plants	184	—	108	—	(135)	—	157
Combined cycle plants	1,085	—	292	(209)	(792)	12	388
Renewable energy plants	167	(146)	17	(8)	(14)	2	18
Transmission and distribution facilities	**1,444**	**(93)**	**1,176**	**—**	**(1,234)**	**26**	**1,319**
High-voltage	189	(4)	48	—	(188)	1	46
Low and medium-voltage	1,013	—	964	—	(942)	15	1,050
Measuring and remote control equipment	69	—	73	—	(62)	2	82
Other installations	173	(89)	91	—	(42)	8	141
Other property, plant and equipment	**97**	**15**	**22**	**(5)**	**(88)**		**41**
Total	**4,162**	**(225)**	**2,022**	**(223)**	**(2,553)**	**146**	**3,329**

Accumulated depreciation and impairment losses

Milllons of Euros

	Balance at 31.12.2009	Inclusion / excl. of companies	Charges (*)	Disposals	Transfers and other	Translation differences	Balance at 31.12.2010
Land and buildings	**(543)**	**—**	**(33)**	**10**	**(8)**	**(9)**	**(583)**
Electricity generating facilities	**(17,959)**	**243**	**(961)**	**129**	**(151)**	**(594)**	**(19,293)**
Hydroelectric power plants	(5,074)	—	(212)	15	32	(465)	(5,704)
Coal-fired/fuel-oil power plants	(5,963)	—	(283)	50	1	(52)	(6,247)
Nuclear power plants	(5,910)	—	(204)	8	(1)	—	(6,107)
Combined cycle plants	(825)	—	(243)	56	(130)	(77)	(1,219)
Renewable energy plants	(187)	243	(19)	—	(53)	—	(16)
Transmission and distribution facilities	**(9,383)**	**196**	**(734)**	**134**	**182**	**(266)**	**(9,871)**
High-voltage	(849)	—	(90)	17	323	(71)	(670)
Low and medium-voltage	(7,187)	—	(540)	100	(106)	(177)	(7,910)
Measuring and remote control equipment	(1,119)	—	(114)	17	—	(9)	(1,225)
Other installations	(228)	196	10	—	(35)	(9)	(66)
Other property, plant and equipment	**(824)**	**3**	**(53)**	**6**	**80**	**(29)**	**(817)**
Total	**(28,709)**	**442**	**(1,781)**	**279**	**103**	**(898)**	**(30,564)**

(*) Including impairment losses of Euros 54 million.

Property, plant and equipment in use

Milllons of Euros

	Balance at 01.01.09	Inclusion / excl. of companies	Investments	Disposals	Transfers and other	Translation differences	Balance at 31.12.2009
Land and buildings	**1,022**	**16**	**—**	**(7)**	**3**	**22**	**1,056**
Electricity generating facilities	**29,764**	**147**	**135**	**(120)**	**1,381**	**986**	**32,293**
Hydroelectric power plants	9,555	3	5	(12)	(370)	807	9,988
Coal-fired/fuel-oil power plants	8,242	144	54	(86)	502	38	8,894
Nuclear power plants	8,624	—	38	(14)	190	—	8,838
Combined cycle plants	3,227	—	34	(4)	158	137	3,552
Renewable energy plants	116	—	4	(4)	901	4	1,021
Transmission and distribution facilities	**20,999**	**49**	**3**	**(133)**	**1,712**	**375**	**23,005**
High-voltage	2,132	—	1	(5)	(6)	145	2,267
Low and medium-voltage	16,646	49	2	(97)	1,571	186	18,357
Measuring and remote control equipment	1,597	—	—	(31)	97	6	1,669
Other installations	624	—	—	—	50	38	712
Other property, plant and equipment	**1,120**	**2**	**21**	**(100)**	**18**	**45**	**1,106**
Total	**52,905**	**214**	**159**	**(360)**	**3,114**	**1,428**	**57,460**

Property, plant and equipment under construction

Milllons of Euros

	Balance at 01.01.09	Inclusion / excl. of companies	Investments	Disposals	Transfers and other	Translation differences	Balance at 31.12.2009
Land and buildings	**103**	**—**	**35**	**—**	**(73)**	**10**	**75**
Electricity generating facilities	**2,154**	**100**	**1,404**	**(4)**	**(1,197)**	**89**	**2,546**
Hydroelectric power plants	148	36	124	(5)	(68)	20	255
Coal-fired/fuel-oil power plants	816	—	476	—	(486)	49	855
Nuclear power plants	202	—	137	—	(155)	—	184
Combined cycle plants	954	64	508	(2)	(450)	11	1,085
Renewable energy plants	34	—	159	3	(38)	9	167
Transmission and distribution facilities	**1,603**	**1**	**1,470**	**—**	**(1,646)**	**16**	**1,444**
High-voltage	310	—	103	—	(230)	6	189
Low and medium-voltage	1,067	1	1,129	—	(1,199)	15	1,013
Measuring and remote control equipment	80	—	62	—	(69)	(4)	69
Other installations	146	—	176	—	(148)	(1)	173
Other property, plant and equipment	**140**	**—**	**39**	**(1)**	**(96)**	**15**	**97**
Total	**4,000**	**101**	**2,948**	**(5)**	**(3,012)**	**130**	**4,162**

Accumulated depreciation and impairment losses

Milllons of Euros

	Saldo a 01/01/2009	Incorpor./ Reducciones Sociedades	Dotaciones (*)	Bajas	Traspasos y Otros	Diferencias de Conversión	Saldo a 31/12/2009
Land and buildings	**(529)**	**—**	**(19)**	**7**	**—**	**(2)**	**(543)**
Electricity generating facilities	**(16,850)**	**(2)**	**(985)**	**119**	**204**	**(445)**	**(17,959)**
Hydroelectric power plants	(4,696)	(2)	(220)	15	221	(392)	(5,074)
Coal-fired/fuel-oil power plants	(5,741)	—	(295)	85	8	(20)	(5,963)
Nuclear power plants	(5,729)	—	(196)	15	—	—	(5,910)
Combined cycle plants	(658)	—	(219)	2	82	(32)	(825)
Renewable energy plants	(26)	—	(55)	2	(107)	(1)	(187)
Transmission and distribution facilities	**(8,666)**	**(6)**	**(694)**	**129**	**19**	**(165)**	**(9,383)**
High-voltage	(817)	—	(76)	5	108	(69)	(849)
Low and medium-voltage	(6,597)	(6)	(492)	93	(106)	(79)	(7,187)
Measuring and remote control equipment	(1,043)	—	(100)	31	—	(7)	(1,119)
Other installations	(209)	—	(26)	—	17	(10)	(228)
Other property, plant and equipment	**(869)**	**(2)**	**(41)**	**98**	**6**	**(16)**	**(824)**
Total	**(26,914)**	**(10)**	**(1,739)**	**353**	**229**	**(628)**	**(28,709)**

(*) Including impairment losses of Euros 69 million.

Property, plant and equipment include the following co-owned assets: Vandellós II nuclear plant (72%), Ascó II nuclear plant (85%), Almaraz I nuclear plant (36.02%), Almaraz II nuclear plant (36.02%), Anllares thermal power station (33.33%) and Salime hydroelectric power station (50%).

Movement in transfers and other reflects the transfer to non-current assets held for sale and discontinued operations of property, plant and equipment considered as held for sale at 31 December each year (see notes 3 j and 33).

Additional information on property, plant and equipment

Main investments

Details of investments in property, plant and equipment in 2010 and 2009, excluding those in investment property, in the different geographical areas and businesses in which the Group operates are as follows:

Millions of Euros

	2010				2009			
	Generation	Distribution and transmission	Other	Total	Generation	Distribution and transmission	Otros	Total
Spain, Portugal and Other	939	866	36	1,841	1,055	1,172	42	2,269
Latin America	279	321	40	640	476	301	61	838
Total	**1,218**	**1,187**	**76**	**2,481**	**1,531**	**1,473**	**103**	**3,107**

Property, plant and equipment investments in the electricity generation business include advances for the new capacity programme.

In Spain and Portugal they include construction of the Besós 5, Elecgas, S.A., Ca's Tresorer 2 and Granadilla 2 combined cycle plants, installations of gas turbines in Ibiza and Ceuta and diesel generators in Ceuta, Lanzarote, La Gomera and El Hierro.

In Latin America, construction continues on the Bocamina II coal-fired plant in Chile. Furthermore, construction of the El Quimbo hydroelectric power station (400 MW) began in Colombia and the Peruvian government tender for construction of the 200 MW Talara thermal power plant (cold reserve) was awarded.

Investments in distribution relate to network extensions and expenditure aimed at optimising the network for greater efficiency and quality of service. Investment was also made in the mass installation of remote smart meters and related operating systems.

Finance leases

At 31 December 2010 and 2009 property, plant and equipment include Euros 449 million and Euros 243 million, respectively, reflecting the carrying amount of assets under finance leases.

At 31 December 2010, foreseen payments and the present value of future lease payments under these contracts are as follows:

Millions of Euros

Year	Present value	Foreseen payments
2011	24	58
2012	24	57
2013	53	150
2014 and subsequent years	343	681

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

Millions of Euros

Year	Present value	Foreseen payments
2010	20	26
2011	18	25
2012	59	76
2013 and subsequent years	100	139

Assets under finance leases derive primarily from the following:

- Endesa Generación: a 25-year tolling contract with Elecgas, S.A. (a proportionately-consolidated company in which Endesa Generación holds a 50% interest) whereby Elecgas, S.A. makes the entire production capacity of its plant available to Endesa Generación and undertakes to transform the gas supplied into electricity in exchange for a charge that accrues interest at 9.62%. The Group considers 50% of the plant to be a finance lease, in light of the part of the tolling contract pertaining to the shareholder of Elecgas, S.A. which is not associated with the Endesa Group, while the other 50% is an asset owned by the Group through the consolidation of 50% of Elecgas, S.A.
- Empresa Nacional de Electricidad, S.A. (hereinafter Endesa Chile): a contract entered into by the Company and Abengoa Chile S.A. for electricity transmission lines and facilities (Ralco-Charrúa 2X220 kV). This contract is for a period of 20 years and accrues annual interest at a rate of 6.5%.
- Edegel, S.A.A. (hereinafter Edegel): contracts entered into by the Company with Banco de Crédito del Perú and BBVA - Banco Continental to finance a project to convert a thermal power plant into a combined cycle plant. These contracts are for a period of eight years and accrue annual interest at a rate of Libor+2.0% and Libor+3.0% at 31 December 2010 and 31 December 2009, respectively.

Operating leases

The consolidated income statements for 2010 and 2009 reflect Euros 92 million and Euros 75 million, respectively, of payments accrued in those years for property, plant and equipment in use under operating leases.

At 31 December 2010 future payments under these operating leases are as follows:

Millions of Euros

Year	Amount
2011	40
2012	40
2013	23
2014 and subsequent years	173

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

Millions of Euros

Year	Amount
2010	41
2011	40
2012	37
2013 and subsequent years	61

Environment

In 2010 the Group's investment in environmental activities totalled Euros 20 million (Euros 20 million in 2009), with accumulated investment at the 2010 year end equivalent to Euros 1,227 million.

Environmental expenses totalled Euros 38 million in 2010 (Euros 37 million in 2009), of which Euros 17 million comprised amortisation and depreciation charges in relation to the aforementioned investments (Euros 15 million in 2009).

Other information

At 31 December 2010 and 2009 the Group had property, plant and equipment purchase commitments amounting to Euros 730 million and Euros 1,475 million, respectively, of which Euros 12 million and zero, respectively, related to jointly controlled entities.

Fully depreciated property, plant and equipment in use at 31 December 2010 and 2009 are not significant.

At 31 December 2010 and 2009 property, plant and equipment pledged to secure third-party financing amounted to Euros 526 million and Euros 651 million, respectively.

Endesa and its subsidiaries have taken out insurance policies to cover the risk of damage to their property, plant and equipment and any claims that could be filed against them in their business activities. The company considers the coverage of these policies to be sufficient. The possible loss of profits that could result from outages at the plants is also covered. In 2010 pay-outs from insurance companies for accidents totalling Euros 63 million (Euros 74 million in 2009) have been recognised under other operating income in the consolidated income statement.

As a result of the earthquake in Chile on 27 February 2010, certain Group facilities and equipment were either partially or completely impaired. The earthquake had a lesser impact on assets, as only the infrastructure of the Bocamina I coal-fired plant was damaged.

Compañía de Interconexión Energética, S.A. (hereinafter Cien) was engaged in the sale of electricity in Argentina and Brazil. In light of the reduced limit on available electricity production and the physical guarantee of electricity and associated power, this company has implemented a different remuneration structure that is not based on cross-border electricity trading. Due to the strategic importance of the company's assets in relations between Brazil and Argentina, a new business plan model has been presented to the Brazilian government, converting its sales activity into electricity transmission activity with fixed remuneration.

The publication of Law 12111 in December 2009 made it possible for international interconnections to have equal status to the National Interconnected System in Brazil and, consequently, to earn regulated fixed remuneration. On 15 December 2010, ANEEL approved the annual definitive tariff (Permitted Annual Revenue, hereinafter RAP) for Cien of Brazilian Reales 239.5 million (approximately Euros 108 million). ANEEL maintained the current authorisation periods for Cien (until 2021) with the possibility of future extensions from the Brazilian Ministry of Mines and Energy. At the end of that period, the facilities will revert to government ownership according to the terms of article 36 of Law 8987 (Administrative Concessions Act), which establishes compensation for the residual value (also applicable in distributors' concession contracts). In this same parity process, on 28 December 2010 the Brazilian Ministry of Mines and Energy published a preliminary order (PRT 1004/2010) stating that companies wanting their interconnection lines to have equal status would need to demonstrate this intention. The directors of Endesa expect the tariff to take effect in 2011, enabling recovery of all net assets.

6. Investment Property

Details of investment property in 2010 and 2009 and movement during those years are as follows:

Millions of Euros

	Balance at 31.12.2009	Investments	Transfer of properties	Disposals due to sale	Translation differences	Other	Balance at 31.12.2010
Investment property in Spain and Portugal and Other	15	—	—	—	—	(2)	13
Investment property in Latin America	43	7	—	(6)	4	8	56
Total	**58**	**7**	**—**	**(6)**	**4**	**6**	**69**

Millions of Euros

	Balance at 31/12/2008	Investments	Transfer of properties	Disposals due to sale	Translation differences	Other	Balance at 31.12.2009
Investment property in Spain and Portugal and Other	20	1	—	—	—	(6)	15
Investment property in Latin America	27	7	—	—	8	1	43
Total	**47**	**8**	**—**	**—**	**8**	**(5)**	**58**

The market value of investment property at 31 December 2010 is Euros 243 million (Euros 240 million at 31 December 2009).

In 2010 investment property totalling Euros 6 million was derecognised. No investment property was derecognised in 2009.

Direct expenses recognised in the consolidated income statements for 2010 and 2009 in relation to investment property are not material.

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

7. Intangible Assets

Details of intangible assets at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31 December 2010			
	Cost	Accumulated amortisation	Impairment losses	Value
CO_2 emission rights and CERs	437	—	(10)	427
Software	1,267	(864)	(1)	402
Concessions	3,494	(1,162)	(16)	2,316
Other	54	(32)	—	22
Total	**5,252**	**(2,058)**	**(27)**	**3,167**

Millions of Euros

	31.12.2009			
	Cost	Accumulated amortisation	Impairment losses	Value
CO_2 emission rights and CERs	474	—	(46)	428
Software	1,107	(741)	—	366
Concessions	2,890	(924)	(1)	1,965
Other	110	(26)	—	84
Total	**4,581**	**(1,691)**	**(47)**	**2,843**

Details of intangible assets and movement in 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2009	Inclusion / excl. of companies	Investments	Amortisation and impairment losses (1)	Disposals	Transfers and other	Translation differences	Balance at 31.12.2010
CO_2 emission rights and CERs	428	(4)	1,048	6	(1,089)	38	—	427
Software	366	(5)	125	(105)	—	29	(8)	402
Concessions	1,965	(3)	362	(153)	(53)	(68)	266	2,316
Other	84	(43)	9	(6)	(1)	(18)	(3)	22
Total	**2,843**	**(55)**	**1,544**	**(258)**	**(1,143)**	**(19)**	**255**	**3,167**

(1) Including the net reversal of impairment losses of Euros 6 million.

Millions of Euros

	Balance at 01.01.09	Inclusion / excl. of companies	Investments	Amortisation and impairment losses (2)	Disposals	Transfers and other	Translation differences	Balance at 31.12.2009
CO_2 emission rights and CERs	568	19	717	(22)	(874)	20	—	428
Software	323	—	17	(83)	(11)	110	10	366
Concessions	1,590	—	236	(129)	(17)	(195)	480	1,965
Other	20	9	2	—	—	54	(1)	84
Total	**2,501**	**28**	**972**	**(234)**	**(902)**	**(11)**	**489**	**2,843**

(2) Including impairment losses of Euros 22 million.

Movement in transfers and other includes the transfer to non-current assets held for sale and discontinued operations of intangible assets considered as held for sale at 31 December (see notes 3 j and 33).

On the basis of the estimates and projections available to the Group's directors, the forecast cash flows attributable to intangible assets will make it possible to recover the carrying amount of these assets recognised at 31 December 2010.

7.1. CO_2 emission rights and CERs

At 31 December 2010 the amount recognised for CO_2 emission rights and certified emission reductions (hereinafter CERs), generated on Clean Development Mechanism (hereinafter CDM) projects, includes Euros 294 million relating to rights granted free of charge under the National Allocation Plans of each of the European countries in which the Group operates (Euros 272 million at 31 December 2009).

Details of the emission rights allocated to the Group free of charge in 2010 and 2009 are as follows:

	Millions of Tonnes	
	2010	2009
Spain	24.5	25.6
Portugal	2.7	2.7
Ireland	1.4	1.4
Total	**28.6**	**29.7**

Emission rights used by the Endesa Group in 2010 and 2009 amounted to 25.4 million tonnes and 32.1 million tonnes, respectively.

At 31 December 2010, the provision for the rights to be delivered to cover these emissions presented under liabilities on the consolidated balance sheet amounted to Euros 293 million (Euros 359 million at 31 December 2009) (see note 24).

At 31 December 2010 and 2009, the commitments to acquire CO_2 emission rights and CERs in the future totalled Euros 633 million and Euros 648 million, respectively, if all the projects are successfully completed.

8. Goodwill

Details of goodwill by the different cash-generating units or groups of CGUs to which it is allocated and movement during 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2009	Additions	Disposals	Impairment losses	Transfers and other	Translation differences	Balance at 31.12.2010
Subsidiaries in Chile	1,952	—	—	—	—	290	2,242
Endesa Ireland Ltd.	315	—	—	(115)	(200)	—	—
Companhia Energética do Ceará, S.A.	171	—	—	—	—	22	193
Ampla Energía e Serviços, S.A.	122	—	—	—	—	16	138
Edegel, S.A.A.	92	—	—	—	—	10	102
Empresa de Distribución Eléctrica de Lima Norte, S.A.A.	45	—	—	—	—	5	50
Hidroeléctrica El Chocón, S.A.	16	—	—	—	—	1	17
Endesa Carbono, S.L.	14	—	—	—	—	—	14
Empresa de Energía de Cundinamarca, S.A. E.S.P.	10	—	—	—	—	1	11
Other	78	—	—	—	(50)	2	30
Total	**2,815**	**—**	**—**	**(115)**	**(250)**	**347**	**2,797**

Millions of Euros

	Balance at 31.12.08	Additions	Disposals	Impairment losses	Transfers and other	Translation differences	Balance at 31.12.2009
Subsidiaries in Chile	1,542	—	—	—	—	410	1,952
Endesa Ireland Ltd.	—	315	—	—	—	—	315
Companhia Energética do Ceará, S.A.	132	—	—	—	—	39	171
Ampla Energía e Serviços, S.A.	96		—	—	—	26	122
Edegel, S.A.A.	87		—	—	—	5	92
Endesa Hellas	78	2	—	—	(80)	—	—
Empresa de Distribución Eléctrica de Lima Norte, S.A.A.	43		—	—	—	2	45
Hidroeléctrica El Chocón, S.A.	18	—	—	—	—	(2)	16
ENDESA Carbono, S.L.	14	—	—	—	—	—	14
Empresa de Energía de Cundinamarca, S.A. E.S.P.	—	10	—	—	—	—	10
Other	43	1	—	(82)	117	(1)	78
Total	**2,053**	**328**	**—**	**(82)**	**37**	**479**	**2,815**

Movement in transfers and other includes the transfer to non-current assets held for sale and discontinued operations of goodwill allocated to cash-generating units comprising assets held for sale at 31 December 2010 and 2009 (see notes 3 j and 33).

In 2009 the Group obtained control of Endesa Ireland and Empresa de Energía de Cundinamarca, S.A. (hereinafter E.E.Cundinamarca). Goodwill of Euros 315 million and Euros 10 million, respectively, arose from the valuation of the assets and liabilities acquired, with details as follows:

Millions of Euros

	2009	
	Endesa Ireland	E.E. Cundinamarca
Property, plant and equipment	157	44
Intangible assets	20	—
Other assets	16	17
Other liabilities	(26)	(5)
Non-current liabilities	(22)	(20)
Current liabilities	(16)	(13)
Total net assets and liabilities	129	23
Acquisition price	444	33
Goodwill	**315**	**10**

No goodwill arose in 2010 through the Group obtaining control of other companies.

The Group has tested the cash-generating units or groups of CGUs to which goodwill is allocated for impairment by calculating their value in use.

When calculating the value in use of the Chilean subsidiaries' cash-generating units, cash flows projected for the next ten years have been considered (this is the period generally used by the Group in its planning process), with a growth rate of 4.21% from the tenth year onwards, which is lower than the average long-term growth rate for Chile. This rate has been applied up to the end of the estimated useful lives of the electricity generation plants and to perpetuity for the distribution business. The key assumptions on which the cash flow estimates for the next ten years are based are hydroelectric power generation, fuel costs and the Chilean Peso/US Dollar exchange rate. These variables affect selling prices and the usage of the Group's generation plants in Chile. Actual information available at the end of 2010 has been used to forecast hydroelectric power generation for 2011. For other years, historical average hydroelectric power generation data have been used. With regard to fuel costs and the Chilean Peso/US Dollar exchange rate, estimates based on forward prices published by international organisations and renowned analysts have been used. None of the foreseeable reasonable scenarios for these variables would give rise to a recoverable amount that is less than the carrying amount of the Chilean cash-generating units to which goodwill has been allocated.

According to the estimates and projections available to the Group's directors, the projected cash flows attributable to the cash-generating units (or groups of CGUs) to which the goodwill is allocated will make it possible to recover the carrying amount of all goodwill recognised at 31 December 2010 and 2009.

9. Investments Accounted for using the Equity Method and Jointly Controlled Entities

9.1. Investments accounted for using the equity method

Details of the main Group investees accounted for using the equity method and movement in 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2009	Inclusion / exclusion of companies	Investments	Disposals	Share of profit/(loss) of equity-accounted investments	Dividends	Translation differences	Transfers and other	Balance at 31.12.2010
ENEL Green Power España, S.L.	—	761	—	—	10	—	—	1	772
Nubia 2000, S.L.	—	30	—	—	—	—	—	—	30
GNL Quintero, S.A.	15	—	—	—	(4)	—	1	(6)	6
Inversiones Electrogas, S.A.	11	—	—	—	5	—	(3)	—	13
Elcogas, S.A.	24	—	—	—	(27)	—	—	3	—
Tecnatom, S.A.	19	—	—	—	2	—	—	1	22
Sadiel Tecnologías de la Información, S.A.	9	—	—	—	1	(1)	—	1	10
Other	215	(175)	4	—	14	(3)	(2)	(7)	46
Total	**293**	**616**	**4**	**—**	**1**	**(4)**	**(4)**	**(7)**	**899**

Millions of Euros

	Balance at 31.12.08	Inclusion/ exclusion of companies	Investments	Disposals	Share of profit/(loss) of equity-accounted investments	Dividends	Translation differences	Transfers and other	Balance at 31.12.2009
GNL Quintero, S.A.	28	—	—	—	(1)	—	—	(12)	15
Inversiones Electrogas, S.A.	10	—	—	—	4	(3)	—	—	11
Elcogas, S.A.	20	—	—	—	4	—	—	—	24
Tecnatom, S.A.	12	—	—	—	7	—	—	—	19
Sadiel Tecnologías de la Información, S.A.	8	—	—	—	1	—	—	—	9
Other	118	3	2	(33)	30	(10)	—	105	215
Total	**196**	**3**	**2**	**(33)**	**45**	**(13)**	**—**	**93**	**293**

Movement in transfers and other includes the transfer to non-current assets held for sale and discontinued operations of investments accounted for using the equity method that were considered as held for sale at 31 December (see notes 3 j and 33).

The additions of the investments in the cogeneration and renewable energies business of EGP España and in the distribution and transmission business of Nubia reflects the Group’s asset disposals whereby it lost control of these businesses in 2010 (see notes 31 and 33).

The following information at 31 December 2010 and 2009 is taken from the financial statements of the main companies over which the Group has significant influence:

Millions of Euros

	31 December 2010								
	% ownership	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses	Ordinary profit
ENEL Green Power España, S.L.	40%	2,224	285	1,369	544	596	181	147	34
Nubia 2000, S.L. (*)	20%	919	122	210	372	459	5	1	4
Elcogas, S.A.	40.87%	132	179	5	3	303	73	120	(47)
Tecnatom, S.A.	45%	56	44	48	26	26	82	77	5
Inversiones Electrogas, S.A.	42.50%	60	10	31	26	13	22	10	12
GNL Quintero, S.A.	20%	877	69	23	898	25	69	87	(18)

(*) Individual company annual accounts as no consolidated annual accounts available to date.

Millions of Euros

	31 December 2009								
	% ownership	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses	Ordinary profit
Elcogas, S.A.	40.87%	278	87	50	16	299	119	105	14
Tecnatom, S.A.	45%	47	50	43	26	28	88	81	7
Inversiones Electrogas, S.A.	42.50%	58	8	26	29	11	16	7	9
GNL Quintero, S.A.	20%	771	38	70	458	281	17	22	(5)

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

Investees over which the Group has significant influence are disclosed in Appendix II. These companies do not have publicly listed share prices.

9.2. Jointly controlled entities

The following information at 31 December 2010 and 2009, which was used in the consolidation process, is taken from the financial statements of the main entities that are jointly controlled by the Group:

Millions of Euros

	31 December 2010						
	% ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor, S.A.	50%	162	123	124	37	145	163
Tejo Energía, Produção e Distribução de Energia Electrica, S.A.	38.90%	591	150	502	72	162	136
Pegop - Energía Eléctrica, S.A.	50%	—	7	—	3	7	—
Carbopego - Abastecimientos e Combustiveis, S.A.	50%	—	10	—	2	52	51
GasAtacama, S.A.	50%	446	178	48	220	514	455
Asociación Nuclear Ascó-Vandellós II, A.I.E.	85.40%	64	210	143	127	291	244
Energie Electrique de Tahaddart, S.A.	32%	180	40	108	25	52	26
Centrales Hidroeléctricas de Aysén, S.A.	51%	159	12	1	12	—	10
Transmisora Eléctrica de Quillota Ltda.	50%	15	5	2	3	3	2
Sistemas Sec, S.A.	49%	10	8	6	6	8	7
Distribuidora Eléctrica de Cundinamarca, S.A.	48.99%	152	36	50	39	112	98

Millions of Euros

	31 December 2009						
	% ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor, S.A.	50%	184	106	122	30	134	144
Tejo Energía, Produção e Distribução de Energia Electrica, S.A.	38.9%	666	188	576	75	234	185
Pegop-Energía Eléctrica, S.A.	50%	—	8	—	4	4	—
Carbopego-Abastecimientos e Combustiveis, S.A.	50%	—	8	—	—	80	80
GasAtacama, S.A.	50%	421	159	48	256	450	418
Asociación Nuclear Ascó-Vandellós II, A.I.E.	85.4%	84	183	115	133	283	260
Energie Electrique de Tahaddart, S.A.	32%	189	42	124	19	50	23
Centrales Hidroeléctricas de Aysén, S.A.	51%	119	11	1	50	—	8
Transmisora Eléctrica de Quillota Ltda.	50%	14	2	1	2	3	2
Sistemas Sec, S.A.	49%	9	9	7	7	10	8
Distribuidora Eléctrica de Cundinamarca, S.A.	48.99%	125	42	41	42	104	98

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

Entities over which the Group exercises joint control are disclosed in Appendix I.

10. Non-current Financial Assets

Details of non-current financial assets and movement in 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2009	Additions or charge for the year	Disposals or reductions	Valuation adjustments against equity (1)	Translation differences	Transfers and other	Balance at 31.12.2010
Loans and other receivables	7,491	1,385	(212)	(14)	—	(7,149)	1,501
Available-for-sale investments	125	6	—	—	5	(3)	133
Derivative financial instruments	26	38	—	12	1	(1)	76
Impairment losses	(39)	(25)	36	—	—	(41)	(69)
Total	**7,603**	**1,404**	**(176)**	**(2)**	**6**	**(7,194)**	**1,641**

(1) Recognised in equity under other comprehensive income or non-controlling interests, as applicable.

Millions of Euros

	Balance at 31.12.08	Additions or charge for the year	Disposals or reductions	Valuation adjustments against equity (2)	Translation differences	Transfers and other	Balance at 31.12.2009
Loans and other receivables	5,863	2,201	(317)	5	34	(295)	7,491
Available-for-sale investments	220	3	(7)	2	1	(94)	125
Derivative financial instruments	38	1	(6)	1	—	(8)	26
Impairment losses	(33)	(59)	108	—	—	(55)	(39)
Total	**6,088**	**2,146**	**(222)**	**8**	**35**	**(452)**	**7,603**

(2) Recognised in equity under other comprehensive income or non-controlling interests, as applicable.

Movement in transfers and other includes the transfer to non-current assets held for sale and discontinued operations of non-current financial assets considered as held for sale at 31 December (see notes 3j and 33).

Due to regulatory changes in 2010 relating to the securitisation of the deficit in the electricity system (see note 4.1), during this period the Group has also transferred balances for collection rights derived from financing the shortfall in revenue from regulated activities and compensation for stranded costs in non-mainland generation to current financial assets in the consolidated balance sheet. These amounts are expected to be recovered through the electricity system deficit securitisation fund in less than one year (see notes 13 and 39).

10.1. Loans and other receivables

Details at 31 December 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2010	Balance at 31.12.2009
Financing of the shortfall in revenue from regulated activities in Spain (notes 4.1 and 13)	—	4,355
Compensation for stranded costs in non-mainland generation (notes 4.1 and 13)	—	1,933
Guarantee deposits	551	529
Loans to associates and jointly controlled entities	87	89
Loans to personnel	32	48
Non-financial derivatives	67	113
Other	764	424
Total	**1,501**	**7,491**

The market value of these assets does not differ substantially from their carrying amount.

Details by maturity of non-current and current loans to associates at 31 December 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2010	Current maturity 2011 (Note 13)	Non-current maturities 2012	2013	2014	2015	Subsequent years	Total
Euros	111	27	—	—	4	10	70	84
Foreign currency	33	30	3	—	—	—	—	3
Total	**144**	**57**	**3**	**—**	**4**	**10**	**70**	**87**

Millions of Euros

	Balance at 31.12.2009	Current maturity 2010 (Note 13)	Non-current maturities 2011	2012	2013	2014	Subsequent years	Total
Euros	207	118	—	1	—	2	86	89
Foreign currency	—	—	—	—	—	—	—	—
Total	**207**	**118**	**—**	**1**	**—**	**2**	**86**	**89**

These loans earn interest at an average annual rate of 4.44% and 4.5% in 2009 and 2010, respectively.

10.2. Available-for-sale investments

Details at 31 December 2010 and 2009 are as follows:

Millions of Euros

	Balance at 31.12.2010	Balance at 31.12.2009
Euskaltel, S.A. (hereinafter Euskaltel)	46	41
Other	87	84
Total	**133**	**125**

10.3. Classification of financial assets by nature and category

Details of financial assets by nature and category at 31 December 2010 and 2009, excluding trade and other receivables, are as follows:

Millions of Euros

	31 December 2010						
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Assets available for sale	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Total
Equity instruments	—	—	131	—	—	—	131
Debt securities	—	—	—	—	—	—	—
Derivatives	8	—	—	—	—	68	76
Other financial assets	—	—	—	1,237	—	—	1,237
Non-current	**8**	**—**	**131**	**1,237**	**—**	**68**	**1,444**
Equity instruments	—	—	5	—	—	—	5
Debt securities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	1	1
Other financial assets	—	—	—	9,428	—	—	9,428
Current	**—**	**—**	**5**	**9,428**	**—**	**1**	**9,434**
Total	**8**	**—**	**136**	**10,665**	**—**	**69**	**10,878**

Millions of Euros

	31 December 2009						
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Assets available for sale	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Total
Equity instruments	—	—	98	—	—	—	98
Debt securities	—	—	—	—	—	—	—
Derivatives	10	—	—	—	—	16	26
Other financial assets	—	—	—	7,203	—	—	7,203
Non-current	**10**	**—**	**98**	**7,203**	**—**	**16**	**7,327**
Equity instruments	—	—	16	—	—	—	16
Debt securities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	15	15
Other financial assets	—	—	—	876	—	—	876
Current	**—**	**—**	**16**	**876**	**—**	**15**	**907**
Total	**10**	**—**	**114**	**8,079**	**—**	**31**	**8,234**

10.4. Financial investment commitments

At 31 December 2010 and 2009 the Group had not entered into any agreements that included commitments to make financial investments of significant amounts.

11. Inventories

Details at 31 December 2010 and 2009 are as follows:

Inventories		*Millions de Euros*
	31.12.2010	31.12.2009
Fuel stocks	**916**	**897**
Nuclear fuel	304	283
Other	612	614
Other inventories	**224**	**174**
Valuation adjustments	**(11)**	**(14)**
Total	**1,129**	**1,057**

At 31 December 2010 and 2009 the Group had not pledged material amounts of inventories to secure the repayment of debts.

At 31 December 2010 fuel stock purchase commitments amounted to Euros 26,811 million (Euros 25,382 million at 31 December 2009). No portion of this amount related to entities jointly controlled by the Group. Part of these commitments relates to natural gas purchase agreements with “take or pay” clauses.

The Company’s directors consider that the Group will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

12. Trade and Other Receivables

Details at 31 December 2010 and 2009 are as follows:

Trade and other receivables		*Millions of Euros*
	31.12.2010	31.12.2009
Trade receivables	**4,346**	**4,462**
Tax assets:	**967**	**732**
Income tax	676	421
Other taxes	291	311
Other receivables	**1,365**	**2,131**
Valuation adjustments	**(569)**	**(411)**
Total	**6,109**	**6,914**

Balances included under this caption do not generally earn interest.

The average collection period for trade receivables was 38 days in 2010 and 29 days in 2009. Therefore, fair value does not differ significantly from the carrying amount.

Factoring transactions were carried out in 2010. The undue balance on these transactions at 31 December 2010 was Euros 449 million.

There are no significant restrictions on the availability of collection rights of this nature.

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

Details of past-due unimpaired trade receivables at 31 December 2010 and 2009 are as follows:

		Millions of Euros
Past-due unimpaired trade receivables	31.12.2010	31.12.2009
Less than three months	472	510
Three to six months	129	118
Six to twelve months	87	145
Over twelve months	112	201
Total (1)	**800**	**974**

(1) Includes Euros 197 million receivable from Spanish public entities and Euros 67 million receivable by Centrais Eléctricas Cachoeira Dourada, S.A. (hereinafter Cachoeira Dourada) from the state-run company Compañía de Electricidade de Goiás (hereinafter CELG).

Movement in valuation adjustments in 2010 and 2009 is as follows:

Valuation adjustments		*Millions of Euros*
	2010	2009
Opening balance	**411**	**299**
Charges	293	179
Applications	(126)	(94)
Transfers and other	(9)	27
Closing balance	**569**	**411**

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

13. Current Financial Assets

Details at 31 December 2010 and 2009 are as follows:

Current financial assets		*Millions of Euros*
	31.12.2010	31.12.2009
Financing of the shortfall in revenue from regulated activities in Spain (notes 4.1 and 10.1)	6,340	301
Compensation for stranded costs in non-mainland generation (notes 4.1 and 10.1)	2,846	309
Loans to associates and jointly controlled entities (Note 10.1)	57	118
Loans to personnel	21	16
Derivative financial instruments	1	15
Other current loans	169	148
Total	**9,434**	**907**

Due to regulatory changes in 2010 relating to the securitisation of the deficit in the electricity system (see note 4.1), during this period the Group has transferred balances for collection rights derived from financing the shortfall in revenue from regulated activities and compensation for stranded costs in non-mainland generation to current financial assets in the consolidated balance sheet, as these amounts are expected to be recovered through the electricity system deficit securitisation fund in less than one year (see note 10.1).

On 7 July 2010, Endesa notified the securitisation fund for the deficit in the Spanish electricity system of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities and compensation for stranded costs in non-mainland generation from 2001 to 2008. These collection rights are to be securitised within a maximum period of one year from the notification, in accordance with Royal Decree 437/2010 of 9 April 2010, provided that no exceptional events occur in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed since the notification, the initial holders are able to waive the commitment to transfer collection rights that have not been securitised by the fund (see note 39).

The market value of these assets does not differ substantially from their carrying amount. Most of these assets earn interest at the Euribor rate.

14. Cash and Cash Equivalents

Details at 31 December 2010 and 2009 are as follows:

Millions of Euros

Cash and cash equivalents	31.12.2010	31.12.2009
Cash on hand and at banks	513	594
Cash equivalents	1,315	1,244
Total	**1,828**	**1,838**

Details at 31 December 2010 and 2009 by currency are follows:

Millions of Euros

Currency	31.12.2010	31.12.2009
Euro	232	245
Chilean Peso	600	388
Colombian Peso	242	538
Brazilian Real	466	492
Peruvian Nuevo Sol	94	44
US Dollar	100	83
Other currencies	94	48
Total	**1,828**	**1,838**

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

15. Equity

Details at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31.12.2010	31.12.2009
Total equity of the Parent	**17,776**	**14,227**
Share capital	1,271	1,271
Share premium	1,376	1,376
Legal reserve	285	285
Revaluation reserve	1,714	1,714
Mining depletion reserve	40	40
Canary Islands investment reserve	24	24
Non-distributable reserves	106	106
Translation differences	896	235
Unrealised asset and liability revaluation reserve	5	—
Retained earnings	12,588	9,705
Interim dividend	(529)	(529)
Total equity of non-controlling interests	**5,388**	**4,733**
Total equity	**23,164**	**18,960**

15.1. Equity of the Parent

15.1.1. Share capital

At 31 December 2010 the share capital of Endesa, S.A. amounts to Euros 1,270,502,540.40 and is represented by 1,058,752,117 shares of Euros 1.2 par value each, subscribed and fully paid, all of which are listed on the Spanish Stock Exchanges. There have been no changes in share capital in 2010 and 2009. Endesa, S.A.'s shares are also traded on the Santiago de Chile Offshore Stock Exchange.

At 31 December 2008 the Enel Group, through EEE, held a 67.053% interest in the share capital of Endesa, while Acciona, S.A. (hereinafter Acciona) held a 25.01% interest (5.01% directly and 20.0% indirectly through Finanzas Dos, S.A. (hereinafter Finanzas Dos)). These two companies therefore jointly held 92.063% of the share capital of Endesa, enabling them to implement the joint management agreement over Endesa signed on 26 March 2007, which was notified to the Spanish National Securities Market Commission (CNMV) on 2 April 2007.

On 25 June 2009 Acciona transferred the shares representing its 25.01% interest in the share capital of Endesa to EEE. This transfer resulted in the termination of the shareholders' agreement entered into by Enel and Acciona on 26 March 2007.

At 31 December 2009, the Enel Group held a 92.063% interest in the share capital of Endesa through EEE, giving the Enel Group control over the Endesa Group. There have been no changes in this interest in 2010.

15.1.2. Share premium

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

15.1.3. Legal reserve

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

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital it may only be used to offset losses if no other reserves are available.

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

15.1.4. Revaluation reserve

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

The balance of this reserve can be used, accruing no tax, to offset future accounting losses and to increase share capital, or be taken to unrestricted reserves, provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.

15.1.5. Mining depletion reserve

The mining depletion reserve is subject to Royal Decree Law 4/2004 of 5 March 2004, which approves the Revised Income Tax Law. This reserve is taxable if used for any purpose other than those foreseen in the pertinent regulatory standards. At 31 December 2010 and 2009 the balance of this reserve is Euros 40 million, of which Euros 27 million is freely distributable.

15.1.6. Canary Islands investment reserve

The Canary Islands investment reserve is subject to the regime established in article 27 of Law 19/1994 of 6 July 1994, amending the Canary Islands tax regime, which was modified by Royal Decree Law 12/2006 of 29 December 2006.

The Euros 24 million balance of this reserve at 31 December 2010 and 2009 derives from the merger of Endesa, S.A. and Unión Eléctrica de Canarias, S.A. in 1999 and is freely distributable at both dates.

15.1.7. Unrealised asset and liability revaluation reserve

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

Millions of Euros

	31.12.2009	Change in market value	Amount taken to income	31.12.2010
Assets available for sale	37	8	(45)	—
Cash flow hedges	(54)	(46)	101	1
Companies accounted for using the equity method	—	(2)	—	(2)
Tax effect	17	2	(13)	6
Total	**—**	**(38)**	**43**	**5**

Millions of Euros

	31.12.08	Change in market value	Amount taken to income	31.12.2009
Assets available for sale	40	3	(6)	37
Cash flow hedges	(51)	(199)	196	(54)
Tax effect	2	49	(34)	17
Total	**(9)**	**(147)**	**156**	**—**

15.1.8. Translation differences

Details of translation differences, after tax, by company at 31 December 2010 and 2009 are as follows:

Translation differences *Millions of Euros*

	31.12.2010	31.12.2009
Codensa, S.A. E.S.P.	114	72
Emgesa, S.A. E.S.P.	109	55
Centrais Elétricas Cachoeira Dourada, S.A.	55	31
Compañía de Interconexión Energética, S.A.	49	38
Central Geradora Termelétrica Fortaleza, S.A.	59	39
Investluz, S.A. / Companhia Energética do Ceará, S.A.	107	67
Ampla Energía e Serviços, S.A.	117	68
Empresa Eléctrica Pehuenche, S.A.	18	3
Chilectra, S.A.	104	46
Empresa Distribuidora Sur, S.A.	(41)	(45)
Empresa Nacional de Electricidad, S.A.	27	(27)
Enersis, S.A.	(165)	(105)
Other subsidiaries in Chile	302	57
Other	41	(64)
Total	**896**	**235**

15.1.9. Dividend

The interim dividend on account of profit for 2009 authorised by the board of directors of Endesa, S.A. on 14 December 2009 was of a gross Euros 0.5 per share, representing a total payment of Euros 529 million, which was deducted from the Parent's equity at 31 December 2009. At their annual general meeting held on 21 June 2010, the shareholders also agreed to pay a total dividend of Euros 1.028 gross per share, totalling Euros 1,088 million, with a charge to 2009 profit. Considering the interim dividend paid on 4 January 2010, the supplementary dividend for 2009 was Euros 0.528 gross per share, representing a total of Euros 559 million.

The interim dividend on account of profit for 2010 authorised by the board of directors of Endesa, S.A. on 20 December 2010 was of a gross Euros 0.5 per share, representing a total payment of Euros 529 million, which was deducted from the Parent's equity at 31 December 2010. The provisional liquidity statement prepared in accordance with article 274 of the Revised Spanish Companies Act, which shows sufficient cash flow to cover the payment of this dividend, is as follows:

Provisional liquidity statement *Millions of Euros*

	1 November 2010 – 31 October 2011
Opening available balance	
Cash on hand and at banks	212
Available credit	4,691
Increases in cash	
Ordinary activities	8.094
Financial transactions	—
Decreases in cash	
Ordinary activities	(349)
Financial transactions	(536)
Closing available balance	**12,112**
Proposed interim dividend with a charge to 2010 profit	**529**
Date of authorisation of interim dividend by Company board of directors	**20 December 2010**

15.1.10. Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital, provided that this ensures a solid financial position that minimises the overall risk to which the Group is exposed, particularly risk deriving from electricity regulations. This policy makes it possible to create value for the shareholder while also securing access to financial markets at a competitive cost, in order to cover both debt refinancing needs and investment plan financing requirements not covered by the remaining business-generated funds after dividends have been distributed to the shareholders.

The Group's directors consider that an indicator of its ongoing financial position is its consolidated leverage ratio, which is taken to be the result of dividing net financial debt by equity. Details of this ratio at 31 December 2010 and 2009 are as follows:

Millions of Euros

		Leverage ratio
	31.12.2010	31.12.2009
Net financial debt	**15,336**	**18,562**
Non-current borrowings	16,256	19,512
Current borrowings	985	929
Cash and cash equivalents	1,828	1,838
Derivatives recognised under financial assets (see notes 10 and 13)	77	41
Equity	**23,164**	**18,960**
Parent company	17,776	14,227
Non-controlling interests	5,388	4,733
Leverage ratio (%)	**66.2**	**97.9**

The Group's debt is affected by the significant volume of financing for the deficit in the Spanish electricity system. Once securitisation of the debt is completed, net financial debt should decrease substantially (see notes 4.1. and 39).

The Group's directors consider that the rating allocated by credit rating agencies does not reflect solely the financial position of the Group, as the three agencies that have evaluated Endesa state that Endesa's rating is affected not only by the position of the Endesa Group itself, but also by the credit rating of Enel, as this company controls Endesa. Even if the financial structure so permitted, Endesa's rating could not exceed that of Enel.

The Company's directors consider that the rating awarded by the credit rating agencies would, if necessary, enable the Company to access the financial markets on reasonable terms.

Details of the long-term ratings awarded to Endesa by the credit rating agencies at 31 December 2010 and 2009, reflecting investment grade levels, are as follows:

	Long-term rating	
	31.12.2010	31.12.2009
Fitch	A	A
Moody's	A3 (*)	A3
Standard & Poor's	A– (*)	A–

(*) Under review for a possible downgrade.

15.1.11. Restrictions on the distribution of funds by subsidiaries

Certain Group companies have clauses in their financing contracts, compliance with which is compulsory for the distribution of profits to shareholders. At 31 December 2010 and 2009, the assets of the companies subject to these restrictions amounted to Euros 784 million and Euros 963 million, respectively.

Due to power cuts in Buenos Aires from 22 to 31 December 2010, the Argentine electricity regulator (hereinafter ENRE) has blocked the distribution of Edesur dividends for 2009. The company has filed an administrative appeal against this ruling.

15.1.12. Other information

Certain members of senior management of Endesa coming from Enel benefit from Enel remuneration schemes based on Enel share prices.

The cost of these schemes is assumed by Enel, with no amounts passed on to Endesa. The main characteristics of the schemes, with respect to members of senior management of Endesa, are as follows:

2008 share option scheme

The basic number of shares granted to each beneficiary was determined based on their gross annual salary, the strategic importance of their position and the listed price of Enel shares at the start of the period encompassed by the scheme (2 January 2008).

The scheme sets two operating targets: earnings per share and return on investments. These two figures are calculated on a consolidated basis and for the 2008-2010 period were determined using the amounts included in the budgets for those years.

Depending on the achievement of these targets, the number of options that may be exercised by each beneficiary is determined based on a profit scale drawn up by the board of directors of Enel, which could increase or decrease by 0% to 120%.

After compliance with corporate targets has been verified, the options may be exercised from the third to the sixth year after the year in which they were granted.

The scheme is summarised in the following table:

Number of options	2008 scheme
Options granted at 31 December 2008	567,182
Options exercised at 31 December 2008	—
Options expired at 31 December 2008	—
Options outstanding at 31 December 2008	—
Options expired in 2009	—
Options outstanding at 31 December 2009	567,182
Options expired in 2010	—
Options outstanding at 31 December 2010	567,182
Fair value at the grant date (Euros)	0.165
Volatility	21%
Options expiry date	December 2014

2008 restricted shares scheme

This scheme is aimed at Enel Group management. Beneficiaries are divided into tranches and the basic number of shares granted to each beneficiary is determined in line with the gross annual salary of each tranche and the listed price of Enel shares at the start of the period encompassed by the scheme (2 January 2008). The right to exercise the shares is conditional upon the directors continuing as employees of the Group, albeit with certain exceptions.

The scheme sets an operating target, with conditions precedent, as follows:

(i) For the first 50% of shares granted, EBITDA of the Group for 2008-2009, calculated based on the amounts included in the budgets for those years.
(ii) For the remaining 50% of shares granted, EBITDA of the Group for 2008-2010, calculated based on the amounts included in the budgets for those years.

If the above-mentioned minimum target is achieved, the number of shares that may effectively be exercised by each beneficiary is determined as follows:

(i) For the first 50% of the basic number of shares granted, by comparing the performance of ordinary shares of Enel on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2009.

(ii) For the remaining 50% of shares granted, by comparing the performance of ordinary shares of Enel on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2010.

The number of shares that may be exercised could vary with respect to the number of shares granted by between 0% and 120%, based on specific a profit scale.

If the minimum target is not achieved in the first two-year period, the first 50% tranche could be recovered if the target is met during the three-year period. Moreover, the validity of the results recorded in the 2008-2010 period could be extended to the 2008-2009 period.

Depending on the extent to which these targets are met and the number of shares granted, the first 50% could be exercised from the second to the sixth year after the year in which they were granted, and the remaining 50% from the third to the sixth year after they were granted.

The scheme is summarised in the following table:

Number of restricted shares	2008 restricted shares
Restricted shares outstanding at 31 December 2008	60,659
Restricted shares expired in 2009	—
Restricted shares outstanding and exercisable at 31 December 2009	60,659
Restricted shares expired in 2010	—
Restricted shares exercised in 2010	16,880
Restricted shares outstanding and exercisable at 31 December 2010	43,779
Fair value at the grant date (Euros)	3.16
Fair value at 31 December 2010 (Euros)	4.47
Restricted shares expiry date	December 2014

15.2. Equity of non-controlling interests

In November 2010 Endesa, through Generalima, S.A.C. (hereinafter Generalima), acquired a 36.497% interest in Empresa Eléctrica de Piura (hereinafter EEPSA) for Euros 30 million. As a result of this transaction, Eléctrica de Cabo Blanco, S.A. (hereinafter ELECSA) acquired a 60% interest, and Generalima a 36.497% interest, in EEPSA. The remaining 3.503% is held by non-controlling interests not related with the Endesa Group.

16. Deferred Income

Movement in 2010 and 2009 is as follows:

Millions of Euros

	Grants and fixed charges for connection	Emission rights (notes 7 and 24)	Total
Balance at 01.01.09	**3,183**	**12**	**3,195**
Inclusion/Exclusion of companies	—	5	5
Additions	518	337	855
Amount taken to income	(100)	(325)	(425)
Translation differences	(1)	—	(1)
Other	(6)	13	7
Balance at 31.12.2009	**3,594**	**42**	**3,636**
Inclusion/Exclusion of companies	(35)	(3)	(38)
Additions	459	318	777
Amount taken to income	(118)	(236)	(354)
Translation differences	(2)	—	(2)
Other	(46)	(37)	(83)
Balance at 31.12.2010	**3,852**	**84**	**3,936**

17. Non-current Provisions

Details at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31.12.2010	31.12.2009
Provisions for pensions and similar obligations	1,257	1,013
Provisions for personnel restructuring	1,479	1,617
Other provisions	1,978	1,816
Total	**4,714**	**4,446**

17.1. Provisions for pensions and similar obligations

The Group’s employees in Spain included under the Framework Agreement dated 25 October 2000 are members of the Endesa Group Employee Pension Scheme. Most are covered by a defined contribution scheme for retirement, and a defined benefit scheme for permanent disability or death while in service.

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

- *Electricity employees of the former Endesa*: Defined benefit pension scheme for retirement, permanent disability and death, for both current and former employees. The predetermined nature of the retirement benefits and their full coverage eliminate any related risk. The other benefits are also guaranteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this scheme does not differ significantly from that required for the mixed schemes described above.
- *Fecsa/Enher/HidroEmpordá employees:* Defined-benefit pension scheme with annual salary increases in line with the CPI. This scheme is treated in exactly the same way as a defined benefit scheme.

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

Outside Spain, defined benefit pension obligations mainly arise in Brazil.

The assumptions used when calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2010 and 2009 were as follows:

	Spain		Other countries	
	2010	2009	2010	2009
Interest rate	3.37%	3.5%	2.78%/10.5%	6.5%/11.5%
Mortality tables	PERM/F 2000	GRM/F 95	AT83-ISS1980-89	AT83-ISS1980-89/RV 2004
Expected rate of return on plan assets	2.87%-3.87%	4.0%-4.1%	12.09%	11.3%/12.6%
Salary increase	**2.3%**	**2.3%**	**3.0%/7.6%**	**3.0%/6.6%**

Details of actuarial liabilities relating to defined benefit obligations at 31 December 2010 and 2009, and movement during those years, are as follows:

Millions of Euros

	2010	2009
Opening actuarial liability	**2,587**	**1,909**
Finance expenses	144	131
Current service costs	35	25
Benefits paid in the period	(151)	(134)
Other movements	2	16
Actuarial (gains) losses	213	502
Translation differences	103	130
Changes in consolidated group	(4)	8
Closing actuarial liability	**2,929**	**2,587**

Of the total closing actuarial liability at 31 December 2010, 68% related to defined benefit obligations in Spain (72% at 31 December 2009), 25% to obligations in Brazil (21% at 31 December 2009), and the remaining 7% to obligations in the other countries (7% at 31 December 2009).

Changes in the market value of plan assets in 2010 and 2009 were as follows:

Millions of Euros

	2010	2009
Opening market value	**1,581**	**1,176**
Expected return	104	83
Contributions for the period	89	105
Payments	(151)	(134)
Actuarial (losses) gains	4	254
Translation differences	65	97
Other movements	(1)	—
Changes in consolidated group	(4)	8
Closing market value	**1,691**	**1,581**

Of the total market value of the plan assets at 31 December 2010, 65% related to assets in Spain (70% at 31 December 2009) and 35% related to assets in Brazil (30% at 31 December 2009).

The main categories of defined benefit plan assets, as a percentage of total assets, in 2010 and 2009 were as follows:

	Percentage (%)	
	2010	2009
Shares	25	27
Fixed-income assets	69	68
Investment property and other	6	5
Total	**100**	**100**

The defined benefit plan assets include shares and bonds of Endesa Group companies amounting to Euros 10 million at 31 December 2010 (Euros 18 million at 31 December 2009), transferable accounts receivable from the Group arising as a result of rebalancing plans, amounting to Euros 38 million (Euros 95 million at 31 December 2009) and properties used by the Group's subsidiaries in Brazil amounting to Euros 6 million (Euros 6 million at 31 December 2009).

The expected return on the plan assets was estimated taking into account the projections relating to the principal fixed and variable-income securities markets, and assuming that the various asset categories would continue to represent similar percentages of the total plan assets to those of the preceding year. The actual return in 2010 was 0.4% in Spain and a negative 1.9% in the other countries (12.4% in Spain and 18.3% in the other countries in 2009).

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

	Millions of Euros	
	2010	2009
Actuarial liability	2,929	2,587
Plan assets	1,691	1,581
Difference	1,238	1,006
Limit to surplus due to application of IFRIC 14	24	14
Shortfall recognised in respect of actuarial liability	**1,262**	**1,020**

The amount recognised in the consolidated balance sheet at 31 December 2010 includes Euros 1,257 million (Euros 1,013 million at 31 December 2009) recognised under non-current provisions – provisions for pensions and similar obligations; Euros 5 million (zero at 31 December 2009) under non-current financial assets - loans and receivables; Euros 5 million (Euros 4 million at 31 December 2009) under current provisions – provisions for pensions and similar obligations; and Euros 5 million (Euros 5 million at 31 December 2009) under liabilities associated with non-current assets held for sale and discontinued operations.

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

	Millions of Euros	
	2010	2009
Current cost	(26)	(25)
Finance expenses	(144)	(131)
Expected return on plan assets	104	83
Total	**(66)**	**(73)**

The current cost allocated to the consolidated income statement does not include Euros 9 million in 2010 and Euros 6 million in 2009 of the current cost relating to employees who opted to take early retirement, which had previously been recognised as a provision under provisions for personnel restructuring and which were transferred during the year to pension obligations.

Based on the best estimate available, forecast contributions to defined benefit plans in 2011 amount to approximately Euros 75 million.

At 31 December 2010, the sensitivity of the value of the actuarial liability for pensions to interest rate fluctuations of 100 basis points results in a decrease of Euros 423 million (Euros 343 million at 31 December 2009) in the event of a rise in rates, and an increase of Euros 529 million (Euros 364 million at 31 December 2009) in the case of a drop in rates.

Contributions to defined contribution plans are recognised under personnel expenses in the consolidated income statement. Euros 61 million and Euros 76 million were recognised in this respect in 2010 and 2009, respectively. Euros 53 million and Euros 55 million were contributed in 2010 and 2009, respectively, which had previously been included under provisions for personnel restructuring.

17.2. Provisions for personnel restructuring

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

Details of other non-current provisions and movement in 2010 and 2009 are as follows:

Millions of Euros

	2010	2009
Opening balance	**1,617**	**1,506**
Allowances charged to the income statement		
Personnel expenses	132	319
Finance income	45	260
Applications		
Payments	(351)	(298)
Transfers and other	**36**	**(170)**
Closing balance	**1,479**	**1,617**

At 31 December 2010 current provisions also include Euros 393 million reflecting provisions for personnel restructuring which will foreseeably be paid in 2011 (Euros 459 million at 31 December 2009) (see note 24).

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

At 31 December 2010, there are basically three types of plans in force, as follows:

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

The term in which the employees may opt to adhere to these restructuring plans has elapsed and the obligation therefore mainly relates to employees who have left the Company. The group considered in the valuation comprises 2,417 employees (2,769 employees at 31 December 2009).

Voluntary redundancy plan approved in 2000

The plan applies to employees with at least ten years of service in the group of companies concerned at 31 December 2005.

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

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

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

A total of 3,599 employees were taken into consideration for this item, of whom 2,374 have taken early retirement (3,928 and 1,755 employees, respectively, at 31 December 2009).

Provisions made with a charge to operating expenses in 2010 include Euros 136 million (Euros 298 million in 2009), reflecting the cost of bringing forward the retirement date forecast for certain groups encompassed by this plan.

Mining Plans for 2006-2012

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

A total of 903 employees were taken into consideration for this item, of whom 543 have taken early retirement (900 and 435 employees, respectively, at 31 December 2009).

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

- The company will pay the employee from the date of termination of their contract until the first date on which retirement can be taken after unemployment benefit contributions have ceased and, at most, until the employee's right is vested on

reaching retirement age, a termination benefit in regular payments based on their last annual salary and subject to review in line with the CPI.
- Any unemployment benefits and any other official early retirement benefits received prior to the retirement date are deducted from the resulting amounts.

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

	2010	2009
Interest rate	2.49%	2.7%
CPI	2.3%	2.3%
Mortality tables	PERM/F 2000	GRM/F 95

At 31 December 2009, the sensitivity of the actuarial liability for workforce restructuring plans to interest rate fluctuations of 100 basis points results in a decrease of Euros 118 million (Euros 98 million at 31 December 2009) in the event of a rise in rates, and an increase of Euros 141 million (Euros 117 million at 31 December 2009) in the event of a drop in rates.

17.3. Other provisions

Details of other provisions and movement in 2010 and 2009 are as follows:

Millions of Euros

	Provisions for litigations, termination benefits and other legal or contractual obligations	Provisions for plant closure costs	Total
Balance at 31.12.2009	**1.268**	**548**	**1.816**
Net provisions charged to profit for the year	216	10	226
Provisions charged to property, plant and equipment	—	83	83
Payments	(56)	(17)	(73)
Translation differences	41	3	44
Transfers and other	(86)	(32)	(118)
Balance at 31.12.2010	**1.383**	**595**	**1.978**

Millions of Euros

	Provisions for litigations, termination benefits and other legal or contractual obligations	Provisions for plant closure costs	Total
Balance at 31.12.08	**1,369**	**352**	**1,721**
Net provisions charged to profit for the year	54	29	83
Provisions charged to property, plant and equipment	—	64	64
Payments	(136)	(22)	(158)
Translation differences	65	—	65
Transfers and other	(84)	125	41
Balance at 31.12.2009	**1,268**	**548**	**1,816**

Movement in transfers and other reflects the transfer to liabilities associated with non-current assets held for sale and discontinued operations of the provisions associated with assets held for sale at 31 December (see notes 3j and 33).

Litigation and arbitration

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

- In 2002 EdF International (hereinafter EdF) filed a request for arbitration at the International Court of Arbitration of the International Chamber of Commerce against Endesa Internacional, S.A. (now Endesa Latinoamérica, S.A. (Solely-owned Company) (hereinafter Endesa Latinoamérica)), Repsol YPF, S.A. (hereinafter Repsol) and YPF, S.A. (hereinafter YPF) seeking an order against Endesa Latinoamérica to pay EdF USD 256 million plus interest, and against the Repsol YPF Group to pay USD 69 million plus interest. Endesa Latinoamérica, Repsol and YPF filed a counterclaim seeking an order for EdF to pay Endesa Latinoamérica USD 58 million and YPF USD 14 million. This dispute arose from the sale of YPF's and Endesa Latinoamérica's investments in the Argentine companies Easa and Edenor to the French group EdF. The ICC court issued its ruling on 22 October 2007, which in summary partially upheld both the defence and the counterclaim. As a result of the arbitral award, Endesa Latinoamérica was ordered to pay EdF USD 100 million as net debt, plus interest, although neither party was ordered to pay costs. All parties - claimant and co-defendants - filed appeals for the partial annulment of this arbitral award. In April 2008 Endesa Latinoamérica and YPF obtained a judgment from the Argentine ordinary justice system (National Commercial Appellate Court) suspending the effects of the arbitral award because the appeal was unfounded and, accordingly, impeding EdF from enforcing the arbitral award. On 16 December 2009 notification was received regarding the Court of Appeals ruling of 9 December 2009 declaring the arbitral award issued on 22 October 2007 null and void and "not legally binding." Therefore, Endesa is no longer obliged to pay approximately USD 100 million (excluding interest), as stipulated in the aforementioned arbitral award. In early February 2010, EdF lodged an extraordinary federal appeal against the aforementioned ruling issued on 9 December 2009. This appeal was overruled on 9 March. EdF lodged a further appeal with the Supreme Court against the ruling that overruled its extraordinary federal appeal and, once again, in July 2010 the Supreme Court dismissed what was possibly EdF's last opportunity to appeal. As a result, Endesa is not obliged to make any payment. This lawsuit has therefore been closed, although EdF has endeavoured, unsuccessfully, to execute the arbitral award in several jurisdictions (Spain, United States, Chile and Brazil).

- There are three court proceedings underway against EDE that will probably give rise to the obligation to settle various claims for an aggregate amount of Euros 44 million. A Euros 10 million penalty was also imposed on this company following the disciplinary proceedings initiated by the Catalonia autonomous regional government due to the power cuts that occurred in Barcelona on 23 July 2007. An appeal was filed against this penalty seeking an adjournment, which was granted by the High Court of Catalonia on 2 April 2009. The court hearing took place on 23 November 2010 and a ruling has not yet been issued.

- In March 2009 Josel, S.L. filed a lawsuit against EDE seeking cancellation of the contract for the sale of certain buildings as a result of changes in their planning status, and the reimbursement of Euros 85 million, plus interest. On 3 April EDE contested this claim for cancellation of the sale contract. The preliminary hearing took place on 20 October 2009, while the court hearing was on 13 July 2010.

- On 11 May 2009 the Spanish Ministry of Industry, Tourism and Trade (hereinafter MITyC) issued a ministerial order against Endesa Generación, as the operator responsible for the Ascó I nuclear plant, imposing four penalties totalling Euros 15 million in relation to a radioactive leak at this plant in December 2007. Charges relate to four possible serious infringements against the provisions of Nuclear Power Law 25/1964 of 29 April 1964. An appeal against this order was lodged at the Spanish High Court. Simultaneously, the Spanish Department of Energy Policy and Mines imposed two penalties for a combined Euros 90 thousand for minor infringements deriving from the same incidents. An appeal against these penalties was filed before the above-mentioned court and subsequently before the administrative court. On 1 December 2009 the Spanish High Court issued a ruling, at the request of Endesa, approving injunctive relief on application of the appealed ruling. Endesa provided a bank guarantee for Euros 15 million, the amount of the penalty. This appeal has been at the conclusion stage since 14 September 2010 and a ruling has not yet been passed on the main issue.

- On 8 May 2008 a decision was made on the motion filed by Endesa at the Supreme Court to quash a ruling by the Spanish High Court rendering null and void the order of 29 October 2002 regulating the competition transition costs (hereinafter CTCs) for 2001, passed in the appeal for judicial review no. 825/2002 filed by Iberdrola. The Supreme Court rejected Endesa's motion to quash the ruling from the Spanish High Court. Enforcement of the judgment is not expected to have a significant economic impact on the Company.

- On 3 July 2009 the MITyC ordered the permanent closure of the Santa María de Garoña nuclear plant on 6 July 2013. This plant is owned by Nuclenor (hereinafter Nuclenor), in which Endesa Generación and Iberdrola Generación S.A. each hold a 50% interest. In response to the request to extend the existing licences for a further ten years, the MITyC only agreed to an extension of a further four years. An appeal against this order was filed before the Spanish High Court on 14 September 2009 and was admitted on 23 September 2009. On 24 March 2010 a motion to overturn the ministerial order was filed and on 4 October 2010 evidence was brought forward, the admission of which has been contested by one of the co-defendants.

- On 24 June 2009 the Investigation Division of the Spanish Ministry of the Economy filed charges before the Spanish National Competition Authorities (hereinafter CNC) against several electricity distributors (Endesa, Iberdrola, Hidrocantábrico, Unión Fenosa and E.On) for alleged infringement of article 1 of Anti-Trust Law 15/2007 of 3 July 2007 and article 81 of the EC Treaty, consisting of alleged collusive agreements which, according to the Competition Authorities, could have been arranged to impede, restrict or falsify competition in the power supply market in Spain. The disciplinary proceedings initiated by the CNC are to analyse the existence of possible illegal agreements between the distribution companies to delay the change in supplier. The Spanish Association of Independent Energy Suppliers (hereinafter ACIE) made its statements, contested by Endesa on 26 November 2009. To date, no specific proposal has been made in the proceedings for what could be the definitive penalty, although the case has been extended recently in terms of the parties (also including the Spanish Electricity Sector Association UNESA) and allegations (including possible collusion to win major customers). The Investigation Division has proposed a ruling and Endesa submitted its response on 13 August 2010. The ruling from the board of the CNC is currently pending, following compulsory referral to the European Commission.

- In December 2001 the Brazilian Federal Constitution was amended to clarify the subjection of energy sales by electricity companies to COFINS (the Brazilian corporate income tax). According to the Constitution, changes in the law take effect 90 days after they are passed and therefore Ampla started to pay this tax from April 2002. However, the Federal Revenue of Brazil argues that this rule refers exclusively to regulations with status as law, but does not apply in the case of the constitutional regulation, amendments to which take effect immediately. The amount in dispute in the courts is Euros 45 million.

- In 2005 the Brazilian taxation authorities notified Ampla of a tax settlement that had been appealed. The government understands that the special tax regime, which exempted the subscribers to an issue of fixed-rate notes made by Ampla in 1998 from taxation in Brazil, is not applicable. On 6 December 2007 Ampla was successful in its second application, but the Brazilian taxation authorities filed a special appeal to the *Conselho Superior de Recursos Fiscais* (High Court of Appeals for Fiscal Matters). A decision is pending and the amount disputed is Euros 335 million.

- In 2002 the state of Rio de Janeiro established that ICMS (equivalent to VAT) should be determined and paid on the 10^{th}, 20^{th} and 30^{th} of each month, but Ampla continued paying ICMS based on the former system (up to the fifth day of the following month). However, under an informal agreement with the state of Rio de Janeiro and two tax amnesty laws, in October 2004 the state of Rio de Janeiro issued an order for Ampla to pay the fine for the delayed payments, which Ampla appealed. In February 2007 Ampla was notified of the preliminary ruling, in which the tax assessment raised by the state of Rio de Janeiro was upheld. On 23 March an appeal was submitted to the Taxpayers Council of the state of Rio de Janeiro, which also upheld the tax assessment in a decision on 26 August 2010. Ampla appealed once again, this time to the Plenary Taxpayers Council of the state of Rio de Janeiro. A decision is pending. The amount disputed is Euros 76 million.

- On 19 March 2009 a ruling was issued by the court of arbitration set up by the Câmara de Conciliação e Arbitragem da Fundação Getúlio Vargas (FGV Chamber of Arbitration) in Rio de Janeiro in 2005 at the petition of Enertrade Comercializadora de Energía, S.A. (hereinafter Enertrade), due to the arbitration proceedings filed against Ampla, the Brazilian subsidiary of Endesa Latinoamerica. The dispute was over an electricity supply contract and the court ruled that Ampla should pay the amount claimed by the plaintiff plus delay interest, also agreeing to termination of the current supply contract. The ruling is estimated to have a financial impact of Brazilian Reales 85 million (approximately Euros 36 million). Ampla filed an appeal to quash the above-mentioned award in May 2009 and for injunctive relief from application of the award until the appeal was resolved, which was granted. A decision is pending on whether to overturn the award.

- On 30 July 2007 Iberdrola, S.A. submitted a claim against Endesa in Commercial Court 3 for alleged damages as a result of the failure of the public takeover bid for Endesa from Gas Natural and the agreement between Gas Natural and Iberdrola to distribute Endesa's assets as determined by the court. The damages claimed are Euros 144 million, practically all alleged "moral" damages for the harm caused to the reputation, good name and prestige of Iberdrola as a result of the adoption of injunctive relief.

- On 19 May 2009 the Council of Granadilla de Abona (Tenerife) issued a Mayoral Decree imposing a fine of Euros 72 million on Endesa for building the Combined

Cycle Generating Station 2 without permission. The Canary Islands government suspended the prevailing planning programme on 2 June to make it possible for this building permit to be granted. Unelco has filed the relevant administrative appeal against the fine. On 18 September 2009 it obtained injunctive relief in the form of a stay on payment of the penalty. On 26 February 2010 the lawsuit was filed and the evidence phase began on 1 September.

- In the ruling on 2 April 2009 the CNC imposed a fine of Euros 15 million on EDE for a breach of article 6 of the anti-trust law (hereinafter LDC) and article 82 of the EU Treaty, consisting of an alleged abuse of dominance by blocking the seller Céntrica Energía, S.L. (hereinafter Céntrica) access to the supply points information system (hereinafter the SIPS) created by Royal Decree 1535/2002 and transferring its commercial data on customers to its group's supplier, ENDESA Energía. This was appealed in the Spanish High Court, on 18 May 2009, seeking an adjournment. On 27 May 2009 the CNC agreed not to implement the ruling until a decision was made by the High Court.

- In May 2010 penalty proceedings were initiated by the CNC against EDE and other electricity companies as a result of charges made by the Federación de Instaladores Eléctricos (hereinafter FENIE) for allegedly anti-competitive conduct by the distributor companies. According to the investigative department of the CNC, the breach would allegedly have involved the use of information held by ENDESA as distributor to carry out activities in the market of electrical installations for extension of the distribution network. The other electricity services provided by the seller Endesa Energía are also considered as a possible distortion of competition in the markets for installation and repairs of electrical equipment, a market tied to the distribution market and in which EDE is clearly dominant. EDE has submitted its legal response.

- The CNC has been investigating alleged anti-competitive practices in the Spanish electricity industry. According to the CNC, based on the information obtained and its preliminary analysis, there are reasonable indications of a breach of article 6 of Anti-trust Law 16/1989 (Ley de Defensa de la Competencia) and article 2 of the LDC by certain generating companies, consisting of an abuse of dominance in resolving technical restrictions. The CNC goes on to argue that according to the ruling, the parallel activities of players involved in the resolution of technical restrictions and those of their electricity distributors would constitute coordinated actions that would breach article 1 of Law 16/1989 and article 1 of the LDC. Finally, on 1 October 2009 penalty proceedings were opened for conduct banned by articles 1 and 6 of Anti-trust Law 16/1989 of 3 July 1989 (abuse of dominance) and by articles 1 and 2 of the LDC (collusion). The possible fine has not yet been quantified. On 15 September 2010 Endesa was given sight of the case against it, which the CNC continues to prepare the proceedings.

- On 2 March 2010 a ruling was issued imposing a fine of Euros 6 million on EDE for a very serious breach of energy supply due to power cuts in the Mallorca-Menorca subsystem on 13 November 2008. This led to penalty proceedings against EDE being opened on 2 July 2009. An administrative appeal has been filed at the High Court of Justice in the Balearics applying for adjournment.

- On 29 March 2010 the Canaries government announced its decision to fine EDE the minimum of Euros 6 million for a very serious infringement, due to the power cut that occurred in Tenerife on 26 March 2009. Penalty proceedings were therefore initiated against EDE due to an alleged breach of article 60.a section 12 of the Electricity

Sector Law. An administrative appeal has been filed at the High Court of Justice in the Canaries, applying for adjournment.

- On 14 June 2010 the Canaries government announced its decision to initiate penalty proceedings against Endesa Generación as the company ostensibly responsible for a very serious infringement following the total failure of electricity supply that occurred in La Palma on 23 September 2009, with the fine possibly amounting to Euros 6 million. Endesa filed its defence and request for evidence on 8 July 2010.

- At 31 December 2010 four disciplinary proceedings are in progress opened by the Canary Islands Department of Employment, Industry and Trade for an alleged very serious breach of the rules of Law 54/1997. Two are against EDE due to the power cuts in Tenerife on 18 February 2010 and 1 March 2010. The other two are against UNELCO due to the power cuts in Tenerife on 18 February 2010 and La Palma on 16 April 2010. A total of Euros 6 million is being claimed in the proceedings.

- In 1998 Cien signed an energy and power supply contract with Tractebel for the importation of 300 MW from Argentina through the Argentina-Brazil interconnection under its ownership. Due to the Argentine crisis, Cien was unable to supply Tractebel and was finally sued in November 2009, with the latter requesting termination of the contract and payment of fines totalling Euros 380 million, approximately. A legal claim then followed from Tractebel for the sum of Brazilian Reales 117,666,976 (in excess of Euros 50 million) plus other amounts (penalties for failing to provide contracted capacity and associated energy in the contract of 5 May 1998, interest and costs) and will be determined at the ruling stage. Cien responded stating force majeure due to the Argentine crisis as its main line of defence. The legal case is ongoing and the evidence phase has not yet commenced. In May 2010 Tractebel informed Cien out of court that it intended to take possession of 30% of Line 1 owned by Cien.

- As in the previous case, in 1998 Cien signed an energy and power supply contract with the Brazilian public company Furnas for the importation of 700 MW from Argentina through the Argentina-Brazil interconnection under its ownership. Due to the Argentine crisis, Cien was unable to supply Furnas. On 15 June 2010 Cien was notified of the lawsuit filed by Furnas alleging breach of contract by Cien, terminating the contract and staking a claim to 70% of the interconnection, thereby claiming payment of Euros 235 million plus further as yet unquantified damages. Cien filed its response to the lawsuit at the end of July and at the beginning of October 2010 the magistrate agreed to proceed to the evidence phase.

- Meridional held a public services contract for certain assets with CELF (owned by the state of Rio de Janeiro), which terminated the contract. Following the transfer of CELF assets to Ampla, the Brazilian constructor claimed that this transfer of assets was a breach of its individual rights and fraudulent, to avoid outstanding payments, and in 1998 it sued Ampla. In March 2009 the courts ruled in favour of the constructor and, therefore, Ampla and the state of Rio de Janeiro filed the corresponding appeals. On 15 December 2009 the State Courts of Justice accepted the appeal and overturned the ruling won by Meridional against Ampla in March 2009. The Brazilian constructor filed an appeal on 15 December 2009 which was not admitted, with a long process of appeals in various jurisdictions now in progress that has not resulted in a definitive ruling. The amount claimed is Euros 39 million.

- In July 2010 Endesa S.A. was notified of arbitration proceedings in a dispute over price in a natural gas supply contract. The arbitration proceedings will be subject to the rules of the London Court of International Arbitration and the court hearings will be based in Madrid. The arbitration court is in the process of being formed. It is not possible to estimate the size of the claim at this time.

- Due to the power cuts in the south of Buenos Aires between 22 and 29 December 2010, in accordance with provision 01/2011 from the Argentine Electricity Regulator (hereinafter ENRE), Edesur was given notice of a 30-day comprehensive technical, legal, economic and financial audit to verify its compliance with core and other obligations. This comprehensive audit started on 5 January 2011 and the auditors' report has not been issued at the date of preparation of these consolidated annual accounts.

- The emergency Law 25561 passed in Argentina on 6 January 2002 rendered certain terms of the subsidiary Edesur's concession contract null and void. The law also foresaw that renegotiations to adapt public service concessions to the new situation would be completed within a reasonable period. However, the absence of negotiations over Edesur's concession prompted Enersis, S.A. (hereinafter Enersis), Chilectra, S.A. (hereinafter Chilectra), Endesa Chile and Elesur, S.A. (now Chilectra, S.A.) to file for arbitration, in accordance with the Chile-Argentina Investment Protection Treaty, at a tribunal of the International Centre for Settlement of Investment Disputes (hereinafter ICSID). The main aim of the lawsuit was for the tribunal to find expropriation of the investment, with total compensation of USD 1,306,875,960 (approximately Euros 978 million). The plaintiffs were also seeking damages for a total of USD 318,780,600 (approximately Euros 238 million) caused to their investment due to a lack of fair and equitable treatment. Annual compound interest of 6.9% was sought in both cases. Claims were also made for damages generated after July 2004 and, finally, USD 102,164,683 (approximately Euros 76 million) for Elesur S.A. (now Chilectra S.A.) for the lower price received when it sold its shares. On 15 June 2005 the Argentine authorities and Edesur signed an agreement establishing the new and supplementary terms and conditions of the concession, foreseeing changes in the tariff, first in a transitional period and later during a comprehensive tariff review in which the terms would be set for an ordinary tariff period of five years. Following various petitions, the arbitration proceedings have been on hold since March 2006 in accordance with the above-mentioned agreement.

- Companhia Brasileira de Antibióticos (hereinafter CIBRAN) sued Ampla for compensation for loss of products and raw materials, machinery breakages and other damages caused by the allegedly poor service from Ampla between 1987 and May 1994, as well as for "moral" damages. The amount is estimated at approximately USD 46 million (approximately Euros 34 million). The lawsuit joins a further six processes for which the grounds are the power cuts and is at the discussion and evidence-gathering stage. The expert witness ruling was partly against Ampla, which therefore appealed against that ruling on 27 August 2010.

- Four cases of legal action against Empresa Eléctrica Pangue, S.A. (hereinafter Pangue) are in progress, started in 2008 and 2009, in which the plaintiffs are seeking compensation for damages allegedly due to flooding caused by the Pangue hydroelectric power station, particularly its dumping activities in July 2006. Pangue has responded to these lawsuits stating that the power station was operated in accordance with the law and with due diligence and care and that there is no causal relationship between the flooding and the dumping from this power station in the stated period. The four legal cases in progress are for a combined amount of Chilean Pesos 17,718 million (approximately Euros 28 million).

- In 2001 the residents of Sibaté, Departamento de Cundinamarca, in Colombia filed legal action against the subsidiary Emgesa, Empresa de Energía de Bogotá S.A. ESP. and the Corporación Autónoma Regional de Cundinamarca, seeking joint liability from the defendants for damages caused by pollution of the El Muña reservoir caused by Emgesa pumping contaminated water from the Bogotá river. Emgesa's defence includes the argument that it is not responsible for these events because the water it receives is already polluted. The plaintiffs initially sought Colombian Pesos 3,000,000 million (approximately Euros 1,167 million). Emgesa requested that the case be linked with approximately 80 private and public enterprises that dumped in the Bogotá river or which were responsible in some way for the environmental management of the basin of this river. Consequently the case was referred to the Council of State of Colombia (Consejo de Estado), which is awaiting appeals from these institutions.

- The Peruvian taxation authorities (SUNAT) consider as inadmissible the deduction for impairment made by Edegel applying a rate of 15% to assets revalued in 1996, insofar as it relates to interest on financing during the construction stage. This is because the authorities do not consider that the company has provided sufficient evidence that financing was necessary. The company's position is that SUNAT misinterpreted the ruling from the Tax Court, which only ordered it to prove to SUNAT that the appraisal value did not exceed the market value of the company's assets in 1996. The financing included as an increase in the assets' value was not addressed in the ruling. The lawsuit is at the appeal stage at the Tax Court and the amount in dispute is Euros 27 million.

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

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

18. Borrowings

18.1. Current and non-current borrowings

Details of current and non-current borrowings at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31 December 2010		31 December 2009	
	Current	Non-current	Current	Non-current
Bonds and other marketable securities	393	8,131	265	8,845
Loans and borrowing	288	5,074	356	7,740
Preference shares	—	1,474	—	1,463
Other borrowings(*)	297	896	304	753
Total borrowings excluding derivatives	**978**	**15,575**	**925**	**18,801**
Derivative financial instruments	7	681	4	711
Total	**985**	**16,256**	**929**	**19,512**

(*) Includes finance leases amounting to Euros 449 million at 31 December 2010 (Euros 433 million classified as non-current and Euros 16 million as current) and Euros 199 million at 31 December 2009 (Euros 183 million classified as non-current and Euros 16 million as current).

Details of borrowings, excluding derivatives, by maturity date are as follows:

Millions of Euros

	Carrying amount 31.12.2010	Non-current	Current	Maturity 2012	2013	2014	2015	Subsequent years
Bonds and other marketable securities								
Fixed rate	3,477	3,418	59	715	1,063	440	235	965
Variable rate	5,047	4,713	334	2,283	134	201	133	1,962
Total	**8,524**	**8,131**	**393**	**2,998**	**1,197**	**641**	**368**	**2,927**
Loans and borrowings								
Fixed rate	234	185	49	56	57	11	11	50
Variable rate	5,128	4,889	239	2,776	429	369	224	1,091
Total	**5,362**	**5,074**	**288**	**2,832**	**486**	**380**	**235**	**1,141**
Preference shares (*)								
Fixed rate	—	—	—	—	—	—	—	—
Variable rate	1,474	1,474	—	—	1,474	—	—	—
Total	**1,474**	**1,474**	**—**	**—**	**1,474**	**—**	**—**	**—**
Other borrowings								
Fixed rate	662	567	95	76	52	51	29	359
Variable rate	531	329	202	134	70	40	43	42
Total	**1,193**	**896**	**297**	**210**	**122**	**91**	**72**	**401**
Total	**16,553**	**15,575**	**978**	**6,040**	**3,279**	**1,112**	**675**	**4,469**

(*) Assuming that the issuer exercises the early share redemption option in the tenth year.

Millions of Euros

	Carrying amount 31.12.2009	Non-current	Current	Maturity 2011	2012	2013	2014	Subsequent years
Bonds and other marketable securities								
Fixed rate	3,600	3,574	26	104	844	1,035	390	1,201
Variable rate	5,510	5,271	239	569	3,257	67	173	1,205
Total	**9,110**	**8,845**	**265**	**673**	**4,101**	**1,102**	**563**	**2,406**
Loans and borrowings								
Fixed rate	218	201	17	57	57	17	10	60
Variable rate	7,878	7,539	339	2,561	3,247	423	363	945
Total	**8,096**	**7,740**	**356**	**2,618**	**3,304**	**440**	**373**	**1,005**
Preference shares (*)								
Fixed rate	—	—	—	—	—	—	—	—
Variable rate	1,463	1,463	—	—	—	1,463	—	—
Total	**1,463**	**1,463**	**—**	**—**	**—**	**1,463**	**—**	**—**
Other borrowings								
Fixed rate	432	256	176	84	53	39	34	46
Variable rate	625	497	128	101	179	56	33	128
Total	**1,057**	**753**	**304**	**185**	**232**	**95**	**67**	**174**
Total	**19,726**	**18,801**	**925**	**3,476**	**7,637**	**3,100**	**1,003**	**3,585**

(*) Assuming that the issuer exercises the early share redemption option in the tenth year.

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

Millions of Euros

	31.12.2010	31.12.2009
Euro	10,387	13,526
US Dollar	2,756	2,141
Chilean Peso	734	1,338
Brazilian Real	1,157	1,253
Colombian Peso	1,183	1,102
Peruvian Nuevo Sol	369	350
Other	655	731
Total	**17,241**	**20,441**

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

Millions of Euros

	31.12.2010	31.12.2009
Euro	11,392	14,559
US Dollar	1,724	1,663
Chilean Peso	1,219	1,340
Brazilian Real	1,200	1,281
Colombian Peso	1,184	1,102
Peruvian Nuevo Sol	351	342
Other	171	154
Total	**17,241**	**20,441**

The notional amount of borrowings at 31 December 2010 is equal to Euros 16,586 million.

Borrowings bore interest at an average annual rate of 4.5% and 4.3% in 2010 and 2009, respectively.

18.2. Preference shares

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

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

18.3. Hedging debt

At 31 December 2010, Euros 1,118 million of the Group's debt in US dollars relates to future cash flow hedges on the Group's income from operations in Latin America tied to the US dollar (see note 3n). At 31 December 2009, this item amounted to Euros 1,320 million.

Changes in equity – other comprehensive income in 2010 and 2009 as a result of exchange differences on this debt are as follows:

Millions of Euros

	2010	2009
Opening asset and liability revaluation reserves	**70**	**(26)**
Exchange differences recognised in other comprehensive income	14	100
Allocation of exchange differences to income	(7)	(4)
Closing asset and liability revaluation reserves	**77**	**70**

18.4. Classification of financial instrument liabilities by nature and category

A breakdown of financial instrument liabilities, excluding trade and other payables, by nature and category at 31 December 2010 and 2009 is as follows:

Millions of Euros

	31 December 2010				
	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss(1)	Debts and payables	Hedging derivatives	Total
Loans and borrowings	—	57	5,017	—	5,074
Bonds and other marketable securities	—	789	8,816	—	9,605
Derivatives	2	—	—	679	681
Other financial liabilities	—	—	896	—	896
Non-current financial liabilities	**2**	**846**	**14,729**	**679**	**16,256**
Loans and borrowings	—	—	288	—	288
Bonds and other marketable securities	—	—	393	—	393
Derivatives	2	—	—	5	7
Other financial liabilities	—	—	297	—	297
Current financial liabilities	**2**	**—**	**978**	**5**	**985**
Total	**4**	**846**	**15,707**	**684**	**17,241**
Fair Value	**4**	**846**	**16,539**	**684**	**18,073**

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

Millions of Euros

31 December 2009					
	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss (2)	Debts and payables	Hedging derivatives	Total
Loans and borrowings	—	63	7,677	—	7,740
Bonds and other marketable securities	—	1,048	9,260	—	10,308
Derivatives	4	—	—	707	711
Other financial liabilities	—	—	753	—	753
Non-current financial liabilities	**4**	**1,111**	**17,690**	**707**	**19,512**
Loans and borrowings	—	—	356	—	356
Bonds and other marketable securities	—	—	265	—	265
Derivatives	1	—	—	3	4
Other financial liabilities	—	—	304	—	304
Current financial liabilities	**1**	**—**	**925**	**3**	**929**
Total	**5**	**1,111**	**18,615**	**710**	**20,441**
Fair Value	**5**	**1,111**	**19,492**	**710**	**21,318**

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

18.5. Other matters

At 31 December 2010 and 2009, the Group companies had undrawn credit facilities totalling Euros 6,754 million and Euros 7,246 million, respectively. These credit facilities secure the refinancing of current debt presented in non-current borrowings in the accompanying consolidated balance sheet (see note 3 o). The amount of these credit facilities, together with the current assets, sufficiently covers the Group's short-term payment obligations.

The main transactions in 2010 were as follows:

- Early repayment in April 2010 of a Euros 2,000 million loan arranged in May 2009 with a term of two years.
- In December the Group entered into long-term bilateral loan arrangements with five financial institutions for a total amount of Euros 1,075 million, with final maturity in 2016.
- In Brazil, Ampla and Coelce have entered into financing agreements with Banco Nacional de Desenvolvimento Economico e Social (hereinafter BNDES) and Banco do Nordeste do Brasil (hereinafter BNB) amounting to USD 230 million and USD 90 million, respectively.
- In Colombia, Codensa issued non-current bonds in the local market for a total of USD 115 million.
- In Peru, Edegel entered into a loan contract with Banco Continental for USD 61 million.

The main transactions in 2009 were as follows:

- Two syndicated financial transactions totalling Euros 3,410 million, comprising a Euros 2,000 million loan with a term of two years involving 21 financial institutions, and extension until 2012 of a Euros 1,410 million line of credit originally due to expire in 2010, involving 12 financial institutions.

- A Euros 150 million non-current loan from Banco Europeo de Inversiones funds to partially finance investments to improve the electricity distribution network in Spain, brokered by a financial institution.
- Enersis contracted long-term committed credit facilities both locally and at international level for an amount equivalent to USD 200 million, while Endesa Chile contracted facilities equivalent to USD 100 million.
- In Brazil, Coelce contracted credit facilities with BNB for USD 57 million and issued non-current bonds in the local market amounting to USD 133 million. Ampla issued non-current bonds in the local market totalling USD 143 million.
- In Colombia, Emgesa and Codensa issued non-current bonds in the local market for a total amount of USD 339 million and USD 61 million, respectively.

The fair value of the Group's gross borrowings at 31 December 2010 and 2009 was Euros 18,073 million and Euros 21,318 million, respectively.

The estimated interest on outstanding borrowings at 31 December 2010, assuming that the interest rates prevailing at that date are maintained over the term of each transaction, is as follows:

Millions of Euros

Instrument	Total interest	2011	2012	2013	2014	2015	Subsequent years
Bonds and other marketable securities	3,336	417	356	262	206	167	1,928
Loans and borrowings	340	116	74	37	24	18	71
Preference shares (*)	135	60	60	15	—	—	—
Other borrowings	164	56	24	17	11	8	48
Total	**3,975**	**649**	**514**	**331**	**241**	**193**	**2,047**

(*) Assuming that the issuer exercises the early share redemption option in the tenth year.

At 31 December 2010 and 2009 no issues are convertible into Company shares or entitle holders to privileges or rights which could, in certain cases, make the issues convertible into shares.

Certain Group companies' borrowings contain the usual covenants in such contracts.

Endesa, S.A., International Endesa, B.V. (hereinafter IEBV) and Endesa Capital, S.A. (Solely-owned Company) (hereinafter Endesa Capital), in which most of the financing for the Group's activities in Spain is centralised, have no covenants in their financing contracts involving financial ratios that could lead to breach of contract and early termination.

A summary of the commitments relating to bonds issued by Endesa Capital and IEBV as part of their Global Medium Term Notes programmes is as follows:

- Cross-default clauses, whereby debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of Endesa, S.A. as guarantor, or of the issuers.
- Negative pledge clauses, whereby neither the issuer nor Endesa, S.A. may issue mortgages, liens or other encumbrances on their assets to secure certain types of bonds, unless similar guarantees are issued on the bonds in question.
- Pari passu clauses, whereby the bonds and guarantees have at least the same status as any other existing or future unsecured or non-subordinated bonds issued by Endesa, S.A. as guarantor, or by the issuer.

The contracts governing the debt of Endesa, S.A., IEBV and Endesa Capital do not include any cross-default clauses in relation to the debt of the Enersis Group.

As regards clauses relating to credit ratings, at 31 December 2010, Endesa S.A. had entered into financial transactions amounting to Euros 450 million that could require additional guarantees or renegotiation if the former's credit rating should drop below a certain level. At 31 December 2009, this amounted to Euros 531 million.

The contracts governing the debt of certain Endesa Generación and Latin American subsidiaries to third parties include standard project finance clauses used at international level in this type of contract. These contracts also require that all the assets assigned to the projects be pledged to the creditors. The outstanding balance of the debt to third parties that includes clauses of this nature amounted to Euros 526 million at 31 December 2010 (Euros 651 million at 31 December 2009).

A smaller portion of the financial debt of Enersis and Endesa Chile is subject to cross-default clauses whereby early repayment of that debt would be required if, under certain circumstances, one of their non-Chilean subsidiaries were to default on payments or other obligations individually amounting to USD 30 million or USD 50 million (depending on the loan). Endesa Chile currently has a committed credit facility that expires in July 2011 and which is undrawn. The cross-default clause in this contract relates to foreign subsidiaries.

At 31 December 2010 and 2009, neither Endesa, S.A. nor any of its major subsidiaries were in breach of covenants or any other financial obligations that could require early repayment of their liabilities.

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

19. Risk Management Policy

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

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

- Comply with the principles of good corporate governance.
- Strictly comply with all of Endesa's rules.
- The Audit and Compliance Committee is part of the board of directors of Endesa, S.A. in charge of promoting and supervising risk governance in the area of regulatory compliance and internal audit.
- Endesa's Risk Committee is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.
- Risk Governance is carried out through risk control and risk management functions, which are independent from each other.
- Each business and corporate area defines:

    (i) The markets and product lines in which it can operate on the basis of having sufficient know-how and capabilities to ensure effective risk management.
    (ii) Criteria concerning counterparties.
    (iii) The authorised operators.

- The businesses and corporate areas establish the level of risk that they are prepared to assume for each market in which they operate on a basis that is consistent with the strategy defined.
- The limits for the businesses and corporate areas are approved by the Endesa Risk Committee.
- All the businesses and corporate areas must conduct their business within the limits approved in each case.
- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that transactions are performed in the markets in accordance with Endesa policies, principles and procedures.

19.1. Interest rate risk

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

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

Depending on the estimates made by the Endesa Group and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

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

Millions of Euros

	Net position	
	31.12.2010	31.12.2009
Fixed interest rate	7,517	6,605
Protected interest rate (*)	1,574	1,592
Floating interest rate	6,245	10,365
Total	**15,336**	**18,562**

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

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

Details of the notional amount and fair value of interest rate derivatives at 31 December 2010 and 2009, according to their designation, are as follows:

Interest Rate derivatives

Millions of Euros

	Notional		Fair value		Notional, financial assets		Assets, fair value		Notional, financial liabilities		Liabilities, fair value	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Cash flow hedging derivatives												
Interest rate swaps	3,799	3,816	(118)	(174)	397	659	4	3	3,402	3,157	(122)	(177)
Interest rate options	1,600	1,628	(1)	(3)	1,500	1,500	—	1	100	128	(1)	(4)
Fair value hedging derivatives												
Interest rate swaps	98	598	9	25	98	238	9	25	—	360	—	—
Interest rate options	—	—	—	—	—	—	—	—	—	—	—	—
Trading derivatives												
Interest rate swaps	195	240	4	5	75	75	8	10	120	165	(4)	(5)
Interest rate options	—	—	—	—	—	—	—	—	—	—	—	—
Total interest rate swaps	**4,092**	**4,654**	**(105)**	**(144)**	**570**	**972**	**21**	**38**	**3,522**	**3,682**	**(126)**	**(182)**
Total interest rate options	**1,600**	**1,628**	**(1)**	**(3)**	**1,500**	**1,500**	**—**	**1**	**100**	**128**	**(1)**	**(4)**
Total swaptions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total interest rate derivatives	**5,692**	**6,282**	**(106)**	**(147)**	**2,070**	**2,472**	**21**	**39**	**3,622**	**3,810**	**(127)**	**(186)**

Cash flows projected for the coming years in relation to these derivatives are as follows:

Expected cash flows

Millions of Euros

Present value (net of accumulated interest)	31.12.2010	2011	2012	2013	2014	2015	Subsequent years
Cash flow hedging derivatives							
Positive fair value	4	(1)	—	—	4	—	—
Negative fair value	(123)	(70)	(54)	(19)	(5)	(3)	(15)
Fair value hedging derivatives							
Positive fair value	9	3	2	2	1	1	4
Negative fair value	—	—	—	—	—	—	—
Interest rate trading derivatives							
Positive fair value	8	3	3	2	1	1	—
Negative fair value	(4)	(3)	(1)	—	—	—	—

19.2. Currency risk

Currency risk essentially affects the following transactions:

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

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

In order to mitigate the currency risk, the Endesa Group has arranged, inter alia, currency swaps, foreign currency hedges and foreign currency options. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

Details of the notional amount and fair value of exchange rate derivatives at 31 December 2010 and 2009 are as follows:

Exchange Rate Derivatives

Millions of Euros

	Notional		Fair value		Notional, financial assets		Assets, fair value		Notional, financial liabilities		Liabilities, fair value	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Cash flow hedging derivatives												
Futures	676	943	16	8	436	626	22	23	240	317	(6)	(15)
Options	—	—	—	—	—	—	—	—	—	—	—	—
Cross-currency swaps	1,696	1,267	(498)	(481)	310	7	41	—	1,386	1,260	(539)	(481)
Fair value hedging derivatives												
Futures	—	—	—	—	—	—	—	—	—	—	—	—
Options	—	—	—	—	—	—	—	—	—	—	—	—
Cross-currency swaps	516	522	(6)	(46)	265	22	15	2	251	500	(21)	(48)
Trading derivatives												
Futures	1,457	984	2	3	790	568	25	23	667	416	(23)	(20)
Options	—	102	—	(3)	—	—	—	—	—	102	—	(3)
Cross-currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
Total Futures	**2,133**	**1,927**	**18**	**11**	**1,226**	**1,194**	**47**	**46**	**907**	**733**	**(29)**	**(35)**
Total options	**—**	**102**	**—**	**(3)**	**—**	**—**	**—**	**—**	**—**	**102**	**—**	**(3)**
Total cross-currency swaps	**2,212**	**1,789**	**(504)**	**(527)**	**575**	**29**	**56**	**2**	**1,637**	**1,760**	**(560)**	**(529)**
Total Exchange Rate Derivatives	**4,345**	**3,818**	**(486)**	**(519)**	**1,801**	**1,223**	**103**	**48**	**2,544**	**2,595**	**(589)**	**(567)**

Cash flows projected for the coming years in relation to these derivatives are as follows:

Expected cash flows

Millions of Euros

Present value (net of accumulated interest)	31.12.2010	2011	2012	2013	2014	2015	Subsequent years
Exchange rate derivatives – cash flow hedges							
Positive fair value	63	20	(2)	(2)	47	—	—
Negative fair value	(545)	(27)	(185)	(17)	(184)	(7)	(137)
Exchange rate derivatives – fair value hedges							
Positive fair value	15	8	8	6	(3)	11	(13)
Negative fair value	(21)	(2)	(16)	(2)	(1)	—	—
Exchange rate derivatives - trading							
Positive fair value	25	22	3	2	—	—	—
Negative fair value	(23)	(24)	(1)	(1)	—	—	—

19.3. Commodity price risk

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

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

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the limits predetermined by the Risks Committee. These limits are based on expected results in line with a confidence interval of 95%.

Individual analyses are also performed on the impact of certain relevant transactions on the Company's risk profile and achieving its set limits.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements.

In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives.

Details of the notional amount and fair value of commodities derivatives at 31 December 2010 and 2009, by interest rate, are as follows:

Millions of Euros

	31 December 2010			
	Notional amount	Fair value	Assets, fair value	Liabilities, fair value
Cash flow hedging derivatives				
Liquid fuel and gas swaps	97	12	12	—
Coal derivatives	179	34	37	(3)
Electricity swaps	850	25	34	(9)
Other electricity derivatives	—	—	—	—
Derivatives not designated as hedging instruments				
Liquid fuel and gas swaps	1,139	14	71	(57)
Liquid fuel and gas options	18	1	1	—
Other liquid fuel and gas derivatives	892	2	5	(3)
Electricity swaps	1,551	(143)	51	(194)
Electricity options	64	96	96	—
Other electricity derivatives	1,485	(3)	82	(85)
Coal swaps	990	(36)	133	(169)
Coal options	—	—	—	—
Other coal derivatives	285	20	27	(7)
Other commodity price derivatives	515	18	41	(23)
Total	**8,065**	**40**	**590**	**(550)**

Millions of Euros

	31 December 2009			
	Notional amount	Fair value	Assets, fair value	Liabilities, fair value
Cash flow hedging derivatives				
Liquid fuel and gas swaps	194	(5)	2	(7)
Coal derivatives	136	7	8	(1)
Electricity swaps	107	5	5	—
Other electricity derivatives	389	(22)	—	(22)
Derivatives not designated as hedging instruments				
Liquid fuel and gas swaps	559	12	32	(20)
Liquid fuel and gas options	21	—	—	—
Other liquid fuel and gas derivatives	—	—	—	—
Electricity swaps	2,059	5	111	(106)
Electricity options	51	(23)	20	(43)
Other electricity derivatives	2,325	35	213	(178)
Coal swaps	838	3	52	(49)
Coal options	108	—	—	—
Other coal derivatives	371	(8)	3	(11)
Other commodity price derivatives	637	28	53	(25)
Total	**7,795**	**37**	**499**	**(462)**

Details of the fair value broken down for the coming years in relation to these derivatives are as follows:

Fair value

Millions of Euros

Fair value	31.12.2010	2011	2012	2013	2014	2015	Subsequent years
Cash flow hedging derivatives							
Electricity derivatives	25	27	(2)	—	—	—	—
Coal derivatives	34	34	—	—	—	—	—
Liquid fuel and gas derivatives	12	12	—	—	—	—	—
Derivatives not designated as hedging instruments							
Electricity derivatives	(50)	(50)	—	—	—	—	—
Coal derivatives	(16)	(15)	(1)	—	—	—	—
Liquid fuel and gas derivatives	17	15	2	—	—	—	—
Other commodity price derivatives	18	6	12	—	—	—	—
Total	**40**	**29**	**11**	**—**	**—**	**—**	**—**

Details of the impact on the value of existing commodities derivatives at 31 December 2010 of a 10% variation in raw materials prices are as follows:

Cash flow hedging derivatives

Millions of Euros

	31 December 2010		
	–10%	Initial scenario	+10%
Electricity derivatives	92	25	(41)
Coal derivatives	55	34	13
Liquid fuel and gas derivatives	23	12	1

Derivatives not designated as hedging instruments *Millones de Euros*

	31 December 2010		
	–10%	Initial scenario	+10%
Electricity derivatives	(119)	(50)	11
Coal derivatives	(22)	(16)	(10)
Liquid fuel and gas derivatives	29	17	9
Other commodity price derivatives	14	18	23

19.4. Liquidity risk

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

The above-mentioned foreseen requirements include maturity of net financial debt; that is, after financial derivatives. Further details of the characteristics and conditions of borrowings and financial derivatives are provided in notes 18 and 20.

At 31 December 2010, the Group had liquidity of Euros 8,582 million, comprising Euros 1,828 million in cash and cash equivalents and Euros 6,754 million in unconditionally drawable credit facilities.

At 31 December 2009, the Group had liquidity of Euros 9,084 million, comprising Euros 1,838 million in cash and cash equivalents and Euros 7,246 million in unconditionally drawable credit facilities.

19.5. Credit risk

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

Historically, credit risk on trade receivables is very limited, given the short period of collection from customers, to which supply may be cut off in accordance with the applicable regulations before very significant arrears are accumulated.

The Group's policies for managing credit risk on financial assets are as follows:

- The Group and its subsidiaries place their cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading entities in the markets in which they operate.
- Interest rate and exchange rate derivatives are arranged with highly solvent entities and, accordingly, more than 97% of positive exposures relate to transactions performed with entities with a credit rating of A- or higher.
- The credit risk associated with commodities included within the scope of IAS 39 is also limited. At the end of 2010, taking market values as a basis, more than 89% of transactions are with entities with a credit rating of A- or higher, or an equivalent internal rating calculated in accordance with market best practices.
- Considering interest rate and exchange rate derivatives, as well as commodity derivatives, no one counterparty represented more than 17% of the total credit risk relating to financial instruments.

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

- Analysis of counterparty risk where there is no external credit agency rating.
- Collateral is requested where required.
- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.

19.6. Risk measurement

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

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

- Debt and financial derivatives.
- Energy derivatives.

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

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

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

Once the price scenarios have been generated, the fair value of the portfolio is calculated with each of the scenarios, obtaining a distribution of possible one day ahead values. One-day value at risk with a confidence interval of 95% is calculated as the fifth percentile of possible increases in the fair value of the portfolio at one day. This format coincides with that used for reporting the value at risk of energy trading portfolios.

Taking into account these assumptions, the value at risk of the positions described above, broken down by business and type of position, is as follows:

Millions of Euros

	31.12.2010			31.12.2009		
	Spain and Portugal and Other	Latam	Total	Spain and Portugal and Other	Latam	Total
Financial positions	**4**	**59**	**61**	**12**	**41**	**46**
Interest rate	14	62	83	13	38	43
Foreign currency	15	1	14	17	5	21
Hedging portfolio	—	—	—	1	—	1
Energy derivatives	**7**	**—**	**7**	**3**	**—**	**3**
Total	**11**	**59**	**68**	**15**	**41**	**49**

The value at risk positions changed in 2010 and 2009 on the basis of the maturity/ arrangement of transactions as the years progressed.

20. Derivative Financial Instruments

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

In accordance with IAS 39, the Group does not present information on embedded derivatives separately, as the economic characteristics and risks incidental to these derivatives strictly relate to the host contracts.

Details of the valuation of derivative financial instruments at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31 December 2010			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Interest rate hedges	**1**	**12**	**2**	**121**
Cash flow hedges		3	2	121
Fair value hedges	—	9	—	—
Foreign currency hedges	**—**	**56**	**3**	**558**
Cash flow hedges	—	41	1	539
Fair value hedges	—	15	2	19
Derivatives not designated as hedging instruments	**—**	**8**	**2**	**2**
Commodity price derivatives	**570**	**67**	**524**	**54**
Total	**571**	**143**	**531**	**735**

Millions of Euros

	31 December 2009			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Interest rate hedges	**15**	**14**	**3**	**178**
Cash flow hedges	—	4	3	178
Fair value hedges	15	10	—	—
Foreign currency hedges:	**—**	**2**	**—**	**529**
Cash flow hedges	—	—	—	481
Fair value hedges	—	2	—	48
Derivatives not designated as hedging instruments	**—**	**10**	**1**	**4**
Commodity price derivatives	**433**	**113**	**412**	**89**
Total	**448**	**139**	**416**	**800**

Details by maturity of the notional and/or contractual amounts of derivatives contracted by the Group, and their fair value at 31 December 2010 and 2009, are as follows:

Millions of Euros

	31 December 2010							
		Notional amount						
Derivatives	Fair value	2011	2012	2013	2014	2015	Subsequent years	Total
FINANCIAL DERIVATIVES	**(611)**	**757**	**2,802**	**2,431**	**1,001**	**126**	**799**	**7,916**
Interest rate hedges								
Cash flow hedges	*(119)*	*619*	*1,924*	*2,431*	*177*	*15*	*233*	*5,399*
Swaps	(118)	519	1,924	931	177	15	233	3,799
Options	(1)	100	—	1,500	—	—	—	1,600
Fair value hedges	*9*	*15*	—	—	—	—	*83*	*98*
Swaps	9	15	—	—	—	—	83	98
Foreign currency hedges								
Cash flow hedges	*(499)*	*12*	*632*	—	*739*	—	*325*	*1,708*
Swaps	(498)	—	632	—	739	—	325	1,696
Futures	(1)	12	—	—	—	—	—	12
Fair value hedges	*(6)*	*36*	*201*	—	*85*	*36*	*158*	*516*
Swaps	(6)	36	201	—	85	36	158	516
Derivatives not designated as hedging instruments								
Swaps	4	75	45	—	—	75	—	195
COMMODITY PRICE DERIVATIVES	**59**	**9,448**	**685**	**52**	**—**	**—**	**—**	**10,185**
Foreign currency hedges:								
Designated as hedges	*17*	*610*	*54*	—	—	—	—	*664*
Futures	17	610	54	—	—	—	—	664
Non-derivatives	*2*	*1,338*	*79*	*39*	—	—	—	*1,456*
Futures	2	1,338	79	39	—	—	—	1,456
Commodity price derivatives								
Designated as hedges	*71*	*1,062*	*64*	—	—	—	—	*1,126*
Swaps	71	1,062	64	—	—	—	—	1,126
Other	—	—	—	—	—	—	—	—
Fuel non-derivatives	*19*	*3,564*	*270*	*5*	—	—	—	*3,839*
Swaps	(22)	2,017	109	3	—	—	—	2,129
Other	41	1,547	161	2	—	—	—	1,710
Electricity non-derivatives	*(50)*	*2,874*	*218*	*8*	—	—	—	*3,100*
Swaps	(143)	1,430	117	4	—	—	—	1,551
Other	93	1,444	101	4	—	—	—	1,549
Total	**(552)**	**10,205**	**3,487**	**2,483**	**1,001**	**126**	**799**	**18,101**

Millions of Euros

		31 December 2009							
		Notional amount							
Derivatives	Fair value	2010	2011	2012	2013	2014	Subsequent years	Total
Financial Derivatives	**(674)**	**1,197**	**319**	**2,790**	**2,422**	**620**	**723**	**8,071**
Interest rate hedges								
Cash flow hedges	*(177)*	*598*	*184*	*1,964*	*2,419*	*167*	*112*	*5,444*
Swaps	(174)	570	84	1,964	919	167	112	3,816
Options	(3)	28	100	—	1,500	—	—	1,628
Fair value hedges	*25*	*500*	*15*	—	—	—	*83*	*598*
Swaps	25	500	15	—	—	—	83	598
Foreign currency hedges								
Cash flow hedges	*(481)*	—	—	*631*	—	*365*	*271*	*1,267*
Swaps	(481)	—	—	631	—	365	271	1,267
Fair value hedges	*(46)*	*9*	*45*	*195*	*3*	*88*	*182*	*522*
Swaps	(46)	9	45	195	3	88	182	522
Derivatives not designated as hedging instruments								
Swaps	5	90	75	—	—	—	75	240
Commodity price derivatives	**45**	**8,146**	**1,336**	**303**	**39**	**—**	**—**	**9,824**
Foreign currency hedges								
Designated as hedges	*8*	*701*	*205*	*25*	*12*	—	—	*943*
Futures	8	701	205	25	12	—	—	943
Non-derivatives	—	*913*	*98*	*51*	*24*	—	—	*1,086*
Other	—	913	98	51	24	—	—	1,086
Commodity price derivatives								
Designated as hedges	*(15)*	*638*	*189*	—	—	—	—	*827*
Swaps	7	248	189	—	—	—	—	437
Other	(22)	390	—	—	—	—	—	390
Fuel non-derivatives	*35*	*1,928*	*429*	*177*	*3*	—	—	*2,537*
Swaps	15	1,155	228	15	—	—	—	1,398
Other	20	773	201	162	3	—	—	1,139
Electricity non-derivatives	*17*	*3,966*	*415*	*50*	—	—	—	*4,431*
Swaps	5	1,913	112	33	—	—	—	2,058
Other	12	2,053	303	17	—	—	—	2,373
Total	**(629)**	**9,343**	**1,655**	**3,093**	**2,461**	**620**	**723**	**17,895**

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

The ineffective portion of cash flow hedges recognised in the consolidated income statement amounted to a loss of Euros 2 million in 2010 and a loss of Euros 3 million in 2009.

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

Millions of Euros

	2010		2009	
	Income	Expenses	Income	Expenses
Hedged items	2	66	2	80
Derivatives	77	8	135	68
Total	**79**	**74**	**137**	**148**

In 2010 certain derivatives initially designated as cash flow hedges were discontinued, with a negative impact of Euros 23 million on the consolidated income statement.

In 2008 the Group contracted exchange rate derivatives to purchase property, plant and equipment. The remaining portion of these derivatives, amounting to Euros 50 million, was transferred from equity to property, plant and equipment in 2010.

20.1. Classification of financial instruments under IFRS 7

A breakdown of financial assets measured at fair value at 31 December 2010 and 2009 in accordance with IFRS 7, is as follows:

Millions of Euros

	31.12.2010			
	Fair value	Level 1	Level 2	Level 3
Debt securities	—	—	—	—
Cash flow hedging derivatives	44	—	44	—
Fair value hedging derivatives	24	—	24	—
Derivatives not designated as hedging instruments	75	15	60	—
Other financial assets	—	—	—	—
Total non-current assets	**143**	**15**	**128**	**—**
Debt securities	—	—	—	—
Cash flow hedging derivatives	106	15	91	—
Fair value hedging derivatives	—	—	—	—
Derivatives not designated as hedging instruments	465	100	365	—
Other financial assets	—	—	—	—
Total current assets	**571**	**115**	**456**	**—**

Millions of Euros

	31.12.2009			
	Fair value	Level 1	Level 2	Level 3
Debt securities	—	—	—	—
Cash flow hedging derivatives	17	3	14	—
Fair value hedging derivatives	12	—	12	—
Derivatives not designated as hedging instruments	109	28	81	—
Other financial assets	—	—	—	—
Total non-current assets	**138**	**31**	**107**	**—**
Debt securities	—	—	—	—
Cash flow hedging derivatives	25	—	25	—
Fair value hedging derivatives	15	—	15	—
Derivatives not designated as hedging instruments	409	67	342	—
Other financial assets	—	—	—	—
Total current assets	**449**	**67**	**382**	**—**

A breakdown of financial liabilities measured at fair value at 31 December 2010 and 2009 in accordance with IFRS 7 is as follows:

Millions of Euros

	31.12.2010			
	Fair value	Level 1	Level 2	Level 3
Loans and borrowings	57	—	37	20
Bonds and other marketable securities	789	—	789	—
Cash flow hedging derivatives	663	—	663	—
Fair value hedging derivatives	19	—	19	—
Derivatives not designated as hedging instruments	53	3	50	—
Other financial liabilities	—	—	—	—
Total non-current liabilities	**1,581**	**3**	**1,558**	**20**
Loans and borrowings	—	—	—	—
Bonds and other marketable securities	—	—	—	—
Cash flow hedging derivatives	17	5	12	—
Fair value hedging derivatives	2	—	2	—
Derivatives not designated as hedging instruments	512	74	438	—
Other financial liabilities	—	—	—	—
Total current liabilities	**531**	**79**	**452**	**—**

Millions of Euros

	31.12.2009			
	Fair value	Level 1	Level 2	Level 3
Loans and borrowings	63	—	47	16
Bonds and other marketable securities	1,048	—	1,048	—
Cash flow hedging derivatives	664	—	664	—
Fair value hedging derivatives	48	—	48	—
Derivatives not designated as hedging instruments	90	81	9	—
Other financial liabilities	—	—	—	—
Total non-current liabilities	**1,913**	**81**	**1,816**	**16**
Loans and borrowings	—	—	—	—
Bonds and other marketable securities	—	—	—	—
Cash flow hedging derivatives	43	5	38	—
Fair value hedging derivatives	—	—	—	—
Derivatives not designated as hedging instruments	371	56	315	—
Other financial liabilities	—	—	—	—
Total current liabilities	**414**	**61**	**353**	**—**

A reconciliation of opening balances with closing balances for financial instruments with level 3 fair value is as follows:

Millions of Euros

Balance at 31.12.08	**3**
Losses recognised in the income statement	13
Translation differences	—
Balance at 31.12.2009	**16**
Losses recognised in net finance expense	1
Translation differences	3
Balance at 31.12.2010	**20**

21. Other Non-current Liabilities

Details at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31.12.2010	31.12.2009
Guarantee deposits	349	337
Commodity price derivatives	54	89
Other payables	199	155
Total	**602**	**581**

22. Deferred Tax Assets and Liabilities

In 2010 and 2009 deferred taxes arose as a result of the following:

Millions of Euros

Deferred tax assets	31.12.2010	31.12.2009
Depreciation and amortisation charge	109	117
Provisions for pension funds and personnel restructuring plans	1,078	1,121
Other provisions	421	358
Loss carryforwards	54	85
Unused tax credits	1	2
Other	423	361
Total	**2,086**	**2,044**

Millions of Euros

Deferred tax liabilities	31.12.2010	31.12.2009
Accelerated amortisation and depreciation of assets for tax purposes	1,089	977
Other	786	591
Total	**1,875**	**1,568**

Movement in deferred tax assets and deferred tax liabilities in 2010 and 2009 is as follows:

Millions of Euros

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
Opening balance	**2,044**	**2,158**	**1,568**	**1,460**
Inclusion/Exclusion of companies	(19)	7	(50)	29
Additions	31	496	284	125
Disposals	(100)	(549)	(47)	(34)
Translation differences	85	76	104	77
Transfers and other	45	(144)	16	(89)
Closing balance	**2,086**	**2,044**	**1,875**	**1,568**

Movement in transfers and other includes the transfer to non-current assets held for sale and discontinued operations, and to liabilities associated with non-current assets held for sale and discontinued operations, of the deferred tax assets and liabilities, respectively, associated with assets or liabilities held for sale at 31 December (see notes 3 j) and 33).

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

Details of prior years' tax loss carryforwards available for offset against future profits at 31 December 2010 and 2009 and the final year of reversal are as follows:

	Millions of Euros
Year	31.12.2010
2011	3
2012	4
2013	1
Subsequent years	312

	Millions of Euros
Year	31.12.2009
2010	5
2011	6
2012	7
Subsequent years	538

The Endesa Group has not recognised deferred tax liabilities relating to undistributed profits of subsidiaries over which its control enables it to manage when the deferred tax liabilities are reversed and these are not expected to reverse in the near future. At 31 December 2010 and 2009, the total amount of these unrecognised temporary differences was not material.

23. Trade Payables and Other Current Liabilities

Details at 31 December 2010 and 2009 are as follows:

		Millions of Euros
	31.12.2010	31.12.2009
Trade payables	**5,481**	**4,864**
Tax liabilities:	**1,346**	**1,117**
Income tax	905	677
Other taxes	441	440
Other payables	**2,997**	**3,138**
Total	**9,824**	**9,119**

The average payment period to suppliers was 68 days in 2010 and 109 days in 2009. Therefore, the fair value of trade and other payables does not differ significantly from their carrying amount.

23.1. Information on deferred payments to suppliers. Third additional provision of Law 15/2010 of 5 July 2010: "Reporting Obligation"

At 31 December 2010, trade payables and other current liabilities in the consolidated balance sheet relating to Spanish Group companies include payables of Euros 56 million which, at that date, have exceeded the maximum period for payment stipulated in Law 15/2010 of 5 July 2010.

24. Current Provisions

Details of current provisions at 31 December 2010 and 2009 are as follows:

Millions of Euros

	31.12.2010	31.12.2009
Pensions and similar obligations	5	4
Personnel restructuring plans (note 17.2.)	393	459
Emission rights (note 7.1.)	293	359
Other current provisions	329	140
Total	**1,020**	**962**

25. Income

25.1. Sales

Details for 2010 and 2009 are as follows:

Millions of Euros

	2010	2009
Power sales	**25,589**	**20,965**
Sales to last resort sellers	*5,242*	*2,824*
Other sales of electricity to customers	*14,500*	*12,485*
Electricity sales through auctions	*—*	*87*
Electricity sales to wholesale market	*1,668*	*1,723*
Sales to OMEL	660	862
Other electricity sales to wholesale market	1,008	861
Electricity sales under special regime	*29*	*276*
Electricity trading	*1,136*	*1,312*
Gas sales	*1,277*	*975*
Decrease - Royal Decree Law 11/2007	*—*	*(110)*
Compensation for stranded costs in non-mainland generation	*1,737*	*1,393*
Regulated revenue from distribution:	**2,445**	**2,218**
Regulated revenue from electricity distribution	2,385	2,158
Regulated revenue from gas distribution	60	60
Other services rendered	**614**	**497**
Access charges	385	288
Rental of metering equipment	179	152
Verification and connection	50	57
Other sales and services	**910**	**753**
Total	**29,558**	**24,433**

25.2. Other operating income

Details of other operating income in 2010 and 2009 are as follows:

Millions of Euros

	2010	2009
CO_2 emission rights (note 7.1.)	236	325
Grants taken to income	133	157
Changes in fuel stock derivatives	445	300
Services rendered Own/third-party facilities	215	73
Other	590	637
Total	**1,619**	**1,492**

26. Other Procurements and Services

Details of other procurements and services in 2010 and 2009 are as follows:

Millions of Euros

	2010	2009
Street lighting / works licences	190	182
CO_2.emission rights	331	359
Sales taxes	212	148
Purchases of fuel stocks for brokerage	215	104
Changes in fuel stock derivatives	513	230
Other	1,657	1,288
Total	**3,118**	**2,311**

27. Personnel Expenses

Details of personnel expenses in 2010 and 2009 are as follows:

Millions of Euros

	2010	2009
Wages and salaries	1,437	1,428
Self-constructed assets (Notes 3a and 3d)	(176)	(188)
Contributions to pension schemes	96	107
Provisions for personnel restructuring	132	319
Other personnel expenses/employee benefits expense	363	328
Total	**1,852**	**1,994**

28. Other Fixed Operating Expenses

Details of other fixed operating expenses in 2010 and 2009 are as follows:

		Millions of Euros
	2010	2009
Leases and royalties	112	81
Taxes other than income tax	312	145
Repairs and maintenance	486	559
Disciplinary proceedings, termination benefits and fines	165	136
Insurance premiums	68	68
Travel expenses	52	43
Independent professional services and external services	450	384
Other fixed operating expenses	703	765
Total	**2,348**	**2,181**

29. Amortisation, Depreciation and Impairment Losses

Details for 2010 and 2009 are as follows:

		Millions of Euros
	2010	2009
Depreciation of property, plant and equipment (Note 5)	1,727	1,670
Impairment of property, plant and equipment (Note 5)	54	69
Amortisation of intangible assets (Notes 7 and 8)	264	212
Impairment of intangible assets (Note 7)	(6)	22
Impairment of goodwill(Note 8)	115	82
Impairment of investment property (Note 6)	(5)	6
Provisions for bad debts and other	294	115
Total	**2,443**	**2,176**

30. Financial loss

A breakdown of the financial loss reflected in the consolidated income statement for 2010 and 2009 is as follows:

		Millions of Euros
	2010	2009
Finance income	**377**	**639**
Cash and cash equivalents	117	133
Income from other financial assets	93	287
Other finance income	167	219
Finance expenses	**(1,272)**	**(1,623)**
Debt	(778)	(954)
Provisions	(257)	(336)
Measurement of derivatives	(126)	(190)
Capitalised borrowing costs (Notes 3a and 3d)	73	86
Other finance expenses	(184)	(229)
Exchange gains/losses	**12**	**(34)**
Gains	261	640
Losses	(249)	(674)
Financial loss	**(883)**	**(1,018)**

31. Gains on Asset Disposals

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

Millones de Euros

	2010	2009
Sales of assets to Acciona Group(Note 33)	—	1,229
Loss of control of EGP España	1,043	—
Electricity transmission network (Note 33)	748	—
Gas distribution and transmission network (Note 33)	489	—
Codensa Hogar	—	17
Empresa Energía de Bogota, S.A.	—	98
Red Eléctrica Corporación, S.A. (Note 33)	36	5
Iniciativas del Gas, S.L.	24	—
Regasificadora del Noroeste, S.A.	10	—
Other	11	164
Total	**2,361**	**1,513**

In March 2010 the Enel Group integrated the renewable energies activities of Endesa and EGP in Spain and Portugal into a single EGP consolidated company, fully controlled by Enel. Prior to this integration, EGP España paid a dividend of Euros 366 million and reduced capital by Euros 128 million. Subsequently, Endesa sold 30% of its subsidiary Ecyr to EGP for Euros 326 million, generating a gross capital gain of Euros 313 million and EGP subscribed a capital increase carried out by Ecyr which increased EGP's interest to 60% of that company, reducing Endesa's interest to 40%. This capital increase was subscribed by EGP through a cash contribution of Euros 534 million and shares representing 50% of Enel Unión Fenosa Renovables, S.A. (hereinafter Eufer), valued at Euros 280 million. Following this operation Endesa relinquished its control over Ecyr and, consequently, in compliance with prevailing accounting standards, it recognised its 40% interest in EGP Spain at fair value and a pre-tax gain of Euros 730 million in gains on asset disposals in the consolidated income statement.

The Group's 40% interest in Iniciativas de Gas, S.L. (hereinafter Iniciativas de Gas), the company that owns 50% of the Sagunto regasification plant, was also sold in 2010 to Osaka Gas. The sale generated a gross gain of Euros 24 million.

In 2009 Endesa sold its 7.2% interest in Empresa Energía de Bogotá, S.A. (hereinafter EEB). Endesa recognised a gross capital gain of Euros 98 million on this sale. In 2009 Endesa also sold its consumer finance business in Colombia, Codensa Hogar, for Euros 197 million. A gross capital gain of Euros 17 million was recognised on the sale of this business.

32. Income Tax

A breakdown of the income tax expense is as follows:

Millions of Euros

	2010	2009
Income tax for the year	1,514	1,396
Adjustment of prior years	(113)	(138)
Income tax provisions	(3)	(28)
Total	**1,398**	**1,230**

A reconciliation of the income tax resulting from the application of the standard tax rate in force in Spain with the profit before tax and the income tax expense recognised in the consolidated income statement, and the reconciliation of this expense with the net income tax payable for 2010 and 2009, is as follows:

Millions of Euros

	2010	2009
Profit before income tax	**6,516**	**5,590**
Profit before income tax of discontinued operations	**—**	**—**
Permanent differences	**(30)**	**137**
Adjusted profit	6,486	5,727
Tax rate (%)	**30,0**	**30,0**
Adjusted profit multiplied by tax rate	1,946	1,718
Effect of applying different tax rates	(58)	(129)
Tax credits taken to profit and loss	(374)	(193)
Income tax expense in the consolidated income statement	1,514	1,396
Tax recognised directly in equity in the year	(47)	(54)
Total income tax expense	**1,467**	**1,342**
Changes in deferred taxes in the year	(460)	(117)
Net income tax payable	**1,007**	**1,225**

33. Non-current Assets Held for Sale and Discontinued Operations

Sale of ACCIONA Group shares

On 20 February 2009, as part of the sale of Acciona's shares of Endesa to Enel, a prior agreement whereby Endesa would contribute its renewable energy generation assets to an entity jointly controlled with Acciona was cancelled and a new agreement was reached by Endesa and Acciona, under which Endesa agreed to sell and Acciona agreed to buy certain wind and hydroelectric power generation assets.

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

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

Sale of the gas transmission and distribution network

At the beginning of 2010 the Group took active steps to complete the sale of 80% of Endesa's gas transmission and distribution assets in Spain, therefore classifying these as non-current assets held for sale.

On 17 December 2010 an 80% interest in Nubia, the company holding most of Endesa's gas transmission and distribution assets, was sold to two infrastructure funds managed by Goldman Sachs. Endesa has a purchase option on the interest sold, which it can exercise from five to seven years after the sale at the market value of the interest at the exercise date, which could be adjusted to obtain a previously agreed return on the funds. The sale generated a gross gain of Euros 489 million.

Sale of the electricity transmission network

In accordance with the ninth transitional provision of Law 17/2007 of 4 July 2007, which amends Law 54/1997 of 27 November 2007, the Electricity Industry Law, companies owning electricity transmission facilities in Spain, which include the Endesa Group, were required to transfer those facilities to Red Eléctrica de España, S.A. (hereinafter REE) by 6 July 2010, at a market price agreed by the parties.

On 1 July 2010 the Endesa Group and REE reached an agreement in relation to the latter's acquisition of the electricity transmission assets owned by the Group. The assets affected by the aforementioned legal obligation were identified at that date and transferred to non-current assets held for sale and discontinued operations. The transfer encompassed the non-mainland (Canaries and Balearics) electricity transmission networks and assets forming the mainland transmission grid. The transaction included assets in service that entitle the owner to remuneration in 2010 for electricity transmission, and assets at the construction stage expected to enter service in 2010 and which will entitle the owners to electricity transmission revenue in 2011.

On 13 December 2010, EDE and REE completed the transfer of practically all the assets in the sale and purchase agreement entered into by the two parties on 1 July 2010 in relation to electricity transmission assets, thereby complying with the legal obligation. The assets were sold for Euros 1,412 million with a gross gain of Euros 748 million, irrespective of the application of other contractual clauses to the purchase price. EDE also collected Euros 66 million under the contract for providing technical assistance to REE over a four-year period.

Other transactions

In 2009 Endesa also started negotiations for the sale of its 100% interest in Compañía Americana de Multiservicios Ltda. (hereinafter CAM) and its 50.01% interest in Endesa Hellas, the assets and liabilities of which were classified as assets and liabilities held for sale in the consolidated balance sheet at 31 December 2009.

On 20 December 2010 the directors of Enersis accepted the bid of USD 20 million for CAM from the Peruvian company Graña y Montero S.A.A. This transaction is expected to be completed at the beginning of 2011. Therefore, the assets and liabilities of CAM are still recognised as assets and liabilities held for sale in the consolidated balance sheet at 31 December 2010. In light of different sales prices during the process, these assets have been written down by Euros 30 million with a charge to amortisation, depreciation and impairment losses in the consolidated income statement for 2010, and Euros 30 million in the same line item of the consolidated income statement for 2009.

On 1 July 2010 the interest in Endesa Hellas was sold to the Mytilineos Group for Euros 140 million. No gain or loss was recognised on this transaction, as an adjustment of Euros 87 million to the value of these assets had been recorded in amortisation, depreciation and impairment losses in the consolidated income statement for 2009.

Negotiations to sell the 1% interest held in Red Eléctrica Corporación (hereinafter REC) began in late 2009. This sale was completed in early 2010 for Euros 51 million, with a pre-tax gain of Euros 36 million recognised in the consolidated income statement for that year in addition to the Euros 5 million recognised in 2009.

In 2010 Endesa moved to sell its 100% interest in Synapsis Soluciones y Servicios IT Ltda. (hereinafter Synapsis) and its 100% interest in Endesa Ireland, which have therefore been considered as assets held for sale in the consolidated balance sheet at 31 December 2010.

On 20 December 2010, the directors of Enersis accepted the bid of USD 52 million made by Riverwood Capital L.P. for Synapsis and the transaction is expected to be completed in the first few months of 2011.

None of the above-mentioned assets or the non-current assets held for sale and discontinued operations already recognised in the consolidated balance sheet at 31 December 2009 represent a significant geographical area or line of business. Consequently, the consolidated income statements for 2010 and 2009 do not include profits from discontinued operations.

Details of non-current assets held for sale and discontinued operations and liabilities associated with non-current assets held for sale and discontinued operations at 31 December 2010 and 2009, by nature and segments, are as follows:

Details by nature of non-current assets held for sale and discontinued operations and liabilities associated with non-current assets held for sale and discontinued operations.

Millions of Euros

	31.12.2010			31.12.2009		
	Spain and Portugal and Other	LatAm	Total	Spain and Portugal and Other	LatAm	Total
ASSETS						
Non-current assets	**385**	**41**	**426**	**497**	**29**	**526**
Property, plant and equipment	166	26	192	261	15	276
Investment property	—	—	—	—	—	—
Intangible assets	23	4	27	103	2	105
Goodwill	196	—	196	80	—	80
Investments accounted for using the equity method	—	—	—	46	5	51
Non-current financial assets	—	2	2	3	—	3
Deferred tax assets	—	9	9	4	7	11
Current assets	**24**	**83**	**107**	**55**	**71**	**126**
Inventories	14	12	26	—	22	22
Trade and other receivables	10	55	65	40	42	82
Current financial assets	—	1	1	—	—	—
Cash and cash equivalents	—	15	15	15	7	22
Total Assets	**409**	**124**	**533**	**552**	**100**	**652**
Assets						
Non-current liabilities	**74**	**14**	**88**	**76**	**13**	**89**
Deferred income	29	—	29	8	—	8
Non-current provisions	31	5	36	—	3	3
Non-current borrowings	—	1	1	47	3	50
Other non-current liabilities	—	—	—	—	—	—
Deferred tax liabilities	14	8	22	21	7	28
Current liabilities	**19**	**105**	**124**	**75**	**60**	**135**
Current borrowings	—	10	10	30	10	40
Current provisions	—	—	—	—	—	—
Trade payables and other current liabilities	19	95	114	45	50	95
Total Liabilities	**93**	**119**	**212**	**151**	**73**	**224**

34. Segment reporting

34.1. Basis of segmentation

In carrying out its business activities, the Group's organisation prioritises its core business of electricity and gas generation, transmission, distribution and sales and related services, and establishes three major lines of business, each based on a geographical area:

- Spain and Portugal and Other (hereinafter Spain and Portugal).
- Latin America (hereinafter LatAm).

Although the Group considers each geographical segment to contain a single vertically integrated activity, for greater transparency generation and distribution are treated as secondary segments, each including the associated supply activity.

The corporate organisation of the Group is essentially the same as that of its businesses and, consequently, of the segments. Therefore, the basis of allocation established in the segment reporting presented below is based on the financial information of the companies making up each segment.

Transactions between segments form part of normal business activities in terms of their purpose and terms and conditions.

34.2. Segment reporting

Segment reporting for 2010 and 2009 is as follows:

Segment reporting Income Statements for 2010 and 2009 *Millions of Euros*

	2010			2009		
	Spain and Portugal	LatAm	Total	Spain and Portugal	LatAm	Total
Income	**21,191**	**9,986**	**31,177**	**17,473**	**8,452**	**25,925**
Sales	20,186	9,372	29,558	16,435	7,998	24,433
Other operating income	1,005	614	1,619	1,038	454	1,492
Procurements and services	**(14,380)**	**(5,388)**	**(19,768)**	**(10,492)**	**(4,218)**	**(14,710)**
Power purchased	(5,125)	(2,284)	(7,409)	(3,931)	(2,082)	(6,013)
Cost of fuel consumed	(1,929)	(1,225)	(3,154)	(1,961)	(822)	(2,783)
Transmission expenses	(5,517)	(570)	(6,087)	(3,243)	(360)	(3,603)
Other variable procurements and services	(1,809)	(1,309)	(3,118)	(1,357)	(954)	(2,311)
Contribution margin	**6,811**	**4,598**	**11,409**	**6,981**	**4,234**	**11,215**
Self-constructed assets	199	66	265	147	41	188
Personnel expenses	(1,279)	(573)	(1,852)	(1,497)	(497)	(1,994)
Other fixed operating expenses	(1,652)	(696)	(2,348)	(1,571)	(610)	(2,181)
Gross profit from operations	**4,079**	**3,395**	**7,474**	**4,060**	**3,168**	**7,228**
Amortisation, depreciation and impairment losses	(1,596)	(847)	(2,443)	(1,505)	(671)	(2,176)
Profit from operations	**2,483**	**2,548**	**5,031**	**2,555**	**2,497**	**5,052**
Net finance expense	**(460)**	**(423)**	**(883)**	**(547)**	**(471)**	**(1,018)**
Finance income	121	256	377	419	220	639
Finance expenses	(586)	(686)	(1,272)	(954)	(669)	(1,623)
Net exchange gains/(losses)	5	7	12	(12)	(22)	(34)
Net profit/(loss) of companies accounted for using the equity method	**(1)**	**2**	**1**	**41**	**4**	**45**
Gains/(losses) from other investments	**6**	**—**	**6**	**(4)**	**2**	**(2)**
Gains on asset disposals	**2,346**	**15**	**2,361**	**1,299**	**214**	**1,513**
Profit before tax	**4,374**	**2,142**	**6,516**	**3,344**	**2,246**	**5,590**
Income tax	(869)	(529)	(1,398)	(576)	(654)	(1,230)
Profit after tax from continuing operations	**3,505**	**1,613**	**5,118**	**2,768**	**1,592**	**4,360**
Profit after tax from discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**
Profit for the year	**3,505**	**1,613**	**5,118**	**2,768**	**1,592**	**4,360**
Parent company	**3,498**	**631**	**4,129**	**2,759**	**671**	**3,430**
Non-controlling interests	7	982	989	9	921	930

Segment reporting Balance Sheets at 31 December 2010 and 2009 *Millions of Euros*

	2010			2009		
	Spain and Portugal	LatAm	Total	Spain and Portugal	LatAm	Total
Assets						
Non-current assets	**25,960**	**17,595**	**43,555**	**33,501**	**15,068**	**48,569**
Property, plant and equipment	22,001	10,895	32,896	23,404	9,509	32,913
Investment property	13	56	69	15	43	58
Intangible assets	845	2,322	3,167	893	1,950	2,843
Goodwill	18	2,779	2,797	385	2,430	2,815
Investments accounted for using the equity method	881	18	899	266	27	293
Non-current financial assets	835	806	1,641	7,120	483	7,603
Deferred tax assets	1,367	719	2,086	1,418	626	2,044
Current assets	**14,819**	**4,214**	**19,033**	**7,375**	**3,993**	**11,368**
Inventories	1,028	101	1,129	978	79	1,057
Trade and other receivables	3,765	2,344	6,109	4,747	2,167	6,914
Current financial assets	9,377	57	9,434	845	62	907
Cash and cash equivalents	240	1,588	1,828	253	1,585	1,838
Non-current assets held for sale and discontinued operations	409	124	533	552	100	652
Total assets	**40,779**	**21,809**	**62,588**	**40,876**	**19,061**	**59,937**
Equity and liabilities						
Equity	**12,798**	**10,366**	**23,164**	**10,417**	**8,543**	**18,960**
Parent company	12,800	4,976	17,776	10,218	4,009	14,227
Non-controlling interests	(2)	5,390	5,388	199	4,534	4,733
Non-current liabilities	**20,123**	**7,260**	**27,383**	**22,614**	**7,129**	**29,743**
Deferred income	3,930	6	3,936	3,629	7	3,636
Non-current provisions	3,967	747	4,714	3,815	631	4,446
Non-current borrowings	10,952	5,304	16,256	14,155	5,357	19,512
Other non-current liabilities	490	112	602	474	107	581
Deferred tax liabilities	784	1,091	1,875	541	1,027	1,568
Current liabilities	**7,858**	**4,183**	**12,041**	**7,845**	**3,389**	**11,234**
Current borrowings	5	980	985	—	929	929
Current provisions	838	182	1,020	831	131	962
Trade payables and other current liabilities	6,922	2,902	9,824	6,863	2,256	9,119
Liabilities associated with non-current assets held for sale and discontinued operations	93	119	212	151	73	224
Total Equity and liabilities	**40,779**	**21,809**	**62,588**	**40,876**	**19,061**	**59,937**

Segment reporting Statements of Cash Flow for 2010 and 2009 *Millions of Euros*

	2010			2009		
	Spain and Portugal	LatAm	Total	Spain and Portugal	LatAm	Total
Gross profit before tax and non-controlling interests	**4,374**	**2,142**	**6,516**	**3,344**	**2,246**	**5,590**
Adjustments for	**(131)**	**1,221**	**1,090**	**554**	**859**	**1,413**
Amortisation, depreciation and impairment losses	1,596	847	2,443	1,505	671	2,176
Other adjustments	(1,727)	374	(1,353)	(951)	188	(763)
Changes in operating assets and liabilities	**315**	**(238)**	**77**	**13**	**139**	**152**
Other cash flows from/(used in) operating activities	**(1,026)**	**(752)**	**(1,778)**	**(1,524)**	**(664)**	**(2,188)**
Interest received	53	256	309	162	220	382
Dividends received	11	1	12	10	3	13
Interest paid	(327)	(342)	(669)	(395)	(449)	(844)
Income tax paid	(316)	(559)	(875)	(813)	(353)	(1,166)
Other proceeds from and payments for operating activities	(447)	(108)	(555)	(488)	(85)	(573)
Net cash flows from operating activities	**3,532**	**2,373**	**5,905**	**2,387**	**2,580**	**4,967**
Investments in property, plant and equipment and intangible assets	(1,516)	(1,077)	(2,593)	(2,150)	(1,074)	(3,224)
Disposals of property, plant and equipment and intangible assets	1,441	88	1,529	2,812	21	2,833
Investments in Group companies	—	(30)	(30)	(444)	(35)	(479)
Disposals of investments in Group companies	1,532	—	1,532	20	—	20
Other investments	(2,147)	(74)	(2,221)	(1,962)	(73)	(2,035)
Disposals of other investments	763	116	879	547	199	746
Cash flows from/(used in) changes in consolidated group	(87)	—	(87)	7	—	7
Grants and other deferred income	233	—	233	274	1	275
Net cash flows from/(used in) investing activities	**219**	**(977)**	**(758)**	**(896)**	**(961)**	**(1,857)**
Non-current borrowings	931	243	1,174	3,112	689	3,801
Repayments of non-current borrowings	(856)	(345)	(1,201)	118	(579)	(461)
Net cash flows used in current borrowings	(3,056)	(614)	(3,670)	(1,725)	(1,242)	(2,967)
Dividends of the Parent paid	(798)	(290)	(1,088)	(6,025)	(219)	(6,244)
Payments to non-controlling interests		(570)	(570)	(4)	(457)	(461)
Net cash flows used in financing activities	**(3,779)**	**(1,576)**	**(5,355)**	**(4,524)**	**(1,808)**	**(6,332)**
Total net cash flows	**(28)**	**(180)**	**(208)**	**(3,033)**	**(189)**	**(3,222)**
Effect of exchange rate fluctuations on cash and cash equivalents		191	191	—	249	249
Net increase/(decrease)in cash and cash equivalents	**(28)**	**11**	**(17)**	**(3,033)**	**60**	**(2,973)**
Cash and cash equivalents at beginning of year	**268**	**1,592**	**1,860**	**3,301**	**1,532**	**4,833**
Cash on hand and at banks	89	1,173	1,262	3,193	228	3,421
Cash equivalents	179	419	598	108	1,304	1,412
Cash and cash equivalents at year end	**240**	**1,603**	**1,843**	**268**	**1,592**	**1,860**
Cash on hand and at banks	237	291	528	179	419	598
Cash equivalents	3	1,312	1,315	89	1,173	1,262

Segment reporting Income Statements for 2010 and 2009

Millions of Euros

Electricity business in Spain and Portugal	2010 Generation	2010 Distribution	2010 Corporate activities and adjustments	2010 Total	2009 Generation	2009 Distribution	2009 Corporate activities and adjustments	2009 Total
Income	**18,833**	**2,853**	**(495)**	**21,191**	**15,221**	**2,635**	**(383)**	**17,473**
Sales	17,755	2,735	(304)	20,186	14,347	2,469	(381)	16,435
Other operating income	1,078	118	(191)	1,005	874	166	(2)	1,038
Procurements and services	**(14,614)**	**(131)**	**365**	**(14,380)**	**(10,496)**	**(224)**	**228**	**(10,492)**
Power purchased	(5,320)	—	195	(5,125)	(3,961)	(2)	32	(3,931)
Cost of fuel consumed	(1,949)	—	20	(1,929)	(1,968)	—	7	(1,961)
Transmission expenses	(5,517)	—	—	(5,517)	(3,294)	—	51	(3,243)
Other variable procurements and services	(1,828)	(131)	150	(1,809)	(1,273)	(222)	138	(1,357)
Contribution margin	**4,219**	**2,722**	**(130)**	**6,811**	**4,725**	**2,411**	**(155)**	**6,981**
Self-constructed assets	24	96	79	199	13	119	15	147
Personnel expenses	(639)	(360)	(280)	(1,279)	(526)	(743)	(228)	(1,497)
Other fixed operating expenses	(1,295)	(558)	201	(1,652)	(1,165)	(630)	224	(1,571)
Gross profit from operations	**2,309**	**1,900**	**(130)**	**4,079**	**3,047**	**1,157**	**(144)**	**4,060**
Amortisation, depreciation and impairment losses	**(982)**	**(577)**	**(37)**	**(1,596)**	**(902)**	**(564)**	**(39)**	**(1,505)**
Profit from operations	**1,327**	**1,323**	**(167)**	**2,483**	**2,145**	**593**	**(183)**	**2,555**
Net finance expense	**(266)**	**(105)**	**(89)**	**(460)**	**(473)**	**(298)**	**224**	**(547)**
Finance income	82	34	5	121	131	42	246	419
Finance expenses	(331)	(139)	(116)	(586)	(618)	(340)	4	(954)
Net exchange gains/(losses)	(17)	—	22	5	14	—	(26)	(12)
Net profit/(loss) of companies accounted for using the equity method	**(7)**	**5**	**1**	**(1)**	**35**	**5**	**1**	**41**
Gains/(losses) from other investments	**6**	**(1)**	**1**	**6**	**(12)**	**—**	**8**	**(4)**
Gains on asset disposals	**1,052**	**1,239**	**55**	**2,346**	**1,270**	**7**	**22**	**1,299**
Profit before tax	**2,112**	**2,461**	**(199)**	**4,374**	**2,965**	**307**	**72**	**3,344**
Income tax	(394)	(511)	36	(869)	(561)	(62)	47	(576)
Profit after tax from continuing operations	**1,718**	**1,950**	**(163)**	**3,505**	**2,404**	**245**	**119**	**2,768**
Profit after tax from discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Profit for the year	**1,718**	**1,950**	**(163)**	**3,505**	**2,404**	**245**	**119**	**2,768**
Parent company	**1,716**	**1,945**	**(163)**	**3,498**	**2,394**	**240**	**125**	**2,759**
Non-controlling interests	2	5		7	10	5	(6)	9

Segment reporting Balance Sheets at 31 December 2010 and 2009

Millions of Euros

	2010				2009			
Electricity business in Spain and Portugal	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
Assets								
Non-current assets	**12,951**	**13,129**	**(120)**	**25,960**	**15,280**	**13,472**	**4,749**	**33,501**
Property, plant and equipment	10,221	11,309	471	22,001	10,839	12,089	476	23,404
Investment property	—	3	10	13	—	5	10	15
Intangible assets	582	187	76	845	634	177	82	893
Goodwill	20	1	(3)	18	367	—	18	385
Investments accounted for using the equity method	825	69	(13)	881	228	48	(10)	266
Non-current financial assets	660	1,006	(831)	835	2,599	512	4,009	7,120
Deferred tax assets	643	554	170	1,367	613	641	164	1,418
Current assets	**8,991**	**609**	**5,219**	**14,819**	**6,228**	**1,354**	**(207)**	**7,375**
Inventories	951	80	(3)	1,028	934	45	(1)	978
Trade and other receivables	4,379	479	(1,093)	3,765	3,969	1,272	(494)	4,747
Current financial assets	2,990	29	6,358	9,377	588	32	225	845
Cash and cash equivalents	209	2	29	240	231	5	17	253
Non-current assets held for sale and discontinued operations	462	19	(72)	409	506	—	46	552
Total assets	**21,942**	**13,738**	**5,099**	**40,779**	**21,508**	**14,826**	**4,542**	**40,876**
Equity and liabilities								
Equity	**5,849**	**4,683**	**2,266**	**12,798**	**5,797**	**2,777**	**1,843**	**10,417**
Parent company	5,849	4,683	2,268	12,800	5,513	2,748	1,957	10,218
Non-controlling interests	—	—	(2)	(2)	284	29	(114)	199
Non-current liabilities	**9,830**	**6,983**	**3,310**	**20,123**	**10,140**	**9,661**	**2,813**	**22,614**
Deferred income	141	3,924	(135)	3,930	117	3,620	(108)	3,629
Non-current provisions	1,932	1,488	547	3,967	1,568	1,697	550	3,815
Non-current borrowings	7,260	942	2,750	10,952	8,025	3,883	2,247	14,155
Other non-current liabilities	76	426	(12)	490	98	373	3	474
Deferred tax liabilities	421	203	160	784	332	88	121	541
Current liabilities	6,263	2,072	(477)	7,858	5,571	2,388	(114)	7,845
Current borrowings	45	27	(67)	5	135	79	(214)	—
Current provisions	**915**	**255**	**(332)**	**838**	**878**	**282**	**(329)**	**831**
Trade payables and other current liabilities	5,210	1,789	(77)	6,922	4,407	2,027	429	6,863
Liabilities associated with non-current assets held for sale and discontinued operations	93	1	(1)	93	151	—	—	151
Total equity and liabilities	**21,942**	**13,738**	**5,099**	**40,779**	**21,508**	**14,826**	**4,542**	**40,876**

Segment reporting Income Statements for 2010 and 2009 *Millions of Euros*

	2010				2009			
Electricity business in Latin America	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
Income	**4,382**	**6,499**	**(895)**	**9,986**	**3,705**	**5,446**	**(699)**	**8,452**
Sales	4,303	5,996	(927)	9,372	3,684	5,019	(705)	7,998
Other operating income	79	503	32	614	21	427	6	454
Procurements and services	**(2,130)**	**(4,241)**	**983**	**(5,388)**	**(1,465)**	**(3,472)**	**719**	**(4,218)**
Power purchased	(394)	(2,944)	1,054	(2,284)	(270)	(2,642)	830	(2,082)
Cost of fuel consumed	(1,225)	—	—	(1,225)	(822)	—	—	(822)
Transmission expenses	(314)	(324)	68	(570)	(235)	(152)	27	(360)
Other variable procurements and services	(197)	(973)	(139)	(1,309)	(138)	(678)	(138)	(954)
Contribution margin	**2,252**	**2,258**	**88**	**4,598**	**2,240**	**1,974**	**20**	**4,234**
Self-constructed assets	15	51	—	66	1	40	—	41
Personnel expenses	(118)	(320)	(135)	(573)	(116)	(279)	(102)	(497)
Other fixed operating expenses	(170)	(541)	15	(696)	(175)	(476)	41	(610)
Gross profit from operations	**1,979**	**1,448**	**(32)**	**3,395**	**1,950**	**1,259**	**(41)**	**3,168**
Amortisation, depreciation and impairment losses	(377)	(430)	(40)	(847)	(358)	(280)	(33)	(671)
Profit from operations	**1,602**	**1,018**	**(72)**	**2,548**	**1,592**	**979**	**(74)**	**2,497**
Net finance expense	**(218)**	**(124)**	**(81)**	**(423)**	**(287)**	**(130)**	**(54)**	**(471)**
Finance income	43	197	16	256	69	152	(1)	220
Finance expenses	(287)	(342)	(57)	(686)	(330)	(291)	(48)	(669)
Net exchange gains/(losses)	26	21	(40)	7	(26)	9	(5)	(22)
Net profit/(loss) of companies accounted for using the equity method	**2**	**—**	**—**	**2**	**3**	**—**	**1**	**4**
Gains/(losses) from other investments	**—**	**—**	**—**	**—**	**—**	**—**	**2**	**2**
Gains on asset disposals	**2**	**2**	**11**	**15**	**—**	**33**	**181**	**214**
Profit before tax	**1,388**	**896**	**(142)**	**2,142**	**1,308**	**882**	**56**	**2,246**
Income tax	(321)	(220)	12	(529)	(317)	(250)	(87)	(654)
Profit after tax from continuing operations	**1,067**	**676**	**(130)**	**1,613**	**991**	**632**	**(31)**	**1,592**
Profit after tax from discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Profit for the year	**1,067**	**676**	**(130)**	**1,613**	**991**	**632**	**(31)**	**1,592**
Parent company	**829**	**561**	**(759)**	**631**	**828**	**560**	**(717)**	**671**
Non-controlling interests	238	115	629	982	163	72	686	921

Segment reporting Balance Sheets at 31 December 2010 and 2009 *Millions of Euros*

	2010				2009			
Electricity business in Latin America	Generation	Distribution	Corporate activities and adjustments	Total	Generation	Distribution	Corporate activities and adjustments	Total
Assets								
Non-current assets	**8,639**	**6,689**	**2,267**	**17,595**	**7,508**	**5,633**	**1,927**	**15,068**
Property, plant and equipment	7,697	3,208	(10)	10,895	6,765	2,734	10	9,509
Investment property	—	—	56	56	—	—	43	43
Intangible assets	50	2,247	25	2,322	53	1,888	9	1,950
Goodwill	296	433	2,050	2,779	270	393	1,767	2,430
Investments accounted for using the equity method	17	—	1	18	25	—	2	27
Non-current financial assets	350	399	57	806	196	256	31	483
Deferred tax assets	229	402	88	719	199	362	65	626
Current assets	**1,957**	**1,971**	**286**	**4,214**	**2,065**	**1,836**	**92**	**3,993**
Inventories	68	25	8	101	56	23	—	79
Trade and other receivables	1,160	1, 392	(208)	2,344	1,072	1,224	(129)	2,167
Current financial assets	52	71	(66)	57	63	—	(1)	62
Cash and cash equivalents	677	483	428	1,588	874	589	122	1,585
Non-current assets held for sale and discontinued operations	—	—	124	124	—	—	100	100
Total assets	**10,596**	**8,660**	**2,553**	**21,809**	**9,573**	**7,469**	**2,019**	**19,061**
Equity and liabilities								
Equity	**4,882**	**3,711**	**1,773**	**10,366**	**4,111**	**3,338**	**1,094**	**8,543**
Parent company	3,823	2,834	(1,681)	4,976	3,328	3,300	(2,619)	4,009
Non-controlling interests	1,059	877	3,454	5,390	783	38	3,713	4,534
Non-current liabilities	**3,469**	**2,722**	**1,069**	**7,260**	**3,557**	**2,483**	**1,089**	**7,129**
Deferred income	1	5	—	6	1	9	(3)	7
Non-current provisions	161	544	42	747	123	464	44	631
Non-current borrowings	2,662	1,803	839	5,304	2,872	1,644	841	5,357
Other non-current liabilities	70	36	6	112	63	60	(16)	107
Deferred tax liabilities	575	334	182	1,091	498	306	223	1,027
Current liabilities	**2,245**	**2,227**	**(289)**	**4,183**	**1,905**	**1,648**	**(164)**	**3,389**
Current borrowings	627	452	(99)	980	603	402	(76)	929
Current provisions	68	78	36	182	50	55	26	131
Trade payables and other current liabilities	1,550	1,697	(345)	2,902	1,252	1,191	(187)	2,256
Liabilities associated with non-current assets held for sale and discontinued operations	—	—	119	119	—	—	73	73
Total equity and liabilities	**10,596**	**8,660**	**2,553**	**21,809**	**9,573**	**7,469**	**2,019**	**19,061**

35. Balances and Transactions with Related Parties

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

At 31 December 2010 and 2009 no provisions have been made for doubtful receivables relating to transactions between the Company and its subsidiaries and jointly controlled entities.

For the purposes of the information included in this note, in 2009 Enel and Acciona (until 25 June 2009) were considered to be significant shareholders, and in 2010 Enel was considered a significant shareholder.

All transactions with related parties are at arm's length.

35.1. Expenses, income and other transactions

Noteworthy transactions carried out with related parties in 2010 and 2009, all of which were on an arm's length basis, are as follows:

35.1.1. Expenses and income

					Thousands of Euros
					2010
	Accionistas Significativos	Administrad. y Directivos	Personas, Sociedades o Entidades del Grupo	Otras Partes Vinculadas	Total
Finance expenses	1,137	—	—	—	1,137
Management or cooperation agreements	51,383	1,066	—	—	52,449
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	50	—	—	—	50
Purchase of finished goods and work in progress	11,669	—	—	—	11,669
Valuation adjustments for uncollectible or doubtful debts	—	—	—	—	—
Losses on derecognition or disposal of assets	—	—	—	—	—
Other expenses	159,016	—	—	—	159,016
Expenses	**223,255**	**1,066**	**—**	**—**	**224,321**
Finance income	3,700	34	—	—	3,734
Management or cooperation agreements	5,225	—	—	—	5,225
R&D transfers and licensing agreements	—	—	—	—	—
Leases	43	—	—	—	43
Services rendered	3,786	—	—	—	3,786
Sale of finished goods and work in progress	35,968	—	—	—	35,968
Gains on derecognition or disposal of assets (note 31)	1,042,981	—	—	—	1,042,981
Other income	115,085	—	—	—	115,085
Income	**1,206,788**	**34**	**—**	**—**	**1,206,822**

Thousands of Euros

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

(1) Includes Euros 90 thousand with EEE.

35.1.2. Other transactions

Thousands of Euros

	2010				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets or other assets	6,727	—	—	—	6,727
Financing agreements (lender)	—	—	—	—	—
Finance leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	343,421	—	—	—	343,421
Financing agreements (borrower)	—	1,871	—	—	1,871
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	56	—	—	56
Guarantees provided	—	—	—	—	—
Guarantees received	—	12,450	—	—	12,450
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other distributions	1,002,010	10	—	—	1,002,020
Other transactions	1,211	—	—	—	1,211

Thousands of Euros

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

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

35.2. Associates and jointly controlled entities

Transactions with associates and jointly controlled entities are mainly loans granted totalling Euros 201 million at 31 December 2010 and Euros 207 million at 31 December 2009 (see note 10) and guarantees provided amounting to Euros 265 million and Euros 644 million, respectively, at those dates (see note 36).

At 31 December 2010 the main loans are to Nubia (Euros 72 million), Inversiones Gas Atacama Holding Ltda. (Euros 28 million), Elcogas, S.A. (Euros 12 million) and Medgaz, S.A. (Euros 11 million). The main guarantees provided at that date relate to Elcogas, S.A. (Euros 111 million) and Medgaz, S.A. (Euros 94 million).

At 31 December 2009 the main loans were to ENEOP-Eólicas de Portugal, S.A. (Euros 53 million), Empreendimentos Eólicos Vale do Minho, S.A. (Euros 8 million), Tirme, S.A. (Euros 8 million) and Puignerel, A.I.E. (Euros 5 million). The main guarantees provided related to Elcogas (Euros 111 million), Productor Regional de Energía Renovable, S.A. (Euros 65 million) and ENEOP-Eólicas de Portugal, S.A. (Euros 55 million).

35.3. Pension schemes

At 31 December 2010 and 2009 the amounts payable to the Endesa Group Pension Plan in Spain as a result of the Rebalancing Plans approved by the Spanish insurance and pensions authority totalled Euros 60 million and Euros 105 million, respectively, and are recognised in borrowings under liabilities in the accompanying consolidated balance sheet.

35.4. Directors and senior management personnel

35.4.1. Remuneration of directors

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

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

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

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

In accordance with article 218 of the Spanish Companies Act, the remuneration relating to profit-sharing shall only be received by the directors after the requisite appropriations to the legal and statutory reserves have been made and after a minimum dividend of 4% has been declared for the shareholders."

The members of the board of directors of Endesa, S.A. therefore received remuneration in their capacity as Company directors and for their membership, in certain cases, of boards of directors of subsidiaries, and those members of the board of directors who also perform executive duties received their remuneration for this item.

In 2010 the fixed monthly emolument for each director was Euros 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Nomination and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to Euros 2,003.37 gross each.

Details of the remuneration received by the members of the board of directors are as follows:

Fixed remuneration

Euros

	2010		2009	
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
Borja Prado Eulate	48,081	812,000	48,081	617,722
Fulvio Conti (1) (3)	48,081	—	24,040	—
Andrea Brentan (9)	—	714,952	24,040	350,000
Luigi Ferraris (1)	48,081	—	48,081	—
Claudio Machetti (1)	48,081	—	48,081	—
Gianluca Comin (1)(2)	48,081	—	16,027	—
Luis de Guindos Jurado (3)	48,081	—	24,040	—
Miquel Roca Junyent (3)	48,081	—	24,040	—
Alejandro Echevarría Busquet (3)	48,081	—	24,040	—
José Manuel Entrecanales Domecq (4)	—	—	12,020	340,767
Rafael Miranda Robredo (5)	—	—	24,040	613,871
Carmen Becerril Martínez (6)	—	—	24,040	—
Valentín Montoya Moya (6)	—	—	24,040	—
Esteban Morrás Andrés (6)	—	—	24,040	118,261
Fernando d'Ornellas Silva (7)	—	—	28,047	—
Jorge Vega-Penichet López (8)	—	—	12,020	—
Subtotal	**384,648**	**1,526,952**	**428,717**	**2,040,621**
Total	**1,911,600**		**2,469,338**	

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations.
(2) Member of the board of directors since 14 September 2009.
(3) Member of the board of directors since 25 June 2009.
(4) Ceased to be a member of the board of directors on 24 March 2009.
(5) Ceased to be a member of the board of directors on 30 June 2009.
(6) Ceased to be a member of the board of directors on 25 June 2009.
(7) Ceased to be a member of the board of directors on 20 July 2009.
(8) Member of the board of directors from 24 March 2009 to 25 June 2009.
(9) The fixed emolument earned as director until 30 June 2009 was paid directly to Enel, S.p.A. pursuant to its internal regulations.

Variable remuneration

Euros

	2010		2009	
	Profit	Remuneration	Profit	Remuneration
Borja Prado Eulate	195,698	477,691	174,497	—
Fulvio Conti (1) (3)	97,849	—	—	—
Andrea Brentan (1)	97,849	368,200	174,497	—
Luigi Ferraris (1)	195,698	—	174,497	—
Claudio Machetti (1)	195,698	—	174,497	—
Gianluca Comin (1)(2)	65,233	—	—	—
Luis de Guindos Jurado (3)	97,849	—	—	—
Miquel Roca Junyent (3)	97,849	—	—	—
Alejandro Echevarría Busquet (3)	97,849	—	—	—
José Manuel Entrecanales Domecq (4)	48,924		174,497	1,492,525
Rafael Miranda Robredo (5)	97,849		174,497	1,959,777
Carmen Becerril Martínez (6)	97,849	—	174,497	—
Valentín Montoya Moya (6)	97,849	—	174,497	—
Esteban Morrás Andrés (6)	97,849		174,497	491,126
Fernando d'Ornellas Silva (7)	114,157	—	174,497	—
Jorge Vega-Penichet López (8)	48,924	—	—	—
Subtotal	**1,744,973**	**845,891**	**1,744,970**	**3,943,428**
Total	**2,590,864**		**5,688,398**	

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations. This circumstance only prevailed until 30 June 2009 in the case of Mr. Brentan.
(2) Member of the board of directors since 14 September 2009.
(3) Member of the board of directors since 25 June 2009.
(4) Ceased to be a member of the board of directors on 24 March 2009.
(5) Ceased to be a member of the board of directors on 30 June 2009.
(6) Ceased to be a member of the board of directors on 25 June 2009.
(7) Ceased to be a member of the board of directors on 20 July 2009.
(8) Member of the board of directors from 24 March 2009 to 25 June 2009.

Attendance fees

Euros

	2010		2009	
	ENDESA	Other companies	ENDESA	Other companies
Borja Prado Eulate	38,064	6,236	50,084	28,074
Fulvio Conti (1) (3)	22,037	—	12,020	—
Andrea Brentan (1)	—	—	28,047	—
Luigi Ferraris (1)	42,071	—	52,088	—
Claudio Machetti (1)	40,067	—	30,051	—
Gianluca Comin (1)(2)	22,037	—	8,013	—
Luis de Guindos Jurado (3)	42,071	34,636	24,040	14,654
Miquel Roca Junyent (3)	58,098	—	30,051	—
Alejandro Echevarría Busquet (3)	32,054	—	20,034	—
José Manuel Entrecanales Domecq (4)	—	—	6,010	—
Rafael Miranda Robredo (5)	—	39,924	18,030	125,285
Carmen Becerril Martínez (6)	—	—	16,027	—
Valentín Montoya Moya (6)	—	—	28,047	—
Esteban Morrás Andrés (6)	—	—	12,020	—
Fernando d'Ornellas Silva (7)	—	—	40,067	19,540
Jorge Vega-Penichet López (8)	—	—	10,017	—
Total	**296,499**	**80,796**	**384,646**	**187,553**

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations. This circumstance only prevailed until 30 June 2009 in the case of Mr. Brentan.
(2) Member of the board of directors since 14 September 2009.
(3) Member of the board of directors since 25 June 2009.
(4) Ceased to be a member of the board of directors on 24 March 2009.
(5) Ceased to be a member of the board of directors on 30 June 2009.
(6) Ceased to be a member of the board of directors on 25 June 2009.
(7) Ceased to be a member of the board of directors on 20 July 2009.
(8) Member of the board of directors from 24 March 2009 to 25 June 2009.

Other remuneration

Euros

Board member	2010	2009
Borja Prado Eulate	7,375	4,200
Andrea Brentan	8,872	3,003
José Manuel Entrecanales Domecq (1)	—	9,666,744
Rafael Miranda Robredo (2)	—	18,349,241
Esteban Morrás Andrés (1)	—	1,734,831
Total	**16,247**	**29,758,019**

(1) Other remuneration in 2009 includes the amount of the contractual termination benefits for Messrs. Entrecanales and Morrás, who ceased to be directors on 24 March 2009 and 25 June 2009, respectively.
(2) Other remuneration in 2009 includes amounts recognised for the early retirement benefits of Mr. Miranda at 30 June 2009 until actual retirement.

Advances and loans

In 2010 and 2009 the Company did not extend any advances and/or loans to the directors and no balances were receivable from or payable to these parties.

Pension funds and schemes: Contributions

		Euros
Board member	2010	2009
Borja Prado Eulate	163,815	94,156
Andrea Brentan	140,883	70,844
José Manuel Entrecanales Domecq	—	66,358
Rafael Miranda Robredo (1)	—	105,456
Esteban Morrás Andrés	—	24,834

(1) The Company has established across-the-board entitlement to pre-retirement with a guarantee of future remuneration and pension rights for employees who meet certain requirements concerning age and length of service. With regard to future pensions, since the total premiums for this item were paid in prior years, the 2010 financial statements include only changes arising from valuation adjustments.

Life insurance premiums

	Euros	
Board member	2010	2009
Borja Prado Eulate	62,100	66,604
Andrea Brentan	88,362	84,662
José Manuel Entrecanales Domecq	—	34,262
Rafael Miranda Robredo	—	5,905
Esteban Morrás Andrés	—	1,717
Directors	—	10,422

35.4.2. Remuneration of senior management personnel

Remuneration of senior management personnel in 2010 and 2009

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

Senior management personnel in 2010

Name	Position
Mr. Francisco Borja Acha Besga	General Manager - Legal Counsel
Mr. Ignacio Antoñanzas Alvear	General Manager for Latin America
Mr. Alfonso Arias Cañete	General Manager - Nuclear Power
Mr. Francisco Arteaga Alarcón	Regional General Manager for Andalusia and Extremadura
Mr. José Damián Bogas Gálvez	General Manager for Spain and Portugal
Mr. Paolo Bondi	Economic and Financial General Manager
Mr. Francesco Buresti	General Manager - Purchasing
Mr. Pablo Casado Rebóiro	Regional General Manager for the Canary Islands
Mr. Antón Costas Comesaña	Chairman of the Advisory Board of Fecsa-Endesa Cataluña
Mr. Enrique Durand Baquerizo	General Manager - Audit
Mr. Amado Franco Lahoz	Chairman of the Advisory Board of Erz-Endesa Aragón
Mr. Joaquín Galindo Vélez	General Manager of Endesa Chile
Mr. Jaime Gros Bañeres	Regional General Manager for Aragón
Mr. Rafael López Rueda	General Manager – Systems and Telecommunications
Mr. Alfonso López Sanchez	General Manager - Communications
Mr. Héctor López Vilaseco	General Manager – Strategy and Development
Mr. José Luis Marín López Otero	General Manager of Endesa Red
Mr. Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
Mr. Manuel Morán Casero	General Manager - Generation

Senior management personnel in 2010

Name	Position
Mr. José Luis Puche Castillejo	General Manager - Organisation and Human Resources
Mr. Álvaro Quiralte Abelló	General Manager - Energy Management
Mr. Jorge Rosemblut Ratinoff	Chairman of Endesa Chile
Mr. Andreu Rotger Amengual	Regional General Manager for the Balearic Islands
Mr. José María Rovira Vilanova	General Manager of Fecsa-Endesa Cataluña
Mr. Mássimo Tambosco	Assistant General Manager - Strategy, Regulation and Strategic Planning in LatAm / Assistant General Manager of Enersis
Mr. Antonio Torvá Jordán (1)	Assistant General Manager - Communications
Mr. Javier Uriarte Monereo	General Manager - Retailing
Mr. Jaime Ybarra Llosent	Chairman of the Advisory Board of Sevillana Endesa for Andalucía and Extremadura
Mr. Pablo Yrarrazabal Valdés	General Manager of Enersis

(1) Left the Company in 2010.

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

Euros

	In the Company		For membership of boards of directors of Group companies	
Remuneration	2010	2009	2010	2009
Fixed remuneration	10,645,178	11,075,897	—	—
Variable remuneration	6,569,542	10,614,111	—	—
Attendance fees	—	—	148,042	400,584
Bylaw-stipulated directors' emoluments	—	—	—	—
Options on shares and other financial instruments	—	—	—	—
Other (1)	788,029	18,635,350	—	—
Total	**18,002,749**	**40,325,358**	**148,042**	**400,584**

(1) In 2009 this amount includes the contractual termination benefits received by the senior executives who left the Company as a result of the change of control.

Euros

	In the Company		For membership of boards of directors of Group companies	
Other benefits	2010	2009	2010	2009
Advances	905,711	931,460	—	—
Loans	965,449	995,449	—	—
Pension funds and schemes: Contributions (1)	1,528,871	2,595,036	—	—
Pension funds and schemes: obligations assumed	—	—	—	—
Life insurance premiums	662,463	1,208,879	—	—

(1) The Company has established across-the-board entitlement to pre-retirement with a guarantee of future remuneration and pension rights for employees who meet certain requirements concerning age and length of service. For employees meeting these conditions with regard to future pensions, since the total premiums for this item were paid in prior years, the 2010 financial statements include only changes arising from valuation adjustments.

Guarantees extended by the Company to senior management personnel

As regards remuneration, the Company has provided guarantees on behalf of eligible senior management personnel amounting to Euros 12,450,318 in 2010 (Euros 18,394,186 in 2009) to cover the same early retirement entitlements as for other personnel of the same age and length of service.

35.4.3. Guarantee clauses: board of directors and senior management personnel

Guarantee clauses for termination or changes of control

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

The regime for these clauses is as follows:

Termination of the employment relationship

By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.

- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other causes for compensation for termination foreseen in Royal Decree 1382/1985, of 1 August 1985.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

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

Post-contractual non-competition clause

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

At 31 December 2010, 24 executive directors and senior executives had guarantee clauses in their employment contracts (25 at 31 December 2009).

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

35.4.4. Other disclosures concerning the board of directors

To increase the transparency of listed companies, the members of the board of directors have disclosed, to the best of their knowledge, the direct or indirect interests that they or the related parties referred to in article 231 of the Spanish Companies Act hold in the capital of companies with identical, similar or complementary statutory activities to that of Endesa, S.A. as well as the positions held and duties performed:

At 31 December 2010

Name of director	Tax identification number of the company in question	Name of the company in question	% ownership	Position
Mr. Borja Prado Eulate	B85721025	ENEL Energy Europe, S.L.U.	—	Director
Mr. Borja Prado Eulate	N9022122G	ENEL Green Power, S.p.A.	0.00064	—
Mr. Fulvio Conti	00811720580	ENEL, S.p.A.	0.00563	Managing Director and GM
Mr. Fulvio Conti	B85721025	ENEL Energy Europe, S.L.U.	—	Chairman
Mr. Fulvio Conti	N9022122G	ENEL Green Power, S.p.A.	0.00248	—
Mr. Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-chairman
Mr. Andrea Brentan	B85721025	ENEL Energy Europe, S.L.U.	—	Managing Director
Mr. Andrea Brentan	N9022122G	ENEL Green Power, S.p.A.	—	Director
Mr. Andrea Brentan	8096.41.513	ENEL Investment Holding	—	Director
Mr. Luigi Ferraris	00811720580	ENEL, S.p.A.	0.00031	CFO
Mr. Luigi Ferraris	N9022122G	ENEL Green Power, S.p.A.	0.00080	Chairman
Mr. Luigi Ferraris	6671156423	ENEL OGK-5 OJSC	—	Director
Mr. Luigi Ferraris	06152631005	ENEL Factor S.p.A.	—	Chairman
Mr. Luigi Ferraris	06377691008	ENEL Servizi S.r.l.	—	Chairman
Mr. Luigi Ferraris	05779711000	ENEL Distribuzione S.p.A.	—	Director
Mr. Luigi Ferraris	05617841001	ENEL Produzione S.p.A.	—	Director
Mr. Luigi Ferraris	8096.41.513	ENEL Investment Holding	—	Director
Mr. Luigi Ferraris	10426731005	ENEL Ingegneria e Innovazione S.p.A.	—	Director
Mr. Luis de Guindos Jurado	91.081.000-6	Empresa Nacional de Electricidad, S.A.	—	Director
Mr. Luis de Guindos Jurado	N9022122G	ENEL Green Power, S.p.A	0.00008	—
Mr. Claudio Machetti	00811720580	ENEL, S.p.A.	—	Director of Group Risk Management
Mr. Claudio Machetti	6347168E	ENEL.re Ltd	—	Chairman
Mr. Claudio Machetti	08036221003	ENEL New.Hydro Srl	—	Chairman
Mr. Claudio Machetti	05779711000	ENEL Distribuzione S.p.A.	—	Director
Mr. Claudio Machetti	8096.41.513	ENEL Investment Holding	—	Director
Mr. Claudio Machetti	05617841001	ENEL Produzione S.p.A.	—	Director
Mr. Claudio Machetti	05918271007	ENEL Trade S.p.A.	—	Director
Mr. Claudio Machetti	05779661007	Terna, S.p.A.	—	Director
Mr. Gianluca Comin	00811720580	ENEL, S.p.A.	0.00015	Director of External Relations
Mr. Gianluca Comin	N9022122G	ENEL Green Power, S.p.A	0.00040	—

At 31 December 2009

Name of director	Company tax ID	Company	% ownership	Position
Mr. Borja Prado Eulate	91.081.000-6	Empresa Nacional de Electricidad, S.A.	—	Director
Mr. Fulvio Conti	00811720580	ENEL, S.p.A.	0.00563	Managing Director and GM
Mr. Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-chairman
Mr. Andrea Brentan	B85721025	ENEL Energy Europe, S.L.U.	—	Chairman
Mr. Andrea Brentan	8096.41.513	ENEL Investment Holding	—	Director
Mr. Luigi Ferraris	00811720580	ENEL, S.p.A.	0.00016	CFO
Mr. Luis de Guindos Jurado	91.081.000-6	Empresa Nacional de Electricidad, S.A.	—	Director
Mr. Claudio Machetti	00811720580	ENEL, S.p.A.	—	Director of Group Risk Management
Mr. Gianluca Comin	00811720580	ENEL, S.p.A.	0.00015	Director of External Relations

In 2010 there were cases of conflict of interests involving the directors. The directors affected by the conflict of interests did not attend the related board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of Endesa by its board of directors.

Distribution by gender: at 31 December 2010, the Board of Directors of Endesa, S.A. was made up of nine men and no women. This situation was the same at 31 December 2009.

35.4.5. Share-based payment schemes tied to Endesa share price

To date, Endesa has not established any share-based payment or share option schemes and, accordingly, neither the members of the board of directors nor the senior executives have received any remuneration for this item.

35.4.6. Long-term employee benefits

In 2010 Endesa set up a long-term employee benefit system known as the loyalty scheme, aimed at strengthening the commitment of senior staff to achieving the Group's strategic targets. This scheme encompasses a total of 1,200 employees (senior executives, directors and exceptional staff in Spain) over a three-year period (from January 2010 to December 2012). The scheme entitles employees to a long-term incentive based on the extent to which the Company's financial targets are met (gross operating profit (EBITDA) of Endesa and profit for the year of the Parent company (net profit) of Endesa and Enel).

36. Guarantees to Third Parties, Other Contingent Assets and Liabilities and Other Commitments

36.1. Direct and indirect guarantees

At 31 December 2010, the Endesa Group had provided guarantees to third parties in connection with its business activities totalling Euros 265 million (Euros 644 million at 31 December 2009) (see note 35.2), of which no amounts relate to entities jointly controlled by the Group.

36.2. Other information

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

At 31 December 2010 and 2009, the Group's liquid financial assets pledged as security for liabilities or contingent liabilities amounted to Euros 101 million and Euros 113 million, respectively.

At 31 December 2010, future collections amounting to Euros 300 million had been pledged (Euros 38 million at 31 December 2009).

At 31 December 2010 and 2009, items of property, plant and equipment amounting to Euros 526 million and Euros 651 million, respectively, had been pledged to secure fulfilment of the Group's obligations.

At 31 December 2010, the Group had future electricity purchase commitments amounting to Euros 41,771 million (Euros 38,449 million at 31 December 2009), with details as follows:

Millions of Euros

	Future electricity purchase commitments
2011-2015	7,920
2016-2020	8,534
2021-2025	7,775
2026-Resto	17,542
Total (*)	**41,771**

(*) Attributable to jointly controlled entities: Euros 1 million.

During the takeover bid by Gas Natural SDG, S.A. for all the shares of Endesa, S.A., which it dropped on 1 February 2007, and as a result of the injunction lifted by the Supreme Court and by Commercial Court 3 of Madrid, Endesa had to provide a surety bond for any damages caused to companies affected by the injunction. To date, only the bond for Euros 1,000 million provided to Madrid Commercial Court 3 remains in force, although neither the bond nor its amount imply or determine any possible liabilities that might arise from the injunction.

37. Audit fees

Details of fees for the services provided in 2010 and 2009 by the auditors of the annual accounts of the various Group companies are as follows:

Thousands of Euros

	2010		2009	
	Principal auditor	Other auditors of subsidiaries	Principal auditor	Other auditors of subsidiaries
Audit of annual accounts	6,942	2,772	6,845	2,847
Audits other than of the annual accounts and other audit-related services	853	1,245	219	1,896
Other non-audit services	0	2,580	176	1,721
Total	**7,795**	**6,597**	**7,240**	**6,464**

38. Personnel

Details of the year-end and average headcount of the Endesa Group in 2010 and 2009, by business, professional category and gender, are as follows:

Number of employees

	31.12.2010			31.12.2009		
Year-end headcount	Male	Female	Total	Male	Female	Total
Electricity business in Spain and Portugal and Other	9,878	2,392	12,270	11,163	2,466	13,629
Electricity business in Latin America	9,800	2,662	12,462	10,014	2,662	12,676
Total	**19,678**	**5,054**	**24,732**	**21,177**	**5,128**	**26,305**

Number of employees

	31.12.2010			31.12.2009		
Year-end headcount	Male	Female	Total	Male	Female	Total
Management	569	71	640	654	78	732
Graduates	6,071	2,165	8,236	5,986	2,189	8,175
Middle management	11,384	2,367	13,751	12,256	2,315	14,571
Manual workers	1,654	451	2,105	2,281	546	2,827
Total	**19,678**	**5,054**	**24,732**	**21,177**	**5,128**	**26,305**

Number of employees

	31.12.2010			31.12.2009		
Average headcount	Male	Female	Total	Male	Female	Total
Electricity business in Spain and Portugal and Other	10,568	2,549	13,117	11,309	2,498	13,807
Electricity business in Latin America	9,800	2,662	12,462	10,241	2,722	12,963
Total	**20,368**	**5,211**	**25,579**	**21,550**	**5,220**	**26,770**

Number of employees

	31.12.2010			31.12.2009		
Average headcount	Male	Female	Total	Male	Female	Total
Management	617	77	694	614	149	763
Graduates	6,121	2,182	8,303	6,093	2,226	8,319
Middle management	11,791	2,449	14,240	12,522	2,289	14,811
Manual workers	1,839	503	2,342	2,321	556	2,877
Total	**20,368**	**5,211**	**25,579**	**21,550**	**5,220**	**26,770**

The average number of employees in jointly controlled entities in 2010 and 2009 was 1,319 and 1,233, respectively.

39. Events after the Balance Sheet Date

On 13 January 2011 the final terms of the first issue of the securitisation fund for the deficit in the Spanish electricity system were filed at the Spanish National Securities Market Commission (hereinafter CNMV). Euros 1,996 million were issued, of which Endesa's share was Euros 1,041 million, which was received on 25 January 2011 (see note 4.1).

On 15 February 2011 a second issue for a net amount of Euros 1,994 million was made by the fund, of which Endesa's share was Euros 1,039 million, which will be received on 24 February 2011 (see note 4.1).

On 22 February 2011 the Company's board of directors agreed to propose to the shareholders at the Annual General Meeting a gross dividend of Euros 1.017 per share for 2010, involving a total payment of Euros 1,076.8 million. Considering the interim gross dividend of Euros 0.500 per share for 2010 distributed on 3 January 2011, the supplementary dividend for that year would be a gross Euros 0.517 per share. This would involve a payment of Euros 547.4 million if approved by the shareholders at the AGM.

No further significant events have occurred between 31 December 2010 and the date on which these consolidated annual accounts were authorised for issue.

Appendix I. Endesa Group companies

	% ownership at 31 December 2010			% ownership at 31 December 2009					
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method	Registered offices	Activity	Auditor
AGRÍCOLA E INMOBILIARIA PASTOS VERDES LTDA.	55.00	33.34	FC	55.00	33.34	FC	SANTIAGO DE CHILE (CHILE)	INVESTMENTS	DELOITTE
AGUAS SANTIAGO PONIENTE, S.A.	78.88	33.35	FC	78.88	33.35	FC	SANTIAGO DE CHILE (CHILE)	WATER SERVICES	DELOITTE
AMPLA ENERGÍA E SERVIÇOS, S.A.	91.93	55.15	FC	91.93	55.15	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
AMPLA INVESTIMENTOS E SERVIÇOS, S.A.	91.93	55.15	FC	91.93	55.15	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION, DISTRIBUTION AND TRADING	DELOITTE
ANDORRA DESARROLLO, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	TERUEL (SPAIN)	REGIONAL DEVELOPMENT	UNAUDITED
APAMEA 2000, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	ELECTRICITY-RELATED ACTIVITIES	UNAUDITED
AQUILAE SOLAR, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
ARAGONESA DE ACTIVIDADES ENERGÉTICAS, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	TERUEL (SPAIN)	ELECTRICITY PRODUCTION	UNAUDITED
ASIN CARBONO USA, INC.	100.00	82.50	FC	100.00	82.50	FC	DELAWARE (USA)	OPERATIONS IN CARBON DIOXIDE (CO2) MARKETS	UNAUDITED
ASOCIACIÓN NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	85.41	85.41	PC	85.41	85.41	PC	TARRAGONA (SPAIN)	MANAGEMENT, OPERATION AND ADMINISTRATION OF NUCLEAR PLANTS	KPMG AUDITORES
ATACAMA FINANCE CO.	100.00	18.18	PC	100.00	18.18	PC	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
AYSÉN ENERGÍA, S.A.	99.51	18.55	PC	—	—	—	SANTIAGO DE CHILE (CHILE)	ELECTRICITY PRODUCTION AND TRANSMISSION	KPMG AUDITORES
AYSÉN TRANSMISIÓN, S.A.	99.51	18.55	PC	99.51	18.55	PC	SANTIAGO DE CHILE (CHILE)	DEVELOPMENT OF ELECTRICITY TRANSMISSION SYSTEMS	KPMG AUDITORES
BOLONIA REAL ESTATE, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	REAL ESTATE ASSET MANAGEMENT AND DEVELOPMENT	KPMG AUDITORES
CARBOEX, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	FUEL SUPPLY	KPMG AUDITORES
CARBONES DE BERGA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	EXTRACTION AND STORAGE OF HARD COAL	UNAUDITED
CARBOPEGO-ABASTECIMIENTOS E COMBUSTIVEIS, S.A.	50.00	50.00	PC	50.00	50.00	PC	LISBON (PORTUGAL)	FUEL SUPPLY	KPMG AUDITORES
CEFEIDAS DESARROLLO SOLAR, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA, S.A.	99.61	59.51	FC	99.61	59.51	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION AND RETAILING	DELOITTE
CENTRAL DOCK SUD, S.A.	69.99	39.99	FC	69.99	39.99	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
CENTRAL EÓLICA CANELA S.A.	75.00	27.27	FC	75.00	27.27	FC	SANTIAGO DE CHILE (CHILE)	PROMOTION AND DEVELOPMENT OF RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
CENTRAL GERADORA TERMELÉTRICA FORTALEZA, S.A.	100.00	59.74	FC	100.00	59.74	FC	FORTALEZA (BRAZIL)	DEVELOPMENT OF A THERMOELECTRIC GENERATION PROJECT	DELOITTE
CENTRALES HIDROELÉCTRICAS DE AYSÉN, S.A.	51.00	18.55	PC	51.00	18.55	PC	SANTIAGO DE CHILE (CHILE)	DESIGN AND IMPLEMENTATION OF A HYDROELECTRIC PROJECT	KPMG AUDITORES
CEPHEI DESARROLLO SOLAR, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CHILECTRA INVERSUD, S.A.	100.00	60.07	FC	100.00	60.07	FC	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	PKF
CHILECTRA, S.A.	99.09	60.07	FC	99.09	60.07	FC	SANTIAGO DE CHILE (CHILE)	DISTRIBUTION AND SALE OF ELECTRICITY AND HOLDING COMPANY	PKF
CHINANGO, S.A.C.	80.00	18.17	FC	80.00	18.17	FC	LIMA (PERU)	ELECTRICITY PRODUCTION, RETAILING AND TRANSMISSION	KPMG AUDITORES
CODENSA, S.A. E.S.P.	48.48	39.84	FC	48.48	39.84	FC	BOGOTA (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
COMERCIALIZADORA ELÉCTRICA DE CÁDIZ, S.A. (SOCIEDAD UNIPERSONAL)	100.00	33.50	PC	100.00	33.50	PC	CADIZ (SPAIN)	ELECTRICITY RETAILING	DELOITTE

Appendix I. Endesa Group companies (Continuation)

	% ownership at 31 December 2010			% ownership at 31 December 2009					
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method	Registered offices	Activity	Auditor
COMPANHIA ENERGÉTICA DO CEARÁ, S.A.	58.86	34.22	FC	58.86	34.22	FC	FORTALEZA (BRAZIL)	COMPLETE ELECTRICITY CYCLE	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS DEL PERÚ, S.R.L.	100.00	60.62	FC	100.00	60.62	FC	LIMA (PERU)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS LTDA.	100.00	60.62	FC	100.00	60.62	FC	SANTIAGO DE CHILE (CHILE)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS LTDA. (BRASIL)	100.00	60.62	FC	100.00	60.62	FC	RIO DE JANEIRO (BRAZIL)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS LTDA. (COLOMBIA)	100.00	60.62	FC	100.00	60.62	FC	BOGOTA (COLOMBIA)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA AMERICANA DE MULTISERVICIOS S.R.L. (ARGENTINA)	100.00	60.62	FC	100.00	60.62	FC	BUENOS AIRES (ARGENTINA)	PURCHASE AND SALE OF ELECTRICITY-RELATED PRODUCTS	DELOITTE
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA, S.A.	100.00	59.74	FC	100.00	59.74	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR, S.A.	100.00	59.74	FC	100.00	59.74	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
COMPAÑÍA ELÉCTRICA SAN ISIDRO, S.A.	100.00	36.36	FC	100.00	36.36	FC	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPAÑÍA ELÉCTRICA TARAPACÁ, S.A.	100.00	36.36	FC	100.00	36.36	FC	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPOSTILLA RE. S.A.	100.00	100.00	FC	100.00	100.00	FC	LUXEMBOURG (LUXEMBOURG)	REINSURANCE	KPMG AUDITORES
CONSORCIO ARA-INGENDESA LTDA.	50.00	18.18	PC	50.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	PROJECT ENGINEERING CONSULTANCY SERVICES	KPMG AUDITORES
CONSTRUCCIONES Y PROYECTOS LOS MAITENES, S.A.	55.00	33.34	FC	55.00	33.34	FC	SANTIAGO DE CHILE (CHILE)	CONSTRUCTION AND INSTALLATION WORK	DELOITTE
CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A.-ENDESA INGENIERÍA, S.L.U. 2, U.T.E.	50.00	50.00	PC	50.00	50.00	PC	SANTANDER (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A.-ENDESA INGENIERÍA, S.L.U. 3, U.T.E.	50.00	50.00	PC	50.00	50.00	PC	SANTANDER (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A.-ENDESA INGENIERÍA, S.L.U., U.T.E.	50.00	50.00	PC	50.00	50.00	PC	SANTANDER (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
DESALADORA DE CARBONERAS, U.T.E.	75.00	75.00	FC	75.00	75.00	FC	ALMERIA (SPAIN)	CONSTRUCTION AND MANAGEMENT OF A DESALINATION PLANT	KPMG AUDITORES
DESARROLLO PHOTOSOLAR, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
DISTRIBUCIÓN Y COMERCIALIZACIÓN DE GAS EXTREMADURA, S.A.	47.00	47.00	PC	47.00	47.00	PC	BADAJOZ (SPAIN)	GAS DISTRIBUTION	KPMG AUDITORES
DISTRIBUIDORA DE ENERGÍA ELÉCTRICA DEL BAGES, S.A.	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	UNAUDITED
DISTRIBUIDORA ELÉCTRICA DE CUNDINAMARCA, S.A. E.S.P.	49.00	19.52	PC	49.00	19.52	PC	BOGOTA (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE
DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	PURCHASE, TRANSMISSION, DISTRIBUTION AND RETAILING OF ELECTRICITY	KPMG AUDITORES
DISTRILEC INVERSORA, S.A.	51.50	30.88	FC	51.50	30.88	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
EDEGEL, S.A.A.	83.60	22.71	FC	83.60	22.71	FC	LIMA (PERU)	ELECTRICITY PRODUCTION, RETAILING AND DISTRIBUTION	KPMG AUDITORES
ELECGAS, S.A.	50.00	49.82	PC	50.00	50.00	PC	PORTO (PORTUGAL)	COMBINED-CYCLE ELECTRICITY PRODUCTION	KPMG AUDITORES
ELÉCTRICA DE LIJAR, S.L.	50.00	50.00	PC	50.00	50.00	PC	CADIZ (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	GABRIEL SANCHEZ PALAZÓN
ELECTRICIDAD DE PUERTO REAL, S.A.	50.00	50.00	PC	50.00	50.00	PC	CADIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
EMGESA, S.A. E.S.P.	48.48	31.38	FC	48.48	31.38	FC	BOGOTA (COLOMBIA)	ELECTRICITY PRODUCTION AND RETAILING	DELOITTE
EMPRESA CARBONÍFERA DEL SUR, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	EXPLOITATION OF COAL FIELDS	KPMG AUDITORES
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	75.68	52.88	FC	75.68	52.88	FC	LIMA (PERU)	ELECTRICITY DISTRIBUTION AND RETAILING	DELOITTE

Appendix I. Endesa Group companies (Continuation)

	% ownership at 31 December 2010			% ownership at 31 December 2009					
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method	Registered offices	Activity	Auditor
EMPRESA DE ENERGÍA DE CUNDINAMARCA, S.A. E.S.P.	82.34	16.07	PC	82.34	16.07	PC	BOGOTA (COLOMBIA)	ELECTRICITY PRODUCTION, TRANSMISSION, DISTRIBUTION AND RETAILING	DELOITTE
EMPRESA DE INGENIERÍA INGENDESA, S.A.	100.00	36.36	FC	100.00	36.36	FC	SANTIAGO DE CHILE (CHILE)	PROVISION OF ENGINEERING SERVICES	KPMG AUDITORES
EMPRESA DISTRIBUIDORA SUR, S.A.	99.45	45.86	FC	99.45	45.86	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY DISTRIBUTION AND RETAILING	KPMG AUDITORES
EMPRESA ELÉCTRICA CABO BLANCO, S.A.	80.00	80.00	FC	80.00	80.00	FC	LIMA (PERU)	HOLDING COMPANY	KPMG AUDITORES
EMPRESA ELÉCTRICA DE COLINA LTDA.	100.00	60.07	FC	100.00	60.07	FC	SANTIAGO DE CHILE (CHILE)	COMPLETE ENERGY AND SIMILAR MATERIALS CYCLE	PKF
EMPRESA ELÉCTRICA DE PIURA, S.A.	96.50	84.50	FC	60.00	48.00	FC	LIMA (PERU)	ELECTRICITY PRODUCTION	KPMG AUDITORES
EMPRESA ELÉCTRICA PANGUE, S.A.	99.99	39.55	FC	99.99	39.55	FC	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA ELÉCTRICA PEHUENCHE, S.A.	92.65	33.69	FC	92.65	33.69	FC	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	59.98	36.36	FC	59.98	36.36	FC	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EN-BRASIL COMERCIO E SERVIÇOS, S.A.	99.99	59.74	FC	99.99	59.74	FC	RIO DE JANEIRO (BRAZIL)	RETAILING OF PRODUCTS AND SERVICES	UNAUDITED
ENDESA ARGENTINA, S.A.	100.00	36.36	FC	100.00	36.36	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
ENDESA BRASIL, S.A.	97.30	59.74	FC	97.30	59.74	FC	RIO DE JANEIRO (BRAZIL)	HOLDING COMPANY	DELOITTE
ENDESA CAPITAL FINANCE, L.L.C.	100.00	100.00	FC	100.00	100.00	FC	DELAWARE (USA)	ISSUANCE OF PREFERENCE SHARES	KPMG AUDITORES
ENDESA CAPITAL, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	ISSUANCE OF DEBT INSTRUMENTS	KPMG AUDITORES
ENDESA CARBONO USA, L.L.C.	100.00	82.50	FC	100.00	82.50	FC	VIRGINIA (USA)	OPERATIONS IN CARBON DIOXIDE (CO2) MARKETS	UNAUDITED
ENDESA CARBONO, S.L.	82.50	82.50	FC	82.50	82.50	FC	MADRID (SPAIN)	CONSULTANCY AND PURCHASE AND SALE OF EMISSION RIGHTS	KPMG AUDITORES
ENDESA CEMSA, S.A.	100.00	71.36	FC	100.00	71.36	FC	BUENOS AIRES (ARGENTINA)	WHOLESALE PURCHASE AND SALE OF ELECTRICITY	KPMG AUDITORES
ENDESA COMERCIALIZAÇAO DE ENERGIA, S.A.	100.00	100.00	FC	100.00	100.00	FC	PORTO (PORTUGAL)	MARKETING OF ENERGY PRODUCTS	KPMG AUDITORES
ENDESA COSTANERA, S.A.	69.76	25.37	FC	69.76	25.37	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
ENDESA DESARROLLO, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PURCHASE AND SALE, HOLDING, ADMINISTRATION AND MANAGEMENT OF SECURITIES	KPMG AUDITORES
ENDESA DISTRIBUCIÓN ELÉCTRICA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION	KPMG AUDITORES
ENDESA ECO, S.A.	100.00	36.36	FC	100.00	36.36	FC	SANTIAGO DE CHILE (CHILE)	RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
ENDESA ENERGÍA XXI, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	SERVICES ASSOCIATED WITH THE MARKETING OF ENERGY PRODUCTS	KPMG AUDITORES
ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	MARKETING OF ENERGY PRODUCTS	KPMG AUDITORES
ENDESA FINANCIACIÓN FILIALES, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	FINANCING OF THE SUBSIDIARIES OF ENDESA, S.A.	KPMG AUDITORES
ENDESA GAS, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	COMPLETE GAS CYCLE	KPMG AUDITORES
ENDESA GENERACIÓN II, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION	UNAUDITED
ENDESA GENERACIÓN PORTUGAL, S.A.	99.40	99.64	FC	100.00	100.00	FC	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND RELATED ACTIVITIES	KPMG AUDITORES
ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
ENDESA INGENIERÍA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	CONSULTANCY AND CIVIL ENGINEERING SERVICES	KPMG AUDITORES
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. II	50.00	50.00	PC	—	—	—	SEVILLE (SPAIN)	SERVICIOS DE TECNOLOGÍA LED	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ETIME SEGURIDAD, S.A., U.T.E.	50.00	50.00	PC	50.00	50.00	PC	MADRID (SPAIN)	SUPPLY AND INSTALLATION OF SECURITY SYSTEMS	UNAUDITED

Appendix I. Endesa Group companies (Continuation)

	% ownership at 31 December 2010			% ownership at 31 December 2009					
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method	Registered offices	Activity	Auditor
ENDESA INGENIERÍA, S.L.U.-INDRA SISTEMAS, S.A., U.T.E.	51.00	51.00	FC	51.00	51.00	FC	SEVILLE (SPAIN)	WEB IT SERVICES	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-LAXTRON ENERGÍAS RENOVABLES, S.L., U.T.E.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
ENDESA INVERSIONES GENERALES, S.A.	100.00	36.35	FC	100.00	36.35	FC	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	KPMG AUDITORES
ENDESA IRELAND LTD.	100.00	100.00	FC	100.00	100.00	FC	DUBLIN (IRELAND)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
ENDESA LATINOAMÉRICA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	ENDESA, S.A.'S INTERNATIONAL BUSINESS	KPMG AUDITORES
ENDESA MARKETPLACE, S.A. (EN LIQUIDACIÓN)	78.00	72.09	FC	78.00	72.09	FC	MADRID (SPAIN)	B2B (NEW TECHNOLOGIES)	UNAUDITED
ENDESA NORTH AMÉRICA, INC.	100.00	100.00	FC	100.00	100.00	FC	NEW YORK (USA)	TRADING OPERATIONS	UNAUDITED
ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	PROVISION OF SERVICES TO ENDESA DISTRIBUCIÓN ELÉCTRICA AND TO ENDESA ENERGÍA	KPMG AUDITORES
ENDESA POWER TRADING LTD.	100.00	100.00	FC	100.00	100.00	FC	LONDON (UK)	TRADING OPERATIONS	FULLER CHARTERED ACCOUNTANTS
ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	DISTRIBUTION ACTIVITIES	KPMG AUDITORES
ENDESA SERVICIOS, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	SERVICES	KPMG AUDITORES
ENDESA TRADING, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	TRADING OPERATIONS	KPMG AUDITORES
ENEL GREEN POWER ESPAÑA, S.L. (1)	40.00	40.00	EM	100.00	100.00	FC	SEVILLE (SPAIN)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	KPMG AUDITORES
ENERGEX CO.	100.00	18.18	PC	100.00	18.18	PC	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
ENERGÍAS DE ARAGÓN I, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICITY UNDER THE TARIFF SYSTEM	KPMG AUDITORES
ENERGIE ELECTRIQUE DE TAHADDART, S.A.	32.00	32.00	PC	32.00	32.00	PC	TANGIERS (MOROCCO)	COMBINED CYCLE PLANT	DELOITTE
ENERSIS, S.A.	60.62	60.62	FC	60.62	60.62	FC	SANTIAGO DE CHILE (CHILE)	ELECTRICITY PRODUCTION AND DISTRIBUTION	DELOITTE
EÓLICA FAZENDA NOVA-GERAÇÃO E COMERCIALIZAÇÃO DE ENERGIA, S.A.	99.95	59.71	FC	99.95	59.71	FC	RÍO GRANDE DO NORTE (BRAZIL)	WIND FARM PROJECTS	UNAUDITED
EPRESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	50.00	PC	100.00	50.00	PC	CADIZ (SPAIN)	ELECTRICITY RETAILING	DELOITTE
FOTOVOLTAICA INSULAR, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
GAS EXTREMADURA TRANSPORTISTA, S.L.	40.00	40.00	PC	40.00	40.00	PC	BADAJOZ (SPAIN)	TRANSMISSION AND STORAGE OF GAS	KPMG AUDITORES
GAS Y ELECTRICIDAD GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	PALMA DE MALLORCA (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
GASATACAMA CHILE, S.A.	99.95	18.18	PC	99.95	18.18	PC	SANTIAGO DE CHILE (CHILE)	COMPLETE ELECTRICITY CYCLE	ERNST & YOUNG
GASATACAMA, S.A.	100.00	18.18	PC	100.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	COMPANY ADMINISTRATION AND MANAGEMENT	ERNST & YOUNG
GASIFICADORA REGIONAL CANARIA, S.A.	72.00	72.00	FC	65.00	65.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DISTRIBUTION OF PIPED GAS	KPMG AUDITORES
GASODUCTO ATACAMA ARGENTINA, S.A.	99.97	18.18	PC	99.97	18.18	PC	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GASODUCTO TALTAL, S.A.	100.00	18.18	PC	100.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GENERALIMA, S.A.C.	100.00	100.00	FC	100.00	100.00	FC	LIMA (PERU)	HOLDING COMPANY	KPMG AUDITORES
GENERANDES PERÚ, S.A.	61.00	22.18	FC	61.00	22.18	FC	LIMA (PERU)	HOLDING COMPANY	KPMG AUDITORES
GUADARRANQUE SOLAR 4, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	UNAUDITED
HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES

Appendix I. Endesa Group companies (Continuation)

	% ownership at 31 December 2010			% ownership at 31 December 2009					
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method	Registered offices	Activity	Auditor
HIDROELÉCTRICA EL CHOCÓN, S.A.	67.67	23.77	FC	67.67	23.77	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	KPMG AUDITORES
HIDROFLAMICELL, S.L.	75.00	75.00	FC	75.00	75.00	FC	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND SALE	UNAUDITED
HIDROINVEST, S.A.	96.09	34.94	FC	96.09	34.94	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
HOSPITAL JUAN RAMÓN JIMÉNEZ, U.T.E.	50.00	50.00	PC	50.00	50.00	PC	MADRID (SPAIN)	SOLAR POWER GENERATION	UNAUDITED
ICT SERVICIOS INFORMÁTICOS LTDA.	100.00	60.62	FC	—	—	—	SANTIAGO DE CHILE (CHILE)	IT, TELECOMMUNICATIONS AND DATA TRANSMISSION SERVICES	DELOITTE
INGENDESA DO BRASIL LTDA.	100.00	36.36	FC	100.00	36.36	FC	RIO DE JANEIRO (BRAZIL)	PROJECT ENGINEERING CONSULTANCY SERVICES	KPMG AUDITORES
INMOBILIARIA MANSO DE VELASCO LTDA.	100.00	60.62	FC	100.00	60.62	FC	SANTIAGO DE CHILE (CHILE)	CONSTRUCTION WORK	DELOITTE
INSTALACIONES INABENSA, S.A.-ENDESA INGENIERÍA, S.L.U., U.T.E.	50.00	50.00	PC	50.00	50.00	PC	SEVILLE (SPAIN)	CONSTRUCTION OF ELECTRICAL INSTALLATIONS	UNAUDITED
INTERNATIONAL ENDESA B.V.	100.00	100.00	FC	100.00	100.00	FC	AMSTERDAM (NETHERLANDS)	INTERNATIONAL FINANCIAL TRANSACTIONS	KPMG AUDITORES
INVERSIONES DISTRILIMA, S.A.	100.00	74.17	FC	100.00	74.17	FC	LIMA (PERU)	HOLDING COMPANY	DELOITTE
INVERSIONES ENDESA NORTE, S.A.	100.00	36.36	FC	100.00	36.36	FC	SANTIAGO DE CHILE (CHILE)	INVESTMENT IN ENERGY PROJECTS IN NORTHERN CHILE	ERNST & YOUNG
INVERSIONES GASATACAMA HOLDING LTDA.	50.00	18.18	PC	50.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
INVERSORA CODENSA LTDA. U.	100.00	39.84	FC	100.00	39.84	FC	BOGOTA (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES	UNAUDITED
INVESTLUZ, S.A.	100.00	58.07	FC	100.00	58.07	FC	FORTALEZA (BRAZIL)	HOLDING COMPANY	DELOITTE
LA PEREDA CO2, A.I.E.	33.33	33.33	PC	33.33	33.33	PC	ASTURIAS (SPAIN)	ELECTRICITY PRODUCTION	UNAUDITED
LUZ ANDES LTDA.	100.00	60.07	FC	100.00	60.07	FC	SANTIAGO DE CHILE (CHILE)	TRANSPORT, DISTRIBUTION AND SALE OF ENERGY AND FUELS	PKF
MEDIDAS AMBIENTALES, S.L.	50.00	25.00	PC	50.00	25.00	PC	BURGOS (SPAIN)	ENVIRONMENTAL STUDIES AND REPORTS	UNAUDITED
MINAS DE ESTERCUEL, S.A.	99.65	99.56	FC	99.65	99.56	FC	MADRID (SPAIN)	MINERAL DEPOSITS	UNAUDITED
MINAS GARGALLO, S.L.	99.91	99.91	FC	99.91	99.91	FC	MADRID (SPAIN)	MINERAL DEPOSITS	UNAUDITED
MINAS Y FERROCARRIL DE UTRILLAS, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	MINERAL DEPOSITS	KPMG AUDITORES
NUBIA 2000, S.L. (1)	20.00	20.00	EM	100.00	100.00	FC	MADRID (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
NUCLENOR, S.A.	50.00	50.00	PC	50.00	50.00	PC	BURGOS (SPAIN)	NUCLEAR POWER PRODUCTION	DELOITTE
NUEVA COMPAÑÍA DE DISTRIBUCIÓN ELÉCTRICA 4, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	ELECTRICITY DISTRIBUTION	UNAUDITED
NUEVA MARINA REAL ESTATE, S.L.	60.00	60.00	FC	60.00	60.00	FC	MADRID (SPAIN)	ADMINISTRATION, DEVELOPMENT AND CONSTRUCTION OF ALL MANNER OF PUBLIC OR PRIVATE WORKS	KPMG AUDITORES
PARQUE FOTOVOLTAICO ARICOUTE I, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PARQUE FOTOVOLTAICO EL GUANCHE I, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PARQUE FOTOVOLTAICO LLANO DELGADO I, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PARQUE FOTOVOLTAICO TABLERO I, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PEGOP-ENERGÍA ELÉCTRICA, S.A.	50.00	50.00	PC	50.00	50.00	PC	PORTO (PORTUGAL)	OPERATION OF THE PEGO POWER PLANT	KPMG AUDITORES
PEREDA POWER, S.L.	70.00	70.00	FC	70.00	70.00	FC	ASTURIAS (SPAIN)	ELECTRICITY PRODUCTION	UNAUDITED
PROGAS, S.A.	100.00	18.18	PC	100.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	GAS DISTRIBUTION	ERNST & YOUNG
SACME, S.A.	50.00	22.93	PC	50.00	22.93	PC	BUENOS AIRES (ARGENTINA)	ELECTRICITY SYSTEM OVERSIGHT AND CONTROL	ESTUDIO ALONSO HIDALGO Y ASOCIADOS

Appendix I. Endesa Group companies (Continuation)

	% ownership at 31 December 2010			% ownership at 31 December 2009					
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method	Registered offices	Activity	Auditor
SAT 357-05 ACEVEDO REID S. AGRARIA DE TRANSFORMACIÓN-ENDESA INGENIERÍA, S.L.U., U.T.E.	50.00	50.00	PC	50.00	50.00	PC	SANTA CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
SISTEMAS SEC, S.A.	49.00	29.71	PC	49.00	29.71	PC	SANTIAGO DE CHILE (CHILE)	PROVISION OF SIGNALLING, ELECTRIFICATION AND COMMUNICATIONS SYSTEMS	BDO AUDITORES
SOCIEDAD AGRÍCOLA DE CAMEROS LTDA.	57.50	34.86	FC	57.50	34.86	FC	SANTIAGO DE CHILE (CHILE)	INVESTMENTS	DELOITTE
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN, S.A.	100.00	36.36	FC	100.00	36.36	FC	SANTIAGO DE CHILE (CHILE)	DESIGN, CONSTRUCTION AND OPERATION OF THE EL MELÓN TUNNEL	KPMG AUDITORES
SOCIEDAD CONSORCIO INGENDESA-ARA LTDA.	50.00	18.18	PC	50.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	PROVISION OF ENGINEERING SERVICES	UNAUDITED
SOCIEDAD INVERSORA DOCK SUD, S.A.	57.14	57.14	FC	57.14	57.14	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
SOCIEDAD PORTUARIA CENTRAL CARTAGENA, S.A.	99.85	31.75	FC	99.85	31.75	FC	BOGOTA (COLOMBIA)	PORT-RELATED SERVICES	DELOITTE
SODESA-COMERCIALIZAÇÃO DE ENERGIA ELECTRICA, S.A.	50.00	50.00	PC	50.00	50.00	PC	PORTO (PORTUGAL)	RETAILING OF ELECTRICITY AND SERVICES	DELOITTE
SOL DE MEDIA NOCHE FOTOVOLTAICA, S.L.	50.00	50.00	PC	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
SOUTHERN CONE POWER ARGENTINA, S.A.	100.00	36.36	FC	100.00	36.36	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	KPMG AUDITORES
SPARK IBÉRICA, S.A.-ENDESA ENERGÍA, S.A.U., U.T.E.	50.00	50.00	PC	50.00	50.00	PC	BARCELONA (SPAIN)	CONSTRUCTION OF ELECTRICAL INSTALLATIONS	UNAUDITED
SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A.	33.50	33.50	PC	33.50	33.50	PC	CADIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
SUMINISTRO DE LUZ Y FUERZA, S.L.	60.00	60.00	FC	60.00	60.00	FC	GIRONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	KPMG AUDITORES
SYNAPSIS ARGENTINA S.R.L.	100.00	60.62	FC	100.00	60.62	FC	BUENOS AIRES (ARGENTINA)	IT SERVICES	DELOITTE
SYNAPSIS BRASIL LTDA.	100.00	60.62	FC	100.00	60.62	FC	RIO DE JANEIRO (BRAZIL)	IT SERVICES	DELOITTE
SYNAPSIS COLOMBIA LTDA.	100.00	60.62	FC	100.00	60.62	FC	BOGOTA (COLOMBIA)	IT SERVICES	DELOITTE
SYNAPSIS PERÚ S.R.L.	100.00	60.62	FC	100.00	60.62	FC	LIMA (PERU)	IT AND TELECOMMUNICATIONS SERVICES AND PRODUCTS	DELOITTE
SYNAPSIS SOLUCIONES Y SERVICIOS IT LTDA.	100.00	60.62	FC	100.00	60.62	FC	SANTIAGO DE CHILE (CHILE)	SUPPLY AND MARKETING OF IT SERVICES AND EQUIPMENT	DELOITTE
TEJO ENERGÍA, PRODUÇÃO E DISTRIBUÇÃO DE ENERGIA ELECTRICA, S.A.	38.89	38.89	PC	38.89	38.89	PC	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA.	50.00	18.18	PC	50.00	18.18	PC	SANTIAGO DE CHILE (CHILE)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	DELOITTE
TRANSPORTADORA DE ENERGÍA, S.A.	100.00	59.74	FC	100.00	59.74	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	DELOITTE
TRANSPORTES Y DISTRIBUCIONES ELÉCTRICAS, S.A.	73.33	73.33	FC	73.33	73.33	FC	GIRONA (SPAIN)	ELECTRICITY TRANSMISSION	UNAUDITED
UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	100.00	100.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES

FC: Full consolidation; PC: Proportionate consolidation.
(1) Neither a subsidiary nor a jointly controlled entity at 31 December 2010.

Appendix II. Associates

Company (in alphabetical order)	% ownership at 31 December 2010		% ownership at 31 December 2009		Registered offices	Activity	Auditor
	Control	Ownership	Control	Ownership			
CENTRAL TÉRMICA DE ANLLARES, A.I.E.	33.33	33.33	33.33	33.33	MADRID (SPAIN)	MANAGEMENT OF THE ANLLARES FOSSIL FUEL PLANT	UNAUDITED
CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E.	24.26	23.92	24.26	23.92	MADRID (SPAIN)	MANAGEMENT OF THE ALMARAZ AND TRILLO NUCLEAR PLANTS	DELOITTE
COMPAÑÍA TRANSPORTISTA DE GAS DE CANARIAS, S.A.	47.18	47.18	47.18	47.18	LAS PALMAS DE GRAN CANARIA (SPAIN)	NATURAL GAS OPERATIONS IN THE CANARY ISLANDS	ERNST & YOUNG
CONSORCIO ARA INGENDESA SENER LTDA.	33.33	12.12	33.33	12.12	SANTIAGO DE CHILE (CHILE)	EXECUTION AND FULFILMENT OF THE BASIC ENGINEERING CONTRACT FOR THE MAIPU LINE	KPMG AUDITORES
ELCOGAS, S.A.	40.87	40.87	40.87	40.87	CIUDAD REAL (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
ELÉCTRICA DE JAFRE, S.A.	47.46	47.46	47.46	47.46	GIRONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RETAILING	RCM AUDITORES
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E.	38.00	38.00	—	—	SEVILLE (SPAIN)	LED TECHNOLOGY SERVICES	UNAUDITED
ENEL GREEN POWER ESPAÑA, S.L.	40.00	40.00	100.00	100.00	SEVILLE (SPAIN)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	KPMG AUDITORES
ENERGÍA SOLAR ONDA, U.T.E.	25.00	25.00	25.00	25.00	CASTELLÓN (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
ENSAFECA HOLDING EMPRESARIAL, S.L.	32.43	32.43	32.43	32.43	BARCELONA (SPAIN)	TELECOMMUNICATIONS SERVICES	UNAUDITED
GNL CHILE, S.A.	33.33	12.12	33.33	12.12	SANTIAGO DE CHILE (CHILE)	PROMOTION OF PROJECT TO SUPPLY LIQUEFIED GAS	ERNST & YOUNG
GNL QUINTERO, S.A.	20.00	7.27	20.00	7.27	SANTIAGO DE CHILE (CHILE)	DESIGN, DEVELOPMENT AND SUPPLY OF A LIQUEFIED NATURAL GAS REGASIFICATION TERMINAL	ERNST & YOUNG
GORONA DEL VIENTO EL HIERRO, S.A.	30.00	30.00	30.00	30.00	SANTA CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND MAINTENANCE OF THE EL HIERRO POWER PLANT	UNIONAUDIT J.Y.E. S.L.
GREEN FUEL CORPORACION, S.A. (1)	8.83	8.83	25.34	25.34	SANTANDER (SPAIN)	PRODUCTION, SALE AND DISTRIBUTION OF BIOFUELS	UNAUDITED
INVERSIONES ELECTROGAS, S.A.	42.50	15.45	42.50	15.45	SANTIAGO DE CHILE (CHILE)	HOLDING COMPANY	KPMG AUDITORES
KONECTA CHILE, S.A.	26.20	15.88	26.20	15.88	SANTIAGO DE CHILE (CHILE)	SERVICES	KPMG AUDITORES
KROMSCHROEDER, S.A.	27.93	27.93	27.93	27.93	BARCELONA (SPAIN)	METER-READING EQUIPMENT	MAZARS
NUBIA 2000, S.L.	20.00	20.00	100.00	100.00	MADRID (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
PROYECTO ALMERíA MEDITERRÁNEO, S.A.	45.00	45.00	45.00	45.00	MADRID (SPAIN)	INSTALLATION OF SEAWATER DESALINATION PLANT	UNAUDITED
SADIEL TECNOLOGÍAS DE LA INFORMACIÓN, S.A.	37.50	37.50	37.50	37.50	SEVILLE (SPAIN)	TECHNOLOGIES, INFORMATION, ENGINEERING AND TRAINING	DELOITTE
TECNATOM, S.A.	45.00	45.00	45.00	45.00	MADRID (SPAIN)	SERVICES TO ELECTRICITY PRODUCTION FACILITIES	ERNST & YOUNG
TERMOELÉCTRICA JOSÉ DE SAN MARTÍN, S.A.	26.18	7.17	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	ERNST & YOUNG
TERMOELÉCTRICA MANUEL BELGRANO, S.A.	26.18	7.17	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	KPMG AUDITORES
YACYLEC, S.A.	22.22	22.22	22.22	22.22	BUENOS AIRES (ARGENTINA)	ELECTRICITY TRANSMISSION	ERNST & YOUNG

(1) Not an associate at 31 December 2010.

Appendix III. Changes in the consolidated group

Endesa Group companies: companies consolidated for the first time in 2010

Company (in alphabetical order)	Date of consolidation	% ownership at 31 December 2010		Consolidation method	% ownership at 31 December 2009		Consolidation method
		Control	Ownership		Control	Ownership	
AYSÉN ENERGÍA, S.A.	27/01/2010	99.51	18.55	PC	—	—	—
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. II	08/09/2010	50.00	50.00	PC	—	—	—
ICT SERVICIOS INFORMÁTICOS LTDA.	18/06/2010	100.00	60.62	FC	—	—	—

FC: Full consolidation; PC: Proportionate consolidation.

Endesa Group companies: companies no longer consolidated in 2010

Company (in alphabetical order)	% ownership at 31 December 2010		Consolidation method	% ownership at 31 December 2009		Consolidation method
	Control	Ownership		Control	Ownership	
AGUILÓN 20, S.A.	—	—	—	51.00	51.00	FC
AIOLIKI ANDROU RACHI XIROKAMPI, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI ANDROU TSIROVLIDI, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI EVIAS CHELONA, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI EVIAS DIAKOFTIS, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI EVIAS POUNTA, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI EVIAS PYRGOS, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI MARTINOU, S.A.	—	—	—	100.00	45.01	FC
AIOLIKI SAMOTHRAKIS, S.A.	—	—	—	100.00	40.11	FC
AIOLIKI SIDIROKASTROY, S.A.	—	—	—	100.00	40.11	FC
ALMUSSAFES SERVICIOS ENERGÉTICOS, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ANANEOSIMES PIGES BORIOU AIGAIOU, S.A.	—	—	—	100.00	50.01	FC
ARGYRI ENERGIAKI, S.A.	—	—	—	100.00	45.01	FC
ASOLEO, S.L.	—	—	—	50.01	50.01	FC
ATELGEN-PRODUÇÃO DE ENERGIA, A.C.E.	—	—	—	51.00	25.50	PC
BIOAISE, S.A. (EN LIQUIDACIÓN)	—	—	—	95.00	95.00	FC
BIOGÁS GARRAF (ECYR, S.A.U. Y CLP ENVIROGAS, S.L.), U.T.E.	—	—	—	50.00	50.00	PC
BIOWATT-RECURSOS ENERGÉTICOS, LDA.	—	—	—	51.00	51.00	FC
CAMPOS-RECURSOS ENERGÉTICOS, A.C.E.	—	—	—	95.00	47.50	PC
CARVEMAGERE-MANUTENÇÃO E ENERGIAS RENOVÁVEIS, LDA.	—	—	—	65.00	65.00	FC
COGENERACIÓ J. VILASECA, A.I.E.	—	—	—	40.00	40.00	PC
COLINA-PRODUÇÃO DE ENERGIA ELÉCTRICA, LDA.	—	—	—	100.00	50.00	PC
COMPANHIA TÉRMICA DO BEATO, A.C.E.	—	—	—	65.00	32.50	PC
COMPANHIA TÉRMICA DO SERRADO, A.C.E.	—	—	—	51.00	25.50	PC
COMPANHIA TÉRMICA HECTARE, A.C.E.	—	—	—	60.00	30.00	PC
COMPANHIA TÉRMICA LUSOL, A.C.E.	—	—	—	95.00	47.50	PC
COMPANHIA TÉRMICA OLIVEIRA FERREIRA, A.C.E.	—	—	—	95.00	47.50	PC
COMPANHIA TÉRMICA PONTE DA PEDRA, A.C.E.	—	—	—	95.00	47.50	PC
COMPANHIA TÉRMICA RIBEIRA VELHA, A.C.E.	—	—	—	100.00	50.00	PC
COMPANHIA TÉRMICA TAGOL, LDA.	—	—	—	95.00	47.50	PC
COMPAÑÍA PERUANA DE ELECTRICIDAD, S.A.C.	—	—	—	100.00	79.64	FC
CONCENTRASOLAR, S.L.	—	—	—	50.00	50.00	PC

Endesa Group companies: companies no longer consolidated in 2010 (Continuation)

Company (in alphabetical order)	% ownership at 31 December 2010		Consolidation method	% ownership at 31 December 2009		Consolidation method
	Control	Ownership		Control	Ownership	
CONFIREL, A.I.E.	—	—	—	50.00	50.00	PC
CONSORCIO EÓLICO MARINO CABO DE TRAFALGAR, S.L.	—	—	—	50.00	50.00	PC
CONSORCIO INGENDESA-MINMETAL LTDA.	—	—	—	50.00	18.18	PC
CTE-CENTRAL TERMICA DO ESTUÁRIO, LDA.	—	—	—	100.00	100.00	FC
DELTA ENERGIAKI, S.A.	—	—	—	90.00	45.01	FC
DESALADORA DE LA COSTA DEL SOL, S.A. (EN LIQUIDACIÓN)	—	—	—	51.02	51.02	FC
DISTRIBUIDORA REGIONAL DE GAS, S.A.	—	—	—	50.00	50.00	PC
EED-EMPREENDIMENTOS EÓLICOS DO DOURO, S.A.	—	—	—	100.00	100.00	FC
EEVM-EMPREENDIMENTOS EÓLICOS VALE DO MINHO, S.A.	—	—	—	50.00	37.50	PC
EKMETALEFSI YDATINOU DYNAMIKOU, S.A.	—	—	—	100.00	45.01	FC
ELÉCTRICA DE LA FRANJA, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ELLINIKI FOTOVOLTAIKI, S.A.	—	—	—	100.00	50.01	FC
EMPREENDIMENTO EÓLICO DE REGO, LDA.	—	—	—	51.00	51.00	FC
EMPREENDIMENTOS EÓLICOS CERVEIRENSES, S.A.	—	—	—	84.99	31.87	PC
EMPREENDIMENTOS EÓLICOS DA ESPIGA, S.A.	—	—	—	100.00	37.50	PC
EMPREENDIMENTOS EÓLICOS DA SERRA DO SICÓ, S.A.	—	—	—	52.38	26.19	PC
EMPREENDIMENTOS EÓLICOS DE ALVADIA, LDA.	—	—	—	48.00	48.00	PC
EMPREENDIMENTOS EÓLICOS DE VIADE, LDA.	—	—	—	80.00	80.00	FC
ENDESA GAS DISTRIBUCIÓN, S.A. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ENDESA GAS TRANSPORTISTA, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ENDESA HELLAS POWER GENERATION AND SUPPLIES, S.A.	—	—	—	50.01	50.01	FC
ENDESA NETWORK FACTORY, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ENEL GREEN POWER ESPAÑA, S.L.	40,00	40,00	MP	100.00	100.00	FC
ENERCAMPO-PRODUÇÃO DE ENERGIA, LDA.	—	—	—	100.00	100.00	FC
ENERCOR-PRODUÇÃO DE ENERGIA, A.C.E.	—	—	—	70.00	35.00	PC
ENERGÉTICA DE ROSSELLÓ, A.I.E.	—	—	—	27.00	27.00	PC
ENERGÉTICA MATARÓ, S.A.	—	—	—	85.00	85.00	FC
ENERGÍAS ALTERNATIVAS DEL SUR, S.L.	—	—	—	50.00	50.00	PC
ENERGÍAS DE ARAGÓN II, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ENERGÍAS DE GRAUS, S.L.	—	—	—	66.67	66.67	FC
ENERGÍAS DE LA MANCHA, S.A.	—	—	—	68.42	68.42	FC
ENERLOUSADO, LDA.	—	—	—	100.00	75.00	FC
ENERNISA-PRODUÇÃO DE ENERGIA, LDA.	—	—	—	100.00	100.00	FC
ENERVIZ-PRODUÇÃO DE ENERGIA DE VIZELA, LDA.	—	—	—	100.00	100.00	FC
EOL VERDE ENERGIA EÓLICA, S.A.	—	—	—	75.00	75.00	FC
EOLCINF-PRODUÇÃO DE ENERGIA EÓLICA, LDA.	—	—	—	51.00	51.00	FC
EOLFLOR-PRODUÇÃO DE ENERGIA EÓLICA, LDA.	—	—	—	51.00	51.00	FC
EÓLICA DE LA CUENCA CENTRAL ASTURIANA, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
EÓLICA DEL NOROESTE, S.L.	—	—	—	51.00	51.00	FC
EÓLICA VALLE DEL EBRO, S.A.	—	—	—	50.50	50.50	FC
EÓLICAS DE AGAETE, S.L.	—	—	—	80.00	80.00	FC
EÓLICAS DE FUENCALIENTE, S.A.	—	—	—	55.00	55.00	FC
EÓLICAS DE LA PATAGONIA, S.A.	—	—	—	50.00	50.00	PC
EÓLICAS DE TENERIFE, A.I.E.	—	—	—	50.00	50.00	PC
EÓLICAS DE TIRAJANA, A.I.E.	—	—	—	60.00	60.00	FC

Endesa Group companies: companies no longer consolidated in 2010 (Continuation)

	% ownership at 31 December 2010			% ownership at 31 December 2009		
Company (in alphabetical order)	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method
EÓLICOS TOURIÑÁN, S.A. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
ERCASA COGENERACIÓN, S.A.	—	—	—	50.00	50.00	PC
ERFEI, A.I.E.	—	—	—	42.00	42.00	PC
EUROHUECO COGENERACIÓN, A.I.E.	—	—	—	30.00	30.00	PC
EXPLOTACIONES EÓLICAS DE ALDEHUELAS, S.L.	—	—	—	47.50	47.50	PC
EXPLOTACIONES EÓLICAS DE ESCUCHA, S.A.	—	—	—	70.00	70.00	FC
EXPLOTACIONES EÓLICAS EL PUERTO, S.A.	—	—	—	73.60	73.60	FC
EXPLOTACIONES EÓLICAS SASO PLANO, S.A.	—	—	—	70.00	70.00	FC
EXPLOTACIONES EÓLICAS SIERRA COSTERA, S.A.	—	—	—	90.00	90.00	FC
EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN, S.A.	—	—	—	90.00	90.00	FC
FÁBRICA DO ARCO-RECURSOS ENERGÉTICOS, S.A.	—	—	—	50.00	50.00	PC
FERMICAISE, S.A. DE C.V.	—	—	—	99.99	99.99	FC
FINERGE-GESTAO DE PROJECTOS ENERGÉTICOS, S.A.	—	—	—	100.00	100.00	FC
FISTERRA EÓLICA, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
FOIVOS ENERGIAKI, S.A.	—	—	—	100.00	45.01	FC
GAS ARAGÓN, S.A.	—	—	—	60.67	60.67	FC
GESA GAS, S.A. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GREEN ENERGY LTD.	—	—	—	80.00	40.01	FC
GRESAISE, S.A. DE C.V.	—	—	—	99.99	99.99	FC
GUADARRANQUE SOLAR 1, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 10, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 11, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 12, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 13, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 14, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 15, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 16, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 17, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 18, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 19, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 2, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 3, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 6, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 7, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 8, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
GUADARRANQUE SOLAR 9, S.L. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
HÍDRICAS DE VISEU, S.A.	—	—	—	100.00	66.50	FC
HIDRORIBEIRA-EMPREENDIMIENTOS HÍDRICOS E EÓLICOS, LDA.	—	—	—	100.00	50.00	PC
HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L.	—	—	—	51.00	51.00	FC
HISPANO-HELLINIKI AIOLIKI TRIKORFA, S.A.	—	—	—	50.00	25.01	PC
HYDRIA ENERGIAKI, S.A.	—	—	—	100.00	45.01	FC
HYDROHOOS ENERGIAKI, S.A.	—	—	—	100.00	45.01	FC
INFRAESTRUCTURAS DE ALDEHUELAS, S.A.	—	—	—	60.82	28.89	PC
INICIATIVAS DE GAS, S.L.	—	—	—	40.00	40.00	PC
INVERSIONES CODENSA, S.A.	—	—	—	99.70	39.72	FC
ITALAISE, S.A. DE C.V.	—	—	—	99.99	99.99	FC

Endesa Group companies: companies no longer consolidated in 2010 (Continuation)

Company (in alphabetical order)	% ownership at 31 December 2010 Control	Ownership	Consolidation method	% ownership at 31 December 2009 Control	Ownership	Consolidation method
JOINT VENTURE FOTOVOLTAIKI-VOULGARAKIS EPE	—	—	—	70.00	35.01	FC
MAKRINOROS, S.A.	—	—	—	50.00	25.01	PC
MATARÓ TRACTAMENT TÉRMIC EFICIENT, S.A. (EN LIQUIDACIÓN)	—	—	—	80.00	68.00	FC
METKA AIOLIKA PLATANOY, S.A.	—	—	—	100.00	40.11	FC
MICASE, S.A. DE C.V.	—	—	—	51.00	51.00	FC
MIKROI HYDROELEKTRIKOI STATHMOI PELOPONNISOU, S.A.	—	—	—	100.00	45.01	FC
MYHS KASTANIOTIKO, S.A.	—	—	—	100.00	47.30	FC
MYHS POUGAKIA, S.A.	—	—	—	100.00	47.56	FC
MYTILHNAIOS AIOLIKH ENERGEIAKH ELLADOS, S.A.	—	—	—	80.00	40.01	FC
MYTILHNAIOS AIOLIKI NEAPOLEOS, S.A.	—	—	—	100.00	40.11	FC
NUBIA 2000, S.L.	20,00	20,00	MP	100.00	100.00	FC
PARAVENTO, S.L.	—	—	—	90.00	90.00	FC
PARQUE EÓLICO A. CAPELADA, A.I.E.	—	—	—	50.00	50.00	PC
PARQUE EÓLICO CARRETERA DE ARINAGA, S.A.	—	—	—	80.00	80.00	FC
PARQUE EÓLICO DE ARAGÓN, A.I.E.	—	—	—	80.00	80.00	FC
PARQUE EÓLICO DE BARBANZA, S.A.	—	—	—	63.43	63.43	FC
PARQUE EÓLICO DE ENIX, S.A.	—	—	—	95.00	95.00	FC
PARQUE EÓLICO DE GEVANCAS, S.A.	—	—	—	100.00	100.00	FC
PARQUE EÓLICO DE SANTA LUCÍA, S.A.	—	—	—	65.67	65.67	FC
PARQUE EÓLICO DO ALTO DA VACA, LDA.	—	—	—	75.00	75.00	FC
PARQUE EÓLICO DO VALE DO ABADE, LDA.	—	—	—	51.00	51.00	FC
PARQUE EÓLICO FINCA DE MOGÁN, S.A.	—	—	—	90.00	90.00	FC
PARQUE EÓLICO MOINHOS DO CÉU, S.A.	—	—	—	100.00	50.00	PC
PARQUE EÓLICO MONTES DE LAS NAVAS, S.A.	—	—	—	55.50	55.50	FC
PARQUE EÓLICO PUNTA DE TENO, S.A.	—	—	—	52.00	52.00	FC
PARQUE EÓLICO SERRA DA CAPUCHA, S.A.	—	—	—	100.00	75.00	FC
PARQUE FOTOVOLTAICO ARICOUTE II, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE III, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE IV, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE IX, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE V, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE VI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE VII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE VIII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE X, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO ARICOUTE XI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO I, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO II, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO III, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO IV, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO IX, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO V, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO VI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO VII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO VIII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO BAJIO X, S.L.	—	—	—	50.00	50.00	PC

Endesa Group companies: companies no longer consolidated in 2010 (Continuation)

Company (in alphabetical order)	% ownership at 31 December 2010		Consolidation method	% ownership at 31 December 2009		Consolidation method
	Control	Ownership		Control	Ownership	
PARQUE FOTOVOLTAICO BAJIO XI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE II, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE III, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE IV, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE IX, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE V, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE VI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE VII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE VIII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE X, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO EL GUANCHE XI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO II, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO III, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO IV, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO IX, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO V, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO VI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO VII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO VIII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO X, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO LLANO DELGADO XI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO II, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO III, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO IV, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO IX, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO V, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO VI, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO VII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO VIII, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO X, S.L.	—	—	—	50.00	50.00	PC
PARQUE FOTOVOLTAICO TABLERO XI, S.L.	—	—	—	50.00	50.00	PC
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A.	—	—	—	50.00	20.00	PC
PLANTA EÓLICA EUROPEA, S.A.	—	—	—	56.12	56.12	FC
PP-CO-GERAÇÃO, S.A.	—	—	—	100.00	50.00	PC
PRINTEREL, S.L. (EN LIQUIDACIÓN)	—	—	—	39.00	39.00	PC
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE I, S.A. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE, S.A.	—	—	—	85.00	85.00	FC
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES II, S.A.	—	—	—	75.00	75.00	FC
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES III, S.A.	—	—	—	75.00	75.00	FC
PROPAISE, S.A. (EN LIQUIDACIÓN)	—	—	—	94.99	94.99	FC
PROYECTOS EÓLICOS VALENCIANOS, S.A. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
SALTO DE SAN RAFAEL, S.L.	—	—	—	50.00	50.00	PC
SEALVE-SOCIEDADE ELÉCTRICA DE ALVAIÁZERE, S.A.	—	—	—	100.00	100.00	FC

Endesa Group companies: companies no longer consolidated in 2010 (Continuation)

Company (in alphabetical order)	% ownership at 31 December 2010 Control	Ownership	Consolidation method	% ownership at 31 December 2009 Control	Ownership	Consolidation method
SISCONER-EXPLORAÇÃO DE SISTEMAS DE CONVERSAO DE ENERGIA, LDA.	—	—	—	55.00	55.00	FC
SOCIEDAD EÓLICA EL PUNTAL, S.L.	—	—	—	50.00	50.00	PC
SOCIEDAD EÓLICA LOS LANCES, S.A.	—	—	—	50.00	50.00	PC
SOTERNIX-PRODUÇÃO DE ENERGIA, A.C.E.	—	—	—	51.00	25.50	PC
SPIDER ENERGEIAKH, S.A.	—	—	—	100.00	50.01	FC
THESSALIKI ENERGIAKI, S.A.	—	—	—	100.00	45.01	FC
TOLEDO PV A.E.I.E.	—	—	—	33.33	33.33	PC
TP-SOCIEDADE TÉRMICA PORTUGUESA, S.A.	—	—	—	50.00	50.00	PC
TRANSPORTISTA REGIONAL DE GAS, S.A.	—	—	—	50.00	50.00	PC
TRIEMA, S.A. (EN LIQUIDACIÓN)	—	—	—	55.00	55.00	FC
UNELCO COGENERACIONES SANITARIAS DEL ARCHIPIÉLAGO, S.A. (SOCIEDAD UNIPERSONAL)	—	—	—	100.00	100.00	FC
VENTOMINHO ENERGIAS RENOVAVEIS, S.A.	—	—	—	84.99	31.87	PC
YHS PEPONIAS, S.A.	—	—	—	62.50	28.13	FC

FC: Full consolidation; PC: Proportionate consolidation; EM: Accounted for using the equity method.

Endesa Group companies: changes in the percentage of ownership in 2010

Company (in alphabetical order)	% ownership at 31 December 2010 Control	Ownership	Consolidation method	% ownership at 31 December 2009 Control	Ownership	Consolidation method
ELECGAS, S.A.	50.00	49.82	PC	50.00	50.00	PC
EMPRESA ELÉCTRICA DE PIURA, S.A.	96.50	84.50	FC	60.00	48.00	FC
ENDESA GENERACIÓN PORTUGAL, S.A.	99.40	99.64	FC	100.00	100.00	FC
GASIFICADORA REGIONAL CANARIA, S.A.	72.00	72.00	FC	65.00	65.00	FC

FC: Full consolidation; PC: Proportionate consolidation.

Associates: companies included for the first time, excluded and changes in 2010

Company (in alphabetical order)	% ownership at 31 December 2010		Consolidation method	% ownership at 31 December 2009		Consolidation method
	Control	Ownership		Control	Ownership	
Companies included						
ENEL GREEN POWER ESPAÑA, S.L.	40.00	40.00	EM	100.00	100.00	FC
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. I	38.00	38.00	EM	—	—	—
NUBIA 2000, S.L.	20.00	20.00	EM	100.00	100.00	FC
Companies excluded						
APLICAÇOES HIDROELECTRICAS DA BEIRA ALTA, LDA.	—	—	—	35.71	35.71	EM
CALIZAS ELYCAR, S.L.	—	—	—	25.00	25.00	EM
CENTRAL HIDRÁULICA GÜEJAR-SIERRA, S.L.	—	—	—	33.30	33.30	EM
CENTRAL HIDROELÉCTRICA CASILLAS, S.A.	—	—	—	49.00	49.00	EM
COGENERACIÓN EL SALTO, S.L.	—	—	—	20.00	20.00	EM
COGENERACIÓN LIPSA, S.L.	—	—	—	20.00	20.00	EM
COMPAÑÍA EÓLICA TIERRAS ALTAS, S.A.	—	—	—	35.63	35.63	EM
CORPORACIÓN EÓLICA DE ZARAGOZA, S.L.	—	—	—	25.00	25.00	EM
ENERGÍA DE LA LOMA, S.A.	—	—	—	40.00	40.00	EM
EÓLICA DEL PRINCIPADO, S.A.	—	—	—	40.00	40.00	EM
EÓLICAS DE FUERTEVENTURA, A.I.E.	—	—	—	40.00	40.00	EM
EÓLICAS DE LANZAROTE, S.L.	—	—	—	40.00	40.00	EM
ERCETESA, S.A.	—	—	—	35.00	35.00	EM
ERECOSALZ, S.L.	—	—	—	33.00	33.00	EM
FENERALT-PRODUÇÃO DE ENERGIA, A.C.E.	—	—	—	25.00	12.50	EM
FTHIOTIKI ENERGIAKI, S.A.	—	—	—	35.00	15.75	EM
GAROFEICA, S.A.	—	—	—	27.00	27.00	EM
GREEN FUEL CORPORACION, S.A.	8.83	8.83	—	25.34	25.34	EM
HIDROELÉCTRICA DE OUROL, S.L.	—	—	—	30.00	30.00	EM
HIDROELÉCTRICA DEL PIEDRA, S.L.	—	—	—	25.00	25.00	EM
IONIA ENERGIAKI, S.A.	—	—	—	49.00	24.50	EM
MINICENTRALES DEL CANAL IMPERIAL-GALLUR, S.L.	—	—	—	36.50	36.50	EM
MYHS THERMOREMA, S.A.	—	—	—	40.00	20.00	EM
OXAGESA, A.I.E.	—	—	—	33.33	33.33	EM
PARC EOLIC ELS ALIGARS, S.L.	—	—	—	30.00	30.00	EM
PARC EOLIC LA TOSSA-LA MOLA D’EN PASCUAL, S.L.	—	—	—	30.00	30.00	EM
PARQUE EÓLICO SIERRA DEL MADERO, S.A.	—	—	—	48.00	48.00	EM
POWERCER-SOCIEDADE DE COGERAÇÃO DE VIALONGA, S.A.	—	—	—	30.00	30.00	EM
PRODUCTORA DE ENERGÍAS, S.A.	—	—	—	30.00	30.00	EM
PUIGNEREL, A.I.E.	—	—	—	25.00	25.00	EM
REGASIFICADORA DEL NOROESTE, S.A.	—	—	—	21.00	21.00	EM
ROFEICA D’ENERGÍA, S.A.	—	—	—	27.00	27.00	EM
SANTO ROSTRO COGENERACIÓN, S.A. (EN LIQUIDACIÓN)	—	—	—	45.00	45.00	EM
SATI COGENERACIÓN, A.I.E.	—	—	—	27.50	27.50	EM
SERRA DO MONCOSO CAMBAS, S.L.	—	—	—	49.04	49.04	EM
SISTEMAS ENERGÉTICOS LA MUELA, S.A.	—	—	—	30.00	30.00	EM
SISTEMAS ENERGÉTICOS MÁS GARULLO, S.A.	—	—	—	27.00	27.00	EM
SOCIEDAD EÓLICA DE ANDALUCÍA, S.A.	—	—	—	46.67	46.67	EM
TERMOTEC ENERGÍA, A.I.E.	—	—	—	45.00	45.00	EM
TIRME, S.A.	—	—	—	40.00	40.00	EM
URGELL ENERGÍA, S.A.	—	—	—	27.00	27.00	EM
YEDESA-COGENERACIÓN, S.A.	—	—	—	40.00	40.00	EM
Changes						
—	—	—	—	—	—	—

Directors' Report for 2010

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

1. Analysis of 2010

1.1. Consolidated profits

Endesa earned a net profit of Euros 4,129 million in 2010 (+20.4%).

Endesa earned a net profit of Euros 4,129 million in 2010, Euros 699 million higher (+20.4%) than in 2009. This net profit includes Euros 1,975 million of gains from asset sales in 2010, compared with Euros 1,254 million from asset sales in 2009.

The distribution of this profit between the different businesses and changes compared to 2009 are presented below:

Endesa's net profit for 2010

	Millions of Euros	% increase/ (decrease) 2009	% contribution to total net profit
Spain and Portugal and Other	3,498	26.8	84.7
Latin America	631	(6.0)	15.3
Total	**4,129**	**20.4**	**100.0**

Electricity production and sales

Endesa's total electricity generation was 130,485 GWh in 2010, 4.8% lower than in 2009. A total of 175,217 GWh of electricity was sold, down 3.1%.

Electricity production and sales in 2010

	Production		Sales	
	GWh	% increase/ (decrease) 2009	GWh	% increase/ (decrease) 2009
Spain and Portugal and Other	68,069	(8.4)	107,942	1.6
Latin America	62,416	(0.6)	67,275	5.5
Total	**130,485**	**(4.8)**	**175,217**	**3.1**

Growth in gross operating profit (+3.4%), despite the drop in production

Despite the drop in electricity generation, the increase in the energy sold and margins pushed the gross operating profit (hereinafter EBITDA) up to Euros 7,474 million, 3.4% higher than in 2009.

This growth in EBITDA was the result of rises of 20.3% in income, up to Euros 31,177 million, 34.4% in variable costs and 0.6% in fixed costs. Operating profit (hereinafter EBIT) totalled Euros 5,031 million, a reduction by 0.4% compared to 2009.

Revenue, EBITDA and EBIT by businesses and compared to the prior year are detailed below:

	Revenue		EBITDA		EBIT	
	Millions of Euros	% increase/ (decrease) 2009	Millions of Euros	% increase/ (decrease) 2009	Millions of Euros	% increase/ (decrease) 2009
Spain and Portugal and Other	21,191	21.3	4,079	0.5	2,483	(2.8)
Latin America	9,986	18.2	3,395	7.2	2,548	2.0
Total	**31,177**	**20.3**	**7,474**	**3.4**	**5,031**	**(0.4)**

The financial loss was Euros 883 million, 13.3% lower than in 2009.

The financial loss for 2010 totalled Euros 883 million, Euros 135 million lower than in 2009. The net finance expense was Euros 895 million i.e. 9.0% lower than the preceding year, whereas net exchange gains were Euros 12 million compared to net exchange losses of Euros 34 million in 2009.

Operating cash flows: Euros 5,905 million

Operating cash flows totalled Euros 5,905 million in 2010, 18.9% higher than in 2009.

Eliminating the effects of changes in working capital, which were more volatile over the two years, these cash flows would total Euros 5,828 million with growth of 21% compared to 2009, comprising Euros 3,217 million in Spain and Portugal and Other countries (+35.5%) and Euros 2,611 million in Latin America (+7.0%).

Investment: Euros 3,408 million

Endesa invested a total of Euros 3,408 million in 2010. Of that figure, Euros 3,021 million were capital expenditure and Euros 387 million invested in financial assets.

Investments

	Millions of Euros			
	Capital expenditure	Financial assets	Total	% increase/ (decrease) 2009
Spain and Portugal and Other	1,980	231	2,211	(25.6)
Latin America	1,041	156	1,197	(0.9)
Total	**3,021**	**387**	**3,408**	**(18.5)**

Financial position

Endesa's net debt was Euros 15,336 million at 31 December 2010, Euros 3,226 million lower than at 31 December 2009.

Endesa's net financial debt by businesses (*)

	Millions of Euros			% increase/ (decrease)
	31 December 2010	31 December 2009	Difference	
Business in Spain and Portugal and Other	**10,684**	**13,865**	**(3,181)**	**(22.9)**
Business in Latin America:	**4,652**	**4,697**	**(45)**	**(1.0)**
Enersis Group	4,188	4,209	(21)	(0.5)
Other	464	488	(24)	(4.9)
Total	**15,336**	**18,562**	**(3,226)**	**(17.4)**

(*) Net Financial Debt = Non-current Borrowings + Current Borrowings – Cash and Cash Equivalents – Derivatives recognised as assets.

The average cost of Endesa's debt was 4.5% in 2010 and that of Enersis Group debt was 8.3%. Excluding that group's debt, the average cost of Endesa's debt would be 2.9% in 2010.

When analysing Endesa's debt, its accumulated balance receivable of Euros 9,186 million at 31 December 2010 as a result of Spanish electricity regulations has to be considered: Euros 6,340 million for funding of the shortfall in revenue from regulated activities and Euros 2,846 million for compensation of stranded costs in non-mainland generation. Excluding the amounts recognised for these receivables, Endesa's net debt is Euros 6,150 million at the end of December 2010.

On 7 July 2010 Endesa notified the securitisation fund for the deficit in the Spanish electricity system of its irrevocable commitment to transfer all its collection rights for financing of the deficit in the electricity system and compensation for stranded costs in non-mainland generation from 2001 to 2008. Pursuant to Royal Decree 437/2010 of 9 April 2010, these collection rights have to be securitised within a maximum period of one year from the aforementioned communication, provided that there are no exceptional events in the markets. Such events would be subject to a ruling by the Interministerial Commission. After one year has elapsed after the notification, the initial holders are able to waive the commitment to transfer collection rights that have not been securitised by the Fund.

On 13 January 2011 the final terms of the first issue of the securitisation fund for the deficit in the Spanish electricity system were filed at the Spanish National Securities Market Commission (hereinafter CNMV). Euros 1,996 million were issued, of which Endesa's share was Euros 1,041 million, received on 25 January 2011.

On 15 February 2011 a second issue of Euros 1,994 million was made by the fund, of which Endesa's share was Euros 1,039 million which will be received on 24 February 2011.

Structure of Endesa's net financial debt

Millions of Euros

	Endesa and direct subsidiaries		Enersis Group		Total Endesa Group	
	Millions of Euros	% of total	Millions of Euros	% of total	Millions of Euros	% of total
Euro	11,083	99	—	—	11,083	72
US Dollar	57	1	1,567	37	1,624	11
Other currencies	8	—	2,621	63	2,629	17
TOTAL	**11,148**	**100**	**4,188**	**100**	**15,336**	**100**
Fixed	4,962	45	2,555	61	7,517	49
Protected	1,574	14	—	—	1,574	10
Floating	4,612	41	1,633	39	6,245	41
TOTAL	**11,148**	**100**	**4,188**	**100**	**15,336**	**100**
Average life (no. years)	3.5		5.5		4.2	

Endesa's liquidity in Spain was Euros 6,467 million at the close of 2010 and covers the debt maturities for all the companies in the Group for the next 15 months. Of this amount, Euros 6,176 million was freely available from credit facilities. At the same date, the Enersis Group had available cash of Euros 1,537 million and a further Euros 578 million freely available through lines of credit, which covers its debt maturities for 23 months.

At the date of writing this consolidated directors' report, Endesa had an A3 credit rating from Moody's and an A- rating from Standard & Poor's, both in negative review and an A rating from Fitch, with a stable outlook.

Equity: Euros 23,164 million

Endesa had equity of Euros 23,164 million at 31 December 2010, Euros 4,204 million higher than at 31 December 2009. Of that total, Euros 17,776 million corresponds to Endesa, S.A. shareholders and Euros 5,388 million to non-controlling interests in Group companies.

The equity corresponding to Endesa, S.A. shareholders was Euros 3,549 million higher than at 31 December 2009. This rise in equity is essentially due to the following factors:

- The profit for the year.
- Euros 661 million of exchange gains in 2010 from conversion of the net assets of Group companies in Latin America into Euros, following the revaluation of local currencies against the Euro.
- The supplementary dividend of Euros 559 million for 2009 approved by the shareholders at their AGM on 21 June 2010 and paid on 1 July 2010.
- The interim dividend of Euros 529 million for 2010 approved by the board of directors on 20 December 2010 and paid on 3 January 2011.

Gearing ratio

The Group's equity and net financial debt have increased the gearing ratio to 66.2% at 31 December 2010, compared to 97.9% recognised at 31 December 2009.

Assets held for sale

At 31 December 2010 Endesa's consolidated balance sheet included certain assets classified as held for sale, as a programme of asset sales had been initiated and is expected to be completed in less than a year.

The main assets held for sale are:

- The assets held in groups headed by the Chilean companies Compañía Americana de Multiservicios Ltda. (hereinafter CAM) and Synapsis Soluciones y Servicios IT Ltda. (hereinafter Synapsis). On 20 December 2010 the directors of Enersis accepted the bid of USD 20 million for CAM from Graña y Montero S.A.A. On the same date, the directors of Enersis accepted the bid of USD 52 million made by Riverwood Capital L.P. for Synapsis. Both transactions are expected to be completed in the first few months of 2011.
- At the end of 2010 Endesa moved to sell its 100% interest in Endesa Ireland Ltd. (hereinafter Endesa Ireland), which has therefore been considered as an asset held for sale in the consolidated balance sheet at 31 December 2010.

1.2. Results by business

1.2.1. Business in Spain and Portugal and Other

Net profit of the business in Spain and Portugal and Other: Euros 3,498 million.

The net profit of the business in Spain and Portugal and Other countries was Euros 3,498 million in 2010, Euros 739 million higher than in 2009, contributing 84.7% of the Company's total net profit. The profit includes gains of Euros 1,968 million from asset sales in 2010 compared to Euros 1,078 million from asset sales in 2009.

The gross operating profit was Euros 4,079 million, 0.5% higher than in 2009, and the operating profit was Euros 2,483 million, down 2.8%.

The growth in EBITDA, despite the sale of renewable assets to ENEL Green Power, S.p.A. (hereinafter EGP) in 2010 and the Acciona Group in 2009, and lower generation, is due to the higher volume of electricity sold to customers and the improved mix in production, with more use of hydroelectric and nuclear power and less thermal.

Key factors in the period

After the slump in 2009, electricity demand recovered in 2010 with growth of 3.28% compared to the preceding year (2.93% adjusted for the effects of working patterns and temperatures). Wholesale electricity prices remained low in 2010, although 2.7% higher than 2009.

In 2010 Endesa had a 28.2% market share in total ordinary regime generation, 42.8% in distribution and 40.1% in sales to customers in the deregulated market.

Increases in access charges from 1 January 2010 were also set in December 2009, involving an average rise of 14.5%. In December 2009 the Resolution was also published establishing the applicable ordinary regime last resort tariff (hereinafter LRT) for 2010, which involved an average increase of 2.6% in the LRT without time restrictions. An extension was also authorised for customers not entitled to the LRT and without a supply contract to continue to be supplied by last resort suppliers until 31 December 2010.

In June 2010 the access charges from 1 July 2010 were reviewed and kept the same as from 1 January 2010, except those for customers entitled to last resort supply, which were cut to compensate for the higher energy cost included in the LRT, which consequently remained unchanged. Specifically, access charges for customers entitled to the LRT without time restrictions were reduced by 3%.

The Resolution of 29 September 2010 from the Spanish Department of Energy Policy and Mines established the applicable electricity production cost and last resort tariffs for the fourth quarter of 2010. The last resort tariffs were increased on average by 4.8% due to the hike in the energy cost following the CESUR auction on 21 September 2010. Access charges were kept unchanged from those applied in the third quarter.

The access charges collected in 2010 were insufficient to cover the system costs for that period, generating an estimated shortfall of Euros 4,736 million in the revenue from regulated activities for the entire industry in 2010. Of that amount, 44.16% is to be financed by Endesa.

Royal Decree Law 14/2010 of 23 December 2010 contained a series of measures aimed at cutting the tariff deficit, maintaining the 2013 cut-off date for any new shortfalls as foreseen in Royal Decree Law 6/2009 of 30 April 2009. The new legislation adapts the deficit-slashing measures by amending the caps on the annual deficit to Euros 5,500 million, Euros 3,000 million and Euros 1,500 million for 2010, 2011 and 2012, respectively, whilst also raising the amounts guaranteed by the Spanish government for securitisation of the deficit.

The deficit-cutting measures contained in the above-mentioned Royal Decree Law 14/2010 of 23 December 2010 included: the requirement for producers to pay grid access charges, based on the existing framework in the European Union; limits on the operating times of photovoltaic plants entitled to feed-in tariffs in 2011-2013; extension of the transitional period for financing the social tariff to include 2013; and payments by generators into the electricity system to fund the 2008-2012 Action Plan (Energy Efficiency and Savings Plans) and the approved Plan for 2013.

Ministry of Industry, Tourism and Trade Order ITC/3353/2010 of 28 December 2010 maintained access charges from 1 January 2011, having increased the payments per capacity from consumers. The Order set the final amounts to be received by distributors for 2009 and 2010 and proposed provisional remuneration for 2011, thereby applying the methodology foreseen in Royal Decree 222/2008 of 15 February 2008 and giving electricity distribution in Spain the stable regulatory framework necessary for its development.

The Resolution of 28 December 2010, establishing last resort tariffs applicable in the first half of 2011, increased the last resort tariff by an average of 9.8%.

Royal Decree 134/2010, published on 12 February 2010, established a mechanism to guarantee indigenous coal production, for reasons of supply security, by giving preference to the power from these stations. Plants forced to cut their production because of this mechanism are selected in decreasing order of CO_2 emissions. Following its initial publication and approval from the European Commission, as part of the open communication process, a new Royal Decree 1221/2010 was published on 1 October 2010 amending the aforementioned Royal Decree 134/2010 of 12 February 2010. The biggest changes introduced by the new law are the end to compensation for loss of profit and consequential damages for owners of plants forced to reduce production and the remuneration programme for indigenous coal plants. This remuneration is now based on audited costs, deducted by a percentage of the allowances provided under the National Allocation Plans in 2011 and 2012.

Revenue: Euros 21,191 million (+21.3%)

Revenue from the business in Spain and Portugal and Other totalled Euros 21,191 million in 2010, an increase of 21.3%. Of this total, Euros 20,186 million were sales, which grew by 22.8% compared to 2009 essentially those made by the last resort supplier (hereinafter LRS) as explained below.

Sales from the business in Spain and Portugal and Other

	Millions of Euros			% increase/ (decrease)
	2010	2009	Difference	
Electricity sales	**16,098**	**12,560**	**3,538**	**28.2**
Sales deregulated market	6,690	5,374	1,316	24.5
LRS sales	5,242	2,824	2,418	85.6
Sales through auctions	—	87	(87)	Na
Sales wholesale market	660	862	(202)	(23.4)
Reduction under RDL 11/2007	—	(110)	110	Na
Sales under special regime	29	276	(247)	(89.5)
Sales to deregulated market customers outside Spain	399	278	121	43.5
Non-mainland compensation	1,737	1,393	344	24.7
Electricity trading	1,136	1,312	(176)	(13.4)
Other sales	205	264	(59)	(22.3)
Regulated revenue from electricity distribution	**2,385**	**2,158**	**227**	**10.5**
Regulated revenue from gas distribution	**60**	**60**	**—**	**—**
Gas sales	**1,277**	**975**	**302**	**31.0**
Other sales and services	**366**	**682**	**(316)**	**(46.3)**
Total	**20,186**	**16,435**	**3,751**	**22.8**

Electricity sales

Endesa's electricity production in Spain and Portugal and Other was 68,069 GWh in 2010, 8.4% lower than in 2009. Of this total, 66,299 GWh were generated in Spain (-6.7%), 750 GWh in Portugal (-53.5%) and 1,020 GWh in the rest of the segment (-35.4%).

Mainland electricity production totalled 52,042 GWh, 8.1% lower than in 2009. Of that total, 51,583 GWh was produced under the ordinary regime in Spain, a reduction of 4.5%.

Endesa generated 459 GWh under the special regime on the mainland, down 82.5% following the sale of renewable energy assets to the Acciona Group in June 2009 and to EGP in March 2010.

Nuclear and hydroelectric power represented 71.4% of the mix of Endesa's mainland generation under the ordinary regime, compared to 46.4% in the rest of the sector.

Endesa's production in non-mainland systems totalled 14,257 GWh, a decrease of 1.6% compared to 2009.

Despite the 8.4% drop in electricity production in 2010, electricity sales revenue grew by 28.2% following higher sales to deregulated market customers (+24.5% in Spain) and above all, the effect of the regulatory change applied from 1 July 2009 when the last resort supply took effect.

Sales to customers in the deregulated market

Endesa had 1,938,142 customers in the deregulated market at the close of 2010: 1,709,782 in the Spanish mainland market, 192,149 in the non-mainland market and 36,211 in European deregulated markets outside Spain.

Endesa sold a total of 70,953 GWh to these customers in 2010, an increase of 16.7%.

Sales in the Spanish deregulated market totalled Euros 6,690 million, 24.5% higher than in 2009. Revenue of Euros 399 million was made from sales to customers in European deregulated markets outside Spain, 43.5% higher than in 2009.

Sales to last resort suppliers

The regulated integral tariff that had been applied by distributors to consumers who had not signed supply contracts with a supplier disappeared on 1 July 2009. Under the former system, the energy supply was a pass-through cost for the distributor.

After 1 July, the supply of electricity to customers who had not signed a supply agreement with a supplier was assumed by the last resort suppliers (LRS), which supply the electricity to their customers at the last resort tariff (LRT) determined periodically by the government. The former pass-through cost disappeared.

The accounting effect of this regulatory change was recognition of all amounts billed to customers, including the cost of energy purchases, in the consolidated income statement. Previously, billings to integral tariff customers were not recorded in the consolidated income statement.

Endesa sold 35,941 GWh to last resort suppliers in 2010, representing revenue of Euros 5,242 million.

Electricity distribution

Endesa distributed 117,670 GWh in the Spanish market in 2010, representing a rise of 2.1%.

Regulated distribution revenue stood at Euros 2,385 million, 10.5% higher than in 2009. This amount reflects the revised distribution remuneration from 2009 pursuant to Ministry of Industry, Tourism and Trade Order ITC/3353/2010 of 28 December 2010.

The revised remuneration for 2009 involved a Euros 97 million increase in recognised costs, which was included in 2010.

Gas sales and distribution

Endesa's subsidiaries sold a total of 52,005 GWh in the Spanish natural gas market in 2010, an increase of 10.6%. Of this total, 51,875 GWh were sold to deregulated market customers, a rise of 11.8%, and 130 GWh to customers in the regulated market, 79.7% lower than in 2009.

Revenue from gas sales in the deregulated market totalled Euros 1,277 million in 2009, an increase of 31.0%.

Electricity production in the rest of the segment

Sales of electricity generated in the rest of the segment totalled Euros 205 million, 22.3% lower than in 2009. This amount comprises Euros 120 million in Ireland (-17,8%), Euros 63 million in Portugal (-30.8%), Euros 6 million in Greece (-50%) and Euros 16 million in Morocco (-4%).

Operating costs

Operating costs of the business in Spain and Portugal and Other countries in 2010 were distributed as follows:

Operating costs of the business in Spain and Portugal and Other

	Millions of Euros			% increase/ (decrease
	2010	2009	Difference	
Procurements and services	**14,380**	**10,492**	**3,888**	**37.1**
Power purchased	5,125	3,931	1,194	30.4
Cost of fuel consumed	1,929	1,961	(32)	(1.6)
Power transmission expenses	5,517	3,243	2,274	70.1
Other procurements and services	1,809	1,357	452	33.3
Personnel	**1,279**	**1,497**	**(218)**	**(14.6)**
Other operating expenses	**1,652**	**1,571**	**81**	**5.2**
Amortisation, depreciation and impairment losses	**1,596**	**1,505**	**91**	**6.1**
TOTAL	**18,907**	**15,065**	**3,842**	**25.5**

Procurements and services

Euros 5,125 million of energy purchases were made in 2010, 30.4% higher than in 2009. This rise is essentially due to recognition in 2010 of electricity purchased for supply to LRS customers in excess of that generated by the Group. Until 30 June 2009 the purchases made to supply regulated customers were not recognised in consolidated profit and loss as these were pass-through costs.

Fuel consumption cost Euros 1,929 million in 2010, down 1.6%, due to lower thermal production that year.

Power transmission expenses amounted to Euros 5,517 million, Euros 2,274 million higher than those in 2009. This rise is essentially due to recognition of the cost of access charges paid by the LRS and increase in charges paid for selling electricity to deregulated customers, following considerable increases in the volume of sales to these customers and in the charges.

Personnel expenses and other operating expenses (fixed costs)

Fixed costs totalled Euros 2,931 million in 2010, Euros 137 million lower (-4.5%) than in 2009. This is the net result of a Euros 218 million decrease in personnel expenses, at Euros 1,279 million, and Euros 81 million rise in other operating expenses, which stood at Euros 1,652 million.

Provisions of Euros 132 million in 2010 and Euros 319 million in 2009 were recognised as personnel expenses because certain employees included in the ongoing workforce restructuring plan, approved in 2000, left the Company earlier.

At 31 December 2010 Endesa had made a provision of Euros 233 million for the contributions that Endesa Generación, S.A. (Sociedad Unipersonal) (hereinafter Endesa Generación) is required to make in 2011 – 2013 to the Energy Efficiency and Savings Plan Fund approved by the government, pursuant to Royal Decree Law 14/2010 of 23 December 2010.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses totalled Euros 1,596 million in 2010, Euros 91 million higher than in 2009. Amortisation and depreciation charges include Euros 115 million for the lower value of the Group's assets in Ireland.

Financial loss: Euros 460 million (-15.9%).

The financial loss for 2010 was Euros 460 million, Euros 87 million lower than in 2009. Of this reduction, Euros 70 million were the decrease in the net finance expense and Euros 17 million were because the Company made a net exchange loss of Euros 12 million in 2009 and a net exchange gain of Euros 5 million in 2010.

Finance expenses for 2010 include a Euros 77 million adjustment to finance income recognised in preceding years for interest on the electricity system deficit accrued between the date of contribution and the start of the year after it was generated, pursuant to Royal Decree Law 6/2010 of 9 April 2010.

Cuts in long-term interest rates in 2010 and 2009 led the Company to make higher provisions, by Euros 45 million and Euros 260 million, respectively, to meet workforce restructuring obligations. These amounts were recognised in net finance expenses in the consolidated income statement.

Net financial debt of the business in Spain and Portugal and Other countries totalled Euros 10,684 million at 31 December 2010, compared to the Euros 13,865 million at the close of 2009. Of this total, Euros 9,186 million are financing regulatory assets, comprising Euros 6,340 million for the shortfall in revenue from regulated activities and Euros 2,846 million of compensation for stranded costs in non-mainland production.

Operating cash flows: Euros 3,532 million

Operating cash flows of Euros 3,532 million were generated in Spain and Portugal and Other countries in 2010 (+48.0%). Eliminating the effects of changes in working capital, which were more volatile over the two years, these cash flows would total Euros 3,217 million with growth of 35.5% compared to 2009.

Investment: Euros 2,211 million

Euros 2,211 million were invested in the business in Spain and Portugal and Other countries in 2010, detailed as follows:

Total business investment in Spain and Portugal and Other

	Millions of Euros		
	2010	2009	% increase/(decrease)
Property, plant and equipment	1,841	2,255	(18.4)
Intangible assets	139	148	(6.1)
Financial assets	231	569	(59.4)
Total	**2,211**	**2,972**	**(25.6)**

Investment in property, plant and equipment in Spain and Portugal and Other

	Millions of Euros		
	2010	2009	% increase/(decrease)
Generation	939	1,041	(9.8)
Distribution	866	1,172	(26.1)
Other	36	42	(14.3)
Total	**1,841**	**2,255**	**(18.4)**

Property, plant and equipment investments in the electricity generation business include construction of the Besós 5, Elecgas, S.A., Ca's Tresorer 2 and Granadilla 2 combined cycle plants, installations of gas turbines in Ibiza and Ceuta and diesel generators in Ceuta, Lanzarote, La Gomera and El Hierro.

The investments in distribution relate to network extensions and expenditure aimed at optimising the network for greater efficiency and quality of service. Investment was also made in the mass installation of remote smart meters and related operating systems.

1.2.2. Business in Latin America

Net profit of the business in Latin America: Euros 631 million.

Endesa's Latin America business made a net profit of Euros 631 million in 2010, down 6.0% compared to 2009. Net gains of Euros 176 million on asset sales were recognised in 2009 compared to net gains of just Euros 7 million on asset sales in 2010. Excluding gains from asset sales, the net profit of the business in Latin America would have risen 26.1%.

Gross operating profit totalled Euros 3,395 million, a 7.2% increase compared with 2009. Operating profit totalled Euros 2,548 million, 2.0% higher than in 2009.

Key developments in the period

The countries where Endesa companies operate saw growth in their economies in 2010. Energy demand also grew in Latin America in 2010, with notable rises of 8.5% in Peru and 7.1% in Brazil with smaller increases in Argentina (+5.9%), Chile (+3.5%) and Colombia (+2.6%).

Endesa's distribution companies in Latin America sold 67,275 GWh, an increase of 5.5% compared to 2009 and with rises recorded in all countries: Brazil (+8.8%), Peru (+7.2%), Argentina (+4.6%), Chile (+4.1%) and Colombia (+2.9%).

Extraordinary events in 2010 caused Endesa's electricity generation to fall by 0.6% to 62,416 GWh. Production dropped in Colombia (-11.0%), as a result of the drought brought on by "El Niño" in the first half of the year, and also in Chile (-6.0%), hit by the earthquake on 27 February 2010 and the drought in the second half of the year. In contrast, generation grew in Brazil (+53.5%), mainly due to a greater availability of gas and improved hydroelectric power.

Electricity sales and production from the Latin American business

	Production (GWh)		Distribution (GWh)	
	2010	% increase/ (decrease) on 2009	2010	% increase/ (decrease) on 2009
Chile	20,914	(6.0)	13,098	4.1
Argentina	15,991	1.2	16,759	4.6
Peru	9,133	4.6	6,126	7.2
Colombia	11,283	(11.0)	12,515	2.9
Brazil	5,095	53.5	18,777	8.8
Total	**62,416**	**(0.6)**	**67,275**	**5.5**

Unit margins evolution

The generation activity unit margin has risen by 6.1% up to €30.9 €/MWh. The significant increase in generation margins from Colombia (+35.8%), Brazil (+15.4%), Argentina (+15.7%) and Peru (+11.0%), measured in Euros, has offset the drop in unit margin from Chile (–7.5%).

The distribution activity unit margin in 2010 was €33.7 €/MWh, an increase of 9.0% compared to 2009 mainly because of the improvements in unit margins in Colombia (+15.9%), Brazil (+8.8%), Peru (+5.8%) and Chile (+4.2%), partly offset by the drop in margin in Argentina (–0.8%).

Development of new capacity

In 2010 work continued on construction of the 370MW Bocamina II (Chile) coal plant, expected to start operating in the second half of 2011.

The Quintero regasification terminal in Chile, in which Endesa has an interest of 20%, was completed in August 2010. When the trial operation finished, the plant was declared commercially operational on 1 January 2011, thus completing the fast track period that started in September 2009.

Construction began in 2010 of the El Quimbo hydroelectric power station in Colombia, with an installed capacity of 400MW. A bill of law for twenty years of exemption from tax reforms, and for 30% of investment to be deductible from the income tax of Emgesa, S.A. E.S.P. (hereinafter Emgesa), was signed by the Ministry of Mines and Energy in December 2010. The "Manufacture, supply and equipment assembly" tender was awarded in the same month, setting the works in motion.

In November 2010 Empresa Eléctrica de Piura, S.A. (hereinafter EEPSA) won the "Electricity Cold Reserve" tender, awarded by the Peruvian Ministry of Energy and Mines, for installation of the 200MW Talara thermal power plant, with an estimated investment of USD 105 million. Construction is expected to start once the environmental impact study is approved. The dual core (natural gas and diesel) open cycle plan will provide additional power to the Central Interconnected System and is expected to start up in the first half of 2013.

Regulatory changes

Chile

In March 2010 the base price was reduced (-6.8%) due to the clause under which it is indexed to the US Dollar, set at a lower rate of 86.8 USD/MWh compared to the previous rate in November 2009 (93.2 USD/MWh).

The base price applicable from May to October 2010 was set at 94.9 USD/MWh, representing an increase of 1.8% compared to the rate in November 2009 (93.2 USD/MWh) and a rise of 9.3% compared to that based on the latest price index in March 2010 (86.8 USD/MWh).

In November 2010 Chile's National Energy Commission published the definitive base price report for the period from November 2010 to April 2011. The monomic price was set at 112.52 USD/MWh, which was a rise of 8.3% compared to the previous price.

Brazil

In 2010 the ordinary tariff for the period from March 2010 – March 2011 was reviewed for the company Ampla Energia e Serviços, S.A. (hereinafter Ampla). Following this tariff review, which took effect from 15 March 2010, the adjustment for Plot B (ADV) was +1.3%.

On 19 April 2010 the Brazilian Electricity Regulatory Agency (ANEEL) announced the tariff adjustment for Companhia Energetica do Ceará, S.A. (hereinafter Coelce), applicable from 22 April, adjusting the tariff for the customer by 3.95% with an increase for Plot B (ADV) of 2.98%.

The publication of Law 12111 in December 2009 made it possible for international interconnections to have equal status to the National Interconnected System in Brazil and, consequently, to earn regulated fixed remuneration. On 15 December 2010 ANEEL approved the annual definitive tariff (Permitted Annual Revenue, hereinafter RAP) for Compañía de Interconexión Energética, S.A. (hereinafter Cien) of Brazilian Reales 239.5 million. ANEEL maintained the current authorisation periods for Cien (until 2021) with the possibility of future extensions from the Brazilian Ministry of Mines and Energy. At the end of that period, the facilities will revert to government ownership according to the terms of article 36 of Law 8987 (Administrative Concessions Act), which establishes compensation for the residual value (also applicable in distributors' concession contracts).

In this same parity process, on 28 December 2010 the Brazilian Ministry of Mines and Energy published a preliminary order (PRT 1004/2010) stating that companies wanting their interconnection lines to have equal status would need to demonstrate this intention. The tariff is expected to take effect in 2011.

On 5 October 2010 Decree 7324 was passed extending the National Programme for Universal Electricity Access and Use (Electricity For All) until 31 December 2011.

Finally, in development of Law 12187/2009 of 10 December 2010, Decree 7390 was published in the Diario Oficial de la Unión, setting out the National Energy Policy to combat Climate Change (hereinafter the PNMC). The text establishes specific industry-wide targets for cuts in greenhouse gas emissions by 2020.

Peru

New bar prices have been in effect in Peru since 1 May 2010, at an average monomic value of 40 USD/MWh with no access charge, representing a reduction of 5% compared to the previous price.

On 29 April 2010 Emergency Decree 032-2010 was published establishing measures to boost investment and encourage lending for electricity projects. This emergency decree established in general terms a rural electricity connection process based on the universalisation and "Electricity for All" programmes in Brazil.

Finally new measures were passed in 2010 for capacity remuneration and for cold reserve bids (Supreme Decree 001/2010), for which the tender was extended.

On 5 August the Peruvian Ministry of Energy and Mines passed Supreme Decree 046-2010-EM containing regulations for the secondary gas market. This new standard would enable natural gas users to exchange transmission capacity and product. An online auction mechanism is also planned.

Emergency Decree 079-2010 of 16 December 2010 extended to 31 December 2013, Emergency Decree 049-2008, which set a single idealised marginal cost considering that the current restrictions on the electricity and gas system do not exist.

On 4 October 2010 the Peruvian regulator OSINERGMIN finally decided to reconsider the ADV of Empresa de Distribución Eléctrica de Lima Norte, S.A.A. (hereinafter Edelnor), closed at +0.1% (previously it was -0.1%).

Colombia

In the first half of 2010 the Colombian regulating body CREG issued various temporary measures to reduce the effects of the drought brought on by the "El Niño" phenomenon on the wholesale electricity market in that country. Most of these measures were reversed during the year when "El Niño" was officially declared over that year.

The Colombian Ministry of Mines and Energy issued Decree 2730-2010 on the gas sector, which was amended in various respects by Decree 2807-2010. This new natural gas regulation addresses aspects such as supply, transmission, reliability and continuity of service, international exchanges and commercial and operational coordination.

Argentina

On 25 November 2010 the private generating companies in Argentina signed an agreement with the Energy Department to set out the rules for the wholesale generation market and the remuneration of generators applicable in 2010-2011. This temporary agreement essentially established the following: the capacity price increased by 6.9 and 8.0 USD/MW-hrp for gas and steam turbines, respectively; remuneration for operation and maintenance of thermal power plants increased by 3.6 USD/MWh; 100% of the debt in the system is recognised; the cap for thermal plants will be revised every six months or where gas prices rise by more than 10%; a new 800MW gas thermal project is planned, called the "Central Térmica Vuelta de Obligado".

On 30 November 2010 the Argentine government instructed the electricity system operator CAMMESA to sign a wholesale electricity market guaranteed supply contract with ENDESA Costanera, S.A. (hereinafter Endesa Costanera) as part of the steam turbine units agreement. This contract was signed on 12 December 2010 and enabled the necessary investments to be made for the Costanera thermal plant to operate correctly.

Supply was interrupted in Buenos Aires from 22 to 31 December 2010 due to the higher temperatures and significant increase in demand. Following these cuts, on 4 January 2011 Resolutions 525 and 551 of 2010 were issued by the Argentine electricity regulator (hereinafter ENRE).

With the first Resolution, the ENRE ordered Empresa Distribuidora Sur, S.A. (hereinafter Edesur) to adhere to the 2010 investment programme and submit an "Operating Adjustment Programme" to rectify the shortcomings in its service. With the second Resolution, the ENRE blocked distribution of dividends from 2009. Without prejudice to compliance with the previous Resolutions, Edesur has filed administrative appeals against both. On the same date the ENRE ordered audits of the three national distribution companies (Edesur, Edelap and Edenor) to verify their compliance with requirements.

Gross operating profit: Euros 3,395 million (+7.2%)

Endesa's Latin American business had EBITDA of Euros 3,395 million in 2010, an increase of 7.2%. Operating profit (EBIT) totalled Euros 2,548 million, 2.0% higher than in 2009.

EBITDA and EBIT from the Latin American business

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2010	2009	% increase/ (decrease)	2010	2009	% increase/ (decrease)
Generation and transmission	1,979	1,932	2.4	1,602	1,573	1.8
Distribution	1,448	1,259	15.0	1,018	979	4.0
Other	(32)	(23)	Na	(72)	(55)	Na
Total	**3,395**	**3,168**	**7.2**	**2,548**	**2,497**	**2.0**

These earnings were distributed between Endesa's countries of operation as stated below:

EBITDA and EBIT from the Latin American business. Generation and transmission

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2010	2009	% increase/ (decrease)	2010	2009	% increase/ (decrease)
Chile	882	1,010	(12.7)	757	830	(8.8)
Colombia	441	370	19.2	387	323	19.8
Brazil	222	192	15.6	200	173	15.6
Peru	192	164	17.1	129	111	16.2
Argentina	128	110	16.4	93	73	27.4
TOTAL Generation	**1,865**	**1,846**	**1.0**	**1,566**	**1,510**	**3.7**
Brazil-Argentina interconnection	114	86	32.6	36	63	(42.9)
TOTAL Generation and transmission	**1,979**	**1,932**	**2.4**	**1,602**	**1,573**	**1.8**

EBITDA and EBIT from the Latin American business. Distribution

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2010	2009	% increase/ (decrease)	2010	2009	% increase/ (decrease)
Chile	203	196	3.6	159	166	(4.2)
Colombia	402	333	20.7	307	257	19.5
Brazil	685	562	21.9	450	435	3.4
Peru	128	106	20.8	96	80	20.0
Argentina	30	62	(51.6)	6	41	(85.4)
TOTAL Distribution	**1,448**	**1,259**	**15.0**	**1,018**	**979**	**4.0**

Generation and transmission

Chile

EBITDA and EBIT from generation in Chile totalled Euros 882 million and Euros 757 million in 2010, reductions of 12.7% and 8.8%, respectively, essentially due to lower production in the period (-6.0%), lower selling prices to regulated customers and more spot energy purchases at higher prices because of the dispatch restrictions caused by the earthquake and less hydroelectric power in the country.

Colombia

The lower production in the period (-11.0%) due to the drought and maintenance of the Guavio plant was offset by higher selling prices and the effect of the exchange rate, which led to growth of 19.2% in EBITDA, up to Euros 441 million, and 19.8% in EBIT, up to Euros 387 million.

Brazil

The total electricity generated by Endesa's subsidiaries in Brazil was 5,095 GWh in 2010, an increase of 53.5% compared to 2009. The increase in Fortaleza was mainly due to higher availability of gas and in Cachoeira due to improved hydroelectric power.

Combined with higher selling prices, this led to 15.6% higher EBITDA of Euros 222 million and EBIT of Euros 200 million.

Peru

Endesa's subsidiaries in Peru generated total electricity of 9,133 GWh in 2010, 4.6% higher than in 2009. Given the better spot sales prices in the north of the country, exports to Ecuador and the containment of fixed costs, EBTIDA grew by 17.1% up to Euros 192 million and EBIT by 16.2% to Euros 129 million.

Argentina

Despite maintenance of the combined cycle plants in Costanera, production for 2010 grew by 1.2% due to more availability from the Docksud power plant. Combined with improved sales margins, this led EBITDA to grow by 16.4% compared to 2009 to Euros 128 million and EBIT by 27.4% to Euros 93 million.

Interconnection between Argentina and Brazil

EBITDA from this interconnection stood at Euros 114 million in 2010, an increase of 32.6% compared to 2009.

The growth in EBITDA is due to higher revenue in 2010 following the contract signed for use of the lines to export electricity from Brazil to Argentina in the last seven months of 2010, compared to the revenue in 2009 from use of the lines in operations with Argentina and Uruguay.

Despite the growth in EBITDA, EBIT was reduced by 42.9% to Euros 36 million as a result of the provision made in 2010 for accounts receivable from Argentina.

Distribution

Chile

The lower unit price for energy sales due to the imperfect energy pass-through in 2009 and application of the new subtransmission tariff led to an increase in EBITDA of just 3.6% to Euros 203 million, whereas EBIT fell by 4.2% to Euros 159 million.

Colombia

Factors including the 2.9% rise in physical sales and the exchange rate had a positive impact on EBITDA and EBIT from distribution in Colombia, which rose by 20.7% to Euros 402 million and by 19.5% to Euros 307 million, respectively.

Brazil

The gross operating profit in 2010 was Euros 685 million and the operating profit was Euros 450 million, increases of 21.9% and 3.4%, respectively, compared to 2009. This rise was essentially due to higher energy sales (+8.8%), with consumption higher as a result of the growth in economic activity.

Peru

The Peruvian business performed well in 2010 with a 7.2% rise in physical sales. The gross operating profit was Euros 128 million, 20.8% higher than in 2009, and the operating profit was Euros 96 million, 20.0% higher than in 2009.

Argentina

Distribution EBITDA from Argentina totalled Euros 30 million, a reduction of Euros 32 million (-51.6%) compared to 2009. EBIT was just Euros 6 million, a decrease of Euros 35 million (-85.4%).

These decreases are due to the higher fixed costs incurred by the company because of the growth in inflation in Argentina and the provision made to cover possible compensation payouts for the power cut in Buenos Aires in the final days of 2010.

Financial loss: Euros 423 million (-10.2%)

Endesa's Latin American business made a financial loss of Euros 423 million in 2010, 10.2% lower than in 2009.

Net exchange losses of Euros 22 million in 2009 gave way to net exchange gains of Euros 7 million in 2010. These gains included Euros 26 million for exchange gains produced in Argentine generation subsidiaries by converting the amounts receivable for contributions made to Foninvemem into US Dollars.

The net financial expense was Euros 430 million in 2010, a reduction of Euros 19 million i.e. 4.2%.

The net debt of the Latin American business was Euros 4,652 million at 31 December 2010, representing a decrease of Euros 45 million compared to 31 December 2009.

Operating cash flow: Euros 2,373 million

Operating cash flows from Latin America totalled Euros 2,373 million in 2010, 8.0% lower than in 2009. Eliminating the effect on these flows of changes in working capital, which are more volatile between the two years, this figure would be Euros 2,611 million, growth of 7.0% compared to 2009.

Investment: Euros 1,197 million

Euros 1,197 million was invested in this business in 2010. Of that total, Euros 156 million are financial investments and Euros 1,041 million were invested in property, plant and equipment and intangible assets as detailed below:

Capital expenditure in the business in Latin America

	Millions of Euros		
	2010	2009	% increase/(decrease)
Generation	279	476	(41.4)
Distribution and transmission	321	301	6.6
Other	47	61	(23.0)
TOTAL property, plant and equipment	**647**	**838**	**(22.8)**
Intangible assets (*)	394	252	56.4
TOTAL CAPITAL EXPENDITURE	**1,041**	**1,090**	**(4.5)**

(*) Include investment in distribution in Brazil as, as a result of IFRIC 12, a portion of the assets associated with the concession are considered intangible and a portion are considered as financial.

1.3. Gains on asset disposals

Gains on asset disposals

Gains of Euros 2,361 million were made on sales of Endesa assets in 2010, an increase of Euros 848 million compared to 2009.

Of these gains, Euros 2,346 million were made in the business in Spain and Portugal and Other countries and Euros 15 million in the Latin American business.

Key transactions in 2010

ENDESA Cogeneración y Renovables, S.A.U.

In March 2010 the Enel Group integrated the activities of Endesa and EGP in the field of renewable energies in Spain and Portugal into a single EGP consolidated company, 100% controlled by ENEL, S.p.A. (hereinafter Enel).

Prior to this integration ENDESA Cogeneración y Renovables, S.A.U. (now ENEL Green Power España, S.L., hereinafter EGP España or Ecyr) paid a dividend of Euros 366 million and carried out a share capital reduction for Euros 128 million. Subsequently, Endesa sold 30% of its subsidiary Ecyr to EGP for Euros 326 million, which generated a gross gain of Euros 313 million, and EGP subscribed a share capital increase in Ecyr which brought its interest in that company up to 60%, with Endesa's interest reduced to 40%. This capital increase was subscribed by EGP through a cash contribution of Euros 534 million and shares representing 50% of Enel Unión Fenosa Renovables, S.A. (hereinafter Eufer), valued at Euros 280 million.

Following this operation Endesa relinquished its control over Ecyr and, consequently, in compliance with prevailing accounting standards, it recognised its 40% interest in EGP Spain at fair value and a pre-tax gain of Euros 730 million in gains on asset disposals in the consolidated income statement. Under these accounting standards the loss of control of a subsidiary is treated as an exchange of assets, whereby the net assets derecognised from the consolidated balance sheet are replaced by the shares recognised in that statement.

Endesa Hellas

On 1 July 2010 the 50.01% interest in ENDESA Hellas Power Generation and Supplies, S.A. (hereinafter Endesa Hellas) was sold to the Mytilineos group company Mytilineos Holding, S.A., as agreed on 16 March 2010, for Euros 140 million. No gains or losses were recognised on this sale.

Electricity transmission network

On 13 December 2010 ENDESA Distribución Eléctrica, S.L. (Sociedad Unipersonal) (hereinafter EDE) and Red Eléctrica de España, S.A.U. (hereinafter REE) completed the sale and purchase of electricity transmission assets agreed on 1 July 2010, thereby complying with the obligation imposed by Law 17/2007 of 4 July 2007 which amended this aspect of Law 54/1997 of 27 November 1997, regulating the electricity industry.

The assets were sold for Euros 1,412 million with a gross gain of Euros 748 million recognised, irrespective of the application of other contractual clauses to the purchase price.

EDE also collected Euros 66 million under the contract for providing technical assistance to REE.

Gas transmission and distribution assets

On 17 December 2010 an 80% interest in Nubia 2000, S.L. (hereinafter Nubia), the company holding most of Endesa's gas distribution and transmission assets, was sold to two infrastructure funds managed by Goldman Sachs.

This transaction reduced the Group's debt by Euros 742 million and increased the pre-tax consolidated profit by Euros 489 million, including the 20% interest in Nubia retained by Endesa revalued at fair value.

Endesa has a purchase option on the shares sold which it can exercise from five to seven years after the sale.

Other investments

The sale of the 1% interest in Red Eléctrica Corporación, S.A. (hereinafter REC) for Euros 51 million was finally completed in 2010, with a pre-tax gain of Euros 36 million recognised in the consolidated income statement for that year in addition to the Euros 5 million recognised in 2009.

The Group's 40% interest in Iniciativas de Gas, S.L. (hereinafter Iniciativas de Gas), the company that owns 50% of the Sagunto regasification plant, was also sold in 2010, to Osaka Gas. The sale generated a gross gain of Euros 24 million. The interest in Regasificadora del Noroeste, S.A. (hereinafter Reganosa), was also sold in 2010, producing a gross gain of Euros 10 million.

1.4. Statistical Appendix

Industry data

Electricity generation (GWh)	2010	2009	% increase/(decrease)
Business in Spain and Portugal and Other	68,069	74,287	(8.4)
Business in Latin America	62,416	62,767	(0.6)
Total	**130,485**	**137,054**	**(4.8)**

Electricity generation in Spain and Portugal and Other (GWh)	2010	2009	% increase/(decrease)
Mainland	**52,042**	**56,606**	**(8.1)**
Nuclear	27,619	22,630	22.0
Coal	10,786	16,317	(33.9)
Hydroelectric	9,208	8,533	7.9
Combined Cycle (CCGT)	3,915	6,294	(37.8)
Fuel oil	55	213	(74.2)
Special Regime	459	2,619	(82.5)
Non-mainland	**14,257**	**14,488**	**(1.6)**
Portugal	**750**	**1,614**	**(53.5)**
Other	**1,020**	**1,579**	**(35.4)**
TOTAL	**68,069**	**74,287**	**(8.4)**

Electricity generation in Latin America (GWh)	2010	2009	% increase/(decrease)
Chile	20,914	22,239	(6.0)
Argentina	15,991	15,806	1.2
Peru	9,133	8,728	4.6
Colombia	11,283	12,674	(11.0)
Brazil	5,095	3,320	53.5
TOTAL	**62,416**	**62,767**	**(0.6)**

Electricity sales (GWh)	2010	2009	% increase/(decrease)
Business in Spain and Portugal and Other	**107,942**	**106,221**	**1.6**
Regulated market	—	23,445	Na
LRS	35,941	20,392	76.3
Deregulated market	70,953	60,781	16.7
Other	1,048	1,603	(34.6)
Business in Latin America	**67,275**	**63,745**	**5.5**
Chile	13,098	12,585	4.1
Argentina	16,759	16,026	4.6
Peru	6,126	5,716	7.2
Colombia	12,515	12,164	2.9
Brazil	18,777	17,254	8.8
TOTAL	**175,217**	**169,966**	**3.1**

Gas sales (GWh)	2010	2009	% increase/(decrease)
Regulated market	130	641	(79.7)
Deregulated market	51,875	46,396	11.8
TOTAL	**52,005**	**47,037**	**10.6**

Year-end headcount (No. employees)	31 December 2010	31 December 2009	% increase/(decrease)
Business in Spain and Portugal and Other	12,270	13,629	(10.0)
Business in Latin America	12,462	12,676	(1.7)
TOTAL	**24,732**	**26,305**	**(6.0)**

Economic and financial data

Valuation indicators (Euros)	2010	2009	% increase/(decrease)
Net earnings per share	3.9	3.2	20.4
Cash flow per share	5.2	4.9	5.2
Carrying amount per share(1)	16.8	13.4	24.9

(1) At 31 December

Net financial debt (Millions of Euros)	31 December 2010	31 December 2009	% increase/(decrease)
Business in Spain and Portugal and Other	10,684	13,865	(22.9)
Business in Latin America	4,652	4,697	(1.0)
TOTAL	**15,336**	**18,562**	**(17.4)**
Gearing ratio	66.2	97.9	Na

Rating (22 February 2011)	Long term	Short term	Outlook
Standard & Poor's	A–	A-2	Review (–)
Moody's	A3	P-2	Review (–)
Fitch	A	F2	Stable

	IRS spread (b.p.)	
Endesa fixed income securities	31 December 2010	31 December 2009
2 TO 400 MGBP 6.125% Maturity June 2012	128	28
2.6 TO 700 M€ 5.375% Maturity February 2013	80	45

Stock market data	31 December 2010	31 December 2009	% increase/(decrease)
Stock market quotation (Millions of Euros)	20,429	25,352	(19.4)
No. shares in circulation	1,058,752,117	1,058,752,117	—
Share par value (Euros)	1.2	1.2	—

Stock market data (Shares)	31 December 2010	31 December 2009	% increase/(decrease)
Volume of shares traded			
Madrid Stock Exchange (electronic trading system)	154,589,510	488,945,396	(68.4)
Average daily trading volume			
Madrid Stock Exchange (electronic trading system)	603,865	1,924,982	(68.6)

Share price (Euros)	High 2010	Low 2010	31 December 2010	31 December 2009
Madrid Stock Exchange (electronic trading system)	24.00	16.93	19.295	23.945

Dividends (Euros / Share)	With charge to 2010 profit
Interim (3 January 2011)	0.500
Final dividend (1)	0.517
Total dividend per share	1.017
Pay-out (%)	26.1
Dividend yield (%)	5.3

(1) Pending approval by the shareholders at the AGM.

2. Subsequent events

Events occurring subsequent to year end are described in note 39 to the consolidated annual accounts.

3. Outlook

In the coming years, Endesa's business will be founded upon a solid market position in Spain and in the five Latin American countries where it is present.

In recent years Endesa has sold a significant volume of assets which, whilst maintaining its leadership in most of its countries of operation, enabled it to achieve a solid financial position and liquidity despite the financial crisis that has hit the markets.

Endesa's plans for the coming years are to make the necessary investments to maintain this stable position whilst also making significant investments in Latin America, where expected growth and regulatory stability in most of Endesa's countries of operation will give those investments an appropriate yield and limited risk.

In operating terms, Endesa's asset base, market position, the aforementioned regulatory stability and investment policy should bring sustained growth in the business's operating profits in the coming years. The measures passed by the Spanish government at the end of 2010 aimed at cutting the tariff deficit and setting reasonable remuneration for all phases of the electricity business will foreseeably bring regulatory stability to Spain in the coming years. Companies should be able to make the necessary investments to ensure supply security and earn a reasonable profit from their business.

On the financial front, the deficit securitisation process already underway and foreseeably complete in the coming months, combined with gradual erosion of the deficit generated by the electricity system, should enable the Group to reduce its financial debt considerably and generate more cash, as funds will not have to be used to fund the deficit. It should therefore be possible to lay the foundations of Endesa's financial policy.

Key to the Group's future performance is achieving targets of synergies and efficiency. The Group is currently reviewing these targets, although based on initial estimates they should provide recurring annual savings of Euros 1,052 million in 2012, which makes it one of the most ambitious plans of this type ever undertaken in the electricity industry.

Of these savings of Euros 1,052 million in 2012, a total of Euros 813 million will come from the Synergies and Efficiencies Programme, an ambitious project started in 2007 with the aim of identifying opportunities for efficiency and possible savings through synergies in the Company's core functions in Spain and in Latin America.

The first version of this plan, from December 2007, already contained an ambitious target of Euros 680 million/year, which in March 2008 was revised up to Euros 734 million/year; finally, mainly because of the synergies that derived from the change of control at the Company, in March 2009 the target was updated to Euros 813 million/year.

The rest of the savings, i.e. Euros 239 million in 2012, are those identified in the Zenith Programme launched by Endesa in June 2009 with a dual purpose: First, to verify the logic and solidity of the aforementioned Synergies and Efficiencies Programme, with satisfactory results; and second, to identify new opportunities for efficiency and synergies, in addition to the programme, in Company areas and activities that were not initially considered.

Of these savings, 75% (Euros 790 million) came from actions taken in Spain and Portugal and the other 25% (Euros 262 million) from Latin America.

The Synergies and Efficiencies Programme is achieving very good results. In 2008 Endesa achieved savings of Euros 266 million, which was 143% of the target set for that year. The savings in 2009 were Euros 494 million, 113% of the target initially set. This means that in two years of this programme, over 60% of the target savings for 2012 were achieved. Savings from synergies at the end of 2010 totalled Euros 740 million and Zenith also contributed Euros 108 million, meaning that over 24% of the set target was achieved.

4. Main risks associated with the Endesa Group's operations

The Endesa Group conducts its activity in an environment where external factors could affect its operations and economic results.

Endesa's operations are exposed to the following main risks:

4.1. Risks associated with Endesa's activities and industry

The Group's operations are subject to a wide range of regulations, any changes in which could have an adverse effect on the Group's business activities, financial position and the results of its operations.

The Group's operations are subject to a wide range of regulations, any changes in which could have an adverse effect on the Group's business activities, financial position and the results of its operations.

The Endesa Group's operating subsidiaries are subject to wide-reaching legislation on tariffs and other aspects of their operations in Spain and in each of the countries in which they operate. Although Endesa substantially complies with all the laws and regulations currently in force, the Group is subject to a complex set of laws and regulations that both public and private bodies try to apply. The introduction of new laws or regulations or changes in prevailing laws and regulations could have an adverse effect on the Group's business activities, financial position and the results of its operations.

These new laws or regulations sometimes modify certain regulatory aspects that can affect existing rights, which could negatively impact the Group's future accounts.

In recent years the Spanish electricity system has generated insufficient revenue, giving rise to a deficit. Royal Decree Law 5/2005 of 11 March 2005 and subsequent equivalent regulations established the requirement for certain companies, including Endesa, to finance that deficit. The Endesa Group is also pending recovery of a significant portion of stranded costs from non-mainland generation since 2001.

Royal Decree Law 6/2009 of 30 April 2009 (amended by Royal Decree Law 6/2010 of 9 April 2010) established the possibility for companies to recover the accumulated deficit from the system, including stranded costs from non-mainland generation until 2008, by contributing these collection rights to a securitisation fund set up for that purpose. This same Royal Decree Law also capped the possible deficit for 2009-2012 (amended by Royal Decree law 14/2010 of 23 December 2010) establishing that no deficit could be generated from 2013. Royal Decree Law 6/2009 of 30 April 2009 also foresaw coverage of the stranded costs from non-mainland generation after 2013 through General State Budgets, which would gradually absorb the overspend in 2009-2012 in conjunction with the electricity system.

On 7 July 2010, Endesa notified the securitisation fund for the deficit in the Spanish electricity system of its irrevocable commitment to transfer all its collection rights for the shortfall in revenue from regulated activities and compensation for stranded costs from non-mainland generation from 2001-2008, which pursuant to Royal Decree 437/2010 of 9 April 2010 have to be securitised within a maximum period of one year from the aforementioned communication, provided that there are no exceptional events in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed after the notification, the initial holders are able to waive the commitment to transfer collection rights that have not been securitised by the Fund.

On 13 January 2011, the final terms of the first issue of the securitisation fund for the deficit in the Spanish electricity system were filed at the Spanish National Securities Market Commission (hereinafter CNMV). Euros 1,996 million were issued, of which Endesa's share was Euros 1,041 million, received on 25 January. On 15 February 2011 a second issue of Euros 1,994 million was made by the fund, of which Endesa's share was Euros 1,039 million which will be received on 24 February 2011.

Considering the high volume of collection rights for the above items accumulated by Endesa, the securitisation of these rights due to be completed in the coming months should, if successful, bring a significant cash inflow and therefore have a positive impact on the Endesa Group's financial position.

The Group's operations are subject to wide-reaching environmental legislation, and any changes introduced could have an adverse effect on the Group's business activities, financial position and the results of its operations.

Endesa and its operating subsidiaries are subject to requirements of environmental legislation that include performing environmental impact studies for future projects, procuring the necessary licences, permits and other authorisations and complying with all the requirements of those licences, permits and standards. Like any regulated company, Endesa cannot guarantee that:

- Public authorities will approve its environmental impact studies;
- Public opposition will not cause delays or changes to any proposed project;
- Laws or standards will not be amended or interpreted so as to increase the costs of compliance or affect the operations, plants or plans of companies in which the Group has invested.

Certain legal environmental requirements have been tightened in Spain and the European Union in recent years. Although Endesa has made the appropriate investments to meet these requirements, their application and future amendments could adversely affect its business activities, financial position and the results of its operations. The results of its operations could also be affected by prices of emission rights or a shortage of these rights on the market.

A considerable volume of the power produced by Endesa in certain markets is subject to market forces that can affect the price and volume of power it sells.

Endesa is exposed to market price and availability risks for the purchase of the fuel (including fuel oil-gas, coal and natural gas) used to generate electricity and the sale of part of the power that it produces. Endesa has long-term supply contracts to guarantee fuel supplies for its power production activities in Spain. Endesa has entered into certain natural gas supply contracts that contain "take or pay" clauses. These contracts were established on the basis of certain reasonable assumptions regarding future requirements. Major differences from the assumptions used could require higher fuel purchases.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives. Although Endesa actively manages these risks, it cannot guarantee that such measures will eliminate all the market price risks relating to fuel requirements.

The Group's business could be affected by rainfall patterns.

Endesa's operations include hydroelectric production and, accordingly, depend on the weather conditions at any given time in the extensive geographic regions in which the Group's hydroelectric generating facilities are located. Droughts or other conditions that adversely affect the Group's hydroelectric generation business can reduce its earnings. The electricity business is affected by atmospheric conditions such as average temperatures, which determine levels of consumption. The margin on the business changes depending on weather conditions.

The Group's financial results can be adversely affected by certain market risks.

The Group is exposed to various types of market risk in the ordinary course of its business, including the impact of interest rate and commodity price changes and foreign currency exchange rate fluctuations. It therefore actively manages these risks to prevent them from significantly affecting its results.

Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement. Depending on the estimates made by the Endesa Group and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

Currency risk

Currency risk essentially affects the following transactions:

- Borrowings in foreign currency arranged by Group companies and associates.
- Payments to be made in international markets for purchases of fuel stocks.
- Income and expenses of the Latin American subsidiaries in the functional currency of each company and, in certain cases, indexed to the US dollar.

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

The Endesa Group has contracted derivatives and borrowings in US dollars to mitigate the currency risk for revenue indexed to the US dollar. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency. However, risk management strategies cannot always entirely eliminate exposure to changes in interest rates and foreign currency exchange rates, which could adversely affect the Group's financial position and the results of its operations.

Commodity price risk

The Endesa Group is exposed to the risk of changes in electricity-related commodity prices, including CO2 emission rights and Certified Emissions Reductions (hereinafter CERs), mainly through:

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

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the limits predetermined by the Risks Committee. These limits are based on expected results using a confidence interval of 95%.

Individual analyses are also carried out on the impact of certain relevant transactions on the Company's risk profile and achieving its set limits.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives.

Liquidity risk

The Group's liquidity policy consists of arranging committed credit facilities and current financial assets for a sufficient amount to cover projected requirements for a period that depends on the situation and expectations of the debt and capital markets.

However, it is not possible to guarantee that a prolonged liquidity crisis in the markets that prevented the access of issuers to the capital markets would not have an adverse effect on the Group's liquidity position in the future.

Credit risk

Given the current economic climate, the Group is monitoring credit risk very closely.

Historically, credit risk on trade receivables is very limited, given the short period of collection from customers, to which supply may be cut off in accordance with the applicable regulations before very significant arrears are accumulated.

The Group's policies for managing credit risk on financial assets are as follows:

- Cash placements are made with top institutions in the markets where it operates.
- Derivatives and the credit risk associated with commodities included in the scope of IAS 39 are arranged and limited with highly solvent institutions.

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

- Analysis of counterparty risk where there is no external credit agency rating.
- Collateral is requested where required.
- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.

Although the measures taken by the Group considerably reduce exposure to credit risk, in the current economic climate it is not possible to guarantee that the Group will not incur losses due to non-payment of trade or financial receivables.

The construction of new facilities can be adversely affected by the factors commonly associated with these types of projects.

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex.

These investments have to be planned well in advance of their foreseen entry into operation and, therefore, decisions may need to be adapted to possible changes in market conditions, which could involve additional unplanned costs.

To build these facilities, the Group is also generally required to obtain permits and authorisations from the government, purchase or lease land and procure equipment procurement and construction contracts, operating and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and sufficient equity and debt financing. Factors that may affect the Group's ability to construct new facilities include:

- Delays in obtaining regulatory authorisations, including environmental permits.
- Shortages or changes in the price of equipment, materials or labour.
- Opposition from political and ethnic groups.
- Adverse changes in the political and regulatory environment in the countries where the Group operates.

- Adverse meteorological conditions that could delay completion of power plants or substations, or natural disasters, accidents and other unforeseen events.
- Inability to obtain financing at rates that are satisfactory for Endesa.

Any of these factors may cause delays in the completion or commencement of the Group's construction projects and increase the cost of planned projects. If Endesa is unable to complete these projects, the costs incurred may not be recoverable.

Endesa could incur environmental and other liabilities in connection with its operations.

Endesa is exposed to environmental risks inherent in its operations, including those derived from management of the waste, spills and emissions from the generating facilities, particularly nuclear power plants. Therefore, Endesa may be subject to claims for environmental and other damage in connection with its power generation, distribution and transmission facilities as well as its coal mining activities.

Endesa is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish legislation limits the liability of nuclear plant owners in the event of accidents. Such limits are consistent with the international treaties ratified by Spain. Spanish law provides that operators of nuclear facilities are liable for a maximum of Euros 700 million in relation to claims arising from a single nuclear accident. Endesa's potential liability in relation to its interests in nuclear facilities is fully covered by third-party liability insurance of up to Euros 700 million.

Endesa's potential liability for pollution and other damage to third parties or their assets has also been insured for up to Euros 150 million. If a complaint were filed against Endesa for environmental or other damage caused by its operations (except for the nuclear plants) for amounts exceeding the insurance coverage, its business activities, financial position and the results of its operations could be adversely affected.

Liberalisation of the European electricity industry could bring more competition and lower prices.

The liberalisation of the electricity industry in the European Union has led to increased competition as a result of the consolidation and entry of new market players in European Union electricity markets, including the Spanish electricity market. Deregulation has also led to lower electricity prices in certain market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which have led to greater liquidity in the electricity markets. As a consequence of this liberalisation of the electricity market, certain of Endesa's businesses are carried out in an increasingly competitive environment. If Endesa were unable to adapt to and adequately manage this competitive market, its business activities, financial position or the results of its operations could be adversely affected.

4.2. Risks associated with the countries where the Group operates

The Group's companies are exposed to a number of economic and political risks.

The Group is subject to various risks inherent in investment and activity in its different countries of operation, including risks relating to the following:

- Changes in administrative policies and regulations of the governments.
- Monetary and other restrictions on the movement of capital.
- Changes in the business or political environment.
- Economic crises, political instability and public disorder affecting operations.
- Nationalisation of assets.
- Interest and exchange rate fluctuations.

Revenue from subsidiaries, their market value and dividend payments from these subsidiaries are exposed to risks specific to the countries in which they operate, which could adversely affect demand, consumption and exchange rates.

Endesa cannot predict how any future worsening of the political and economic situation in its countries of operation or any other changes in the legislation of those countries, including amendments to current legislation or any other regulatory framework, would affect its subsidiaries or their business activities, financial position or the results of their operations.

4.3. Operational risks

Endesa's activity can be affected by technological failures or human error.

In all the business activities of the Endesa Group, direct or indirect losses could be caused by inadequate internal processes, technological failures, human error or certain external events Control and management of these risks, particularly those affecting generation and distribution facilities, are based on adequate training and empowerment of personnel and operating procedures, preventive maintenance plans and specific programmes, backed by quality management systems, that minimise their possible occurrence and impact.

Endesa has insurance cover to mitigate any negative economic impacts these types of risks could have on the Group.

These types of risks could affect the reliability of the financial information prepared by the Group. The Group has implemented an internal control over financial reporting (hereinafter ICOFR) to monitor these risks.

A report on the Endesa Group's Internal Control over Financial Reporting (hereinafter ICOFR), prepared following the recommendations from the Internal Control Over Financial Reporting Working Group (hereinafter ICWG) set up by the CNMV, is attached as Appendix I to this consolidated directors' report. The Endesa report on the ICOFR prepared by its board of directors for inclusion in the consolidated directors' report will be passed to the Company's auditor for a review of the financial information it contains, based on the "external auditor review procedures" described in Appendix 2 to the

ICWG document. The report will be distributed together with this consolidated directors' report once the Company's auditor has completed its review.

4.4. Other risks

The Group is a party to legal and arbitration proceedings that could affect Endesa.

The Group is a party to various legal proceedings related with its business, including tax and regulatory disputes. It is also subject to ongoing or possible tax inspections. In general the Endesa Group is exposed to third party claims in all legal jurisdictions (criminal, civil, commercial, social and administrative) and national and international arbitration proceedings.

Although Endesa considers that the appropriate provisions have been made for legal contingencies at 31 December 2010, it cannot be guaranteed that the Group will be successful in all proceedings or that an adverse ruling might not significantly and adversely impact its business operations, financial position or the results of its operations. New claims could also be made that have a major adverse effect.

5. Technology, innovation and protecting the environment

5.1. Technology and innovation

Technology and innovation at Endesa

In 2010 Endesa consolidated its research, technical development and innovation activities, reinforcing its new R&D&i organisation and set-up, in coordination with Enel, to maximise the medium- and long-term value of the project portfolio.

Endesa's R&D&i activities form part of the Company's commitment to sustainability, as demonstrated by the 2008-2012 Endesa Sustainability Plan (PES), which reflects our aim to become the industry leader in terms of innovation and be recognised as such by the markets, our customers, the scientific community and society in general.

In 2010 the Company's direct investment in R&D&i activities amounted to Euros 48 million, and our partners in R&D&i projects and consortia led by Endesa invested a further Euros 16 million. As a result of R&D&i investment in prior years, in 2010 Endesa applied for six new patents for internally developed technology relating to the Company's priority lines of interest.

All R&D&i activities are coordinated by a Corporate Unit, which works with the business lines in each market in which Endesa operates, unifying project selection criteria, management models and technical knowledge, as well as putting this into practice to gain value, considering the particular regulatory and business circumstances in each country.

This Unit also centrally manages applications for grants, tax deductions and financial aid for R&D&i initiatives and plans to make the best use of the amounts awarded.

Endesa's innovation strategy has earmarked resources to two particularly relevant aspects, electrical mobility and energy efficiency, as well as setting up an ad-hoc organisation for these areas.

Endesa has maintained its commitment to leading electrical mobility initiatives in the markets, both in Spain and Latin America. In 2010 Endesa played an active role in the following three initiatives, with the aim of establishing itself as the leading firm in electrical mobility in Spain and abroad:

Standardisation initiatives

Endesa was one of the first industry players to join international groups studying standardisation of equipment, electrical mobility systems and solutions. For example, Endesa was the first European utilities company to join the CHAdeMO association, which promotes the installation of quick charging stations on a global scale and is working to establish standards for the quick charging of vehicles. In December Endesa hosted the association's first European meeting at its headquarters.

At European level, Endesa leads essential work programmes in the G4V (Grids for Vehicles) consortium, which forms part of the Seventh Framework Programme and aims to establish medium- and long-term solutions for the best integration of vehicles into electricity grids.

In Spain, Endesa is one of the most prominent partners in the Cenit Verde consortium, a project with planned investment of around Euros 40 million over four years, in which Endesa will be responsible for studying advanced concepts in interaction between vehicles and the electricity system.

Promotion and demonstration initiatives to boost mobility

In 2010 Endesa signed major collaboration agreements with manufacturers and distributors of electrical vehicles such as Bergé Automoción, Marubeni, Renault, Nissan, Mitsubishi, Peugeot or Toyota, as well as other players interested in promoting electrical mobility, such as Cepsa and the Telefónica subsidiary TTP.

The Company also continued its involvement in the Movele Plan, which was set up by the Ministry of Industry, Tourism and Trade (hereinafter MITyC) to develop a pilot project involving 550 charge points in Madrid, Barcelona and Seville.

Endesa has launched Project Quick, which involves developing a network of 14 quick-charging stations, including six two-way charging stations for V2G development.

Endesa is currently developing its own quick-charging technology for electrical vehicles through the Crave project in collaboration with CIRCE (Zaragoza), as well as the V2M project in collaboration with IREC (Catalonia).

The Company has also become involved in the Surtidor consortium (developing an ultra-fast charging system through the intelligent transfer of direct current and an optional energy back-up storing system).

Endesa is also involved in major initiatives at European level, such as the Green E-motion consortium for European leadership in the demonstration of quick-charging technology.

Design of new business models in electrical mobility

Endesa is the only European utility company selected to join the Elvire consortium, which also forms part of the Seventh Framework Programme and aims to define and demonstrate future business models for new electrical mobility uses and solutions, in which vehicles can manage the flow of charges and discharges to the grid, as well as data and added-value services between the car and other types of supplier.

With regard to energy efficiency, in 2010 Endesa developed its Global Energy Efficiency Plan, gathering together all potential initiatives involving energy efficiency, both in relation to energy generation, distribution and sale and achieving maximum energy savings at the Company's own facilities.

An energy efficiency committee has been set up to develop and coordinate initiatives in Latin America, with the participation of representatives from all the companies in this region as well as from the Group's energy efficiency area.

In 2010 the Company carried out the initiatives planned in the first year of project Malaga SmartCity, which reflects the Company's commitment to the development of intelligent networks and sustainable urban development within the concept of the "intelligent city", introducing the latest technology relating to distributed generation, energy storage, demand management, efficient lighting, electrical mobility and – for the first time – the active involvement of end consumers.

During the first year of the project and part of the second year, all the architectural designs were completed and the process of installing facilities commenced. A notable example is the installation of the first 2900 intelligent meters, developed in Spain using groundbreaking technology, in Malaga. The first electrical vehicles were delivered, the first charging stations were put in place, the establishment of the PLC network, which will connect all the distribution centres involved in the project to provide network automation services, was initiated, the main systems were started up, the first LED streetlights were installed and the Project Monitoring and Control Centre is also ready for use.

The Company has also actively participated in key technological platforms in the sector, particularly the energy efficiency platform, which Endesa chairs, and the future electricity grid platform (Futured), in which it acts as technical secretary.

Endesa has continued to develop committed lines of research in each of the markets in which it operates. Particularly significant projects have been undertaken as part of Endesa's participation in the IREC (Catalonia Institute for Energy Research) and the CTA (Technological Corporation of Andalusia).

Technological map

Endesa's project portfolio, which is shared with Enel, is structured around five technological cornerstones that encompass its strategic medium- and long-term objectives, optimising the resources employed and guaranteeing the creation of options for the future creation of value.

Fossil fuel generation

Project Ciuden and CAC OXY-300 demonstration plant.

This is a global programme set up to demonstrate CO_2 capture and storage technologies, uniting schemes forming part of public climate change research in the Ciuden project. Within this scope, Endesa is currently conducting a private study to develop commercially viable emission reduction technologies for application in electricity production. This was the only project selected by the European Union to develop CFB oxy combustion technology for the storage of CO_2 in deep saline formations.

La Pereda

Construction and trial operation of a pilot plant for the post-combustion capture of CO_2 through carbonation and calcination in La Pereda.

Less CO_2, Compostilla

Development and construction of a chemical absorption plant for CO_2 capture. Use and assessment of new amine-based chemical absorbents.

Pilot plant to capture CO_2 using microphytes

This pilot project, conducted in the Almeria Coast Thermal Power Plant, aims to measure CO_2 from combustion gases using microphytes, from which researchers subsequently plan to obtain commercial products similar to biofuel. This project has obtained scientific and financial support from public entities through the PlanE economic stimulus plan and the Centre for the Development of Industrial Technology (CDTI).

Renewable energy plants: Project GDV-500

This project aims to develop new systems for the use of solar thermal energy, studying direct steam generation using solar power at high temperatures to increase efficiency and reduce environmental risks.

Marina Chile energy map

Preparation of a map showing wave and tidal power resources along the coast of Chile in order to identify the best potential locations for generation plants.

Project Novare Hydro

Working with Starlab and the Pontificia Universidad Católica in Chile, Endesa is involved in the HYDRO project to introduce new remote perception technologies, using satellite systems to manage renewable hydraulic energy in Chile. The study conducted for Empresa Nacional de Electricidad, S.A. (hereinafter Endesa Chile) specifically examines developments in the monitoring of the water cycle from space.

Energy efficiency: Project Novare Energrid

Project Energrid aims to demonstrate the feasibility and advantages of an intelligent infrastructure system that is distributed to manage energy grid supply and demand, allowing energy production and use to be managed based on small nodes (houses, buildings, companies) and creating a decentralised generation and energy use system.

The Energrid project aims to improve energy management in buildings by establishing dialogue between the targets (energy consumers and generators), as well as with users.

This dialogue is established applying a new layer of technology, based on distributed computation (smart grid), on top of the electrical distribution grid.

Storage: Project Store

This project has been set up to demonstrate – in real-world environments – energy storage technologies that have recently entered the sector and are directly applicable to electrical capacity systems. These technologies are designed to manage the occasional imbalances that arise between production and consumption (generation and demand), leading to greater flexibility and reliability and, as a result, improving the quality of electricity supply and operations.

Intelligent networks. Project Cervantes

This project has been set up to define, specify, develop and implement an automatic, remote control and management system for the electricity supply to domestic customers, gradually transforming the management of Endesa's domestic meters, over ten million in total.

Project Europeo Integris

Project Europeo Integris, led by Endesa, aims to develop an ICT infrastructure for smart grids that allows PLC and wireless communication technologies to be integrated and operated in combination.

Project Icono

Project Icono studies how the work carried out by operations technicians can be automated assisted and improved by forecasting future grid status and identifying ways to control this to guarantee the stability and safety of the grid.

Project S2G

S2G's main objective is to design and implement an advanced system for monitoring, supervising and maintaining the electricity grid, from the substation to transformer centres.

Project Cenit Denise (Intelligent, safe and efficient energy distribution)

This consortium, led by Endesa, researches and develops technologies and applied information systems to meet the challenges posed by society and identify emerging applications for electricity systems, such as: low and medium-voltage distributed generation, optimum integration of renewable energy and electrical vehicles, energy storage, remote management, monitoring and control of critical use, new efficient lighting systems etc. This project was carried out between 2007 and 2010 with total investment of Euros 24 million.

Nuclear technology

Endesa also carries out R&D activities in the nuclear field through participation in different programmes. It acts as secretary of Ceiden, the Spanish technological platform for nuclear fission, which coordinates R&D&i activities in this sector.

Through the Nuclear Energy Committee of the Spanish Electricity Sector Association UNESA (hereinafter Unesa), Endesa conducts research projects applicable to the nuclear plants in which it holds an interest through the following programmes:

- The Epri nuclear programme, set up to seek operating excellence in nuclear power stations, facilitating the long-term management of these assets.
- The PCI coordinated research programme, in which sector companies and the NSC jointly analyse plant safety issues of interest to both operators and the regulatory body.
- The PIC joint programme for electricity companies and Empresa Nacional del Uranio, S.A. (hereinafter Enusa) which coordinates R&D&i initiatives relating to nuclear fuel, defining projects of common interest.

5.2. Protecting the environment

Sustainable development is one of the main pillars of Endesa's strategy, with environmental protection being one of its most important commitments. This attitude is a positive sign of identity that helps the Company stand out from its competitors and forms a basic principle of conduct that is expressly stated in its business values.

The purpose of this commitment is to minimise the impact of the Company's industrial activities on the environment, particularly with regard to combating climate change, managing waste properly, atmospheric emissions, spills, polluted soil and other potentially adverse impacts.

Furthermore, Endesa's environmental management aims to reduce as far as possible the Group's consumption of natural resources and to preserve the biodiversity of the surrounding environment.

Evaluating the environmental risks associated with its business activities and obtaining environmental certifications from third parties helps to ensure excellence in the Company's environmental management, which is integrated and harmonised with its corporate strategy.

Endesa's commitment to respect and preserve the environment has a direct effect on management's decision-making process. The environment is actually one of the key strategic lines within the framework of the 2008-2012 Endesa Sustainability Plan (hereinafter 2008-2012 PES). This PES, which gives strong backing to Endesa's traditional commitment to protecting nature, creates a solid front against climate change and seeks excellence in how the other aforementioned environmental issues are addressed.

Aspects such as integral water management, identifying and monitoring environmental risks and liabilities, efficient environmental management (efficient use of resources and impact reduction), combating climate change and, especially, strengthening the conservation of biodiversity, are the strategic cornerstones on which Endesa's environmental policy is based.

Accordingly, Endesa has identified water as a critical resource that will be affected by climate change. The Organisation for Economic Cooperation and Development (hereinafter OECD) has projected that 47% of the world population will live under severe water stress in 2030 if no new policies are introduced. Availability of water will have both a positive and negative impact on companies, which will play a key role in developing and implementing solutions to the water scarcity problem. Endesa is therefore leading the way within the Spanish electricity sector by signing up to the CDP Water Disclosure in 2010. This purpose of this initiative, which provides data on water and how it is managed by the largest multinationals, is to inform the global market place about investment risk and commercial opportunities and help nudge investors towards choosing water-sustainable options.

One of Endesa's initiatives in relation to biodiversity and the conservation of natural ecosystems has been to widen the scope of its biodiversity conservation programme in terms of its fields of work and targets. As well as continued progress in remodelling and improving habitats in the areas surrounding its installations, progress has been made in all aspects of the Biodiversity Conservation Plan and research projects have continued on biodiversity and the workings of pristine aquatic ecosystems in the steppe lagoons of Mongolia and the Patagonian lakes of Chile. The dynamics of populations of invasive species were also monitored and modelled with a view to developing ever more accurate control techniques.

A Biodiversity training course has been prepared as part of the Biodiversity Conservation Plan and has already been attended by certain Hydroelectric Production Unit employees in Spain and Portugal.

In 2010 the Endesa Group's investment in environmental management activities totalled Euros 20 million, with accumulated investment at 2010 year end equivalent to Euros 1,227 million. Environmental expenses totalled Euros 38 million in 2010, of which Euros 17 million comprised amortisation and depreciation charges in relation to the aforementioned investment.

Spain and Portugal

The National Allocation Plan (NAP) for 2008-2012 was published in the Official State Gazette pursuant to Royal Decree 1402/2007 of 29 October 2007, which amended Royal Decree 1370/2006 of 24 November 2006, approving the NAP for greenhouse gas emission rights for 2008-2012. The industry-based allowances established in the NAP were amended by means of Ministry of Presidency Order PRE/2827/2009, of 19 October 2009. The NAP establishes the total volume of the rights that will be allocated to the industries and facilities affected by Law 1/2005, of 9 March 2005, including the electricity industry, defines and describes the methodologies for allocating the industry rights that it is planned to apply to obtain the individual allowances for each facility, and announces and limits the use of carbon credits from projects based on the Kyoto Protocol flexible mechanisms.

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

This 2008-2012 NAP allocates average emission rights for 146.19 million tonnes of CO_2 per year, to which 6 million tonnes per year of CO_2 in reserve are added for new entries (4.1% of the annual allowance), giving a total of 152 million tonnes of CO_2 emission rights per year. For the electricity industry, an average joint allocation of 54.56 million tonnes per year is established for 2008-2012, with the possibility of using credits originating from projects associated with the flexible mechanisms of the Kyoto Protocol of up to 42% of the industry's total allocation (in the case of each facility, 42% of its individual allocation).

An annual average of 25.17 million tonnes of CO_2 has been allocated to Endesa's fossil-fuel plants. By applying the 42% allowance, Endesa's facilities could use up to 10 million tonnes per year of credits obtained from emission reduction projects.

Law 1/2005, of 9 March 2005, was amended by Law 13/2010, of 5 July 2010, for the transposition into Spanish law of Directive 2009/29/EC of the European Parliament and of the Council, of 23 April 2009, which undertakes an in-depth review of the EC emission allowance trading scheme.

A key part of Endesa's climate change strategy is its participation in the flexible project-based emission reduction mechanisms. The Clean Development Mechanism (hereinafter CDM) forms part of the flexible mechanisms of the Kyoto Protocol and makes it possible to obtain emission rights by participating in projects to reduce greenhouse gas emissions in developing countries. The CDM contributes to sustainable development through the transfer of technology and offers a threefold benefit: social, environmental and economic.

CO_2.emission rights

The free CO_2 emission rights assigned to the Group in 2010 were for a total of 28.6 million tonnes, of which 24.5 million corresponded to Spain, 2.7 million to Portugal (excluding the Pego combined cycle plant, which has provisionally been allocated 616,808 tonnes) and 1.4 million to Ireland.

In terms of rights used, facilities in Spain emitted 23.2 million tonnes during the year (2.13 million of which comprised carbon credits from CDM projects), whereas Portuguese facilities emitted 1.62 million tonnes (with emissions by the Pego coal thermal plant yet to be verified and excluding the Pego combined cycle thermal plant) and power stations in Ireland emitted 0.554 million tonnes.

In 2010, the task of identifying and developing CDM and Joint Action (hereinafter JA) projects at Endesa was incorporated into the new Carbon Strategy Unit in Enel, which has two key priorities:

- Develop and implement the Group's compliance strategy, minimising costs while limiting the associated risks.
- Seize opportunities in the growing carbon markets, addressing third-party needs or investing in profitable opportunities within risk limits.

ENDESA Carbono, S.L. (hereinafter Endesa Carbono), a subsidiary of ENDESA, S.A., is responsible for sourcing projects for Enel's Carbon Strategy Unit, which has offices in 6 countries (Spain, Italy, the United States, China, the Philippines and Peru) in which 44 people of 9 different nationalities work.

One of Endesa Carbono's strengths is its active presence in different markets, which helps it identify CDM and JA projects both in Endesa's installations and in those of its customers and other companies. Its position in the US is also key to the start-up of the carbon market in this country, which has made a firm commitment to cut emissions.

Enel/Endesa's CER/Emission Reduction Unit (hereinafter ERU) portfolio has been ranked the world leader in the carbon market. At the 2010 year end, these two companies' joint CDM portfolio contained a total of 105 projects, reflecting CO_2 reductions of more than 195 million tonnes, and holding 13% of the total credits granted by the United Nations.

In addition to developing and participating in CDM projects, Endesa is also involved in various carbon funds. These include the funds directly managed by the World Bank, such as the Community Development Carbon Fund, which aims to provide a stable and organised international framework for the development of CDM projects (priority in this regard will be given to small-scale projects in under-developed countries). Other Funds managed by the World Bank which Endesa has joined include the Spanish Carbon Fund, the Umbrella Carbon Fund and the Carbon Partnership Fund. The Group also participates in the MCCF Fund, which was established by the European Investment Bank and the European Bank for Reconstruction and Development, which is in charge of contracting and managing JA projects, mainly in Eastern European countries.

In 2010, and for the seventh consecutive year, Endesa took part in the Carbon Disclosure Project (hereinafter CDP). The CDP is an initiative involving a large number of investors (534 investment companies that manage assets totalling US Dollars 64 trillion) which analyses climate change-related threats and opportunities faced by the world's leading companies. In recent years the CDP has become a benchmark for the processes and methodology used to publish corporate information on greenhouse gas (hereinafter GHG) emissions. Endesa obtained first place in the international utilities classification in 2008. In 2010 Endesa was included in the CDP Global 500, a report assessing the 500 largest public companies in the world on the FTSE Global Equity Index Series (Global 500) and was awarded high scores in the Carbon Disclosure Leadership Index (CDLI), an indication of the quality and clarity of the disclosures made by Endesa on its targets and initiatives to combat climate change and the Group's transparency regarding its carbon emissions.

With a view to continually improving its work in the struggle against climate change, this year Endesa signed up to the CDP Supply Chain, an initiative designed to increase awareness of organisations' carbon footprint, by going beyond their direct GHG emissions to cover climate change-related threats and opportunities deriving from supply chains. The main goal of the initiative is to encourage Endesa and its suppliers to take steps to combat climate change.

As part of the project, Endesa has also independently undertaken to calculate its carbon footprint including all its lines of business and geographical areas of activity. Calculating its footprint will help Endesa identify those areas on which more work is needed to cut GHG emissions, possibly collaborating with its suppliers to achieve this goal.

In 2010 the combustion gas desulphurisation plant in Group I at the Litoral de Almería thermal plant came into service. With these facilities, Endesa has concluded its environmental action plan for reducing gas emissions from its thermal plants in Spain.

The initiatives included in the plan involved a total investment of Euros 648 million, with high levels of technological complexity. Work has mainly comprised the installation of gas desulphurisation systems to reduce sulphur emissions, combustion optimisation systems, new burners to reduce nitrogen oxide emissions, improvements to solid particle filtration systems and, in certain cases, adaptation of facilities to allow consumption of higher quality fuels and, therefore, reduce contaminant emissions. At the 2010 year end these measures led to a 95% reduction in SO_2 emissions, an 80% drop in NO_x and a 92% decrease in particle emissions at the large combustion plants (hereinafter LGP) under Spain's Emission Reduction Plan (hereinafter ERP) with respect to 2006 levels.

In 2010 Endesa continued to implement environmental management systems in its facilities in Spain and Portugal that did not hold ISO 14001 certification.

Endesa has also continued to register Endesa Generación's main facilities with the EU Eco-management and Audit Scheme (hereinafter EMAS).

At the 2010 year end Endesa in Spain and Portugal accounted for 91% of total installed thermal capacity and all of the Group's nuclear and hydroelectric power plants, port terminals, mining operations and distribution facilities, with ISO 14001 certification.

In 2010 the As Pontes combined cycle thermal plant, the Compostilla Thermal Production Unit (hereinafter TPU) and the Mina Emma open cast mining operation in Puertollano, Ciudad Real, were all ISO 14001 certified.

In addition to the ISO 14001 certification, the As Pontes combined cycle thermal plant registered with the EMAS, as did the Los Barrios port terminal (which was already ISO 14001 certified).

The Compostilla TPU is also expected to achieve EMAS registration in early 2011, following the application process which ultimately was not finalised in 2010.

As regards the distribution business in Spain and Portugal, in line with the 2008-2012 PES for implementing environmental management systems Aenor renewed the environmental certification awarded to EDE in February for the Balearic Islands and in December for Catalonia. These certification renewals uphold and strengthen EDE's commitment to this legislation in Aragón, Andalusia, the Balearic Islands, the Canary Islands, Catalonia and Extremadura.

Biodiversity

As regards biodiversity conservation in Spain and Portugal, a unique course on Biodiversity and Benefits of Hydroelectric Power has been prepared which, in line with Endesa's Biodiversity Conservation Plan, has been attended by the North West Hydroelectric Production Unit (hereinafter HPU) and will be rolled out to the entire hydroelectric business in Spain during 2011.

A four-part annual series of publications on Biodiversity and Endesa is planned for 2011-2014 to deal with the various contact points between Endesa and natural ecosystems which can have an effect on biodiversity. The first volume in the series has already been designed and prepared for publication in the first half of 2011. The series will come with a game on biodiversity management in continental aquatic ecosystems (reservoirs and regulated rivers) based on a mathematical model which will allow readers to define scenarios, take steps that affect the workings of the ecosystem and its biodiversity and see the end results.

A preliminary database of the hydroelectric facilities located in conservation areas in Spain has been prepared in 2010 and work has begun on another database to monitor the progress and development of Endesa's Biodiversity Conservation Plan.

The environmental risks of the installations planned for 2010 were also analysed, in accordance with the methodology proposed by Enel.

Integral water management

A pilot version of the database and monitoring system has been prepared for the first three programmes (Controlled use of water, Quality control of water and Improvement in ecological condition of regulated rivers) in the area of efficient water management.

As regards the second programme, the trophic condition of Endesa's hydroelectric power reservoirs has already been assessed on the Ebro river basin and the inland basins of Catalonia.

Improvements have been made to the treatment of sanitary wastewater at hydroelectric power plants by replacing authorised spills with controlled confinement and drainage systems.

Ireland

During 2010 the environmental management model (environmental policy and management systems, etc.) of the four thermal plants purchased in January 2009 was gradually adapted to match the corporate standards and model of the Endesa Group. Specifically, the environmental certifications already held at two of the plants were retained and processes have begun to obtain this certification for the other two.

The submission and approval of the Environmental Impact Studies for two new thermal plants in Great Island and Tarbert marked a major milestone. These plants will replace the current fuel-oil plants and, in light of their technology and use of natural gas, will be more environmentally friendly. The related environmental permits are currently being obtained.

Further examples of Endesa's commitment to environmental issues and the fight against climate change in Ireland include its participation in the Carbon Disclosure Project Ireland 2010 and upholding its agreement to purchase carbon credits arising from the Callahuanca project in Peru during 2008-2012.

The environmental master plan approved in mid-2009 is being developed as planned; this plan covers another set of environmental management activities such as waste management, monitoring of atmospheric emissions and assessment of environmental liabilities, etc.

The 2008-2012 NAP for Ireland: Endesa's operations in Ireland were allocated free CO_2 emission rights equivalent to 1.4 million tonnes. In terms of emissions rights used, the four thermal plants in Ireland under the Plan emitted a total 0.275 million tonnes.

Morocco

Following the award of the ISO 14001 certificate in December 2009, the Tahaddart combined cycle plant (in Tangiers), in which Endesa holds a 32% interest through the company Energie Electrique de Tahaddart, S.A. (hereinafter EET), has become the standard-bearer in the Moroccan electricity sector. Although the legal framework and corporate culture in terms of the environment is still in the early stages of development in this country, the environmental management system is based on an extremely demanding environmental policy.

The annual environmental programme for 2010 aimed at ensuring ongoing improvements to environmental management provided for the construction of a temporary storage facility for waste on the plant premises. Once the storage facility had been constructed and put into use, the waste could be separated by type at source to facilitate its final clean-up and increase recycling opportunities and quantities.

Furthermore, the plant's environmental management tasks include monitoring the natural resources consumed (water from the estuary), checking emissions into the atmosphere and identifying the nature of any spills, enabling the plant to observe and control the impacts of its activities.

The external audit successfully performed in December 2010 reaffirms the excellent environmental management carried out at the plant, including the protected natural area in which the facilities are located.

Latin America

Endesa continued to develop and implement its 2009-2012 Environmental Plan for Latin America resulting from the 2008-2012 PES. The Plan has been approved by all Endesa businesses in Latin America and adapted to meet the disparate circumstances in each country while generally striving for high standards of environmental activity by focusing on Endesa's three strategic cornerstones: climate change, excellence in environmental management and biodiversity conservation.

In the environmental certification area, by 2010 year end virtually all Endesa's generation and distribution facilities in Latin America had been certified under the ISO 14001 standard for environmental management and under the OHSAS 18001 standard for occupational risk prevention. This management approach is also applied at the facilities of the plants that entered into commercial operations this year: Quintero (257 MW), Santa Rosa II (429.38 MW) and the Canela II (60 MW) wind farm.

The monitoring and documentation of environmental indicators is an important aspect of environmental management. In the pursuit of higher quality integral environmental information, which in certain instances can be difficult to prepare, a monthly environmental reporting system, known as SIAM, has been developed and installed at the Environmental Technical Library, which is accessible over the internet and intranet from all generation facilities. SIAM has been installed on the environmental management systems at the plants and is designed for uploading all the environmental indicators each month to enable greater control, incorporating alerts to allow optimal data quality.

European methodology, based on European Commission Decision 589 of 2007, concerning the control of CO_2 emissions, and Endesa Chile's application of Standard 19 to control atmospheric emissions from Latin American thermal generation facilities have proven invaluable when adapting the plants to new Chilean (Resolution no. 5, of 26 November 2010) and Colombian (Resolution 909) legislation in force during 2010. The thermal generation facilities in these two countries (and foreseeably in a third) are investing and will continue to invest heavily in adapting to the new regulations, which entail stricter limits and controls over pollutants.

As regards the CDM projects in Latin America, the Ojos de Agua hydroelectricity project in Chile became the first Endesa project to be registered by the Executive Secretary of the United Nations Framework Convention on Climate Change in April 2007. CO_2

emissions are expected to be cut by 146,000 tonnes over seven years, approximately 20,870 tonnes of CO_2 per year. The Callahuanca hydroelectric project in Peru was registered as a CDM project in early 2008, with total CO_2 emissions expected to be cut by 100,000 tonnes in the first crediting period, and was the first project to be approved by the Spanish DNA. Both projects are currently undergoing verification audits to produce their first CERs.

The Canela wind farm in Chile (installed capacity of 18W), which was registered as a CDM with the United Nations in 2009, is the first wind farm to be connected to the Central Interconnected System in Chile. The wind farm is currently undergoing its first verification audit with the United Nations in addition to the Gold Standard certification, and construction of the second stage (Canela II 69 MW) has been completed, resulting in total installed capacity of 87 MW, close to the amount required for CDM registration.

The Ventanilla Project in Peru has applied for registration with the United Nations, having passed the corresponding audit process. This CDM project involves the transformation of two open cycle plants of 160 MW each into a 490 MW combined cycle plant.

The El Quimbo project in Colombia is currently being constructed which, as a CDM, comprises a 400 MW hydroelectric plant located on the Magdalena River basin in the region on Huila. This project would move a total of 600,000 tonnes of CO_2 per year.

As provided for in the Environmental Plan, all companies are currently developing projects to calculate their carbon footprint. Once this project has been completed, the information necessary to establish a baseline and mechanisms will be available, which will enable the companies to reduce their GHG emissions in all Endesa activities.

In line with the Environmental Plan 2009-2012, biodiversity has been a major focus, particularly in the year specifically dedicated to it. The Latin America Biodiversity Committee met in Chile in March and November 2010. The November meeting took place in the San Ignacio del Huinay Foundation, a place which exemplifies nature conservation and the research carried out by the Company.

The initiatives carried out by the Biodiversity Committee include preparing an inventory of the biodiversity measures taken by companies, identifying natural areas owned by companies which can be earmarked for protection, cooperating with local authorities, and preparing a plan to reveal the Group's policies in this area and its current and future projects, such as: Arroyito in Argentina, Cachoeira Dourada in Brazil, Cartagena, Betania and the Codensa plantations in Colombia and Huinay itself. The Group is therefore continuing its efforts to instil a culture of biodiversity conservation in its plants' industrial operations and all Endesa's activities and areas.

In 2010 the Foundation carried out its third scientific expedition to the Patagonian lakes, which this time focused on four water masses, chosen as a result of the 2007-2009 studies, which are representative of the main ecosystems in the area, from the actual lakes to lagoons. Two of these masses of water are monitored daily, which has revealed interesting results regarding the primary production-heterotrophic respiration equilibrium. The research results, initially expected to be published in late 2010, will finally be published in the first half of 2011.

A project to assess environmental risks under a common global methodology was undertaken in 2010 for generation and distribution facilities of all types. This methodology includes not only an analysis of the adverse environmental impacts that can occur, but also the critical nature of the damage that an environmental disaster caused by Endesa's facilities could cause on a strategic, financial and reputational level.

In the first stage, various distribution facilities in five Latin American countries (which use different types of fuel in their industrial processes) and a distribution company were assessed.

6. Human resources

At 31 December 2010, Endesa had 24,732 employees, of whom 12,270 worked in the electricity business in Spain and Portugal and Other countries and 12,462 in the Latin American business.

At 31 December 2009, Endesa had 26,305 employees, of which 13,629 worked in the electricity business in Spain and Portugal and Other countries and 12,676 in Latin America.

Information relating to employees is presented in Note 38 to the annual accounts.

7. Risk management policy and derivative financial instruments

The information on the risk management policy and derivative financial instruments is included in Notes 19 and 20 to the consolidated financial statements.

8. Treasury shares

Endesa did not hold any treasury shares at 31 December 2010 and did not carry out any transactions involving treasury shares in 2010.

9.Disclosures required by article 116 bis of the Spanish Securities Market Law

a) The capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent:

The Company's share capital amounts to EUR 1,270,502,540.40 and it has been subscribed and fully paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of EUR 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 book-entry shares making up the share capital are marketable securities and governed by securities market regulations.

The book-entry shares of Endesa, S.A., have been registered at the Registro Central de la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (hereinafter Iberclear), the Spanish Central Securities Depository.

The shares of Endesa, S.A. are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

b) Restrictions on the transferability of securities:

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

c) Significant direct or indirect ownership interests in the share capital:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
ENEL Energy Europe, S.L.U. (1)	974,717,763	—	92.063
ENEL, S.p.A.	—	974,717,763	92.063
Total	**974,717,763**	**974,717,763**	**92.063**

(1) ENEL Energy Europe S.L.U. is owned by ENEL, S.p.A.

d) Restrictions on voting rights:

There are no legal or bylaw restrictions on voting rights.

e) Shareholders' agreements:

No shareholders' agreements are currently in force.

f) Rules for the appointment and removal of directors and amendments to the Company's bylaws;

Rules for the appointment and removal of directors:

Pursuant to Articles 37 and 38 of the bylaws, "The appointment and removal of directors is the responsibility of the shareholders at the General Meeting. Directors can resign or be removed from office or re-appointed" and "Directors shall serve a term of four years and may be re-appointed for further four-year periods".

The appointment and re-appointment of directors are governed by the Board of Directors Regulations:

Article 5: Structure and membership of the Board

"Proposals for the appointment or re-appointment of directors made by the Board of Directors shall be for persons of acknowledged merit with the necessary professional knowledge and experience to discharge their duties and who undertake to dedicate sufficient time to the work of the Board."

Article 21: Appointment of directors

"The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in accordance with the Spanish Companies Act and the bylaws.

Proposals for appointments or re-appointments of directors to be submitted by the Board of Directors to the shareholders at the General Meeting shall be approved by the Board at the request of the Appointments and Remuneration Committee, in the case of independent directors, and subject to a report from that Committee in the case of other directors."

Article 24: Re-appointment of directors

"The Appointments and Remuneration Committee shall issue its mandatory report on the proposals to re-appoint directors that the Board decides to submit to the General Meeting."

Article 25: Removal of directors

25.1. "The directors shall stand down from the Board when term of office for which they were appointed elapses, and in all other cases where required by law, the bylaws or these Regulations.

25.2. Directors are required to relinquish their office and submit their resignation to the Board when:

- The Company's credit and reputation could be harmed if they remain on the Board.
- Any legally prohibited or incompatible situations have arisen and the Board, subject to a report from the Appointments and Remuneration Committee, rules that the director has committed a serious breach of duties."

25.3. "When for any reason a director stands down from the Board, he may not provide services to any competitor for two years, unless the Board waives or shortens this ban."

25.4. "Where directors resign or leave office for any other reason before the end of their term, an explanatory letter shall be sent to all members of the Board. Irrespective of whether this departure is reported as a subsequent event, the reason for the director standing down should be disclosed in the annual corporate governance report".

Rules for amendments to the Company's bylaws:

Pursuant to Article 26 of the bylaws, for the shareholders at the Annual or Extraordinary General Meeting to pass a Resolution to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.

When shareholders holding less than 50% of the subscribed voting stock are present or represented, the Resolutions referred to in the preceding section may only be adopted with the affirmative vote of shareholders representing two-thirds of the share capital present or represented at the Meeting.

g) The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares:

The Executive Chairman and the CEO have been granted, jointly, all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.

Endesa's Board of Directors cannot issue new shares of Endesa, S.A. without prior authorisation from the shareholders.

At the Endesa Annual General Meeting held on 21 June 2010, in accordance with Article 75 of the Spanish Companies Act, the shareholders also authorised the derivative acquisition of treasury shares, together with pre-emptive subscription rights, by any legal means, directly by Endesa, S.A., by the companies in its Group or through an intermediary, up to the legally permitted maximum. The acquisitions shall be made at a minimum price per share of the par value of the shares and a maximum price per share of the market value of the shares plus an additional 5%. The current authorisation is for five years.

The authorisation extends to any shares which have to be issued directly to employees and directors of the Company or its subsidiaries or due to the exercise of share options by those employees and directors.

h) The significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control over the Company as a result of a takeover bid, and its effects, except when the disclosure would be seriously harmful for the Company. This exception does not apply when the Company is legally obliged to disclose such information.

Endesa and its subsidiaries have loans and other borrowings from banks equivalent to Euros 1,755 million that might have to be repaid early and derivative contracts with a market value of Euros 9 million (a notional Euros 75 million) that could be subject to early termination in the event of a change of control over Endesa, S.A.

i) The agreements between the Company and its directors and executives or employees that provide for benefits when the latter resign or are terminated without just cause or if employment is ended as a result of a takeover bid.

At 31 December 2010 Endesa had 48 executive directors, senior executives and executives with guarantee clauses in their employment contracts.

Executive directors	**2**
Senior executives	22
Executives	24
TOTAL	**48**

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

The regime for these clauses for the executive directors and senior executives is as follows:

Termination of employment

- By mutual agreement: termination benefit equal to one to three times annual remuneration, on a case-by-case basis.
- Unilateral decision by the executive: no entitlement to a termination benefit, unless the decision to terminate employment is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or other causes for compensation for termination foreseen in Royal Decree 1382/1985 of 1 August 1985.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

However, in order to be in line with the market, in the case of three of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service in certain cases of termination of employment.

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

Post-contractual non-competition clause

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

The regime governing the clauses for the 24 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits for senior executives.

10. Annual Corporate Governance Report required by Article 526 of Royal Decree Law 1/2010 of 2 July 2010 approving the Revised Spanish Companies Act

The 2010 Annual Corporate Governance Report is annexed to this directors' report and forms an integral part of this report, as required by Article 526 of Royal Decree Law 1/2010 of 2 July 2010 approving the Revised Spanish Companies Act.

11. Proposed distribution of profit

The 2010 profit of the Group's Parent company, Endesa, S.A., of Euros 949,599,151.58 combined with retained earnings of Euros 2,452,550,379.57, gives a total of Euros 3,402,149,531.15.

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that this amount be used to make a gross dividend payment of Euros 1.017 per share with the rest added to retained earnings.

	Euros
Dividend (maximum amount to be distributed based on Euros 1.017/share for all shares (1,058,752,117))	1,076,750,902.99
Retained earnings	2,325,398,628.16
Total	**3,402,149,531.15**

Appendix I. The Endesa Group's Internal Control over Financial Reporting (ICOFR)

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

1. Introduction

Transparency requirements in the securities markets have changed significantly in recent years. In particular, financial reporting standards for listed entities have become more sophisticated, and their complexity has increased exponentially. To meet these new challenges, internal control systems must evolve as required, providing reasonable assurance as to the reliability of the financial information submitted to the market by listed entities.

Stakeholders are also putting increasing pressure on companies to enhance their commitment to protecting the interests of their shareholders, customers, employees, creditors, suppliers and society as a whole. These new demands have led companies to take a number of steps, including specific measures to strengthen the trust placed in all manner of financial information provided to parties outside the company.

When strengthening this trust, efficient internal control over financial reporting is crucial to:

- Provide reliable, quality financial information with the involvement of the entire organisation.
- Formalise and create a system for control over financial reporting, making improvements and boosting efficiency by using best practices.

Following a proposal from the CNMV (Spanish Securities Market Commission), an Internal Control over Financial Reporting Working Group (hereinafter ICWG) was created to prepare a number of recommendations on the Group's internal control over financial reporting (hereinafter ICOFR). The ICWG's work focused on three basic objectives:

(i) To review the Spanish regulatory framework with respect to internal control over financial reporting;
(ii) To establish a benchmark framework of principles and good practices with respect to ICOFR, including supervision of this system; and
(iii) To help improve the transparency of information submitted by listed entities to the securities markets with respect to ICOFR.

Conscious of the interests of markets and stakeholders and the ICWG recommendations set forth in the document "*Control interno sobre la información financiera de las Sociedades cotizadas*" (Internal Control over Financial Reporting for Listed Companies – hereinafter the ICWG document) dated June 2010, Endesa, S.A. (hereinafter the Company or Endesa) has established a voluntary review process for its ICOFR, with the following main objectives:

1. To improve the efficiency and security of financial reporting processes, minimising the possibility of error.
2. To anticipate new internal control and corporate governance regulatory requirements, implementing international best practices as early as possible.

3. To place the Company as an internal control and corporate governance standard-bearer.

As a result of this process and to reinforce the transparency and quality of the public information on ICOFR issued by Endesa to the markets, Company management has prepared the following description of its ICOFR, following the 16 basic indicators recommended in Section III of the ICWG document. Company management also considered it pertinent to request a review of this information by an external auditor, based on the procedures for review by an external auditor set forth in Appendix 2 of the ICWG report.

It should be noted that although there are legislative initiatives which affect the obligations and/or recommendations concerning the information which listed companies must publish with respect to their ICOFR, there is currently no regulatory framework which stipulates the minimum requirements for companies when describing their ICOFR.

An overview of the Endesa Group's ICOFR is presented below, describing the main features of these controls based on the aforementioned 16 basic indicators. The external review report is also attached.

2. Overview of the Endesa, S.A. ICOFR

Financial reporting is a crucial tool for communicating with shareholders, investors, financiers and supervisory bodies, and is fed by information from a wide range of sources. In fact, almost all the Endesa Group's organisational units provided some form of relevant data for the preparation of this financial information. Compliance with information and transparency accuracy obligations is therefore not only the responsibility of the finance department, but also all the other units which comprise the Endesa Group within their respective areas of activity. Sharing this responsibility between the different areas is key to how Endesa's ICOFR works.

The Company's ICOFR is based on two kinds of controls:

(i) general controls (comprising elements such as the audit committee, a code of ethics, internal audit, a suitable organisational structure, etc.); and
(ii) controls within the different areas over relevant transactions with an impact on financial reporting.

The Company's ICOFR currently encompasses 227 organisational units (66 in Spain and Portugal and 161 in Latin America) and 911 processes (181 in Spain and Portugal and 730 in Latin America) with a major impact on the Group's financial reporting. A standardised documentation model has been prepared to break these organisational units and processes down into 6,689 control activities (1,428 in Spain and Portugal and 5,261 in Latin America). The person responsible for each of these control activities has been identified to ensure that all the records used to prepare the financial information are traceable.

The documentation generated with respect to the areas and processes includes detailed descriptions of the transactions related to the preparation of financial information. These descriptions cover this information from when first generated until it is recognised in the Company's accounts and reported externally, as well as the authorisation and processing stages. The documentation has therefore been prepared with the following basic aims:

a) To identify critical processes directly and indirectly linked to the generation of financial information.
b) To identify the risks inherent in these processes which could give rise to material misstatement in financial reporting (typically related to completeness, validity, recognition, cut-off, measurement and presentation).
c) To identify and characterise the controls in place to mitigate these risks.

All of the Group's ICOFR documentation is included in a corporate IT tool. Information on the system is regularly updated to reflect any changes to transactions or control over financial reporting, and has sufficient traceability to be submitted to any kind of review.

The aim of this regular updating is to make use of the initial efforts made to improve the quality of existing controls and strengthen control over the mechanisms used to generate financial information.

Every six months Company management assesses Endesa's ICOFR. During this process each of the persons responsible for the controls identified in the corporate system that supports ICOFR assess the design and effectiveness of these controls. The model also has a further six-monthly verification process which is carried out by the audit department, and validates the assessment performed by the persons in charge of the controls.

Based on the conclusions reached from the ICOFR assessment process, every six months Company management concludes on the adequacy of the Endesa Group's internal control over financial reporting, and establishes any action plans required to rectify any weaknesses or act on any areas for improvement highlighted during the aforementioned assessment process.

The results of the six-monthly assessment process are analysed by the Company's Audit and Compliance Committee, by order of the board of directors, which is ultimately responsible for ensuring a suitable internal control system within the Group.

3. Basic indicators

The entity's control environment

1. What bodies and/or functions are responsible for: (i) devising and maintaining an appropriate and effective ICOFR; (ii) its implementation; and (iii) its supervision.

Board of Directors

Ultimate responsibility for devising and maintaining an appropriate ICOFR lies with the Endesa Board of Directors, a function which it has delegated to the Audit Committee.

Audit and Compliance Committee

Section 6 of article 14 of the regulations of the Endesa Board of Directors states that the main function of the Audit and Compliance Committee is to monitor good corporate governance and transparency throughout the Company's activities, with respect to economic and financial issues, internal and external audit and compliance.

This Committee has therefore been entrusted with mapping and supervising the financial reporting process and the Company's IT and internal control systems, including the following functions:

- To supervise the preparation process and completeness of financial information on the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the composition of the consolidated group and the correct application of accounting criteria.
- To regularly review the internal control and risk management systems so that the main risks are adequately identified, managed and reported.
- To oversee the independence and efficiency of internal audit, propose the recruitment, appointment, renewal and removal of the person in charge of this area, and to receive regular information on the activities carried out in this regard, ensuring that senior management takes into consideration the conclusions and recommendations set forth in the internal audit department's reports.

Members of the Audit and Compliance Committee are appointed in accordance with their knowledge and experience of accounting, audit or risk management issues, and they are kept up-to-date with any regulatory changes in these areas.

The Audit Committee has an internal audit function which, under the Committee's supervision, ensures that IT and internal control systems work properly, assessing the efficiency of ICOFR and regularly reporting on any weaknesses it has detected, as well as the planned schedule for proposed measures to correct these weaknesses.

Transparency Committee

In 2004 Endesa created its Transparency Committee, made up of the Company's main directors and including the Executive Management Committee (composed of the Chief Executive Officer and General Management for Spain and Portugal, Latin America, Strategy and Development, Legal Affairs, Organisation and Human Resources, Economic Financial, Systems and Telecommunications, Purchasing and the General Secretary to the Board), along with other members of Company management directly involved in the preparation, verification and disclosure of financial information, as well as the Internal Audit General Manager. The Transparency Committee is chaired by the CEO.

The main objective of this Committee is to ensure compliance with and correct application of the general principles governing financial reporting (confidentiality, transparency, consistency and responsibility), assess events, transactions, reports and other relevant issues reported externally, and determine the format and deadlines for presenting public information.

The functions of the Transparency Committee also include assessing the conclusions issued by Endesa's Economic Financial General Management with respect to compliance and effectiveness of internal control over financial reporting and internal procedures for disclosing information to external stakeholders, designing corrective/preventative measures in this respect, and informing the Board's Audit and Compliance Committee of this work.

Endesa's Economic Financial General Management

Endesa's Economic Financial General Management supports the Transparency Committee by carrying out the following duties related to internal control over financial reporting:

- Propose financial information management policies to the Transparency Committee for approval.
- Assess and report to the Transparency Committee on the effectiveness of controls, as well as their operation and, where applicable, any potential breaches of approved internal control policies, based on documents from control managers and reports from Audit General Management.
- Establish and distribute the necessary procedures for internal control over financial reporting.
- Supervise compliance with the internal control over financial reporting and internal controls and procedures for external reporting, and issue of a regular report reflecting the assessment of system effectiveness for presentation to the Transparency Committee.

Internal Control over Financial Reporting Unit

As part of Economic Financial General Management, the Internal Control over Financial Reporting Unit has the following functions:

- To inform the various Endesa companies and organisational areas of the approval of ICOFR policies and procedures.
- To maintain and update the internal control over financial reporting model.
- To update documentation on procedures and controls in place at any given time.
- To define the sign-off processes for assessment of the effectiveness of controls and procedures defined in the ICOFR model.
- To maintain the system which supports the ICOFR model.

All aspects of internal control over financial reporting and disclosures to external parties are regulated by the corporate standard on "internal control over financial reporting and internal controls and procedures for external reporting", which is applicable to all Endesa companies. The standard establishes operating principles and responsibilities for implementing and maintaining internal controls over financial reporting and internal controls and procedures for public disclosures of financial information. The goal is to ensure reliable information and that the reports, facts, transactions and other relevant issues are reported externally in a timely and appropriate manner.

The general principles of the aforementioned standard are:

- Principle of reliability: Obligatory and voluntary information which is reported must be true, accurate, complete and suitable, based on the facts and circumstances which are known at any time.
- Principle of consistency: Obligatory and voluntary information which is reported must be understandable and consistent in its presentation with respect to information previously disclosed to external parties.
- Principle of transparency: All relevant information should be immediately disclosed in accordance with established procedures and applicable legislation.
- Principle of control over information flows: Financial (and related) information should flow in a controlled manner from the areas where it is generated or obtained

(businesses or corporate areas) to the Transparency Committee, thereby ensuring it is disclosed to external sources (where applicable).

- Principle of guarantee: Each business and corporate area must guarantee the reliability of the financial information (and related information) generated or obtained within its area of activity.
- Principle of regulatory compliance: The preparation, treatment and disclosure of financial and related information should comply with prevailing domestic and international regulations, particularly those which regulate the markets in which the securities issued by Endesa and its subsidiaries are listed.
- Principle of responsibility: Each business and corporate area is responsible for applying these general principles within their area of activity, as well as for preparing and applying their own internal control procedures that are consistent with this regulation.

The internal control over financial reporting function is carried out within Endesa's Economic Financial General Management, based on the information flow risks represented by any circumstances that may impede or hinder the reliable procurement, treatment and disclosure of this information. This function is based on the Endesa risk map and internal controls, which make up the policies and procedures used to identify, assess, process and record financial and non-financial information in a consistent, reliable and timely manner.

Endesa's internal control over financial reporting is fully assessed and validated every six months. Based on these two reviews, the Audit and Compliance Commission has entrusted Audit General Management with supervision of the system, assessing its design and effectiveness and informing the Committee of weaknesses detected, as well as the schedule for any corrective measures proposed.

2. Which departments and/or mechanisms are responsible for designing and reviewing the organisational structure, and for clearly defining responsibilities and authority in this respect, adequately assigning tasks and functions and ensuring that there are sufficient procedures for this information to be correctly transmitted to the entity (particularly with respect to the preparation of financial information)?

The design and review of the organisational structure, as well as the definition of areas of responsibility and authority, are carried out by the Board of Directors through the CEO and the Appointments and Remuneration Committee (which is part of the Board).

The CEO and Appointments and Remuneration Committee allocate tasks and functions, ensuring that duties are adequately segregated and that there are coordination systems between the different departments to guarantee that operations are efficient.

The process for determining the organisational structure is regulated by the corporate standard on "organisational changes, appointments and management remuneration", which applies to all Group companies. According to this regulation, Endesa's Organisation and Human Resources General Management regularly assesses the entity's organisational structure, proposing any changes to the corresponding Company bodies based on business or industry requirements and considering adequate segregation of duties.

Along with the respective functional areas, the Organisation and Human Resources General Management is also responsible for analysing and determining Group processes, including those related to the preparation of financial information.

A detailed organisational chart showing all the Group's functions is published on the corporate intranet, and is available to all Endesa employees.

3. Whether the following exist (particularly with respect to the preparation of financial information):
- Code of conduct, approval body, level of distribution and instruction, principles and values included (indicating any specific mention of the recording of transactions and preparation of financial information), body responsible for analysing breaches and proposing corrective measures/fines.
- Whistle-blowing hotline, which allows the audit committee to be informed of any financial or accounting irregularities, as well as any breaches of the code of conduct and irregular activities with respect to organisation, indicating any issues of a confidential nature.
- Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICOFR, which should cover (as a minimum) accounting standards, audit, internal control and risk management.

Codes of conduct

Endesa has the following documentation on internal standards governing conduct:

Code of Ethics

The Endesa Group has a code of ethics approved by the Board of Directors, which sets forth the ethical commitments and responsibilities with respect to business management and activities assumed by the collaborators who work for Endesa, S.A. and its subsidiaries (both management and regular employees).

This code of ethics comprises:

- The general principles governing relations with implicated parties and defining the values to be followed by Endesa in its activities.
- Conduct criteria for relations with all kinds of parties, which provide the specific directives and standards to be followed by Endesa's collaborators to respect the general principles and eliminate the risk of non-ethical conduct.
- The implementation mechanisms, which describe the tasks of the Audit and Compliance Committee with respect to implementation and control of the code of ethics, the duties of Internal Audit General Management, communication and training.

The principles and provisions of the Endesa code of ethics are aimed at the members of the Board of Directors, the Audit and Compliance Committee and the other control bodies of Endesa, S.A. and the remaining Group companies, as well as management, employees and collaborators linked to the Group through any kind of contract (including one-off or temporary contracts).

The general principles set forth in the code of ethics include "information transparency and completeness", which states that "*Endesa collaborators should provide complete, transparent, comprehensible and precise information so that, when working with the Company, the parties involved can make autonomous and informed decisions* *with regard to the interests at stake, the alternatives available and the relevant consequences".*

Zero Tolerance of Corruption Plan

The Zero Tolerance of Corruption Plan, which is approved by the Endesa Board of Directors, requires all Group employees to be honest, transparent and fair when carrying out their duties. These commitments are also required of all other related parties, i.e. those individuals, groups and entities that help meet Endesa's goals or which are involved in the activities carried out to meet these goals.

In compliance with the tenth principle of the Global Compact, to which Endesa has subscribed, "*Businesses should work against corruption in all its forms, including extortion and bribery*". Endesa rejects all forms of direct and indirect corruption, and has a programme to fight against corruption.

Senior management and management bylaws and employee code of conduct

In 2003 the Endesa Board of Directors approved specific regulations applicable to certain groups of employees, specifically the "senior management bylaws" and "management bylaws", which apply to the Group's senior management and management personnel, respectively. In 2003 the Board of Directors also approved the employee code of conduct, which applies to all Group employees.

The aim of these documents is to establish the way in which the members of the various groups concerned should act and behave, including the requirement to "*ensure that all the organisation's books, records and accounts for which they may be responsible reflect the complete, precise and up-to-date nature and situation of the transactions*".

In addition to the aforementioned bylaws and codes, in 2006 the Company also approved its regulation for the application of management bylaws, the employee code of conduct and incompatibility/anti-competition agreements. This regulation is applicable to those Endesa bodies with powers relating to the application of these standards, the powers of the bodies in question, their behaviour criteria and the procedures for controlling and handling any breaches.

The regulation deals with behaviour criteria relating to:

- The prohibition of commercial competition.
- Ban on rendering services to other Endesa companies.
- Exclusive dedication.
- Conflict of interest (purchase of assets, collaboration with suppliers and other circumstances).

All of these documents are published as internal regulations on the corporate intranet, with the aim of ensuring that everyone related to the Group acts in accordance with the ethical values reflected therein throughout all their activities linked to Group activity. These include actions related to the reliability of financial information and compliance with prevailing regulations, in accordance with the directives issued by the Board of Directors.

Whistle-blowing Hotline

Since July 2005 Endesa has had a whistle-blowing hotline which is accessible through its external website (and internally for its employees), so that all the Group's stakeholders can securely and anonymously report any irregular, unethical or illegal conduct which they have detected in the Company's activities. This hotline is available in the five languages of the countries in which Endesa operates.

The procedure for using this channel ensures confidentiality, as the information received is restricted and managed by an independent external company. Internal Audit General Management has established a number of roles and authorisation profiles which grant access to the aforementioned information by certain individuals in this department.

The whistle-blowing hotline classifies the complains received into 13 business management fields, based on aspects set forth in the Endesa code of ethics, allowing compliance with conduct principles to be adequately monitored during internal audits.

As well as this hotline the Company also has other communication channels, including telephone, letters or e-mails addressed to any member of Internal Audit General Management or third parties.

Complaints submitted via the whistle-blowing hotline are regularly reported to the Group's Audit and Compliance Committee, which is notified of the receipt and result of each investigation and the measures implemented in the event that the complaint is sustained.

Training programmes

Endesa's Organisation and Human Resources General Management and Economic Financial General Management jointly prepare training plans for all personnel involved in preparing the Group's financial statements. These plans include permanent updates based on business and regulatory developments relating to the activities carried out by the different Group companies, as well as knowledge of International Financial Reporting Standards and trends in principles concerning internal control over financial reporting.

In 2010 Endesa's Economic Financial General Management provided 60,000 hours of training, 46% of which related to the acquisition, updating and refreshing of financial knowledge such as audit and accounting standards, internal control and risk management and control, and regulatory and business aspects which need to be understood for adequate preparation of the Group's financial information. The remaining training hours focused on management skills, health and safety in the workplace and information technology.

The 2011 training plan includes 67,000 training hours for this group, with greater focus on the market and financial knowledge areas (approximately 55% of the total).

Additionally, when required, specific training sessions are organised on issues related to the process for preparing and controlling financial information. These courses are for non-Economic Financial General Management personnel who are directly or indirectly involved in supplying data used to prepare financial information.

Assessment of financial information risks

4. What are the main features of the process to identify risks (including the risk of misstatement or fraud), considering the following:
- Whether the process exists and is documented.
- Whether the process covers all financial reporting objectives (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations), whether it is updated and with what frequency.
- The existence of a process to identify the scope of the consolidated group, considering aspects such as the possibility of complex corporate structures or special purpose vehicles.
- Whether the process considers the impact of other risk types (operating, technological, financial, reputation, environmental, legal, etc.) with respect to their effect on the financial statements.
- Which of the entity's governing bodies supervises the process.

The process for identifying risks to financial information is documented in the corporate standard on "internal control over financial reporting and internal controls and procedures concerning external reporting". This regulation includes a risk map for financial information flows which is used to identify any circumstances that may impede or hinder the procurement, treatment and disclosure of information in a reliable, timely manner.

Risk types are classified as follows:

Accounting risks

These are risks which affect the reliability of financial information in terms of treatment of the accounting records and breaches of accounting principles, and relate to the following areas:

- Recognition
- Completeness
- Standardisation of criteria
- Cut-off of operations
- Validity
- Presentation
- Suitability of the information
- Measurement

Personnel management risks

Personnel management risks include the risk that management and employees are not correctly managed, that there is no defined control culture, that they do not know what to do or how to act when there is a problem, that they work outside their areas of authorisation, that they do not have the resources, training or tools required to take decisions, or that they are not properly motivated. These risks are related to the following areas:

- Control culture.
- Knowledge and skills.
- Motivation.
- Internal fraud.
- Human error.

Technological and reporting process risks

This includes the risk that the information technology used for financial reporting does not efficiently and effectively support current and future needs, does not function as planned, compromises the completeness and reliability of the information or exposes the Company's significant assets to potential loss or abuse. These kinds of risks are related to the following issues:

- Availability and capacity.
- Access security.
- Cost of making information available on time.

Process risks

Process risks mainly arise from the following issues:

- Quality of the design and operation of processes and functions.
- Resource availability.
- Effectiveness.
- Efficiency.

Strategy and structure risks

These are risks which could lead to inefficiency and ineffectiveness within the Group's structure in terms of quality, time and cost objectives when procuring financial information, and cover the following issues:

- Definition of structure and objectives.
- Clarity of reporting lines.
- Compliance with internal standards and policies.
- Effectiveness of communication and information flows.

Environment risks

Environment risks arise as a result of external factors that may lead to significant changes in the foundations supporting the internal control over financial reporting objectives and strategies of the Company. Environment risks are related to the following issues:

- Legal and regulatory changes.
- Safeguarding of assets.
- Technological obsolescence.
- External fraud.

In accordance with the Endesa Group's internal control over financial reporting, every six months and as part of the process to assess ICOFR operations, these risks are updated if required (on approval from the Transparency Committee).

Consequently, and as previously mentioned, the process to identify and update financial information risks covers the following financial reporting objectives:

- Existence and occurrence.
- Completeness.
- Measurement.
- Presentation, disclosure and comparability.
- Rights and obligations.

This process to identify and update financial information risks also considers the impact that the rest of the risks included in the Group's risk map may have on the financial statements, mainly those of an operating, regulatory, legal, environmental, financial and reputational nature.

This risk identification process is overseen by the Transparency Committee and the Audit and Compliance committee, as part of their duties to supervise the assessment of the conclusions on the ICOFR model described in basic indicator 1 of this report.

Identification of the consolidated group

The Group keeps a corporate register which is continually updated, and includes all of Endesa's direct and indirect interests (of any nature), as well as any entity over which the Group can exercise control, regardless of the legal means used to obtain this control, including special purpose and other vehicles.

This corporate register is managed and updated based on a procedure regulated by the corporate standard on "management of the Endesa corporate register".

The Endesa consolidated group is determined each month by Economic Financial General Management, using the information available in this register and in accordance with the criteria set forth in International Accounting Standards (hereinafter IAS) 27, 28 and 31, SIC Interpretation 12 and other local accounting regulations. Group companies are informed of any changes to the consolidated group.

Control activities

5. Documentation describing activity and control flows (including those relating to fraud risks) for the different types of transactions that could have a material impact on the financial statements, including the procedure used for the close and the specific review of relevant judgments, estimates, measurements and projections.

Endesa's internal control over financial reporting model based on the COSO model (Committee of Sponsoring Organisations of the Treadway Commission of the United States), which provides reasonable assurance of compliance with the four main objectives included in the model:

- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

The starting points of the system are the Entity Level Controls (hereinafter ELCs) and Company Level Controls (hereinafter CLCs), which describe Endesa's policies and directives designed to protect the control system at Group level. These are structural elements within the control system, work across the board for all divisions/companies and are directly assessed by senior Endesa management.

Management controls focus on the following five areas:

- Supervision.
- Information and communication.
- Control activities.
- Risk assessment.
- Control environment.

They guarantee that there is adequate internal control within Endesa, and act as a mitigating control when required.

Endesa has created a map of business or corporate processes, which is also shared by all Group companies. The macro-processes which group together all Endesa group activities are as follows:

- Commercial management.
- Human resources.
- Supplies, maintenance and investment.
- Energy settlements.
- Cash flow and finances.
- Legal, property and risk management.
- Trading.
- Accounting management.
- Information systems.

The nine Endesa macro-processes are currently divided into a total of 911 processes, adapted to the features of the business operations of each country and affecting a total of 227 organisational units within the Endesa Group.

Through the Internal Control Unit, Endesa's Economic Financial General Management manages and continuously updates all the flowcharts for each of the processes. Any organisational change involves a review of the control model so that any impact can be assessed and the changes required to ensure its operating continuity can be implemented. The basic components identified for each process are:

- Control objectives. These are control requirements which must be met for each function in the business or process cycle, in line with the definition of internal control.

They seek to verify and assess the accuracy of accounting and non-accounting information, and to ascertain whether all the financial information on the company is being distributed to its users, covering the accounting assertions of completeness, cut-off of operations, presentation, recognition, validity and measurement.
- Risks. This is the possibility that an event or action may affect the organisation's capacity to meet its financial reporting objectives and/or successfully implement strategies. As indicated in section 4 above, Endesa has a risk map (which also includes fraud risk).
- Control activities. These are policies, procedures and practices applied by Company personnel, its applications and other resources established to ensure that control objectives are met and risk-mitigating strategies are implemented. Process level controls (hereinafter PLCs) should be incorporated into the way in which processes function, are used to appropriately administer risk and are focused on the prevention, detection and correction of risk. In the specific case of IT systems, control activities are known as general information technology controls (hereinafter GITCs). Depending on their design control activities can be preventative or detective, and either manual (person-based) or automatic (based on IT systems).

PLCs and GITCs are the foundations on which the entire control model is based, and cover the following issues:

- Integrity and ethical values.
- Commitment to professional competence.
- Management philosophy and style.
- Organisational structure.
- Delegation of authority and responsibility.
- Human resources policies and practices.

During the normal course of business PLCs and GITCs ensure that, for all items in the consolidated financial statements, Endesa's control objectives are met in accordance with the corporate standard on "internal control over financial reporting and internal controls and procedures for external reporting".

For all of Endesa's processes a total of 4,411 control objectives, 4,961 risks and 6,689 process control activities have currently been identified. There are also 611 management controls which affect 67 organisational units. Consequently, 90% of the main consolidated financial information is covered (all assets, sales, earnings before tax and debt).

All of the information on the internal control model is documented in the management internal control (hereinafter MIC) IT tool.

The internal control unit is the only part of the company responsible for managing the internal control model's central catalogue, which includes the following features:

- Catalogue of all processes with control objectives and risks.
- Accounts plan with all the assertions associated with each item.
- Catalogue of management controls.
- Definition of the Company's hierarchical structure (organisational units).
- Assignation of roles to each of the MIC tool users.
- Central task planning: assessment, validation, testing and signatures.

Internal control system operations are divided into the following stages, which are centrally planned for all Endesa Group companies:

- Assessment of control activities: The assessor carries out tests to verify and assess the correct application of all control activities. He/she identifies and reports any weaknesses so that they can be corrected.
- Validation of control activities: The person in charge of the processes validates each of the control activities assessed, verifies weaknesses detected so that they can be corrected and coordinates the corresponding action plan with the Internal Control Unit.
- Signature of the organisational units: The person in charge authenticates the assessment and validation of the control activities, and is responsible for the actions required to resolve the weaknesses included in the action plan.
- Assessment of management controls: These are assessed by the persons appointed for this task, and do not include specific validation.

ELCs and CLCs are assessed by senior management, and PLCs are assessed at operating level before being submitted to senior management for a successive sign-off process.

All of the above stages are permanently monitored and supported by the Internal Control Unit. The conclusions reached on compliance and effectiveness are reviewed and assessed by the Endesa internal audit department and the Economic Financial General Management. This department presents the conclusions to the Transparency Committee, which assesses and approves them before submitting them for analysis and conclusion by the Audit and Compliance Committee, along with the ICOFR verification report issued by Internal Audit General Management.

A specific action plan is created for each of the control weaknesses detected in the internal control system. The internal control unit monitors, controls and reports to the Transparency Committee and Audit and Compliance Committee, until the issues are fully resolved.

The specific review of relevant judgments, estimates, measurements and projections to quantify certain assets, liabilities, income, expenses and commitments recognised and/or disclosed in the annual accounts is performed by Economic Financial General Management with the support of the rest of the Company's general management. Assumptions and estimates based on business performance are reviewed and analysed in conjunction with the corresponding management areas of each business.

6. Internal control policies and procedures for IT systems (including access security, control over changes, implementation of changes, operating continuity and segregation of duties) which support the entity's relevant processes with respect to the preparation and publication of financial information.

Endesa's Systems and Telecommunications General Management is responsible for IT and telecommunications systems for all the businesses and countries in which the Group operates. Its numerous and diverse duties include the definition and monitoring of security policies and standards for applications and infrastructures, such as the information technology internal control model.

Endesa's internal control model considers those IT processes (including the environment, architecture and infrastructure of the Company's information technology and all the applications that affect transactions) which have a direct impact on the main business processes, and thereby affect financial information and the Company's accounting closes. These controls can be manual or carried out automatically by the IT programs themselves.

Endesa has an internal control model for its IT systems, particularly its financial information system (hereinafter FIS), which aims to ensure the quality and reliability of this information during the close (thereby also guaranteeing the quality and reliability of the information reported to the markets).

The IT systems internal control model comprises six processes:

- Physical security in data processing centres (hereinafter DPCs).
- Logical security of applications.
- Project management and production support.
- Management of operations and service level agreements (hereinafter SLAs) with suppliers.
- Information backup and recovery.
- Communications infrastructure projects.

These processes are then divided into sub-processes, which have the features and focus required by the financial system. There are also specific management controls (known as ELCs) for Endesa's information technology area.

Endesa's internal IT control processes comprises the control activities required to cover the risks that may arise in the following IT systems management areas, including those related to financial reporting systems and processes:

IT environment

Organisational chart and description of the duties of Systems and Telecommunications General Management

- Systems map.
- Telecommunications network map.

Application change management

Management of the demand for development and functional improvements

- Specification, authorisation and monitoring of change requests.
- Development of software and systems infrastructures.
- Performance testing during the implementation process.
- Production of applications.
- Documentation and training.

Systems operation and use

Management of operational activities

- Management of backup copies.
- Incident management.
- Contingency and recovery plans in the event of major incidents, when required.
- SLAs.

Physical and logical security

Management of security activities

- Logical access security.
- DPC physical security.

Endesa also has an "information security" corporate standard, which establishes and defines the Company's principles and bodies in charge of information security and the management of decisions concerning critical financial information.

In 2007 Endesa created the information security function to respond to requirements imposed by legislation and arising from the technological and market environments. During the same year the Company also created the decision rights management function to guarantee legislative compliance in the financial area, as well as establishing functional incompatibilities to ensure that one single person cannot dominate a critical process.

Information security is the function which protects the information assets owned by each company, with the aim of reaching and maintaining desired security levels and correctly applying decision rights, thereby reducing internal fraud.

The management of decision rights and functional incompatibilities aims to identify, manage and control the specific capacities that allow decisions to be made within the business environment.

The main principles of Endesa's information security policy are:

- Information and knowledge are strategically valuable assets.
- Information security is everyone's responsibility: those who generate it, those who process it and those who access it.
- Awareness of all the information managed by the Company, its importance and its vulnerability.
- Information on individuals belongs exclusively to individuals.
- The value of information lies in its accuracy: it should be complete.
- Information credibility lies in the authenticity of its source.
- The most critical information for the business should always be available.
- The distribution of confidential information is a serious threat against a company and its shareholders.
- Secure information technology, communication and infrastructures are a basic prerequisite for secure information.
- The cost of security measures should be proportionate to the value of the information they protect.

The corporate procedure on "criteria to establish the security of information assets" stipulates the methods used to identify, classify, assess and analyse the risks to which information may be exposed, as well as the fundamental obligations to be taken into consideration by each of the organisational units involved in the management of information assets.

The information security management process forms part of an ongoing improvement process which allows, among other factors, security to remain at optimum levels. The ultimate goal of this process is to maintain security levels within acceptable operating thresholds for the organisation, implementing and developing those controls which contribute most effectively to reducing risk.

Endesa's own methodology allows information to be identified, classified and assessed in a standardised manner, so that the risks to which it is exposed can then be analysed and action plans defined so that each information asset can reach a level deemed acceptable by the organisation.

7. Internal control policies and procedures for supervising activities outsourced to third parties, as well as the assessment, calculation and measurement of activities entrusted to independent experts which may have a material impact on the financial statements.

When Endesa outsources an activity which is relevant for the issuing of the financial statements, the supplier is required to obtain certification from an independent third party of recognised solvency to guarantee that this activity is carried out in an environment which includes internal control over financial reporting. In particular, suppliers are requested to obtain a Type II report from a services auditor, prepared in line with the SAS 70 standard issued by the Public Company Accounting Oversight Board (hereinafter the PCAOB). This report allows Endesa to verify whether the control objectives of the supplier and the control activities which support these aims have worked over the relevant period.

When the Company employs the services of an independent expert, it ensures the professional's technical and legal competence and training. With respect to the report issued by this expert, the Group has implemented a number of control activities, and also has trained personnel who validate the reasonableness of the conclusions set forth therein.

The Company also has an internal procedure for contracting external advisors, which requires certain levels of approval depending on the amount involved, including (where applicable) approval from the Company's CEO. The results or reports issued with respect to contracting in the accounting, tax or legal areas are supervised by the heads of Economic Financial General Management and Legal Affairs General Management, as well as any other departments if deemed necessary.

8. Procedures for reviewing and authorising financial information and description of the Company's internal control over financial reporting to be published in the securities markets, indicating the persons responsible.

The Group issues financial information to the securities market every quarter. This information is prepared by the Economic Financial General Management's financial unit which, during the close, carries out a number of control activities (see point 5 above) to ensure the reliability of the information.

The management control unit, which forms part of the Economic Financial General Management, also analyses and supervises the information prepared.

The Economic Financial General Manager analyses the reports received, provisionally approving the financial information which is then passed on to the Transparency Committee.

The Transparency Committee analyses and discusses the information submitted by Economic Financial General Management and, once approved, passes this information on to the Audit and Compliance Committee.

The Audit and Compliance Committee supervises the financial information submitted. During accounting closes which coincide with the end of a six-month period, the Audit and Compliance Committee is also provided with the information prepared by the Group's external auditors showing the results of their work.

Finally, the Audit and Compliance Committee informs the Board of Directors of its conclusions on the financial information presented so that, following approval by the Board, it can be published in the securities markets.

The report on the description of ICOFR is prepared by the Economic Financial General Manager, and is presented to the Transparency Committee. Once approved by the latter, this report is then reviewed and approved by the Audit and Compliance Committee, before being approved by the Board of Directors and published in the securities markets.

Information and communication

9. A specific function to define and update the Company's accounting policies (the accounting policies area or department), as well as to resolve any queries or conflict arising from their interpretation, ensuring smooth communication with the persons in charge of these operations within the organisation.

Responsibility for application of the Group's accounting policies throughout all the geographical areas in which Endesa operates is centralised in the Group's Economic Financial General Management.

Within this department these is an accounting policies unit, which has the specific function of analysing compliance with International Financial Reporting Standards endorsed by the EU (hereinafter IFRS). The specific functions of this unit are:

- To define the Group's accounting policies.
- To analyse the individual operations and transactions carried out or planned by the Group, to determine that their accounting treatment is in line with Endesa's accounting policies.
- To monitor new draft regulations created by the IASB, new standards approved by this body and the process for recognising these standards at EU level, determining the impact of their implementation on the Group's accounting standards.
- To answer any consultations submitted by any Group company with respect to application of the Group's accounting policies.

The Accounting Policies Unit informs all persons in charge of preparing the financial statements at all levels of the Group of any regulatory amendments, answering any queries that may arise and collecting from Group companies the information required to ensure coherent application of the Group's accounting policies and determine the impact of the application of new accounting regulations.

When the application of new regulations is particularly complex, Endesa's Economic Financial General Management informs the external auditors of the conclusions of the accounting analysis performed by the Group, requesting their position on these conclusions.

10. An updated accounting policy manual which is distributed to the units through which the entity operates.

The Group's accounting policies are based on IFRS and are documented in the Endesa Group accounting manual. This document is regularly updated and distributed to the persons in charge of preparing the financial statements of the different Group companies.

11. Mechanisms for gathering and preparing financial information using standard formats, which are applied by all the entity/group units and which support the main financial statements and the notes thereto, as well as detailed information on ICOFR.

The Endesa Group has an IT tool which covers the reporting requirements of its individual financial statements, as well as facilitating the consolidation process and subsequent analysis. This tool brings together, in a single system, all the accounting information on the individual financial statements of the Group subsidiaries, as well as the notes and disclosures required to prepare the annual accounts. The system is managed centrally, and uses a single accounts plan.

Information is automatically uploaded into this consolidation system from the FIS (transactional), which is also unique and implemented throughout almost all the Group's companies.

ICOFR is, in turn, supported by a single IT tool used by the entire Group (centrally managed), which is used to obtain all the information required to reach conclusions on ICOFR operations.

Supervision of system operations

12. Whether there is an internal audit function which supports the audit committee in its supervision of the internal control system, including ICOFR.

The duties carried out by Endesa's internal audit department include supporting the Audit and Compliance Committee in its supervision of the internal control system. In particular, and with respect to ICOFR, this department performs six-monthly reviews on the adequate design and effectiveness of control over financial reporting, and issues a report highlighting the possible internal control weaknesses identified for presentation to the Audit and Compliance Committee, along with the action plans adopted by the Company to mitigate these risks.

13. Whether there is a discussion process whereby the auditor (in accordance with the technical standards governing the audit field), the internal audit department and other experts can inform senior management, the audit committee and the entity's directors of the significant internal control weaknesses detected during the review of the annual accounts, or any other processes entrusted to them. Also, report as to whether there is an action plan to correct or mitigate risks identified.

The internal audit department regularly informs senior management and the Audit and Compliance Committee of any significant internal control weaknesses identified during its six-monthly reviews of the Company's ICOFR and the internal process audits performed during the year, as well as the progress made with respect to implementation of the action plans created to mitigate these risks.

The Group's auditor has direct access to Endesa senior management, and holds regular meetings to obtain the information required to carry out its work and report any control weaknesses it has detected. With respect to this last issue, each year the external auditors submit a report to senior management detailing the internal control weaknesses brought to light during their work.

The auditor also reports to the Audit and Compliance Committee once every six months with the conclusions drawn from its review of the Group's accounts, including any issues it deems relevant. The auditor also issues an annual report to this Committee, reflecting the internal control weaknesses brought to light during the course of its work. This report includes comments from Group management and, if applicable, the action plans implemented to rectify the internal control weaknesses detected.

14. A description of the scope of the ICOFR assessment performed during the year, and the procedure whereby the person responsible for this assessment reports his/her results, whether the entity has an action plan which details the corrective measures taken, and if the impact on the financial information has been considered.

Every six months the Economic Financial General Management Internal Control Unit follows up the process for assessing and certifying the design and operation of ICOFR, submitting its results to the Transparency Committee, the body responsible for ensuring correct internal control over the information issued to the markets.

The Internal Control Unit receives the assessment of the Company's ELCs/CLCs, PLCs and GITCs, to verify:

- Whether there have been any changes to the processes, that the identification of control activities has been updated and that the new control activities adequately cover the process control objectives.
- Whether all existing weaknesses in the design or effectiveness of the control system have been identified. "Weakness" is understood as any incident that renders the control system unable to reasonably assure its capacity to acquire, prepare, summarise and report the Company's financial information.
- Whether the actual and potential impacts of the aforementioned weaknesses have been assessed and, if applicable, whether compensatory or mitigating control activities have been established to ensure the reliability of the financial information, despite the presence of these weaknesses.
- The presence of any material weaknesses which affect information reliability, so that the markets can be subsequently informed thereof.
- The existence of action plans for each weakness identified.

The process also identifies and reports all instances of fraud (no matter how insignificant) involving management or employees who take part in the processes with an impact on financial reporting.

As indicated in point 1 of this report, every six months the Transparency Committee is informed of and approves the assessment of the model, the rating of weaknesses and the progress of action plans.

At 31 December 2010 there are no material weaknesses in the Company's ICOFR. The 2010 assessment process analysed 611 management controls (101 in Spain and 510 in Latin America), all of which function as planned. Internal control weaknesses and opportunities for improvement were detected for certain process controls which do not have a significant impact on the quality of financial information, leading to a total of 24 action plans for 6,689 control activities. Seven of these action plans are in Spain (1,428 control activities), while the remaining 17 are in Latin America (5,261 control activities).

In light of the above Company management understands that, over the period from 1 January to 31 December 2010, the internal control over financial reporting model was effective, and that the controls and procedures established to reasonably assure that the information disclosed outside the Company is reliable and adequate were also effective.

15. Description of the ICOFR supervision activities performed by the audit committee.

As reflected in its annual plan, Audit General Management has been appointed by the Audit and Compliance Committee to supervise the ICOFR, assessing its design and effectiveness. This activity takes the form of two six-monthly reviews (30 June and 31 December), the results of which are reviewed by the Audit and Compliance Committee.

Furthermore, over the course of the year the progress of the action plans implemented by the Company to rectify the weaknesses identified is also monitored, and the Audit and Compliance Committee is informed of this progress.

Finally, every six months Economic Financial General Management presents the Audit and Compliance Committee with its conclusions on the assessment of the ICOFR model, as well as the progress made in implementing the action plans that have arisen as a result of assessments from prior six-month periods.

16. Whether the ICOFR information submitted to the markets has been reviewed by the external auditor, in which case the entity should include the corresponding report. If not, the reason for this should be reported.

In accordance with the ICWG recommendations included in the document on *Internal control over financial reporting for listed companies* at June 2010, Endesa issued this report for the first time in 2010.

Endesa also considered it important to request that the external auditor issue a report reviewing the information described by the Company in this ICOFR report for 2010, based on the "procedures for the external auditor's review" set forth in Appendix 2 of the ICWG document. As previously mentioned, there is no current regulation which establishes minimum requirements for companies when describing their ICOFR.

Any future regulations issued with respect to the ICOFR information to be published by listed companies may result in changes to the information included in this report with respect to disclosure/information requirements.

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

Auditor's report on "Systems of Internal Control over Financial Reporting (SICFR)" of the Endesa Group for 2010

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

To the Directors,

At the request of the Board of Directors of Endesa, S.A. (hereinafter the Company), and in accordance with our proposal dated 11 February 2011, we have applied certain procedures to the accompanying "Information on SICFR" (attached as Appendix 1 to the 2010 directors' report on the Company) of Endesa, S.A. and subsidiaries (the Endesa Group) for 2010, which summarises the Group's procedures for internal control over financial reporting.

On 15 February 2011 the Spanish Congress approved the Sustainable Economy Bill, the eighth final provision of which includes an amendment to Law 26/2003 of 17 July 2003, which amended Law 24/1998 of 28 July 1998 on the Spanish securities market. The bill stipulates that annual corporate governance reports should include a description of the main features of the internal control and risk management systems used in regulated financial reporting. With respect to the aforementioned bill, the Spanish Securities Market Commission (CNMV) created a working group to prepare a set of recommendations on the systems used by listed entities for internal control over financial reporting. As a result, in June 2010 a document was published entitled "Systems of Internal Control over Financial Reporting for listed companies" (hereinafter the Document). Section III of the Document includes a set of guidelines for preparing the description of internal control over financial reporting, which sets forth 16 basic indicators that should be considered by companies when describing the main features of their SICFR.

The Board of Directors is responsible for adopting the measures required to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system, as well as the development of improvements to this system and the preparation and stipulation of the contents of the accompanying information on SICFR.

Irrespective of the quality of the design and operation of the internal system adopted by the Endesa Group for its annual financial reporting, the Group can only provide reasonable but not absolute assurance as to the objectives sought, due to the limitations inherent in any form of internal control system.

During the course of our audit of the annual accounts, and in accordance with the technical standards that govern the audit profession, the sole aim of our assessment of the Endesa Group's internal control was to establish the scope, nature and timing of the audit procedures performed on the Group's annual accounts. Consequently, the scope of our assessment of the Group's internal control, which was performed for the purpose of the above-mentioned audit, did not enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purpose of issuing this report we applied the specific procedures described below. The work resulting from these procedures has a limited scope which is substantially less than that of an audit of the internal control system. Therefore, we do not express an opinion on the effectiveness of the system, or on its design or operating efficiency, with respect to the Endesa Group's annual financial reporting for 2010 described in the accompanying information on SICFR. Consequently, had we applied additional procedures or performed an audit on the Group's internal control over regulated annual financial reporting, other issues may have come to light, of which you would have been informed.

Furthermore, as our work is not considered to be an audit and is therefore not subject to Spanish Audit Law 19/1988, we do not express an audit opinion under the terms and conditions of the aforementioned legislation.

Our work was performed in accordance with Appendix 2 of the Document ("Procedures for review by an external auditor"), which refers to the Auditor's Report on Systems of Internal Control over Financial Reporting for listed entities and sets forth the work to be performed and the scope thereof, comprising the following procedures:

1. Reading and understanding of the accompanying information on SICFR prepared by the Company, and assessment of whether this covers all the information required in accordance with the minimum contents described in section III of the Document ("Guidelines for preparing the description of SICFR").

2. Interviews with the personnel responsible for preparing the information detailed in point 1, to: (i) understand the process for preparing this information; (ii) obtain information enabling us to assess whether the terminology used meets the definitions set forth in the reference framework; and (iii) procure information on whether the control procedures described have been implemented and are in operation within the Endesa Group.

3. Review of explanatory documentation supporting the information detailed in point 1 above, which mainly includes that made directly available to the persons responsible for preparing the information describing SICFR.

4. Comparison of the information detailed in point 1 above with the knowledge of the Endesa Group's SICFR obtained by applying the procedures performed during our audit of the annual accounts.

5. Reading of the minutes from meetings of the Board of Directors, Audit and Compliance Committee and other Company committees, to assess consistency between the issues discussed therein with respect to SICFR and the information detailed in point 1 above.

6. Procurement of the representation letter on the work performed, duly signed by those responsible for preparing the information detailed in point 1 above.

As a result of our work no significant issues have come to light with respect to the application of the above-mentioned procedures.

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This report has been prepared exclusively within the context of Endesa, S.A.'s voluntary presentation of the accompanying description of its SICFR, pursuant to the requirements set forth in Law 26/2003 of 17 July 2003, which amended Law 24/1998 of 28 July 1998 on the Spanish securities market, and therefore may not be used for any other purpose. We accept no liability to any third parties other than the intended recipients of this report.

KPMG Auditores, S.L.

(*Signed on the original in Spanish*)

Julián Martín Blasco
Partner

23 February 2011

Appendix II. Annual Corporate Governance Report

See Annexed book.

Endesa, S.A.

Contents

Sumary

Auditors' report

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

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

Auditors' Report on the Annual Accounts

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

To the Shareholders of
Endesa, S.A.

We have audited the annual accounts of Endesa, S.A. (the "Company"), which comprise the balance sheet at 31 December 2010, the income statement, the statement of changes in equity, the statement of cash flows for the year then ended and the notes thereto. In accordance with financial reporting legislation applicable to the entity (specified in note 2 a) to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein, preparation of the annual accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable financial reporting legislation.

In our opinion, the accompanying annual accounts for 2010 present fairly, in all material respects, the equity and financial position of the Company at 31 December 2010, and the results of its operations and its cash flows for the year then ended, in accordance with applicable financial reporting legislation and, in particular, with the accounting principles and criteria set forth therein.

The accompanying directors' report for 2010 contains such explanations as the directors consider relevant to the situation of the Company, the evolution of its business and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2010. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

(*Signed on the original in Spanish*)

Julián Martín Blasco
Partner

23 February 2011

Annual Accounts for 2010

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

Balance sheets, December 31, 2010 and 2009

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

ASSETS	Note	2010	2009
		Millions of Euros	
Non-current assets		**19,933**	**24,431**
Intangible assets	Note 5	95	91
Software		95	91
Property, plant and equipment	Note 6	6	8
Land and buildings		2	0
Technical installations and other items		4	6
Under construction and advances		0	2
Investments in Group companies and associates, non-current	Notes 7 and 18	**19,475**	**19,667**
Equity instruments		18,615	19,071
Loans to companies		860	590
Derivatives		0	6
Non-current investments	Note 7	**134**	**4,504**
Equity instruments		48	43
Loans to third parties		5	4,365
Derivatives		6	12
Other financial assets		75	84
Deferred tax assets	Note 14	**223**	**161**
Current assets		**6,770**	**733**
Non-current assets held for sale	Note 8	0	46
Trade and other receivables		**119**	**33**
Other receivables		23	10
Group companies	Note 18	50	4
Current tax assets		9	12
Public entities, other		37	7
Investments in Group companies and associates, current	Notes 7 and 18	**248**	**266**
Loans to companies		138	243
Derivatives		28	23
Other financial assets		82	—
Current investments	Note 7	**6,387**	**325**
Loans to companies		6,343	289
Derivatives		44	35
Other financial assets		—	1
Prepayments for current assets		**2**	**30**
Cash and cash equivalents		**14**	**33**
Cash		14	33
TOTAL ASSETS		**26,703**	**25,164**

Notes 1 to 21 form an integral part of the balance sheets at 31 December 2010 and 2009

Balance sheets, December 31, 2010 and 2009

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

Millions of Euros

EQUITY AND LIABILITIES	Note	2010	2009
Equity		**10,722**	**10,841**
Capital and reserves without valuation adjustments	Note 9	**10,777**	10,885
Capital		1,271	1,271
Registered capital		1,271	1,271
Share premium		1,376	1,376
Reserves		5,257	5,226
Legal and statutory reserves		285	285
Other reserves		4,972	4,941
Prior years' profit		2,452	1,744
Retained earnings		2,452	1,744
Profit for the year		950	1,797
(Interim dividend)		(529)	(529)
Valuation adjustments		**(55)**	**(44)**
Available-for-sale financial assets		—	34
Hedging transactions		(55)	(78)
Non-current liabilities		**12,383**	**10,881**
Non-current provisions	Note 10	**344**	**208**
Long-term employee benefits		44	26
Restructuring provisions		161	115
Other provisions		139	67
Non-current payables	Note 11	**3,752**	**6,054**
Loans and borrowings		3,631	5,889
Derivatives		116	160
Other financial liabilities		5	5
Group companies and associates, non-current	Notes 11 and 18	**8,218**	**4,560**
Group companies and associates		8,216	4,552
Derivatives		2	8
Deferred tax liabilities	Note 14	69	59
Current liabilities		**3,598**	**3,442**
Current provisions	Note 10	**29**	**29**
Current payables	Note 11	**326**	**379**
Loans and borrowings		242	273
Derivatives		34	34
Other financial liabilities		50	72
Group companies and associates, current	Notes 11 and 18	**2,647**	**2,483**
Group companies and associates		2,605	2,460
Derivatives		42	23
Trade and other payables		**596**	**551**
Suppliers, group companies and associates	Nota 18	37	5
Other payables		531	435
Personnel (salaries payable)		24	15
Current tax liabilities		—	92
Public entities, other		4	4
TOTAL EQUITY AND LIABILITIES		**26,703**	**25,164**

Notes 1 to 21 form an integral part of the balance sheets at 31 December 2010 and 2009

Income statements for the years ended 31 December 2010 and 2009

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

INCOME STATEMENT

			Millions of Euros
	Note	2010	2009
CONTINUING OPERATIONS:			
Revenues:	Note 16	**1,609**	**2,147**
Services rendered		281	276
Dividends from Group companies and associates	Note 7a	1,323	1,869
Dividends from third parties		5	2
Other operating income		**21**	**26**
Non-trading and other operating income		21	26
Personnel expenses	Note 16	**(250)**	**(197)**
Salaries and wages		(205)	(151)
Employee benefits expense		(34)	(31)
Provisions		(11)	(15)
Other operating expenses		**(238)**	**(165)**
External services		(148)	(137)
Taxes other than income tax		—	(1)
Losses, impairment and changes in trade provisions		—	(5)
Other operating expenses		(90)	(22)
Amortisation and depreciation	Notes 5 and 6	**(23)**	**(10)**
Provision surpluses	Note 10	**19**	**48**
Impairment of investments in Group companies and associates	Note 7 a	**(17)**	**(13)**
Impairment and gains/(losses) on disposal of fixed assets		**—**	**(1)**
Losses on disposal and other		—	(1)
PROFIT FROM OPERATIONS		**1,121**	**1,835**
Finance income:		**56**	**232**
Other investment income		56	232
Group companies and associates	Note 18	11	7
Third parties		45	225
Finance expenses		**(367)**	**(377)**
Group companies and associates	Note 18	(188)	(195)
Third parties		(172)	(163)
Provision adjustments	Note 10	(7)	(19)
Change in fair value of financial instruments		**(44)**	**(64)**
Trading portfolio and other		(86)	(70)
Proceeds from available-for-sale financial assets	Note 8	42	6
Exchange gains/losses	Note 15	**47**	**(47)**
Impairment and gains on disposal of financial instruments		**16**	**19**
Impairment		1	(1)
Gains on disposal and other		15	20
FINANCIAL LOSS		**(292)**	**(237)**
PROFIT BEFORE TAX		**829**	**1,598**
Income tax	Note 14	**121**	**199**
PROFIT FROM CONTINUING ACTIVITIES		**950**	**1,797**
DISCONTINUED OPERATIONS:		**—**	**—**
Profit/(loss) from discontinued operations, net of income tax		—	**—**
PROFIT FOR THE YEAR		**950**	**1,797**

Notes 1 to 21 form an integral part of the income statement for 2010 and 2009.

Statements of changes in equity for the year ended 31 December 2010 and 2009

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

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

			Millions of Euros
	Note	2010	2009
Profit for the year		**950**	**1.797**
Income and expense recognised directly in equity			
From measurement of financial instruments	Note 7 e	**—**	**3**
Available-for-sale financial assets		—	3
Cash flow hedges	Note 13	**(41)**	**(117)**
Actuarial gains and losses and other adjustments		**(16)**	**(7)**
Tax effect	Note 14	**17**	**36**
Total income and expense recognised directly in equity		**(40)**	**(85)**
Amounts transferred to the income statement			
From measurement of assets and liabilities		**(42)**	**(6)**
Available-for-sale financial assets		(42)	(6)
From cash flow hedges	Note 13	**75**	**53**
Tax effect	Note 14	**(14)**	**(14)**
Total amounts transferred to the income statement		**19**	**33**
TOTAL RECOGNISED INCOME AND EXPENSES		**929**	**1,745**

Notes 1 to 21 form an integral part of the statements of recognised income and expense for 2010 and 2009

Statements of changes in equity for the year ended 31 december 2010 and 2009

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

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

Millions of Euros

	Capital and reserves without valuation adjustments								
				Prior years' profit					
2009	Registered capital	Share premium	Reserves	Retained earnings	Profit	Profit for the year	(Interim dividend)	Valuation adjustments	Total equity
Balance at 31 December 2008	**1.271**	**1.376**	**5.230**	**747**	**7.241**	**—**	**—**	**3**	**15.868**
Total recognised income/(expense)	**—**	**—**	**(5)**	**—**	**—**	**1.797**	**—**	**(47)**	**1.745**
Transactions with shareholders or owners	**—**	**—**	**—**	**—**	**(6.244)**	**—**	**(529)**	**—**	**(6.773)**
Dividends paid	—	—	—	—	(6.244)	—	(529)	—	(6.773)
Other changes in equity	**—**	**—**	**1**	**997**	**(997)**	**—**	**—**	**—**	**1**
Inclusion of reserves of wound up company (Note 14)	—	—	1	—	—	—	—	—	1
Transfers between equity items	—	—	—	997	(997)	—	—	—	—
Balance at 31 December 2009	**1.271**	**1.376**	**5.226**	**1.744**	**—**	**1.797**	**(529)**	**(44)**	**10.841**

Notes 1 to 21 form an integral part of the statement of total changes in equity for 2009

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Millions of Euros								
	Capital and reserves without valuation adjustments								
				Prior years' profit					
2010	Registered capital	Share premium	Reserves	Retained earnings	Profit	Profit for the year	(Interim dividend)	Valuation adjustments	Total equity
Balance at 31 December 2009	**1.271**	**1.376**	**5.226**	**1.744**	**1.797**	**—**	**(529)**	**(44)**	**10.841**
Adjustments for changes in criteria	**—**	**—**	**41**	**—**	**—**	**—**	**—**	**—**	**41**
Adjusted balance at 1 January 2010	**1.271**	**1.376**	**5.267**	**1.744**	**1.797**	**—**	**(529)**	**(44)**	**10.882**
Total recognised income/(expense)	**—**	**—**	**(10)**	**—**	**—**	**950**	**—**	**(11)**	**929**
Transactions with shareholders or owners	**—**	**—**	**—**	**—**	**(1.089)**	**—**	**—**	**—**	**(1.089)**
Dividends paid	—	—	—	—	(1.089)	—	—	—	(1.089)
Other changes in equity	**—**	**—**	**—**	**708**	**(708)**	**—**	**—**	**—**	**—**
Transfers between equity items	—	—	—	708	(708)	—	—	—	—
Balance at 31 December 2010	**1.271**	**1.376**	**5.257**	**2.452**	**—**	**950**	**(529)**	**(55)**	**10.722**

Notes 1 to 21 form an integral part of the statement of total changes in equity for 2009

Statements of cash flows for the years ended 31 December 2010 and 2009

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

Millions of Euros

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		**1,047**	**2,420**
Profit for the year before tax		**829**	**1,598**
Adjustments for:		**(820)**	**(1,670)**
Amortisation and depreciation	Notes 5 and 6	23	10
Proceeds from disposals of financial instruments		(15)	(26)
Finance income		(1,384)	(2,103)
Finance expense		367	377
Other adjustments		189	72
Changes in operating assets and liabilities		**12**	**50**
Other cash flows from operating activities:		**1,026**	**2,442**
Interest paid		(296)	(292)
Dividends received		1,242	3,203
Interest received		10	50
Income tax received (paid)		88	(397)
Other proceeds (payments)		(18)	(122)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,547)**	**(1,220)**
Interest paid:		**(2,387)**	**(2,436)**
Group companies, associates and business units	Note 7	(271)	(723)
Property, plant and equipment and intangible assets		(20)	(30)
Other financial assets		(2,096)	(1,683)
Proceeds from sale of investments:		840	1,216
Group companies, associates and business units	Note 7	440	496
Other financial assets		386	720
Other assets		14	—
CASH FLOWS USED IN FINANCING ACTIVITIES		**481**	**(1,259)**
Proceeds from and payments for equity instruments		**46**	**—**
Proceeds from and payments for financial liability instruments:		**1,524**	**4,985**
Issue		4,555	5,635
Redemption and repayment	Note 11	(3,031)	(650)
Dividends and interest on other equity instruments paid		**(1,089)**	**(6,244)**
EFFECT OF EXCHANGE RATE CHANGES		**—**	**—**
NET INCREASE / (DECREASE) IN CASH OR CASH EQUIVALENTS		**(19)**	**(59)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**33**	**92**
CASH AND CASH EQUIVALENTS AT YEAR END		**14**	**33**

Notes 1 to 21 form an integral part of the statements of cash flows for 2010 and 2009

Notes to the annual accounts

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

1. Company activity and financial statements

Endesa, S.A. (hereinafter Endesa or the Company) was incorporated on 18 November 1944 and its registered offices and headquarters are at Calle Ribera del Loira 60, Madrid. Its statutory activity is the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or supplementary to the Group's statutory activity, and the management of the corporate Group, comprising investments in other companies.

The Company carries out its statutory activity in Spain and abroad directly or through its investments in other companies.

Following the corporate reorganisation of the Endesa Group in recent years and the separation of electricity activities in accordance with Electricity Sector Law 54/1997 of 27 November 1997, Endesa's activity is focused on administration and services for its business group, comprising the investments detailed in these annual accounts. Consequently, because the Company does not engage directly in electricity or environmental activities, no information is provided on the segregation of operations or environmental activities, as this is included in the consolidated annual accounts.

The Company's shares are traded on the Spanish Stock Exchanges. The shares of Endesa, S.A. are also traded on the Santiago de Chile Offshore Stock Exchange.

The 2010 annual accounts were prepared by the Board of Directors on 22 February 2011 and are expected to be approved in their present form by shareholders at the Annual General Meeting (hereinafter AGM). The 2009 annual accounts were prepared by the Board of Directors on 22 February 2010 and authorised by the shareholders at the AGM on 21 June 2010.

The figures in the annual accounts are presented in millions of Euros, which is the functional and presentation currency of the Company.

The Company holds interests in subsidiaries, associates and jointly-controlled entities. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies, associates and jointly controlled entities are included in note 7.

On the same date the directors prepared the consolidated annual accounts of Endesa, S.A. and subsidiaries (hereinafter the Endesa Group) for 2010, in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS). The Endesa Group's consolidated annual accounts for 2009, which were prepared by the Board of Directors on 22 February 2010 and approved by the shareholders at the AGM on 21 June 2010, are filed at the Mercantile Registry of Madrid.

The key figures from the Endesa Group's consolidated annual accounts for 2010 and 2009 are as follows:

Millions of Euros

	2010	2009
Total assets	**62,588**	**59,937**
Equity:	**23,164**	**18,960**
Of the parent	17,776	14,227
Non-controlling interests	5,388	4,733
Income	**31,177**	**25,925**
Profit for the year:	**5,118**	**4,360**
Of the parent	4,129	3,430
Non-controlling interests	989	930

Until 25 June 2009 the Company was jointly controlled by the Enel Group, through Enel Energy Europe, S.L., which held 67.05% of the capital, and by the Acciona Group, which held 25%, by virtue of the agreement between those companies to manage Endesa jointly. On 25 June 2009, as a result of the agreement reached by Acciona and Enel on 20 February 2009, Enel Energy Europe, S.L. acquired the Acciona Group's 25% interest and the Enel Group assumed control over Endesa, with ownership of 92.06%, through Enel Energy Europe, S.L. The registered offices of the companies Enel Energy Europe, S.L., and Enel, S.p.A. are at Calle Ribera del Loira, 60, 28042 Madrid (Spain) and Viale Regina Margherita 137, 00198 Rome (Italy), respectively.

The annual accounts of Enel Energy Europe, S.L. for 2009, prepared on 12 March 2010 and approved by the shareholders at their AGM on 30 June 2010, are filed at the Mercantile Registry of Madrid. The consolidated annual accounts of Enel, S.p.A. and subsidiaries for 2009, prepared on 17 March 2010 and approved by the shareholders at their AGM on 29 April 2010, are filed at the Register of Companies in Rome.

2. Basis of presentation of the annual accounts

a) Accounting principles

The annual accounts for 2010 are presented in accordance with Law 16/2007 of 4 July 2007, on the reform and adaptation of accounting legislation for harmonisation with EU law, and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007 and the amendments thereto established by Royal Decree 1159/2010 of 17 September 2010.

The annual accounts present fairly the equity and financial position of the Company at 31 December 2010, and the results of its operations, changes in equity and cash flows for the years then ended, and have been prepared based on the Company's accounting records.

b) Responsibility for information and estimates

The information included in the annual accounts is the responsibility of the Company's Board of Directors.

Estimates have occasionally been used in the preparation of the annual accounts to measure certain assets, liabilities, revenues, expenses and commitments included therein.

These estimates were essentially as follows:

- Measurement of the Company's investments in equity instruments of Group companies and associates to determine any impairment losses (see note 4 c.3).
- Assumptions used in the actuarial calculation of liabilities and obligations to employees and the leaving dates for employees involved in personnel restructuring plans (see notes 10 a and b)
- Useful lives of property, plant and equipment and intangible assets (see notes 4 a and b).
- Measurement of assets to determine any impairment losses (see note 4 c.1).
- Methods used to calculate the fair value of financial instruments (see note 4 c).
- Calculations of provisions (see notes 4 g and 10).
- Tax profits or losses of the Company to be declared to the taxation authorities in the future and used as the basis of income tax balances recognised in the accompanying annual accounts (see note 14).
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives, etc., which can be used to estimate the overall settlements in the electricity system and which could affect the shortfall in revenue from regulated activities in Spain.

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

c) Comparative information

In accordance with Royal Decree 1159/2010 of 17 September 2010, containing certain amendments to the Spanish General Chart of Accounts, as of 2010 deferred taxes have been recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures. These were not recorded in previous years, as the Company applied the exemption in cases where it was able to control the timing of the reversal and it was probable that the differences would not reverse in the foreseeable future. Consequently, the Company has recognised deferred tax assets of Euros 41 million against other reserves.

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2010 include comparative figures for 2009.

3. Distribution of profit

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that the profit for 2010 be used to make a gross dividend payment of Euros 1.017 per share, and the remainder carried forward as retained earnings:

Basis of distribution 2010	*Euros*
Profit	949,599,151.58
Retained earnings	2,452,550,379.57
Total	**3,402,149,531,15**
Distribution	
Dividend (1)	1,076,750,902.99
Retained earnings	2,325,398,528.16
Total	**3,402,149,431.15**

(1) Importe máximo a distribuir correspondiente a 1,017 euros por acción por la totalidad de las acciones (1.058.752.117 acciones).

In 2009, the shareholders agreed to pay a total gross dividend of Euros 1.028 per share, with the remaining profit carried forward as retained earnings.

Basis of distribution 2009	*Euros*
Profit	1,796,678,823.97
Retained earnings	1,744,268,731.88
Total	**3,540,947,555.85**
Distribution	
Dividend (1)	1,088,397,176.28
Retained earnings	2,452,550,379.57
Total	**3,540,947,555.85**

(1) Maximum amount to be distributed based on Euros 1.028/share for all shares (1,058,752,117).

Dividends for 2010

On 20 December 2010 Endesa's Board of Directors authorised an interim dividend of Euros 0.50 per share for 2010.

The provisional liquidity statement shows that the Company has sufficient cash flow to cover payment of this dividend:

Millions of Euros

PROVISIONAL LIQUIDITY STATEMENT	From 01/11/2010 to 31/10/2011
Opening available balance	
Cash on hand and at banks	212
Available credit	4,691
Increases in cash:	
Ordinary activities	8,094
Financial transactions	—
Decreases in cash	
Ordinary activities	(349)
Financial transactions	(536)
Closing available balance	**12,112**
Proposed interim dividend for 2010	529
Date of authorisation of interim dividend by Company Board of Directors	20/12/2010

Dividends for 2009

On 14 December 2009 Endesa's Board of Directors authorised an interim dividend of Euros 0.50 per share for 2009.

The provisional liquidity statement shows that the Company had sufficient cash flow to cover payment of this dividend:

Millions of Euros

PROVISIONAL LIQUIDITY STATEMENT	From 01/12/2009 to 30/11/2010
Opening available balance	
Cash on hand and at banks	44
Available credit	5,963
Increases in cash:	
Ordinary activities	7,336
Financial transactions	—
Decreases in cash:	
Ordinary activities	(480)
Financial transactions	(842)
Closing available balance	**12,021**
Proposed interim dividend for 2009	529
Date of authorisation of interim dividend by Company Board of Directors	14/12/09

4. Main recognition and measurement criteria

The main recognition and measurement criteria used in preparing the annual accounts for 2010 and 2009, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful life which, in most cases, has been estimated at five years.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

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

The useful lives of assets are as follows:

	Estimated years of useful life
Furniture	10
Other property, plant and equipment	5-14

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

c) Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement.

c.1. Financial assets except hedging derivatives and investments in the equity of Group companies, jointly controlled entities and associates.

The Company classifies its current and non-current financial instruments into the following different categories, based on the nature of the instruments and management's intentions on initial recognition:

- Loans and receivables are financial assets deriving from services rendered as part of the Company's ordinary business, or non-trade balances, of a fixed or determinable amount that are not equity instruments or derivatives and are not traded in an active market.
  These financial assets are recognised initially at the fair value of the consideration paid plus any directly attributable transaction costs. Loans and receivables are measured at amortised cost, which is the initial fair value, less repayments of the principal, plus the accrued interest receivable calculated using the effective interest method.
  Interest accrued is recognised in the income statement applying the effective interest method.
  Assets are tested for impairment when there is objective evidence that they may be impaired. When the carrying amount of the asset exceeds the present value of the future cash flows it is expected to generate, discounted at the financial asset's original effective interest rate, an impairment loss is recognised for the difference. For variable income financial assets, the effective interest rate at the balance sheet date is used, in accordance with the contractual conditions.
  Impairment losses and reversals thereof are recognised as an expense or as income, respectively, in the income statement. The loss can only be reversed to the limit of the carrying amount of the asset had the impairment loss not been recognised.

- Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturity traded on an active market and that Company management has the positive intention and ability to hold to maturity.
  The measurement criteria applicable to these assets are the same as those applicable to loans and receivables.
  The Company did not have any assets of this nature at 31 December 2010 or 2009.

- Financial assets at fair value through profit or loss:

  - Financial assets held for trading are those acquired for resale in the short term or which are included in a portfolio for which there is recent evidence of resale activity. Assets in this category are initially measured at the fair value of the consideration given. Directly attributable transaction costs are recognised as an expense in the income statement. They are subsequently recognised at fair value through profit or loss.
  - Financial assets at fair value through profit or loss include financial assets which have been designated as such on initial recognition and which are managed and evaluated on a fair value basis. They are initially and subsequently recognised at fair value through profit or loss.

- Available-for-sale financial assets include financial assets specifically designated as available-for-sale or those that cannot be classified within any of the previous categories.
  Practically all these assets are investments in the capital of companies that are not Group companies, jointly controlled entities or associates.
  These assets are initially measured at the fair value of the consideration given plus any directly attributable transaction costs, and are subsequently measured at fair value, where this can be reliably determined.
  Investments in equity instruments for which the fair value cannot be reliably determined are measured at cost less any accumulated impairment losses, where there is evidence of impairment.
  Changes in fair value, net of tax, are recognised under valuation adjustments in equity until the investments are sold or become (irreversibly) impaired, when the accumulated gains or losses previously recognised in equity are taken to the income statement. Assets are considered to be irreversibly impaired if their quoted value falls by more than 40% over an 18-month period without recovery.
  Were fair value to increase in subsequent years, the previously recognised impairment loss would be reversed in the income statement for that year.
  Impairment losses on equity instruments that are measured at cost because their fair value cannot be reliably determined are recognised using the criteria described in note 4 c.3.

The Company derecognises financial assets when they expire or when the contractual rights to the cash flows from the financial asset have been transferred and the risks and rewards of ownership have been substantially transferred. For transfers of financial assets in which the risks and rewards of ownership have been substantially withheld, the Company does not derecognise financial assets but instead recognises a financial liability for the same amount as the consideration received.

c.2. Financial liabilities except derivatives

The Company classifies financial liabilities into the following different categories based on the nature of the liability and management's intentions on initial recognition:

- Debts and payables are the Company's financial and trade balances that are not considered derivative financial instruments.
  Financial liabilities for debts and payables are recognised at fair value, reflecting the amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method.

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

- Financial liabilities at fair value through profit or loss:

  - Financial liabilities held for trading are those financial liabilities held for the purpose of repurchase in the short term or which form part of a portfolio of liabilities for which there is recent evidence of repurchase activity.
    These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs, and are subsequently recognised at fair value through profit or loss.

  - Other financial liabilities at fair value through profit or loss include those financial liabilities which have been designated as such on initial recognition and which are managed and evaluated on a fair value basis.
    These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs, and are subsequently recognised at fair value through profit or loss.

To calculate the fair value of the debt, the liabilities have been divided into those bearing interest at a fixed rate (fixed-rate debt) and those bearing interest at floating rates (floating-rate debt). Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term. Fixed-rate debt is measured by using the market interest rate, depending on the payment currency. Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. Floating-rate debt is measured at the nominal amount of each issue, except where the capitalisation and discount rates differ, in which case the difference is discounted and added to the nominal amount of the transaction.

The Company derecognises financial liabilities when the related obligations have extinguished.

c.3. Investments in equity instruments of Group companies, jointly controlled entities and associates

Group companies are those over which the Company exercises direct or indirect control. Associates are those over which the Company has significant influence (considered as ownership of at least 20% of another company’s voting stock). Jointly controlled entities include companies run jointly by agreement with one or more shareholders.

Investments in Group companies, jointly controlled entities and associates are initially measured at cost, reflecting the fair value of the consideration given plus any directly attributable transaction costs.

Subsequently these investments are measured at cost, less any accumulated impairment losses calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future cash flows from the investment. Where cash flows cannot be determined, the equity of the investee is considered, adjusted for any unrealised gains existing at the measurement date (including goodwill, where applicable).

Impairment valuation allowances and, where applicable, their reversal, are recognised as an expense or income, respectively, in the income statement.

c.4. Derivatives and hedge accounting

The derivatives held by the Company are mainly contracts entered into to hedge interest rate and currency risk, with the aim of eliminating or significantly reducing these risks in the underlying hedged transactions.

Derivatives are recognised in the balance sheet at fair value, as current or non-current investments where the value is positive and as current or non-current payables where the value is negative. Changes in fair value are recognised as finance income or a finance expense in the income statement, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting have been met; for example, the hedge must be highly effective. In this case, recognition depends on the type of hedge as follows:

- Fair value hedges: the portion of the hedged item for which the risk is hedged and the hedging instrument are measured at fair value through profit and loss.
- Cash flow hedges: changes in the fair value of derivatives are recognised, for the effective portion of the hedge and net of tax, under valuation adjustments to hedging transactions in equity.
  Accumulated gains or losses are taken to the income statement in relation to the impact thereon of the underlying in relation to the hedged risk. Gains or losses on the ineffective portion of the hedges are recognised directly in the income statement as financial results.
- Hedges of a net investment in a foreign operation: the currency risk components of hedges of net investments in foreign subsidiaries, jointly controlled entities and associates are recognised as fair value hedges. Hedging instruments that are not, or cease to be, effective hedges are measured and recognised according to their nature.

Accounting hedges are designated and documented as such when they are first expected to prove highly effective.

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

Embedded derivatives in other financial instruments are recognised separately when their characteristics and risks are not closely related to those of the host contract, provided that they are not recognised at fair value through profit and loss.

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting. Any accumulated gains or losses relating to the hedging instrument that have been recognised in equity continue to be recorded in equity until the foreseen transaction is completed. When the hedged transaction is not expected to be carried out, the net profit or loss accumulated in equity is recognised in the net results for the period.

c.5. Financial guarantee contracts

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

Subsequently, financial guarantee contracts are measured as the difference between the liability determined according to the accounting principles for provisions in note 4 g, and the initially recognised asset, less the portion taken to the income statement on an accruals basis, where applicable.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

e) Non-current assets held for sale and discontinued operations

The Company classifies the assets for which it is actively seeking buyers at the date of the balance sheet as non-current assets held for sale. These assets are expected to be sold within the twelve months following that date. These assets are measured at the lower of their carrying amount and fair value less costs to sell and cease to be depreciated when classified as non-current assets held for sale.

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

Lines of business that have been sold or disposed of by other means or which qualify for recognition as held for sale, including any assets that are part of a single co-ordinated plan to dispose of a separate major line of business, are considered as discontinued operations.

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

At 31 December 2010 and 2009 Endesa had no discontinued operations.

f) Treasury shares

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

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

The Company did not hold any own shares at 31 December 2010 or 2009 and performed no transactions with own shares in the years then ended.

g) Provisions and contingencies

Obligations existing at the consolidated balance sheet date that arise as a result of past events and could have a negative impact on the Company's equity, materialisation of which is considered probable, and the amount and settlement date of which are uncertain, are recognised as provisions in the consolidated balance sheet at the present value of the most probable amount the Company will need to disburse to settle the liability.

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

Contingent liabilities are not recognised in the annual accounts but disclosed in the corresponding notes, when they are not considered to be remote.

Provisions for long-term employee benefits and for restructuring costs are the result of individual or collective agreements with the Company's employees, whereby the Company undertakes to supplement state benefits in the event of retirement, permanent disability, death or termination of employment by agreement between the parties.

g.1. Provisions for pensions and similar obligations

Endesa has various pension obligations with its personnel, depending on the company at which they work. These obligations, including both defined benefits and defined contributions, are basically arranged through pension plans or insurance policies, except as regards certain benefits in kind, mainly electricity supply obligations, which due to their nature have not been externalised and are covered by in-house provisions.

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

Defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets and any unrecognised past service cost. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly against other reserves in equity.

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under current and non-current provisions in the balance sheet. Any negative difference is recognised as loans to third parties under non-current investments in the balance sheet, provided that this negative difference is recoverable by the Company, usually through a reduction in future contributions.

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

The post-employment plans that have been fully insured and for which the Company has therefore transferred all the risk are considered to be defined contribution plans. Consequently, as in the case of defined contribution plans, no assets or liabilities are recognised.

g.2. Provisions for workforce restructuring costs

The Company recognises termination benefits when there is an individual or group agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for the Company in exchange for a termination benefit.

If a mutual agreement is required, a provision is only recorded in situations in which the Company has decided to give its consent to the termination of employment when this has been requested. In all cases in which these provisions are recognised, the employees have an expectation that these early retirements will proceed.

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

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

g.3. Short-term employee benefits

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

h) Transactions in foreign currency

Transactions in currencies other than the Euro, the Company's functional currency, are translated to Euros at the exchange rates prevailing at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recorded as finance income or finance expenses in the income statement.

Similarly, the year-end exchange rate is applied to the translation of receivables or payables into currencies other than the Euro at 31 December of each year. The resulting translation differences are recognised as finance income or finance expenses in the income statement.

i) Current/non-current classification

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

j) Income tax

The income tax expense for the year is calculated as the sum of the current tax of the Company resulting from applying the tax rate to the taxable income (tax loss) for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities, and tax credits for loss carryforwards and deductions. The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are measured at the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

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

Deferred tax liabilities are recognised for all temporary differences, unless the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

Until 31 December 2009 deferred taxes were not recognised where due to tax-deductible temporary differences associated with investments in subsidiaries, associates and joint ventures over which the Company was able to control the timing of the reversal of the temporary difference and it was not probable that the difference would reverse in the foreseeable future. As of 2010, following the approval of Royal Decree 1159/2010 of 17 September 2010 containing certain amendments to the Spanish General Chart of Accounts, this exemption no longer applies and the above-mentioned deferred taxes are now recognised (see note 2 c)).

Tax credits arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until this has occurred.

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

Until 31 December 2009 Endesa filed consolidated tax returns as the head of a tax group formed by those companies meeting the legal requirements for consolidation. However, due to the 92.06% interest obtained by Enel Energy Europe, S.L.U. in the capital of Endesa, S.A. (see note 1), as of 2010 the Company is part of a new consolidated tax group of which the parent company is Enel Energy Europe, S.L.U., and the former current tax group has been dissolved.

k) Income and expenses

Income and expenses are recognised on an accruals basis.

Revenue is recognised when there is a gross inflow of economic benefits generated in the ordinary course of the Company's business during the year, provided that this inflow of economic benefits results in an increase in equity that is not related to contributions from equity holders and these benefits can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

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

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

l) Related party transactions

All the Company's transactions with related parties are at arm's length. Transfer prices are adequately supported and consequently the directors of the Company consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

m) Share-based remuneration schemes

Where Company employees participate in a remuneration scheme tied to Enel share prices, and the latter company assumes the cost of the scheme, Endesa recognises the fair value of Enel's obligation to employees as an expense under personnel expenses in the income statement, and records an increase in equity for the same amount as an equity holder contribution.

n) Statement of cash flows

The statement of cash flows reflects the changes in cash occurring during the year, calculated using the indirect method. The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Cash flows: Inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value.
- Operating activities: The principal revenue-producing activities of the Company, as well as other activities that are not investing or financing activities.
- Investing activities: The acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: Activities that result in changes in the amount and composition of equity and financial liabilities.

5. Intangible assets

Details of intangible assets and movement in 2010 and 2009 are as follows:

Millions of Euros

INTANGIBLE ASSETS	Balance at 31/12/2009	Investment and provisions	Balance at 31/12/2010
Intangible assets			
Software	143	25	168
Total	**143**	**25**	**168**
Accumulated amortisation			
Software	(52)	(21)	(73)
Total	**(52)**	**(21)**	**(73)**
Net total	**91**	**4**	**95**

Millions of Euros

Inmovilizado intangible	Balance at 31/12/2008	Investment and provisions	Balance at 31/12/2009
Intangible assets			
Software	115	28	143
Total	**115**	**28**	**143**
Accumulated amortisation			
Software	(43)	(9)	(52)
Total	**(43)**	**(9)**	**(52)**
Net total	**72**	**19**	**91**

Fully amortised intangible assets had a cost of Euros 58 million and Euros 33 million at 31 December 2010 and 2009, respectively.

6. Property, plant and equipment

Details of property, plant and equipment and movement in 2010 and 2009 are as follows:

Millions of Euros

PROPERTY, PLANT AND EQUIPMENT	Balance at 31/12/2009	Investment and provisions	Transfers	Balance at 31/12/2010
Property, plant and equipment				
Land and buildings	—	—	2	2
Other property, plant and equipment	19	—	—	19
Under construction and advances	2	—	(2)	—
Total	**21**	**—**	**—**	**21**
Accumulated depreciation				
Other charges	(13)	(2)	—	(15)
Total	**(13)**	**(2)**	**—**	**(15)**
Net total	**8**	**(2)**	**—**	**6**

Millions of Euros

PROPERTY, PLANT AND EQUIPMENT	Balance at 31/12/2008	Investment and provisions	Transfers	Balance at 31/12/2009
Property, plant and equipment				
Other property, plant and equipment	18	1	—	19
Under construction and advances	1	1	—	2
Total	**19**	**2**	**—**	**21**
Accumulated depreciation				
Other charges	(12)	(1)	—	(13)
Total	**(12)**	**(1)**	**—**	**(13)**
Net total	**7**	**1**	**—**	**8**

The Company has commitments to purchase property, plant and equipment for Euros 1 million and Euros 3 million at 31 December 2010 and 2009, respectively.

The Company has taken out corporate insurance policies that cover the risk of damage to its property, plant and equipment with limits and coverage appropriate to the type of risk. Possible claims against the Company due to the nature of its activity are also covered.

Fully depreciated property, plant and equipment had a cost of Euros 7 million and Euros 6 million at 31 December 2010 and 2009, respectively.

7. Non-current and current financial assets

Details of non-current financial assets and movement in 2010 and 2009 are as follows:

Millions of Euros

NON-CURRENT FINANCIAL ASSETS	Balance at 31/12/2009	Additions or charges	Disposals or reductions	Transfers and other	Balance at 31/12/2010
Investments in Group companies and associates, non-current	**19,667**	**258**	**(444)**	**(6)**	**19,475**
Equity instruments	*19,071*	*(12)*	*(440)*	*(4)*	*18,615*
Investments in group companies	19,119	—	(440)	(4)	18,675
Investments in associates	4	—	(1)	—	3
Impairment losses	(52)	(12)	1	—	(63)
Loans to companies	*590*	*270*	*—*	*—*	*860*
Derivatives (note 13)	*6*	*—*	*(4)*	*(2)*	*—*
Non-current investments	**4,504**	**16**	**(20)**	**(4,366)**	**134**
Equity instruments	*43*	*5*	*—*	*—*	*48*
Non-current investment portfolio	43	5	—	—	48
Impairment losses	—	—	—	—	—
Loans to third parties	*4,365*	*—*	*(2)*	*(4,358)*	*5*
Loans to companies	4,367	—	(2)	(4,349)	16
Impairment losses	(2)	—	—	(9)	(11)
Derivatives (note 13)	*12*	*6*	*(4)*	*(8)*	*6*
Other financial assets	*84*	*5*	*(14)*	*—*	*75*
TOTAL NON-CURRENT FINANCIAL ASSETS	**24,171**	**274**	**(464)**	**(4,372)**	**19,609**

Millions of Euros

NON-CURRENT FINANCIAL ASSETS	Balance at 31/12/2008	Additions or charges	Disposals or reductions	Transfers and other	Balance at 31/12/2009
Investments in Group companies and associates, non-current	**19,470**	**702**	**(539)**	**34**	**19,667**
Equity instruments	*19,148*	*427*	*(538)*	*34*	*19,071*
Investments in group companies	19,221	446	(548)	—	19,119
Investments in associates	—	4	—	—	4
Impairment losses	(73)	(23)	10	34	(52)
Loans to companies	*320*	*270*	—	—	*590*
Derivatives (note 13)	*2*	*5*	*(1)*	—	*6*
Non-current investments	**2,995**	**1,982**	**(400)**	**(73)**	**4,504**
Equity instruments	*51*	*42*	*(7)*	*(43)*	*43*
Non-current investment portfolio	51	42	(7)	(43)	43
Impairment losses	—	—	—	—	—
Loans to third parties	*2,835*	*1,912*	*(364)*	*(18)*	*4,365*
Loans to companies	2,848	1,912	(375)	(18)	4,367
Impairment losses	(13)	—	11	—	(2)
Derivatives (note 13)	*19*	*28*	*(23)*	*(12)*	*12*
Other financial assets	*90*	—	*(6)*	—	*84*
TOTAL NON-CURRENT FINANCIAL ASSETS	**22,465**	**2,684**	**(939)**	**(39)**	**24,171**

The balances of current financial assets at 31 December 2010 and 2009 are as follows:

Millions of Euros

CURRENT FINANCIAL ASSETS	Balance at 31/12/2010	Balance at 31/12/2009
Investments in Group companies and associates, current	**248**	**266**
Loans to companies	138	243
Derivatives (note 13)	28	23
Other financial assets	82	—
Current investments	**6,387**	**325**
Loans to companies	6,343	289
Derivatives (note 13)	44	35
Other financial assets	—	1
Total	**6,635**	**591**

a) Investments in Group companies and associates

a.1. Equity instruments

Details of the Company’s investments in equity instruments of Group companies and associates at 31 December 2010 and 2009, as well as the most significant information regarding each investment at those dates, are as follows.

Equity for 2010 and 2009 is that of the individual companies.

Group companies: 2010

Millions of Euros

Company	Activity	% direct ownership	Capital (1)	Reserves (1)	Interim dividends (1)	Profit/(loss) for the year: Operating (1)	Profit/(loss) for the year: Net (1)	Total capital and reserves (1)	Grants, donations and bequests received (1)	Valuation adjustments (1)	Total equity (1)	Carrying amount: Cost	Carrying amount: Impairment in the year	Carrying amount: Accumulated impairment	Dividends received
ENDESA ENERGÍA, S.A. - Madrid	Sale of all types of energy products	100%	15	15	(90)	655	491	431	—	—	431	34	—	—	265
ENDESA GENERACIÓN, S.A. - Seville	Electricity generation	100%	1,945	1,792	(82)	—	918	4,573	59	17	4,649	3,891	—	—	567
ENDESA RED, S.A. - Barcelona	Electricity distribution	100%	715	729	(6)	18	792	2,230	—	—	2,230	1,440	—	—	6
INTERNACIONAL ENDESA, BV - Holland	International financing	100%	16	4	—	—	3	23	—	—	23	18	—	—	3
ENDESA SERVICIOS, S.L. - Madrid	Services company	100%	90	39	—	19	12	141	—	—	141	143	—	—	33
ENDESA LATINOAMERICA, S.A. - Madrid	Endesa Group international activity	100%	1,500	771	(100)	(19)	388	2,559	—	—	2,559	3,761	—	—	290
ENDESA DESARROLLO, S.L-Madrid	Holding company	100%	—	(81)	—	(5)	(5)	(86)	—	—	(86)	—	—	—	—
ENDESA FINANCIACIÓN FILIALES, S.A. - Madrid	Subsidiary financing	100%	4,621	4,622	(28)	–1	142	9,357	—	—	9,357	9,242	—	—	130
BOLONIA REAL ESTATE, S.L. - Madrid	Property	100%	—	26	—	—	—	26	—	—	26	47	(1)	(21)	—
COMPOSTILLA RE, S.A. - Luxembourg	Reinsurance	100%	12	—	—	—	—	12	—	—	12	12	—	—	—
NUEVA MARINA REAL ESTATE, S.L. Madrid	Property	60%	—	69	—	(18)	(19)	50	—	—	50	72	(11)	(42)	—
ENDESA CARBONO, S.L.	Brokerage	82.5%	—	14	—	1	(1)	13	—	—	13	14	—	—	—
REST OF GROUP			—	—	—	—	—	—	—	—	—	1	(5)	—	29
Total												**18,675**	**(17)**	**(63)**	**1,323**

(1) Audited data. None of these companies are listed on the stock exchange. No profits or losses from discontinued operations in 2010.

Group companies: 2009

Millions of Euros

Company	Activity	% direct ownership	Capital (1)	Reserves (1)	Interim dividends (1)	Profit/(loss) for the year: Operating (1)	Profit/(loss) for the year: Net (1)	Total capital and reserves (1)	Grants, donations and bequests received (1)	Valuation adjustments (1)	Total equity (1)	Carrying amount: Cost	Carrying amount: Impairment in the year	Carrying amount: Accumulated impairment	Dividends received
ENDESA ENERGÍA, S.A. - Madrid	Sale of all types of energy products	100%	13	(1)	(230)	529	406	188	—	2	191	14	—	—	301
ENDESA GENERACIÓN, S.A. - Seville	Electricity generation	100%	1,945	1,800	(1,040)	1,127	1,527	4,233	10	78	4,320	3,891	—	—	1,087
ENDESA RED, S.A. - Barcelona	Electricity distribution	100%	730	738	—	(3)	(24)	1,443	—	—	1,443	1,460	—	—	1
INTERNACIONAL ENDESA, BV - Holland	International financing	100%	16	4	—	(1)	3	23	—	—	23	18	—	—	4
ENDESA SERVICIOS, S.L. - Madrid	Services company	100%	90	38	—	56	38	166	—	—	166	143	7	—	3
ENDESA LATINOAMERICA, S.A. - Madrid	Endesa Group international activity	100%	1,500	677	(179)	(25)	410	2,408	—	—	2,408	3,761	—	—	179
ENDESA DESARROLLO, S.L-Madrid	Holding company	100%	—	(9)	—	(8)	(72)	(81)	—	—	(81)	—	—	—	—
ENDESA IRELAND, LTD– Madrid	Electricity generation	100%	—	440	—	—	(29)	410	14	—	424	444	—	—	—
ENDESA FINANCIACIÓN FILIALES, S.A. - Madrid	Subsidiary financing	100%	4,621	4,621	(226)	(1)	329	9,345	—	—	9,345	9,242	—	—	291
BOLONIA REAL ESTATE, S.L. - Madrid	Property	100%	—	44	—	(1)	(18)	26	—	—	26	47	(20)	(20)	—
COMPOSTILLA RE, S.A. - Luxembourg	Reinsurance	100%	12	—	—	—	—	12	—	—	12	12	—	—	—
NUEVA MARINA REAL ESTATE, S.L. Madrid	Property	60%	—	69	—	—	1	70	—	—	70	72	(3)	(30)	—
ENDESA CARBONO, S.L.	Brokerage	82.5%	—	14	—	(1)	—	14	—	—	14	14	—	—	—
REST OF GROUP			—	—	—	—	—	—	—	—	—	1	3	—	3
Total												**19,119**	**(13)**	**(50)**	**1,869**

(1) Audited data. None of these companies are listed on the stock exchange. No profits or losses from discontinued operations in 2009.

At 31 December 2010 Endesa also owns all the shares in Endesa Capital, S.A., Endesa Generación II, S.A., Nueva Compañía de Distribución Eléctrica 4, S.L. and Apamea 2000, S.L. At 31 December 2009, in addition to the aforementioned investments, it also wholly owned Nubia 2000, S.L. The carrying amount of these investments is less than Euros 1 million.

Associates

At 31 December 2010 Endesa has the following interests in associates:

Empresa	%	Coste	Provisión
Ensafeca Holding Empresarial	32,43%	3	—
Proyecto Almería Mediterráneo	45,00%	—	—

At 31 December 2009 Endesa also held 51.02% of Decosol, with a cost of Euros 2 million, for which provision was made.

Most significant changes in 2010 and 2009

2010

Endesa Ireland, Limited

In October 2010 Endesa received Euros 440 million from Endesa Ireland as repayment of the share premium, reducing the cost of its investment by that amount. Endesa Generación subscribed a Euros 440 million share capital increase in Endesa Ireland. Following these operations, Endesa only holds one share of Endesa Ireland, the carrying amount of which is not significant.

Partial spin-off of Endesa Red S.A.U. (see appendix)

In December 2010 Endesa Red was partially spun off, contributing its interest in Endesa Operaciones y Servicios Comerciales, valued at Euros 21 million, to Endesa Energía. As a result, Endesa Energía increased its share capital by Euros 2 million with a share premium of Euros 19 million and Endesa Red reduced its capital by Euros 15 million and its voluntary reserves by Euros 6 million. Endesa's investment in Endesa Red was reduced by Euros 21 million and its interest in Endesa Energía increased by the same amount.

This transaction availed of the special regime of Chapter VIII, Title VII of Royal Decree Law 4/2004 (see note 14 and appendix).

Desaladora de la Costa del Sol, S.A.

In July 2010 Decosol was dissolved and Endesa derecognised its Euros 1 million investment in that company. No loss was recognised, as provision had been made.

2009

Compostilla, Re. S.A.

By virtue of the share capital increase agreement of 22 April 2009, Endesa subscribed 1,000 new shares of Euros 3,000 par value each for Euros 3 million, increasing its investment in this wholly owned company to Euros 12 million.

Endesa Ireland, Limited

On 8 January 2009 Endesa acquired 1000 shares of Endesa Ireland, Limited for Euros 443 million, increasing its ownership of this company to 100%. The company had four generation plants with an installed capacity of 1068 MW.

Endesa Participadas, S.A.

On 22 May 2009 the joint directors of Endesa Participadas, S.A.U. approved the dissolution without liquidation of that company, through the global transfer of its assets and liabilities to the sole shareholder, Endesa. This agreement was filed at the Mercantile Registry of Madrid on 7 October 2009.

Consequently Endesa derecognised the carrying amount of its investment in Endesa Participadas, valued at Euros 510 million, including the interests held by that company in Decosol (51.02%), which amounted to Euros 2 million and for which provision was made, Ensafeca Holding Empresarial (32.43%) for Euros 2 million and Euskaltel (10%) for Euros 41 million. The other assets included were essentially the Euros 485 million account receivable from Endesa Financiación Filiales, S.A.

This transaction availed of the special regime of Chapter VIII, Title VII of Royal Decree Law 4/2004.

a.2. Non-current and current loans to Group companies and associates

2010

At 31 December 2010 non-current loans total Euros 860 million, of which Euros 854 million are a current account in US Dollars with Endesa Financiación Filiales, which falls due in 2013 and earns interest at an average rate of 0.81%. Current loans total Euros 138 million, of which Euros 111 million are accounts receivable from Enel Energy Europe, S.L. for consolidated income tax.

The receivable for 2010 income tax is an estimate and therefore interest-free, as it will be settled in 2011 when the income tax return is filed.

2009

At 31 December 2009 the Company had a long-term current account in US Dollars with Endesa Financiación Filiales, S.A. for Euros 590 million, due in 2013 and with an average interest rate of 1.21%. Current loans totalled Euros 243 million, of which Euros 231 million were accounts receivable from Group companies for consolidated income tax.

Receivables for income tax are interest-free and settled the following year.

b) Current and non-current investments

b.1. Equity instruments in 2010 and 2009

At 31 December 2010 and 2009 this balance essentially comprised the interest in Euskatel, valued at Euros 46 million and Euros 41 million, respectively.

Endesa owned 1% of Red Eléctrica de España, S.A at 31 December 2008. In December 2009 it sold 148,844 shares of that company, generating a gross gain of Euros 5 million. Consequently, its interest was reduced to 0.89% and transferred to non-current assets held for sale (see note 8).

b.2. Current and non-current loans to companies in 2010 and 2009

Euros 6,340 million of this balance at 31 December 2010 and Euros 4,656 million at 31 December 2009 are the amounts contributed to finance the shortfall in revenue from regulated activities.

Deficit from regulated activities

Royal Decree Laws 6/2009 of 30 April 2009 and 6/2010 of 9 April 2010 stipulate that as of 2013 any grid access charges established should be sufficient to cover all electricity system costs, with no ex ante deficit. For the 2009-2012 period, Royal Decree Law 6/2009 of 30 April 2009 caps the deficit for each year and the access charges established for those years must be sufficient to prevent those limits being exceeded.

This legislation also orders that, in the event of any mismatch in the timing of settlements of regulated activities, a certain percentage should be financed by the companies specified in the above-mentioned standard (44.16% corresponds to Endesa), and that these companies are entitled to recover the amounts paid in settlements of regulated activities for the year in which they are recognised.

The aforementioned Royal Decree Laws in turn regulated the securitisation of the collection rights accumulated by the electricity companies on financing that deficit, including compensation for as yet unrecovered stranded costs in non-mainland generation for the 2001-2008 period.

Royal Decree 437/2010 of 9 April 2010 regulates the securitisation of the electricity system deficit. In accordance with this legislation, on 7 July 2010 Endesa notified the securitisation fund for the deficit in the Spanish electricity system of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities. These collection rights are to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed since the notification, the initial holders would be able to waive the commitment to transfer any collection rights that have not been securitised by the fund (see note 21).

Royal Decree Law 14/2010 of 23 December 2010 contains a number of measures aimed at cutting the regulated costs of the electricity system and eliminating the tariff deficit from 2013 onwards, as provided for by Royal Decree Law 6/2009 of 30 April 2009. The new legislation adapts the deficit-slashing measures by amending the caps on the annual deficit to Euros 5,500 million, Euros 3,000 million and Euros 1,500 million for 2010, 2011 and 2012, respectively, whilst also raising the amounts guaranteed by the Spanish government for securitisation of the deficit.

Euros 6,340 million are pending recovery at 31 December 2010 and Euros 4,656 million at 31 December 2009 for the financing of the shortfall in revenue from regulated activities for the years stated. These amounts are recognised under investments: loans to companies in the accompanying balance sheets, with Euros 6,340 million classified as current in the balance sheet at 31 December 2010 because under prevailing regulations this was expected to be recovered in 2011. At 31 December 2009, Euros 4,355 million were non-current and Euros 301 million were current.

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

b.3. Other non-current financial assets

At 31 December 2010 and 2009 this balance includes Euros 75 million and Euros 84 million, respectively, for the deposit made to guarantee payment for future services from the employees who are members of the Endesa defined benefit pension scheme.

c) Classification of financial assets by nature and category

Details of financial assets by nature and category, excluding investments in equity instruments of Group companies and associates, at 31 December 2010 and 2009, are as follows:

Millions of Euros

	31/12/10						
FINANCIAL ASSETS: NATURE/ CATEGORY	Financial assets held for trading	Other financial assets at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	TOTAL
Equity instruments	—	—	48	—	—	—	48
Loans to companies	—	—	—	865	—	—	865
Derivatives (note 13)	5	—	—	—	—	1	6
Other financial assets	—	—	—	75	—	—	75
Long term / non-current	**5**	**—**	**48**	**940**	**—**	**1**	**994**
Loans to companies	—	—	—	6,481	—	—	6,481
Derivatives (note 13)	72	—	—	—	—	—	72
Other financial assets	—	—	—	82	—	—	82
Short term / non-current	**72**	**—**	**—**	**6,563**	**—**	**—**	**6,635**
Total	**77**	**—**	**48**	**7,503**	**—**	**1**	**7,629**

Millions of Euros

	31/12/09						
FINANCIAL ASSETS: NATURE/ CATEGORY	Financial assets held for trading	Other financial assets at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	TOTAL
Equity instruments	—	—	43	—	—	—	43
Loans to companies	—	—	—	4,955	—	—	4,955
Derivatives (note 13)	17	—	—	—	—	1	18
Other financial assets	—	—	—	84	—	—	84
Long term / non-current	**17**	**—**	**43**	**5,039**	**—**	**1**	**5,100**
Loans to companies	—	—	—	532	—	—	532
Derivatives (note 13)	57	—	—	—	—	1	58
Other financial assets	—	—	—	1	—	—	1
Short term / non-current	**57**	**—**	**—**	**533**	**—**	**1**	**591**
Total	**74**	**—**	**43**	**5,572**	**—**	**2**	**5,691**

Financial assets held for trading, available-for-sale financial assets and hedging derivatives are measured at fair value.

d) Financial assets at fair value through profit or loss

The changes in fair value included in this type of financial asset during 2010 and 2009 and the changes in fair value accumulated to date are as follows:

Millions of Euros

2010	Fair value 31/12/2009	Change in fair value in 2010	Fair value 31/12/2010
Financial assets at fair value through profit and loss			
Non-current:			
Financial assets held for trading	17	(12)	5
Current:			
Financial assets held for trading	57	15	72

Millions of Euros

2009	Fair value 31/12/2008	Change in fair value in 2009	Fair value 31/12/2009
Financial assets at fair value through profit and loss			
Non-current:			
Financial assets held for trading	20	(3)	17
Current:			
Financial assets held for trading	53	4	57

Financial assets held for trading are financial derivatives not designated as hedging instruments.

e) Items recognised in the income statement and in equity

Movement in the different categories of financial assets recognised in the income statement and directly in equity is as follows:

Millions of Euros

	2010		2009	
CATEGORY	P and L	Equity	P and L	Equity
Financial assets held for trading	79	—	86	—
Available-for-sale financial assets	42	(42)	8	(3)
Loans and receivables	56	—	232	—
Hedging derivatives	2	4	1	(59)
Investments in equity instruments of Group companies, jointly controlled entities and associates	1,323	—	1,869	—
Total	**1,502**	**(38)**	**2,196**	**(62)**

f) Financial investment commitments

Endesa had no significant new investment commitments at 31 December 2010 or 2009.

8. Non-current assets held for sale

Red Eléctrica de España, S.A.

At 31 December 2009 Endesa transferred its 0.89% interest in Red Eléctrica de España, S.A., valued at Euros 46 million, to non-current assets held for sale, as active steps have been taken to sell these shares.

A positive mark-to-market valuation adjustment of Euros 34 million was recognised in equity for this investment at 31 December 2009.

This investment was sold in January and February 2010, recognising a gain of Euros 42 million in the income statement.

9. Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

a) Share capital

At 31 December 2010 Endesa had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euros 1.20 each, subscribed and fully paid.

These shares have the same voting and profit-sharing rights.

b) Share premium

Article 303 of the Spanish Companies Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

c) Reserves

Details of Endesa's reserves at 31 December 2010 and 2009 are as follows:

Millions of euros

RESERVES	31/12/10	31/12/09
Legal reserve	285	285
Revaluation reserve	1,714	1,714
Mining depletion reserve	40	40
Redeemed capital reserve	102	102
Reserve for redenomination of capital to Euros	2	2
Reserve for actuarial gains and losses and other adjustments	(19)	(8)
Canary Islands investment reserve	24	24
Provision accelerated depreciation R.D.L. 2/85	1	1
Merger reserve	2,050	2,049
Unrestricted reserves	1,058	1,017
Total	**5,257**	**5,226**

c.1. Legal reserve

In accordance with article 274 of the Spanish Companies Act, companies are obliged to transfer 10% of the profits for the year to a legal reserve until that reserve reaches an amount equal to 20% of the share capital.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital it may only be used to offset losses if no other reserves are available.

At 31 December 2010 Endesa has transferred more than the 20% required by law to this reserve.

c.2. Revaluation reserve

As permitted by Royal Decree Law 7/1996, property, plant and equipment was revalued at 31 December 1996 leading to capital gains of Euros 1,776 million. After tax at 3%, the net balance of Euros 1,722 million was credited to the account called revaluation reserve Royal Decree Law 7/1996 of 7 June 1996.

This balance can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, or to increase share capital. It can also be transferred to unrestricted reserves provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.

This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996.

Until 31 December 2010, in accordance with Royal Decree Law 7/1996, Euros 5 million had been applied to losses on disposals of revalued assets incurred before the revalued balances were inspected. As a result of this tax inspection, the revaluation reserve was also reduced by Euros 3 million.

On 1 January 2000 the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out within the Endesa Group.

c.3. Mining depletion reserve

The mining depletion reserve is subject to Royal Decree Law 4/2004 of 5 March 2004, which approves the Revised Income Tax Law. This reserve is taxable if used for any purpose other than those foreseen in the pertinent regulatory standards.

At 31 December 2010 and 2009 the balance of this reserve is Euros 40 million, of which Euros 27 million is freely distributable.

c.4. Redeemed capital reserve

The redeemed capital reserve has been appropriated in compliance with article 335 of the Spanish Companies Act, which requires companies to transfer to this reserve an amount equal to the par value of redeemed shares or the decrease in the par value of shares, when a capital reduction is carried out with a charge to profits or freely-distributable reserves or through the redemption of shares acquired free of charge. This reserve is only available under the same conditions required for the reduction of the share capital.

c.5. Differences on redenomination of capital to Euros

This reserve is not distributable.

c.6. Reserves for actuarial gains and losses and other adjustments

These reserves derive from actuarial gains and losses recognised in equity.

c.7. Canary Islands investment reserve

The Canary Islands investment reserve is subject to the regime established in article 27 of Law 19/1994 of 6 July 1994, amending the Canary Islands tax regime, which was modified by Royal Decree Law 12/2006 of 29 December 2006. The Euros 24 million balance of this reserve at 31 December 2010 and 2009 derives from the merger of Endesa, S.A. and Unión Eléctrica de Canarias, S.A. in 1998 and has been freely distributable since 1 January 2009.

c.8. Voluntary reserves

These reserves are freely distributable. Euros 41 million were applied against this reserve in 2010 for deferred taxes on the portfolio of investments in Group companies (see notes 2 c and 4 j).

d) Other information

Certain members of senior management of Endesa coming from Enel benefit from Enel remuneration schemes based on Enel share prices. The cost of these schemes is assumed by Enel, with no amounts passed on to Endesa. The main characteristics of the schemes, with respect to members of senior management of Endesa, are as follows:

2008 share option scheme

The basic number of shares granted to each beneficiary was determined based on their gross annual salary, the strategic importance of their position and the listed price of Enel shares at the start of the period encompassed by the scheme (2 January 2008).

The scheme sets two operating targets: earnings per share and return on investments. These two figures are calculated on a consolidated basis and for the 2008-2010 period were determined using the amounts included in the budgets for those years.

Depending on the achievement of these targets, the number of options that may be exercised by each beneficiary is determined based on a profit scale drawn up by the Board of Directors of Enel, which could increase or decrease by 0% to 120%.

After compliance with corporate targets has been verified, the options may be exercised from the third to the sixth year after the year in which they were granted.

The scheme is summarised in the following table:

Number of options	2008 scheme
Options granted at 31 December 2008	567.182
Options exercised at 31 December 2008	—
Options expired at 31 December 2008	—
Options pending at 31 December 2008	—
Options expired in 2009	—
Options outstanding at 31 December 2009	567,182
Options expired in 2010	—
Options outstanding at 31 December 2010	567,182
Fair value at the grant date (Euros)	0.165
Volatility	21%
Options expiry date	December 2014

2008 restricted shares scheme

This scheme is aimed at Enel Group management. Beneficiaries are divided into tranches and the basic number of shares granted to each beneficiary is determined in line with the gross annual salary of each tranche and the listed price of Enel shares at the start of the period encompassed by the scheme (2 January 2008). The right to exercise the shares is conditional upon the directors continuing as employees of the Group, albeit with certain exceptions.

The scheme sets an operating target, with conditions precedent, as follows:

i) For the first 50% of shares granted, EBITDA of the Group for 2008-2009, calculated based on the amounts included in the budgets for those years.
ii) For the remaining 50% of shares granted, EBITDA of the Group for 2008-2010, calculated based on the amounts included in the budgets for those years.

If the above-mentioned minimum target is achieved, the number of shares that may effectively be exercised by each beneficiary is determined as follows:

iii) For the first 50% of the basic number of shares granted, by comparing the performance of ordinary shares of Enel on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2009.
iv) For the remaining 50% of shares granted, by comparing the performance of ordinary shares of Enel on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2010.

The number of shares that may be exercised could vary with respect to the number of shares granted by between 0% and 120%, based on specific a profit scale.

If the minimum target is not achieved in the first two-year period, the first 50% tranche could be recovered if the target is met during the three-year period. Moreover, the validity of the results recorded in the 2008-2010 period could be extended to the 2008-2009 period.

Depending on the extent to which these targets are met and the number of shares granted, the first 50% could be exercised from the second to the sixth year after the year in which they were granted, and the remaining 50% from the third to the sixth year after they were granted.

The scheme is summarised in the following table:

Number of restricted shares	2008 restricted shares
Restricted shares outstanding at 31 December 2008	60.659
Restricted shares expired in 2009	—
Restricted shares outstanding and exercisable at 31 December 2009	60.659
Restricted shares expired in 2010	—
Restricted shares exercised in 2010	16.880
Restricted shares outstanding and exercisable at 31 December 2010	43.779
Fair value at the grant date (Euros)	3,16
Fair value at 31 December 2010 (Euros)	4,47
Restricted shares expiry date	December 2014

10. Provisions and contingencies

Details of current and non-current provisions and movement in 2010 and 2009 are as follows:

Millions of euros

	Balance at 31/12/2009	Charges in profit and loss	Financial effect	Applications	Payments	Transfers	Other adjustments	Balance at 31/12/2010
NON-CURRENT PROVISIONS								
Long-term employee benefits:	**26**	**2**	**4**	**(2)**	**(2)**	**—**	**16**	**44**
Pensions	1	1	2	(2)	(1)	—	14	15
Other employee benefits	25	1	2	—	(1)	—	2	29
Provisions for restructuring costs:	**115**	**59**	**3**	**—**	**—**	**(16)**	**—**	**161**
Workforce restructuring plans	37	(10)	1	—	—	(1)	—	27
Voluntary redundancy scheme	78	69	2	—	—	(15)	—	134
Provisions for other liabilities	**67**	**86**	**—**	**(19)**	**—**	**5**	**—**	**139**
TOTAL NON-CURRENT	**208**	**147**	**7**	**(21)**	**(2)**	**(11)**	**16**	**344**
CURRENT PROVISIONS								
Provisions for restructuring costs:	**29**	**—**	**—**	**—**	**(16)**	**16**	**—**	**29**
Workforce restructuring plans	12	—	—	—	(3)	1	—	10
Voluntary redundancy scheme	17	—	—	—	(13)	15	—	19
Provisions for other liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
TOTAL CURRENT	**29**	**—**	**—**	**—**	**(16)**	**16**	**—**	**29**

Millions of euros

	Balance at 31/12/2008	Charges in profit and loss	Financial effect	Applications	Payments	Transfers	Other adjustments	Balance at 31/12/2009
NON-CURRENT PROVISIONS								
Long-term employee benefits:	**14**	**3**	**1**	**(1)**	**2**	**—**	**7**	**26**
Pensions	—	1	1	(1)	(1)	—	1	1
Other employee benefits	14	2	—	—	3	—	6	25
Provisions for restructuring costs:	**91**	**20**	**18**	**—**	**—**	**(16)**	**2**	**115**
Workforce restructuring plans	37	(17)	6	—	—	10	1	37
Voluntary redundancy scheme	54	37	12	—	—	(26)	1	78
Provisions for other liabilities	**199**	**16**	**—**	**(48)**	**—**	**(117)**	**17**	**67**
TOTAL NON-CURRENT	**304**	**39**	**19**	**(49)**	**2**	**(133)**	**26**	**208**
CURRENT PROVISIONS								
Provisions for restructuring costs:	**40**	**—**	**—**	**—**	**(28)**	**16**	**1**	**29**
Workforce restructuring plans	26	—	—	—	(4)	(10)	—	12
Voluntary redundancy scheme	14	—	—	—	(24)	26	1	17
Provisions for other liabilities	**—**	**—**	**—**	**(17)**	**(100)**	**117**	**—**	**—**
TOTAL CURRENT	**40**	**—**	**—**	**(17)**	**(128)**	**133**	**1**	**29**

a) Provisions for pensions

The Company's personnel are members of the Endesa Group pension scheme, divided into three basic groups eligible for different types of benefits:

- Employees who joined the Company in 1997 or later belong to a defined contribution scheme for retirement, defined benefit for permanent disability or death whilst in service. The relevant insurance policies have been taken out on the scheme.
- Electricity employees from the former Endesa, who are members of a defined benefit pension scheme for retirement, permanent disability and death, for both current and former employees. The predetermined nature of the retirement benefits and their full coverage eliminate any related risk. The other benefits are also guaranteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this scheme does not differ significantly from that required for the mixed schemes described above.
- Fecsa/Enher/HidroEmpordá employees: Defined-benefit pension scheme with annual salary increases in line with the CPI. This scheme is treated in exactly the same way as a defined benefit scheme. The obligations to these employees are not significant.

The defined benefit schemes have a limited number of members and no more employees can join.

Following the reorganisation of the Endesa Group, the new companies assumed all the original companies' personnel obligations. After the Endesa Group pension scheme was set up on 1 January 2005, employee pension obligations were transferred to the companies in which they worked.

Pension scheme contributions are recognised in the income statement.

The amounts recognised in the balance sheet for the defined benefit plans are as follows:

		Millions of euros
	31/12/10	31/12/09
Present value of defined benefit obligations:	**(59)**	**(47)**
Assets	(39)	(28)
Liabilities	(6)	(10)
Early retired	(14)	(9)
Fair value of plan assets	**44**	**46**
Net total	**(15)**	**(1)**

Movement in defined benefit scheme obligations is as follows:

DEFINED BENEFIT SCHEME OBLIGATIONS

		Millions of euros
	2010	2009
Opening actuarial liability 01/01/2010	**(47)**	**(27)**
Financial cost	(2)	(1)
Current cost	(1)	(1)
Benefits paid in the period	3	1
Transfer of assets and liabilities	—	(7)
Actuarial gains and losses	(12)	(12)
Closing actuarial liability 31/12/2010	**(59)**	**(47)**

Changes in the fair value of defined benefit plan assets are as follows:

DEFINED BENEFIT PLAN ASSETS

		Millions of euros
	2010	2009
Opening market value 01/01/2010	**46**	**28**
Estimated benefit	2	1
Company contribution	1	2
Payments	(3)	(1)
Actuarial gains and losses	(2)	10
Other movements	—	6
Closing market value 31/12/2010	**44**	**46**

Opening provision/assets balance	(1)	1
Closing provisions/assets balance	(15)	–1

Defined benefit plan assets include the following:

DEFINED BENEFIT PLAN ASSETS

		Percentage
	2010	2009
Shares	28	29
Fixed income assets	67	67
Others (cash)	5	4
Total	**100**	**100**

The following were the most significant actuarial assumptions considered in the calculations:

	2010	2009
Technical interest rate	3.37%	3.53%
Mortality tables	PERMF2000	GRM/F 95
Annual pension increase	2.3%	2.3%
Annual salary increase	2.3%	2.3%
Retirement age	65	65

The unit credit method is used.

The Company has the above obligations covered by the amounts shown in the balance sheets at 31 December 2010 and 2009.

b) Workforce restructuring plans

The Company has made provisions for the various workforce restructuring plans involving employees who are currently in service or have taken early retirement. Under these plans, employees are guaranteed benefits from the date of early retirement until retirement age and, in certain cases, a pension annuity to supplement the state pension.

Two types of plans were in force at 31 December 2010 and 2009:

1. Personnel restructuring plans approved by the former companies before the corporate restructuring in 1999
   The deadline for employees to avail of these restructuring plans has passed and the obligation therefore mainly relates to employees who have left the Company.

2. Voluntary redundancy scheme approved in 2000
   The scheme applies to employees with at least ten years of service in the group of companies concerned at 31 December 2005.
   Employees aged 50 or over at 31 December 2005 are entitled to early retirement at the age of 60. They may sign up to the scheme between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.
   For the scheme to apply to employees younger than 50 at 31 December 2005, a written request from the employee and the acceptance thereof by the company are required.

A total of 245 employees were considered in the valuation of the two schemes mentioned above for 2010 and 2009. Of these employees, 155 had not yet left the Company in 2010 and 168 in 2009.

The economic conditions applicable to the employees who have signed up to these schemes are basically as follows:

- For personnel taking early retirement, the company will pay the employee from the date of termination of their contract until the first date on which retirement can be taken after unemployment benefit contributions have ceased and, at most, until the employee’s right is vested on reaching retirement age, a termination benefit based on their last annual salary and subject to review in line with the CPI. Any unemployment benefits and any other official early retirement benefits received prior to the retirement date will be deducted from the resulting amounts.

- Employees under the age of 50 who have signed up to the voluntary redundancy scheme approved in 2000 receive a termination benefit of 45 days' salary per year of service plus an additional amount of one or two annual salary payments depending on the age of the employee in question at 31 December 2005.

The Company recognises the full expense of these schemes when the obligations arise, either because the employee is entitled unilaterally to sign up to the scheme, individual or collective agreements have been reached with personnel, or there is a certain expectation that such an agreement to leave the Company will be arranged. The obligation is determined based on the corresponding actuarial calculation subject to annual review. Gains or losses caused by changes in assumptions, mainly the discount rate, are recognised in profit and loss.

The charge against profit and loss in 2010 is essentially due to the provision required to cover the cost of the scheme launched by the Company that year to bring forward the departure of personnel involved in this workforce restructuring plan.

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

Actuarial assumptions	2010	2009
Mortality tables	PERM/F 2000	GRM/F 95
Technical interest rate	2.49%	3.53%
Future CPI	2.30%	2.3%

c) Other provisions

Other provisions are made to cover various liabilities derived from claims from third parties, lawsuits and other contingencies.

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

1. On 8 May 2008 a decision was made on the motion filed by Endesa at the Supreme Court to quash a ruling by the Spanish High Court rendering null and void the order of 29 October 2002 regulating the competition transition costs (hereinafter CTCs) for 2001, passed in the appeal for judicial review no. 825/2002 filed by Iberdrola. The Supreme Court rejected Endesa's motion to quash the ruling from the Spanish High Court. Enforcement of the judgment is not expected to have a significant economic impact on the Company.
2. On 30 July 2007 Iberdrola submitted a claim against Endesa in Commercial Court 3 for alleged damages as a result of the failure of the public takeover bid for Endesa from Gas Natural and the agreement between Gas Natural and Iberdrola to distribute Endesa's assets as determined by the court. The damages claimed are Euros 144 million, practically all alleged "moral" damages for the harm caused to the reputation, good name and prestige of Iberdrola as a result of the adoption of injunctive relief.
3. On 24 June 2009 the Investigation Division of the Spanish Ministry of the Economy filed charges before the Spanish National Competition Authorities (hereinafter CNC)

against several electricity distributors (Endesa, Iberdrola, Hidrocantábrico, Unión Fenosa and E.On) for alleged infringement of article 1 of Anti-Trust Law 15/2007 of 3 July 2007 and article 81 of the EC Treaty, consisting of alleged collusive agreements which, according to the Competition Authorities, could have been arranged to impede, restrict or falsify competition in the power supply market in Spain. The disciplinary proceedings initiated by the CNC are to analyse the existence of possible illegal agreements between the distribution companies to delay the change in supplier. The Spanish Association of Independent Energy Suppliers (hereinafter ACIE) made its statements, contested by Endesa on 26 November 2009. To date, no specific proposal has been made in the proceedings for what could be the definitive penalty, although the case has been extended recently in terms of the parties (also including the Spanish Electricity Sector Association UNESA) and allegations (including possible collusion to win major customers). The Investigation Division has proposed a ruling and Endesa submitted its response on 13 August 2010. The ruling from the board of the CNC is currently pending, following compulsory referral to the European Commission.

The Company's directors do not expect that any additional significant liabilities to those already recognised in the accompanying balance sheets would arise as a result of the above-mentioned lawsuits and arbitration proceedings.

11. Non-current and current financial liabilities

Movement in non-current financial liabilities in 2010 and 2009 is as follows:

NON-CURRENT FINANCIAL LIABILITIES

Millions of euros

	Balance at 31/12/2009	Drawn	Repaid	Transfers to current	Other	Balance at 31/12/2010
NON-CURRENT PAYABLES	**6,054**	**656**	**(737)**	**(2,238)**	**17**	**3,752**
Debt with financial institutions	5,889	650	(700)	(2,225)	17	3,631
Derivatives (note 13)	160	6	(37)	(13)		116
Other financial liabilities	5	—	—	—	—	5
GROUP COMPANIES AND ASSOCIATES, NON-CURRENT	**4,560**	**3,666**	**(1)**	**(7)**	**—**	**8,218**
Group companies and associates, non-current	4,552	3,664	—	—	—	8,216
Derivatives (note 13)	8	2	(1)	(7)		2
TOTAL NON-CURRENT PAYABLES	**10,614**	**4,322**	**(738)**	**(2,245)**	**17**	**11,970**

NON-CURRENT FINANCIAL LIABILITIES

Millions of euros

	Balance at 31/12/2008	Drawn	Repaid	Transfers to current	Other	Balance at 31/12/2009
NON-CURRENT PAYABLES	**3,424**	**2,937**	**(40)**	**(256)**	**(11)**	**6,054**
Debt with financial institutions	3,359	2,798	(8)	(249)	(11)	5,889
Derivatives (note 13)	59	139	(31)	(7)	—	160
Other financial liabilities	6	—	(1)	—	—	5
GROUP COMPANIES AND ASSOCIATES, NON-CURRENT	**2,496**	**2,057**	**—**	**—**	**7**	**4,560**
Group companies and associates, non-current	2,496	2,049	—	—	7	4,552
Derivatives (note 13)	—	8	—	—	—	8
TOTAL NON-CURRENT PAYABLES	**5,920**	**4,994**	**(40)**	**(256)**	**(4)**	**10,614**

The balances of current financial liabilities at 31 December 2010 and 2009 are as follows:

Millions of euros

	Balance at 31/12/2010	Balance at 31/12/2009
CURRENT PAYABLES	**326**	**379**
Bonds and other marketable securities	—	—
Debt with financial institutions	242	273
Derivatives (note 13)	34	34
Other financial liabilities	50	72
GROUP COMPANIES AND ASSOCIATES, CURRENT	**2,647**	**2,483**
Group companies and associates, current	2,605	2,460
Derivatives (note 13)	42	23
TOTAL CURRENT PAYABLES	**2,973**	**2,862**

Euros 500 million of bonds issued in February 1999 matured in February 2009.

a) Classification of financial liabilities by category

The classification of financial liabilities by category and class and a comparison of the fair value with the carrying amount are as follows:

Millions of euros

			31/12/10		
FINANCIAL LIABILITIES: NATURE / CATEGORY	Financial liabilities held for trading	Other financial liabilities at fair value through profit and loss (1)	Debts and payables	Hedging derivatives	Total
Debt with financial institutions	—	22	3,609	—	3,631
Derivatives (note 13)	16	—	—	102	118
Other financial liabilities	—	—	8,221	—	8,221
Non-current payables/Non-current financial liabilities	**16**	**22**	**11,830**	**102**	**11,970**
Debt with financial institutions	—	—	242	—	242
Derivatives (note 13)	73	—	—	3	76
Other financial liabilities	—	—	2,655	—	2,655
Current payables Current financial liabilities	**73**	**—**	**2,897**	**3**	**2,973**
TOTAL	**89**	**22**	**14,727**	**105**	**14,943**
FAIR VALUE	**89**	**22**	**14,741**	**105**	**14,957**

(1) All financial liabilities that are embedded in a fair value hedge from the contract date.

Millions of euros

FINANCIAL LIABILITIES: NATURE / CATEGORY	31/12/09				
	Financial liabilities held for trading	Other financial liabilities at fair value through profit and loss (1)	Debts and payables	Hedging derivatives	Total
Debt with financial institutions	—	21	5,868	—	5,889
Derivatives (note 13)	30	—	—	138	168
Other financial liabilities	—	—	4,557	—	4,557
Non-current payables/Non-current financial liabilities	**30**	**21**	**10,425**	**138**	**10,614**
Debt with financial institutions	—	41	232	—	273
Derivatives (note 13)	56	—	—	1	57
Other financial liabilities	—	—	2,532	—	2,532
Current payables Current financial liabilities	**56**	**41**	**2,764**	**1**	**2,862**
TOTAL	**86**	**62**	**13,189**	**139**	**13,476**
FAIR VALUE	**86**	**62**	**13,265**	**139**	**13,552**

(1) All financial liabilities that are embedded in a fair value hedge from the contract date.

Financial liabilities held for trading, financial liabilities at fair value through profit and loss and hedging derivatives are measured at fair value.

b) Classification by maturity

Details of financial liabilities by maturity are as follows:

Millions of euros

	Balance at 31/12/2010	2011	2012	2013	2014	2015	Subsequent years
Debt with financial institutions	3,873	242	1,996	332	182	182	939
Derivatives	150	34	58	56	—	—	2
Other financial liabilities	55	50	—	—	—	—	5
Group companies and associates	10,821	2,605	—	—	—	22	8,194
Derivatives with group companies and associates	44	42	1	1	—	—	—

Millions of euros

	Balance at 31/12/2009	2010	2011	2012	2013	2014	Subsequent years
Debt with financial institutions	6,162	273	2,299	2,441	332	182	635
Derivatives (note 13)	194	34	14	75	69	—	2
Other financial liabilities	77	72	1	1	1	1	1
Group companies and associates	7,012	2,460	4,494	—	—	58	—
Derivatives with group companies and associates	31	23	8	—	—	—	—

In 2010 the average rate of interest was 3.00% on debt with financial institutions and 0.80% on payables to Group companies.

In 2009 the average rate of interest was 3.13% on debt with financial institutions, 4.26% on bonds and 1.25% on payables to Group companies.

Endesa has loans and other borrowings from banks equivalent to Euros 1,410 million that might have to be repaid early in the event of a change of control over Endesa.

c) Financial liabilities at fair value through profit or loss

Changes in the fair value of financial liabilities during 2010 and 2009 and the accumulated change in fair value to date are as follows:

Millions of euros

2010	Fair value at 31/12/2009	Change in fair value in 2010	Fair value at 31/12/2010
Financial liabilities at fair value through profit and loss:			
Non-current:			
Financial liabilities held for trading	30	(14)	16
Other financial liabilities at fair value through profit and loss	21	1	22
Current:			
Financial liabilities held for trading	56	17	73
Other financial liabilities at fair value through profit and loss	41	(41)	—

Millions of euros

2009	Fair value at 31/12/2008	Change in fair value in 2009	Fair value at 31/12/2009
Financial liabilities at fair value through profit and loss:			
Non-current:			
Financial liabilities held for trading	14	16	30
Other financial liabilities at fair value through profit and loss	57	(36)	21
Current:			
Financial liabilities held for trading	68	(12)	56
Other financial liabilities at fair value through profit and loss	—	41	41

Financial liabilities held for trading are financial derivatives not designated as hedging instruments.

In accordance with accounting standards, items hedged through fair value hedging derivatives have been included in other financial liabilities at fair value through profit and loss.

d) Items recognised in the income statement and in equity

Movement in the different categories of financial liabilities recognised in the income statement and directly in equity is as follows:

Millions of euros

	Ejercicio 2010		Ejercicio 2009	
Categories	P and L	Equity	P and L	Equity
Financial liabilities held for trading	(90)	—	(100)	—
Other financial liabilities at fair value through profit and loss	(1)	—	(5)	—
Debts and payables	(366)	—	(371)	—
Hedging derivatives	(76)	30	(56)	(5)
Total	**(533)**	**30**	**(532)**	**(5)**

e) Hedged financial liabilities

Details of hedged financial liabilities are as follows:

Millions of euros

Class	Type of hedge		2009
	Fair value	21	62
With third parties	Cash flow	3,163	3,296

f) Other aspects

At 31 December 2010 and 2009 Endesa had undrawn long-term lines of credit for Euros 6,153 million and Euros 6,826 million, respectively. The amount of these credit facilities, together with current assets, sufficiently covers the Company's short-term payment obligations.

Endesa's debt is subject to the usual covenants in contracts of this type. In no cases would a breach of these covenants require early repayment of the debt.

As regards clauses relating to credit ratings, at 31 December 2010 Endesa S.A. had entered into financial transactions amounting to Euros 450 million that could require additional guarantees or renegotiation if its credit rating were downgraded. At 31 December 2009, this amount was Euros 531 million.

At 31 December 2010 and 2009, Endesa was not in breach of covenants or any other financial obligations that could require early repayment of its liabilities.

The Company's directors do not consider that these clauses will change the current/non-current classification in the accompanying balance sheet.

The fair value of Endesa's gross borrowings at 31 December 2010 and 2009 was Euros 14,992 million and Euros 13,522 million, respectively.

12. Risk management policy

Endesa is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and supervision systems, all of which are implemented throughout the Endesa Group of which it is the parent.

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

- Comply with the principles of good corporate governance.
- Strictly comply with all of Endesa's rules.
- The Audit and Compliance Committee is part of the Board of Directors of Endesa in charge of promoting and supervising risk governance in the area of regulatory compliance and internal audit.
- Endesa's Risk Committee is responsible for defining, approving and updating the basic principles on which risk-related initiatives are based.
- Risk Governance is carried out through risk control and risk management functions, which are independent from each other.
- Each business and corporate area defines:

  1. The markets and product lines in which it can operate on the basis of having sufficient know-how and capabilities to ensure effective risk management.
  2. Criteria concerning counterparties.
  3. The authorised operators.

- The businesses and corporate areas establish the level of risk that they are prepared to assume for each market in which they operate on a basis that is consistent with the strategy defined.
- The limits for the businesses and corporate areas are approved by the Endesa Risk Committee.
- All the businesses and corporate areas must conduct their business within the limits approved in each case.
- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that transactions are performed in the markets in accordance with Endesa policies, principles and procedures.

a) Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited income statement volatility.

Depending on Endesa's estimates and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

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

Millions of euros

NET POSITION	31/12/10	31/12/09
Fixed interest rate	2,791	3,164
Protected interest rate (*)	100	100
Floating interest rate	11,291	9,353
Total	**14,182**	**12,617**

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

The reference interest rate for the borrowings arranged by Endesa is mainly Euribor.

Details of hedged financial assets and the derivative financial instruments obtained to hedge them are provided in notes 7 and 11.

b) Currency risk

Currency risk essentially affects the following transactions:

- Debt denominated in foreign currencies arranged by the Group companies.
- Payments or collections to be made in international markets for purchases or sales of fuel stocks or capital expenditure by Group companies.
- Investments in Group companies that have investments in foreign operations with a functional currency other than the Euro and dividend payments or share capital reductions.

Endesa has contracted currency swaps and exchange rate insurance to mitigate its currency risk.

Endesa does not have a significant portion of debt that is in foreign currency or that is not hedged by derivatives and exchange rate insurance at 31 December 2010 or 2009.

The Company also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

c) Liquidity risk

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

At 31 December 2010, Endesa had liquidity of Euros 6,166 million, comprising Euros 13 million in cash and cash equivalents and Euros 6,153 million in unconditionally drawable credit facilities. At 31 December 2009 these amounts were Euros 33 million and Euros 6,826 million, respectively and, therefore, Endesa had liquidity of Euros 6,859 million at that date.

The classification of financial liabilities by contractual maturities is shown in note 11 b.

d) Credit risk

Given the current economic climate, Endesa is monitoring credit risk very closely.

Endesa does not have significant credit risk, however, as its investments are essentially those made to finance the shortfall in revenue from regulated activities, which will be recovered through the Spanish electricity system.

Endesa's policies for managing credit risk on financial assets are as follows:

- Endesa places its cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading entities in the markets in which they operate.
- Interest rate and exchange rate derivatives are arranged with highly solvent entities and 100% of transactions are with entities with a credit rating of A- or higher.
- No single counterparty represented more than 21% of the total credit risk relating to financial instruments.

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

- Analysis of counterparty risk where there is no external credit agency rating.
- Collateral is requested where required.
- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.
- Details of financial assets exposed to credit risk are provided in note 7.

e) Risk measurement

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

The portfolio of positions included for the purpose of the current value at risk calculations is made up of debt and financial derivatives.

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

- Euribor interest rate
- US Dollar Libor interest rate
- The exchange rates of the various currencies included in the calculation

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

Once the price scenarios have been generated, the fair value of the portfolio is calculated with each of the scenarios, obtaining a distribution of possible one day ahead values. One-day value at risk with a confidence interval of 95% is calculated as the fifth percentile of possible increases in the fair value of the portfolio at one day. This format coincides with that used for reporting the value at risk of energy trading portfolios.

Taking into account these assumptions, the value at risk of the positions described above is as follows:

Millions of euros

	31/12/10	31/12/09
Financial positions:		
Interest rate	2	8
Foreign currency	—	2
Portfolio of investment	—	1
Total	**2**	**7**

The value at risk positions changed in 2010 and 2009 on the basis of the maturity/ arrangement of transactions as the years progressed.

13. Derivative financial instruments

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

The Company categorises its hedges as follows:

- Cash flow hedges: hedge the cash flows on the hedged underlying.
- Fair value hedges: Hedge the fair value of the hedged underlying.

Details of the valuation of derivative financial instruments at 31 December 2010 and 2009 are as follows:

Millions of euros

	31/12/10		31/12/09	
	Assets	Liabilities	Assets	Liabilities
Cash flow interest rate hedge	—	105	—	139
Fair value interest rate hedge	1	—	2	—
Cash flow foreign currency hedge	—	—	—	—
Derivatives not designated as hedging instruments	77	89	74	86

Details by maturity of the notional and/or contractual amounts of derivatives contracted by the Company, and their fair value at 31 December 2010 and 2009, are as follows:

31/12/2010

		Notional amount (Millions of Euros)						
DERIVATIVES	Fair value	2011	2012	2013	2014	2015	Subsequent	Total
INTEREST RATE HEDGES:								
Cash flow hedges:	*(106)*	*592*	*1,615*	*910*	—	—	*45*	*3,162*
Swaps	(104)	492	1,615	910	—	—	45	3,062
Options	(2)	100	—	—	—	—	—	100
Fair value hedges:	*1*	—	—	—	—	—	*21*	*21*
Swaps	1	—	—	—	—	—	21	21
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS:								
Interest rate:	*(13)*	*75*	*195*	*1,500*	—	—	—	*1,770*
Swaps	(13)	75	195	—	—	—	—	270
Options	—	—	—	1,500	—	—	—	1,500
Foreign currency:	*2*	*3,811*	*214*	*52*	—	—	—	*4,077*
Options	—	—	—	—	—	—	—	—
Futures	2	3,811	214	52	—	—	—	4,077
Total	**(116)**	**4,478**	**2,024**	**2,462**	**—**	**—**	**66**	**9,030**

31/12/2009

		Notional amount (Millions of Euros)						
DERIVATIVES	Fair value	2010	2011	2012	2013	2014	Subsequent	Total
INTEREST RATE HEDGES:								
Cash flow hedges:	*(139)*	*538*	*138*	*1,660*	*910*	—	*50*	*3,296*
Swaps	(136)	538	38	1,660	910	—	50	3,196
Options	(3)	—	100	—	—	—	—	100
Fair value hedges:	*2*	*40*	—	—	—	—	*21*	*61*
Swaps	2	40	—	—	—	—	21	61
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS:								
Interest rate:	*(15)*	*90*	*75*	*150*	*1,500*	—	—	*1,815*
Swaps	(16)	90	75	150	—	—	—	315
Options	1	—	—	—	1,500	—	—	1,500
Foreign currency:	*3*	*2,688*	*518*	*101*	*50*	—	—	*3,357*
Options	(3)	102	—	—	—	—	—	102
Futures	6	2,586	518	101	50	—	—	3,255
Total	**(149)**	**3,356**	**731**	**1,911**	**2,460**	**—**	**71**	**8,529**

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

Cash flow hedges

At the end of 2010 a gross reduction of Euros 41 million was recognised in equity and an expense of Euros 75 million transferred from equity to the income statement in relation with cash flow hedges.

At the end of 2009 a gross reduction of Euros 117 million was recognised in equity and an expense of Euros 53 million transferred from equity to the income statement in relation with cash flow hedges.

Expenses of Euros 1 million in 2010 and Euros 3 million in 2009 were recognised in the income statement for the ineffective portions of hedges.

Fair value hedges

At the end of 2010 income of Euros 1 million is recognised in the income statement for hedging instruments.

At the end of 2009 income of Euros 1 million was recognised in the income statement for hedging instruments.

These fair values have been determined with reference to quoted prices in active markets.

Derivatives not designated as hedging instruments

At the end of 2010 an expense of Euros 11 million was recognised in the income statement for derivatives not designated as hedging instruments.

At the end of 2009 an expense of Euros 14 million was recognised in the income statement for derivatives not designated as hedging instruments.

14. Taxation

Until 2009 Endesa, S.A. was the parent of consolidated tax group 42/98.

In 2010 Endesa filed consolidated tax returns as permitted by Royal Decree Law 4/2004, which approved the Revised Income Tax Law. The Company forms part of the tax group 572/10 headed by Enel Energy Europe, S.L.

Corporate income tax is determined on the basis of the profit or loss for accounting or financial purposes, obtained by applying generally accepted accounting principles, which is not necessarily the same as the profit or loss for tax purposes, namely the taxable income (tax loss).

Income of Euros 121 million was recognised in the income statement and Euros 3 million in equity in 2010 in relation to income tax.

The reconciliation between accounting profit/loss and the taxable income/tax loss is as follows:

Millions of euros

2010	Income statement			Income and expenses recognised directly in equity		
Accounting income after tax			**950**			**(21)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax	—	*(121)*	*(121)*	—	*(3)*	*(3)*
Accounting income before tax			**829**			**(24)**
Permanent differences:	*79*	*(1,326)*	*(1,247)*	—	—	—
Temporary differences:	—	—	—	—	—	—
Originating in the year	91	—	91	58	—	58
Originating in prior years	—	(24)	(24)	3	(37)	(34)
Taxable income (tax loss)			**(351)**			**—**

Millions of euros

2009	Income statement			Income and expenses recognised directly in equity		
Accounting income after tax			**1.797**			**(52)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax	—	*(199)*	*(199)*	—	*(22)*	*(22)*
Accounting income before tax			**1,598**			**(74)**
Permanent differences:	*15*	*(1,918)*	*(1,903)*	—	—	—
Temporary differences:	—	—	—	—	—	—
Originating in the year	74	(1)	73	71	—	71
Originating in prior years	28	(47)	(19)	3	—	3
Taxable income (tax loss)			**(251)**			**—**

2010

The increases due to permanent differences in 2010 essentially reflect provisions made for liabilities and contributions to entities regulated by Law 49 of 23 December 2002, on the tax regime for non-profit organisations and tax incentives for patronage. The decreases were basically due to dividends from the consolidated group and application of the exemption to avoid double taxation on foreign dividends.

The increases due to temporary differences essentially reflect provisions for workforce restructuring plans and the impairment of investments. The decreases are due to the application of provisions for workforce restructuring plans and the externalisation of pension and workforce restructuring obligations.

2009

The increases due to permanent differences essentially reflected contributions to entities regulated by Law 49 of 23 December 2002, on the tax regime for non-profit organisations and tax incentives for patronage. The decreases were basically due to dividends from the consolidated group and application of the exemption to avoid double taxation of foreign income on the transfer of securities.

The increases due to temporary differences reflected provisions for workforce restructuring and for liabilities, the impairment of investments and recovery of consolidation adjustments from prior years. The decreases were due to application of provisions for workforce restructuring plans, impairment of investments, externalisation of pension and workforce restructuring obligations and the recovery of prior years' consolidation adjustments.

With respect to valuation adjustments to interests held in Group companies, jointly controlled entities and associates, the changes in equity and the amounts deducted or included during the year and those yet to be included, are as follows:

Company	Year	Initial equity	Final equity	Impairment in year	Integrated in year	Amount pending integration
	2009	68,813,125.16	69,345,049.86		319,154.82	30,363,884.37
Nueva Marina Real Estate, S.L.	2010	69,345,049.86	50,465,188.35	(232,377.89)		30,596,262.26

The data for 2009 are the final figures included in the income tax return for that year.

The reconciliation between tax payable and the income tax expense is as follows:

	2010	2009
		Millions of euros
Taxable income (tax loss)		
Income statement	(351)	(251)
Income and expenses recognised directly in equity	—	—
Total taxable income	**(351)**	**(251)**
Tax payable	**(105)**	**(75)**
Application of deductions	(5)	(11)
Effective tax	**(110)**	**(86)**
Net tax effect, due to temporary differences	(23)	(38)
Prior years' adjustments	9	(97)
Effect of cut in tax rate	—	—
Income tax for the year:	**(124)**	**(221)**
Income tax through profit and loss	(121)	(199)
Income tax in equity	(3)	(22)

In 2010, prior years' adjustments relate to income tax for 2009. In 2009 the adjustments were basically due to the ruling issued by the TEAC (Spanish Central Administrative Court) on SEPI (state-owned holding company) deductions and the adjustment of 2008.

In 2010 the Company applied deductions for a total of Euros 5 million, comprising Euros 2 million for double taxation and Euros 3 million for incentives to engage in certain activities and contributions to entities regulated by Law 49/2002.

In 2009 the Company applied deductions for a total of Euros 11 million, comprising Euros 8 million for double taxation and Euros 3 million for incentives to engage in certain activities and contributions to entities regulated by Law 49/2002.

The revenues subject to the tax deduction considered in article 42 of Legislative Royal Decree 4/2004, and the years in which the related reinvestment was carried out, both by the Company itself and by the other companies forming part of the same tax group, as permitted by article 75 of Legislative Royal Decree 4/2004, are as follows:

Year of application of the deduction	Income to which deduction applied (Millions of Euros)	Year of reinvestment
2004	119	2003
2005	627	2004/ 2005
2006	83	2005/ 2006

Details of the income tax expense

Details of the income tax expense in 2010 and 2009 are as follows:

		2. Change in deferred tax				
		a) Change in deferred tax assets			b) Change in deferred tax liability	
Details of income tax expense/income in 2010	1. Current tax	Temporary differences	Tax credit for tax loss carryforwards	Other credits	Temporary differences	Total (1+2)
Recognition in profit and loss, of which:	**(110)**	**(20)**	**—**	**—**	**—**	**(130)**
Continuing operations	(110)	(20)	—	—	—	(130)
Discontinued operations	—	—	—	—	—	—
Recognition in equity, of which:	**—**	**(13)**	**—**	**—**	**10**	**(3)**
Measurement of financial instruments	—	(8)	—	—	—	(8)
Cash flow hedges	—	—	—	—	10	10
Actuarial gains and losses and other adjustments	—	(5)	—	—	—	(5)
Total	**(110)**	**(33)**	**—**	**—**	**10**	**(133)**
Adjustments to tax	—«	—	—	—	—	9
Total						**(124)**

		2. Change in deferred tax				
		a) Change in deferred tax assets			b) Change in deferred tax liability	
Details of income tax expense/income in 2009	1. Current tax	Temporary differences	Tax credit for tax loss carryforwards	Other credits	Temporary differences	Total (1+2)
Recognition in profit and loss, of which:	**(86)**	**(8)**	**—**	**—**	**(8)**	**(102)**
Continuing operations	(86)	(8)	—	—	(8)	(102)
Discontinued operations	—	—	—	—	—	—
Recognition in equity, of which:	**—**	**(1)**	**—**	**—**	**(21)**	**(22)**
Measurement of financial instruments	—	(1)	—	—	—	(1)
Cash flow hedges	—	2	—	—	(21)	(19)
Actuarial gains and losses and other adjustments	—	(2)	—	—	—	(2)
Total	**(86)**	**(9)**	**—**	**—**	**(29)**	**(124)**
Adjustments to tax	—	—	—	—	—	(97)
Total						**(221)**

The difference between the tax expense recognised for the year and prior years and the tax actually paid or which will be paid for those years is recognised under deferred tax assets and liabilities in the accompanying balance sheets at 31 December 2010 and 2009.

Deferred tax assets

Movement in 2010 and 2009 is as follows:

Millions of euros

	2010		2009	
	Temporary differences	Deductions	Temporary differences	Deductions pending
Balance at 31 December 2010/2009	**161**	**—**	**135**	**15**
Temporary differences originating in 2010	27	—	23	—
Application of temporary differences originating in prior years	(7)	—	(15)	—
Temporary differences due to adjustments for changes in value in the year	8	—	(1)	—
Temporary differences due to actuarial adjustments	5	—	2	—
Adjustments of prior years	(12)	—	2	—
Deferred taxes from group portfolio	41	—	—	—
Transfers	—	—	9	—
Others	—	—	6	(15)
Balance at 31 December 2010/2009	**223**	**—**	**161**	**—**

Deferred tax assets of Euros 41 million were recognised in 2010 for investments in Group companies (see notes 2 c and 4 j).

The Company's directors consider that the deferred tax assets recognised will be recovered.

Deferred tax liabilities

Movement in 2010 and 2009 is as follows:

Millions of euros

	2010	2009
Balance at 1 January 2010/2009	(59)	**(76)**
Increases in profit for the year	—	8
Temporary differences due to adjustments for changes in value in the year	(10)	21
Adjustments of prior years	—	(3)
Transfers	—	(9)
Balance at 31 December 2010/2009	**(69)**	**(59)**

Corporate restructuring undertaken in 2010 availing of the special regime in Chapter VIII, Title VII of RDL 4/2004 on income tax

The shares in Endesa Operaciones y Servicios Comerciales S.L.U. were spun off to Endesa Red S.A.U. in 2010 (see note 7).

The assets delivered by Endesa Red S.A.U. to Endesa Energía S.A.U. comprised the shareholding in Endesa Operaciones y Servicios Comerciales S.L.U. valued at Euros 21 million.

Millions of euros

	Increase		Decrease	
	Capital	Share premium	Capital	Voluntary reserves
Endesa Red S.A.U.			15	6
Endesa Energía S.A.U.	2	19		

Endesa, S.A. has recognised Euros 21 million as a reduction in the shareholding in Endesa Red S.A.U. and an increase in the shareholding in Endesa Energía S.A.U.

The notes to the Company's annual accounts for 1999 to 2009 include the information required by the aforementioned article 93 of Legislative Royal Decree 4/2004 regarding the corporate restructuring operations carried out in prior years.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed.

The Company has income tax for 2002 and subsequent years and other applicable taxes for 2007 and subsequent years open to inspection by the taxation authorities. The Company's directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of these operations, the accompanying annual accounts would not be significantly affected by any resulting liabilities.

At 31 December 2010 compliance checks are underway on the income tax for 2002 to 2005 of the tax group 42/98, of which Endesa, S.A. was the head.

The directors of the Company consider that the liabilities that could arise in relation to this issue would not have a significant impact on the future results of the Company.

At 31 December 2010 the Company's annual accounts include a provision that the directors consider sufficient to cover all the liabilities deriving from the tax investigations in progress at that date.

Value added tax

The Company is part of the VAT group 45/10, headed by Enel Energy Europe S.L.

IGIC (Canary Islands tax)

Endesa, S.A. is the head of a tax group for the purposes of basic Canary Islands tax, pursuant to article 58 and concurrent articles of Law 20/1991 amending the fiscal aspects of the Canaries tax regime, as per the text included in Law 36/2006 of 29 November 2006 containing anti-tax fraud measures.

15. Foreign currency

At 31 December 2010 and 2009 assets and liabilities in US Dollars had an overall value of Euros 854 million and zero, respectively, in 2010 and Euros 713 million and Euros 26 million in 2009. Details of foreign currency balances at that date are as follows:

Millions of euros

	2010	2009
Assets	**854**	**713**
Non-current loans to Group companies	854	590
Cash: Banks	—	123
Liabilities	**—**	**26**
Other current financial liabilities	—	26

Exchange gains and losses recognised in the income statement in 2010 and 2009, by class of financial instruments excluding those measured at fair value through profit and loss, are as follows:

Millions of euros

	2010			2009		
	On transactions settled during the year	On balances not due	Total	On transactions settled during the year	On balances not due	Total
Financial assets:						
Non-current loans to Group companies	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—
Cash in hand and at banks	(1)	48	47	—	(49)	(49)
Total financial assets	**(1)**	**48**	**47**	**—**	**(49)**	**(49)**
Financial liabilities:						
Non-current debt with financial institutions	—	—	—	—	1	1
Other current financial liabilities	(1)	—	(1)	—	—	—
Derivatives	1	—	1	(28)	29	1
Total financial liabilities	**—**	**—**	**—**	**(28)**	**30**	**2**
Total	**(1)**	**48**	**47**	**(28)**	**(19)**	**(47)**

16. Income and expenses

The Company's main income and expenses for 2010 and 2009 are detailed below:

a) Revenue

The Company's revenue of Euros 1,609 million in 2010 and Euros 2,147 million in 2009 was obtained from services rendered to Group companies and dividends received.

Dividends of Euros 1,246 million were received in 2010 and Euros 1,871 million in 2009. These dividends were recognised as revenue in accordance with the ICAC consultation published in issue 79/2009, consultation 2 of the BOICAC (official gazette of the ICAC), as Endesa is a holding company and the custody of securities is its ordinary activity.

Impairment losses on shareholdings in Group companies and associates totalling Euros 17 million in 2010 and Euros 13 million in 2009 have been recognised within the operating margin.

b) Personnel expense

Details of the Company's personnel expense in 2010 and 2009 are as follows:

Millions of euros

	2010	2009
Wages and salaries	**205**	**151**
Employee benefits expense:	**45**	**46**
Social security	16	13
Contributions to pension schemes	11	15
Other employee benefits expense	18	18
Personnel expense	**250**	**197**

17. Guarantees to third parties

Guarantees provided to third parties

Endesa had provided the following guarantees and collateral at 31 December 2010 and 31 December 2009:

- Guarantor for International Endesa, B.V. for the financing obtained by that company and its financial derivatives. This financing was in turn extended to Endesa and another Group company and totalled Euros 4,293 million and Euros 4,421 million at 31 December 2010 and 31 December 2009, respectively.
- Subordinated guarantor for an issue of perpetual preference shares for Euros 1,500 million by its subsidiary Endesa Capital Finance, LLC at 31 December and 2009.
- Guarantor for Endesa Capital, S.A. for the financing obtained by that company and its financial derivatives. The financing obtained totalled Euros 693 million and Euros 1,508 million at 31 December 2010 and 31 December 2009, respectively. This financing was in turn extended to Endesa and another Group company.
- Partial guarantor for the financing granted by a group of financial institutions to ELCOGAS. The amount secured was Euros 111 million at 31 December 2010 and 2009. In both cases this represented 42% of the company's total financial debt.
- Endesa is guarantor for 100% of the Endesa Generación tolling contract for the acquisition of all the electricity generated by Elecgas, a company in which Endesa holds a 50% interest through Endesa Generación Portugal. The amount secured by Endesa was Euros 271 million at 31 December 2010.
- Guarantor for the commercial risks of the USD 44.5 million loan granted by the Central American Bank for Economic Integration to the project vehicle Empresa Propietaria de la Red, S.A., Sucursal en Costa Rica. USD 12.4 million was drawn from this loan at 31 December 2009 and USD 19.3 million at 31 December 2010.

- Enel Green Power España (hereinafter EGPE, 40% owned by Endesa Generación and 60% by Enel Green Power, a company controlled by the Enel Group) holds a 50% interest in the company Sociedad Eólica El Puntal. In December 2009 the company arranged project finance of Euros 37 million, which was undrawn at 31 December 2009 and from which funds of Euros 23 million were drawn down at 31 December 2010. This financing has the joint performance guarantee of shareholders in proportion to their holdings and Endesa is guarantor for the portion corresponding to EGPE.
- EGPE has a 20% interest in the company ENEOP 2 through Finerge, wholly owned by EGPE, and a further 10% through Sociadade Térmica Portuguesa, in which it owns 50% of the capital. In January 2010 the company arranged project finance of Euros 498 million with its shareholders jointly guaranteeing to contribute the necessary capital to maintain its leverage during the construction stage. Endesa is guarantor for the portion corresponding to Finerge and 50% of the Sociedade Térmica Portuguesa portion. The amounts secured are Euros 14 million for Finerge and Euros 7 million in the case of Sociedade Térmica Portuguesa.
- In September 2001 the European Investment Bank granted a loan of USD 70 million to Central Dock Sud, S.A. to finance its combined cycle power station, for which a bank guarantee was required. In July Endesa replaced Endesa Latinoamérica as the co-guarantor of 57.14% of the commercial risks of the transaction, with YPF as the co-guarantor of the other 42.86%. The loan balance was Euros 30 million at the end of 2010.
- Medgaz is a Spanish company engaged to build and operate an undersea gas pipeline from Algeria to Spain. Endesa owns 12% of this company through its subsidiary Endesa Generación. On 23 November 2010 the European Investment Bank granted a Euros 500 million loan to the company which was secured by the European shareholders. Endesa is guarantor for 18.75%.
- Guarantor for third parties on behalf of Endesa Trading (a company indirectly owned by Endesa) to cover electricity trading risks at 31 December 2010 and 2009, for Euros 185 million and Euros 180 million, respectively.
- Endesa is also guarantor for several companies in its Group in relation to different commitments totalling Euros 1,374 million at 31 December 2010 and Euros 1,479 million at 31 December 2009.

		Millions of euros
Company	2010	2009
Endesa Generación, S.A	344	394
Endesa Energía, S.A.	432	355
Endesa Distribución Eléctrica, S.L.	106	156
Endesa Generación y Renovables, S.A	—	88
ENEL Green Power	78	—
Endesa Trading, S.A.	52	52
Endesa Ingeniería, S.L.	59	71
Endesa Ireland, LTD.	2	124
Endesa Energía XXI	178	107
Other	123	132
Total	**1,374**	**1,479**

Endesa's management does not expect that its status as guarantor will result in significant liabilities for the Company.

18. Related-party transactions

Related-party transactions during 2010 and 2009 were in the ordinary course of business and conducted at arm's length.

For the purposes of the information included in this note, significant shareholders were considered to be the Enel Group in 2010 and the Enel Group and the Acciona Group (until 25 June 2009) in 2009.

a) Related-party transactions

Details of related-party transactions in 2010 and 2009 are as follows:

Millions of euros

2010	Significant shareholders	Directors and executives	Other Group companies	Associates	Other related parties
Intangible asset purchases	—	—	(23)	—	—
Services rendered	—	—	301	1	—
Services received	—	(1)	(40)	—	—
Finance expenses	—	—	(188)	—	—
Dividends and other distributions	(1,002)	—	—	—	—
Dividends received	—	—	1,323	—	—
Finance income on loans	—	—	11	—	—

Millions of euros

2009	Significant shareholders	Directors and executives	Other Group companies	Associates	Other related parties
Intangible asset purchases	—	—	(27)	—	—
Services rendered	—	—	302	—	—
Services received	—	—	(41)	—	—
Finance expenses	—	—	(195)	—	—
Dividends and other distributions	(5,748)	—	—	—	—
Dividends received	—	—	1,869	—	—
Provisions for equity instruments	—	—	(13)	—	—
Finance income on loans	—	—	7	—	—

(1) Includes Euros 4,186 million with Enel Energy Europe, S.L.

b) Balances with related parties

At 31 December 2010 and 2009 balances with related parties are as follows:

Millions of euros

2010	Significant shareholders	Directors and executives	Group companies	Associates	Other related parties
Property, plant and equipment	**—**	**—**	**—**	**—**	**—**
Long-term investment:					
Equity instruments	—	—	18,612	3	—
Loans to companies	—	—	854	6	—
Derivatives	—	—	—	—	—
Trade receivables	**—**	**—**	**48**	**2**	**—**
Short-term investment:					
Loans to companies	114	—	12	12	—
Derivatives	—	—	28	—	—
Other financial assets	—	—	82	—	—
Non-current payables	**—**	**—**	**(8,218)**	**—**	**—**
Current payables	**(487)**	**—**	**(2,160)**	**—**	**—**
Trade payables	**—**	**—**	**(37)**	**—**	**—**
Guarantees provided	**—**	**7**	**—**	**—**	**—**
Financing agreements	**—**	**1**	**—**	**—**	**—**

Millions of euros

2009	Significant shareholders	Directors and executives	Group companies	Associates	Other related parties
Property, plant and equipment	**—**	**—**	**—**	**—**	**—**
Long-term investment:					
Equity instruments	—	—	19,069	2	—
Loans to companies	—	—	590	—	—
Derivatives	—	—	6	—	—
Trade receivables	**—**	**—**	**4**	**—**	**—**
Short-term investment:					
Loans to companies	—	—	243	—	—
Derivatives	—	—	23	—	—
Other financial assets	—	—	—	—	—
Non-current payables	**—**	**—**	**(4,560)**	**—**	**—**
Current payables	**(487)**	**—**	**(1,996)**	**—**	**—**
Trade payables	**—**	**—**	**(5)**	**—**	**—**
Guarantees provided	**—**	**12**	**—**	**—**	**—**
Financing agreements	**—**	**1**	**—**	**—**	**—**

The Company has arranged current account financing contracts with Endesa Financiación Filiales, S.A. The interest rate applied to both receivables and payables is the 6-month Euribor plus a spread equal to that on the Euribor obtained by Endesa in credit facilities at that date.

c) Information on the Board of Directors and senior executives

c1. Remuneration. Board of Directors

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

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

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

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

In accordance with article 218 of the Spanish Companies Act, the remuneration relating to profit-sharing shall only be received by the directors after the requisite appropriations to the legal and statutory reserves have been made and after a minimum dividend of 4% has been declared for the shareholders."

The members of the Board of Directors of Endesa, S.A. therefore received remuneration in their capacity as Company directors and for their membership, in certain cases, of boards of directors of subsidiaries, and those members of the Board of Directors who also perform executive duties received their remuneration for this item.

In 2010 the fixed monthly emolument for each director was Euros 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee, Audit and Compliance Committee, Economic, Financial and Investment Committee and the Industrial Plan, Strategy and Synergies Committee amounted to Euros 2,003.37 gross each.

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

Fixed remuneration

	Fixed remuneration (Euros)			
	2010		2009	
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
Borja Prado Eulate	48,081	812,000	48,081	617,722
Fulvio Conti (1) (3)	48,081	—	24,040	—
Andrea Brentán (9)	—	714,952	24,040	350,000
Luigi Ferraris (1)	48,081	—	48,081	—
Claudio Machetti (1)	48,081	—	48,081	—
Gianluca Comin (1) (2)	48,081	—	16,027	—
Luis de Guindos Jurado (3)	48,081	—	24,040	—
Miquel Roca Junyent (3)	48,081	—	24,040	—
Alejandro Echevarría Busquet (3)	48,081	—	24,040	—
José Manuel Entrecanales Domecq (4)	—	—	12,020	340,767
Rafael Miranda Robredo (5)	—	—	24,040	613,871
Carmen Becerril Martínez (6)	—	—	24,040	—
Valentín Montoya Moya (6)	—	—	24,040	—
Esteban Morrás Andrés (6)	—	—	24,040	118,261
Fernando d'Ornellas Silva (7)	—	—	28,047	—
Jorge Vega-Penichet López (8)	—	—	12,020	—
Subtotal	**384,648**	**1,526,952**	**428,717**	**2,040,621**
Total	**1,911,600**		**2,469,338**	

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations.
(2) Member of the Board of Directors since 14 September 2009.
(3) Member of the Board of Directors since 25 June 2009.
(4) Ceased to be a member of the Board of Directors on 24 March 2009.
(5) Ceased to be a member of the Board of Directors on 30 June 2009.
(6) Ceased to be a member of the Board of Directors on 25 June 2009.
(7) Ceased to be a member of the Board of Directors on 20 July 2009.
(8) Member of the Board of Directors from 24 March 2009 to 25 June 2009.
(9) The fixed emolument earned as director until 30 June 2009 was paid directly to Enel, S.p.A. pursuant to its internal regulations.

Variable remuneration

	Variable remuneration (Euros)			
	2010		2009	
	Profit	Remuneration	Profit	Remuneration
Borja Prado Eulate	195,698	477,691	174,497	—
Fulvio Conti (1) (3)	97,849	—	—	—
Andrea Brentán (1)	97,849	368,200	174,497	—
Luigi Ferraris (1)	195,698	—	174,497	—
Claudio Machetti (1)	195,698	—	174,497	—
Gianluca Comin (1) (2)	65,233	—	—	—
Luis de Guindos Jurado (3)	97,849	—	—	—
Miquel Roca Junyent (3)	97,849	—	—	—
Alejandro Echevarría Busquet (3)	97,849	—	—	—
José Manuel Entrecanales Domecq (4)	48,924	—	174,497	1,492,525
Rafael Miranda Robredo (5)	97,849	—	174,497	1,959,777
Carmen Becerril Martínez (6)	97,849	—	174,497	—
Valentín Montoya Moya (6)	97,849	—	174,497	—
Esteban Morrás Andrés (6)	97,849	—	174,497	491,126
Fernando d'Ornellas Silva (7)	114,157	—	174,497	—
Jorge Vega-Penichet López (8)	48,924	—	—	—
Subtotal	**1,744,973**	**845,891**	**1,744,970**	**3,943,428**
Total	**2,590,864**		**5,688,398**	

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations. This circumstance only prevailed until 30 June 2009 in the case of Mr. Brentan.
(2) Member of the Board of Directors since 14 September 2009.
(3) Member of the Board of Directors since 25 June 2009.
(4) Ceased to be a member of the Board of Directors on 24 March 2009.
(5) Ceased to be a member of the Board of Directors on 30 June 2009.
(6) Ceased to be a member of the Board of Directors on 25 June 2009.
(7) Ceased to be a member of the Board of Directors on 20 July 2009.
(8) Member of the Board of Directors from 24 March 2009 to 25 June 2009.

Attendance fees

	Attendance fees (Euros)	
	2010	2009
Borja Prado Eulate	38,064	50,084
Fulvio Conti (1) (3)	22,037	12,020
Andrea Brentán (1)	—	28,047
Luigi Ferraris (1)	42,071	52,088
Claudio Machetti (1)	40,067	30,051
Gianluca Comin (1) (2)	22,037	8,013
Luis de Guindos Jurado (3)	42,071	24,040
Miquel Roca Junyent (3)	58,098	30,051
Alejandro Echevarría Busquet (3)	32,054	20,034
José Manuel Entrecanales Domecq (4)	—	6,010
Rafael Miranda Robredo (5)	—	18,030
Carmen Becerril Martínez (6)	—	16,027
Valentín Montoya Moya (6)	—	28,047
Esteban Morrás Andrés (6)	—	12,020
Fernando d'Ornellas Silva (7)	—	40,067
Jorge Vega-Penichet López (8)	—	10,017
Total	**296,499**	**384,646**

(1) The remuneration earned by this director is paid directly to Enel, S.p.A. pursuant to its internal regulations. This circumstance only prevailed until 30 June 2009 in the case of Mr. Brentan.
(2) Member of the Board of Directors since 14 September 2009.
(3) Member of the Board of Directors since 25 June 2009.
(4) Ceased to be a member of the Board of Directors on 24 March 2009.
(5) Ceased to be a member of the Board of Directors on 30 June 2009.
(6) Ceased to be a member of the Board of Directors on 25 June 2009.
(7) Ceased to be a member of the Board of Directors on 20 July 2009.
(8) Member of the Board of Directors from 24 March 2009 to 25 June 2009.

Other remuneration

	Euros	
Board member	2010	2009
Borja Prado Eulate	7,375	4,200
Andrea Brentan	8,872	3,003
José Manuel Entrecanales Domecq (1)	—	9,666,744
Rafael Miranda Robredo (2)	—	18,349,241
Esteban Morrás Andrés (1)	—	1,734,831
Total	**16,247**	**29,758,019**

(1) Other remuneration in 2009 includes the amount of the contractual termination benefits for Messrs. Entrecanales and Morrás, who ceased to be directors on 24 March 2009 and 25 June 2009, respectively.
(2) Other remuneration in 2009 includes amounts recognised for the early retirement benefits of Mr. Miranda at 30 June 2009 until actual retirement.

Advances and loans

In 2010 and 2009 the Company did not extend any advances and/or loans to the directors and no balances were receivable from or payable to these parties.

	Euros	
Board member	2010	2009
—	—	—

Pension funds and schemes: Contributions

		Euros
Board member	2010	2009
Borja Prado Eulate	163,815	94,156
Andrea Brentan	140,883	70,844
José Manuel Entrecanales Domecq	—	66,358
Rafael Miranda Robredo (1)	—	105,456
Esteban Morrás Andrés	—	24,834

(1) The Company has established across-the-board entitlement to pre-retirement with a guarantee of future remuneration and pension rights for employees who meet certain requirements concerning age and length of service. With regard to future pensions, since the total premiums for this item were paid in prior years, the 2010 financial statements include only changes arising from valuation adjustments.

Life insurance premiums

		Euros
Board member	2010	2009
Borja Prado Eulate	62,100	66,604
Andrea Brentán	88,362	84,662
José Manuel Entrecanales Domecq	—	34,262
Rafael Miranda Robredo	—	5,905
Esteban Morrás Andrés	—	1,717
Consejeros	—	10,422

c.2. Remuneration - Senior executives

Remuneration of senior executives in 2010 and 2009

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

Senior executives in 2010

Name	Position
Mr. Francisco Borja Acha Besga	General Manager - Legal Counsel
Mr. Alfonso Arias Cañete	General Manager - Nuclear Power
Mr. José Damián Bogas Gálvez	General Manager for Spain and Portugal
Mr. Paolo Bondi	Economic and Financial General Manager
Mr. Francesco Buresti	General Manager - Purchasing
Mr. Enrique Durand Baquerizo	General Manager - Audit
Mr. Rafael López Rueda (2)	General Manager - Systems and Telecommunications
Mr. Alfonso López Sánchez	General Manager - Communications
Mr. Héctor López Vilaseco	General Manager - Strategy and Development
Mr. Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
Mr. José Luis Puche Castillejo	General Manager—Organisation and Human Resources
Mr. Álvaro Quiralte Abelló	General Manager - Energy Management
Mr. Massimo Tambosco (1)	Assistant General Manager - Economic and Financial G.M.
Mr. Antonio Torvá Jordán (1)	Assistant General Manager - Communications G.M.

(1) Left the Company in 2010.
(2) Joined the Company in 2010.

Details of the remuneration of each senior executive are as follows:

		Euros
Remuneration	2010	2009
Fixed remuneration	5,505,400	5,778,914
Variable remuneration	3,985,874	6,474,453
Attendance fees	—	—
Bylaw-stipulated directors' emoluments	—	—
Options on shares and other financial instruments	—	—
Other (1)	639,277	8,751,495
Total	**10,130,551**	**21,004,862**

(1) In 2009 this amount includes the contractual termination benefits received by the senior executives who left the Company as a result of the change of control.

		Euros
Other benefits	2010	2009
Advances	635,226	692,226
Loans	301,030	331,030
Pension funds and schemes: Contributions (1)	966,363	1,347,200
Pension funds and schemes: obligations assumed	—	—
Life insurance premiums	335,110	593,569

(1) The Company has established across-the-board entitlement to pre-retirement with a guarantee of future remuneration and pension rights for employees who meet certain requirements concerning age and length of service. For employees meeting these conditions with regard to future pensions, since the total premiums for this item were paid in prior years, the 2010 financial statements include only changes arising from valuation adjustments.

Guarantees provided by the Company to senior executives

As regards remuneration, the Company has provided guarantees on behalf of eligible senior executives amounting to Euros 7,286,626 in 2010 to cover the same early retirement entitlements as for other personnel of the same age and length of service.

c.3. Guarantee clauses: Board of Directors and senior executives

Guarantee clauses for dismissal or changes of control

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

The regime for these clauses is as follows:

Termination of the employment relationship:

- By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or

in the event of a change of control or any of the other causes for compensation for termination foreseen in Royal Decree 1382/1985.

- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

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

Post-contractual non-competition clause:

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

At 31 December 2010 and 2009 Endesa had 12 executive directors and senior executives with guarantee clauses in their employment contracts.

c.4. Other disclosures concerning the Board of Directors

To increase the transparency of listed companies, the members of the Board of Directors have disclosed, to the best of their knowledge, the direct or indirect interests that they or the related parties referred to in article 231 of the Spanish Companies Act hold in the capital of companies with identical, similar or complementary statutory activities to that of Endesa, S.A. as well as the positions held and duties performed:

At 31 December 2010

Director	Company tax ID	Company	% ownership	Position
Mr. Borja Prado Eulate	B85721025	ENEL Energy Europe, S.r.l	—	Director
Mr. Borja Prado Eulate	N9022122G	ENEL Green Power, S.p.A	0.00064	—
Mr. Fulvio Conti	00811720580	ENEL, SpA	0.00563	Managing Director and GM
Mr. Fulvio Conti	B85721025	ENEL Energy Europe, S.r.l	—	Chairman
Mr. Fulvio Conti	N9022122G	ENEL Green Power, S.p.A	0.00248	—
Mr. Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice—chairman
Mr. Andrea Brentan	B85721025	ENEL Energy Europe, S.R.L.	—	Managing Director
Mr. Andrea Brentan	N9022122G	ENEL Green Power, S.p.A	—	Director
Mr. Andrea Brentan	8096.41.513	ENEL Investment Holding	—	Director
Mr. Luigi Ferraris	00811720580	ENEL, SpA	0.00031	CFO
Mr. Luigi Ferraris	N9022122G	ENEL Green Power, S.p.A	0.00080	Chairman
Mr. Luigi Ferraris	6671156423	ENEL OGK-5 OJSC	—	Director
Mr. Luigi Ferraris	06152631005	ENEL Factor SpA	—	Chairman
Mr. Luigi Ferraris	06377691008	ENEL Servizi Srl	—	Chairman
Mr. Luigi Ferraris	05779711000	ENEL Distribuzione SpA	—	Director
Mr. Luigi Ferraris	05617841001	ENEL Produzione SpA	—	Director
Mr. Luigi Ferraris	8096.41.513	ENEL Investment Holding	—	Director
Mr. Luigi Ferraris	10426731005	ENEL Ingegneria e Innovazione SpA	—	Director
Mr. Luis de Guindos Jurado	91.081.000-6	Empresa Nacional de Electricidad, S.A.	—	Director

At 31 December 2010

Director	Company tax ID	Company	% ownership	Position
Mr. Luis de Guindos Jurado	N9022122G	ENEL Green Power, S.p.A	0.00008	—
Mr. Claudio Machetti	00811720580	ENEL, SpA	—	Director of Group Risk Management
Mr. Claudio Machetti	6347168E	ENEL.re Ltd	—	Chairman
Mr. Claudio Machetti	08036221003	ENEL New.Hydro Srl	—	Chairman
Mr. Claudio Machetti	05779711000	ENEL Distribuzione SpA	—	Director
Mr. Claudio Machetti	8096.41.513	ENEL Investment Holding	—	Director
Mr. Claudio Machetti	05617841001	ENEL Produzione SpA	—	Director
Mr. Claudio Machetti	05918271007	ENEL Trade SpA	—	Director
Mr. Claudio Machetti	05779661007	Terna SpA	—	Director
Mr. Gianluca Comin	00811720580	ENEL, SpA	0.00015	Director of External Relations
Mr. Gianluca Comin	N9022122G	ENEL Green Power, S.p.A	0.00040	—

A 31 de Diciembre de 2009

Director	Company tax ID	Company	% ownership	Position
Mr. Borja Prado Eulate	91.081.000-6	ENDESA Chile, S.A.	—	Director
Mr. Fulvio Conti	00811720580	ENEL, SpA	0.00563	Managing Director and GM
Mr. Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-chairman
Mr. Andrea Brentan	B85721025	ENEL Energy Europe, S.R.L.	—	Chairman
Mr. Andrea Brentan	8096.41.513	ENEL Investment Holding	—	Director
Mr. Luigi Ferraris	00811720580	ENEL, SpA	0.00016	CFO
Mr. Luis de Guindos Jurado	91.081.000-6	ENDESA Chile, S.A.	—	Director
Mr. Claudio Machetti	00811720580	ENEL, SpA	—	Director of Group Risk Management
Mr. Gianluca Comin	00811720580	ENEL, SpA	0.00015	Director of External Relations

In 2010 there were cases of conflict of interests involving the directors. The directors affected by the conflict of interests did not attend the related board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of Endesa by its Board of Directors.

Distribution by gender: at 31 December 2010 and 2009, the Board of Directors of Endesa, S.A. was made up of nine men and no women.

c.5. Share-based payment schemes tied to Endesa share price

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

c.6. Long-term employee benefits

In 2010 Endesa set up a long-term employee benefit system known as the loyalty scheme, aimed at strengthening the commitment of senior staff to achieving the Group's strategic targets. This scheme encompasses a total of 375 employees (senior executives, directors and exceptional staff in Spain) over a three-year period (from January 2010 to December 2012). The scheme entitles employees to a long-term incentive based on the extent to which the Company's financial targets are met (gross operating profit (EBITDA) of Endesa and profit for the year of the Parent company (net profit) of Endesa and Enel).

19. Other information

a) Personnel

The Company's average headcount in 2010 and 2009, detailed by category, was as follows:

	2010			2009		
Category	Male	Female	Total	Male	Female	Total
Management and 5yr degree holders	616	334	950	498	284	782
3yr degree holders	109	115	224	103	89	192
Middle management	36	118	154	19	105	124
Administrators and manual workers	11	41	52	6	37	43
Total	**772**	**608**	**1,380**	**626**	**515**	**1,141**

At 31 December 2010 and 2009, the distribution of the headcount by category and gender is as follows:

	2010			2009		
Category	Male	Female	Total	Male	Female	Total
Management and 5yr degree holders	620	339	959	590	323	913
3yr degree holders	109	116	225	110	107	217
Middle management	36	118	154	34	113	147
Administrators and manual workers	11	39	50	8	41	49
Total	**776**	**612**	**1,388**	**742**	**584**	**1,326**

b) Audit fees

Details of fees for the services provided in 2010 and 2009 by the auditors of the annual accounts of the Company and consolidated accounts of the Endesa Group are as follows:

Miles de euros

	2010		2009	
	KPMG Auditores, S.L.	Other firms affiliated with KPMG International	KPMG Auditores, S.L.	Other firms affiliated with KPMG International
Audit of the financial statements	3,792	—	3,378	—
Audits other than of the financial statements and other audit-related services	282	—	—	—
Other non-audit services	—	—	—	—
Total	**4,074**	**—**	**3,378**	**—**

Audit services detailed in the above table include the total fees for services rendered in 2010 and 2009, irrespective of the date of invoice.

c) Insurance

The Company has taken out insurance policies to cover the risk of damage to property, plant and equipment of the parent company and the subsidiaries in which it has a shareholding of 50% or more. The limits and coverage are appropriate to the types of risk and country of operation, and possible claims from third parties due to these companies' activities are also covered.

d) Information on deferred payments to suppliers and creditors

In compliance with the third additional provision of Law 5/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004 containing measures against bad debts in business operations, at 31 December 2010 the Company had payables to suppliers of Euros 3 million that had exceeded the maximum period for payment.

20. Environmental information

In 2010 and 2009 the Company did not incur any expenses with the main aim of minimising the impact on the environment and did not purchase any assets or receive any grants for that purpose. The Company's directors also consider that there are no known or probable environmental expenses at year end for which provisions should be made.

21. Subsequent events

on 13 January 2011 the final terms of the first issue of the securitisation fund for the deficit in the Spanish electricity system were filed at the Spanish National Securities Market Commission (hereinafter CNMV). Euros 1,996 million were issued, of which Endesa's share was Euros 1,041 million. This issue was paid on 25 January 2011.

On 15 February 2011 a second issue of a net Euros 1,994 million was made by the fund, of which Endesa's share was Euros 1,039 million. This second issue was paid on 24 February 2011.

Directors' Report

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

Business performance

Endesa, S.A. (hereinafter Endesa) is a holding company and its income essentially depends on the dividends from its subsidiaries and the cost of its debt. Provisions for investments can also be made or reversed based on changes in the value of its subsidiaries.

Endesa had turnover of Euros 1,609 million in 2010, comprising Euros 1,328 million from dividends and Euros 281 million of revenue from services rendered to Group companies.

Endesa's operating income totalled Euros 1,649 million, compared to operating expenses of Euros 528 million, generating a operating profit of Euros 1,121 million.

Endesa made a financial loss of Euros 292 million in 2010. Its finance income was Euros 56 million, from loans provided and notably the funds for the shortfall in revenue from regulated activities in the Spanish electricity system, and the finance expense was Euros 367 million, generated by its debt.

Endesa's pre-tax profit was Euros 829 million with income of Euros 121 million deriving from accrued income tax. The tax income is because the dividends received from Group companies, which are the Company's main source of income, are not taxed. These companies' profits have already been taxed in the consolidated income tax return filed for the Group, headed by Enel Energy Europe, S.L.U.

Endesa's net profit for the year was consequently Euros 950 million.

Investment and disposals

The main investments and disposals in 2010 are described in note 7 to the annual accounts.

Financial transactions

The Company completed the following main financial transactions in 2010:

- A syndicated loan for two years and Euros 2,000 million originally taken out on 4 May 2009 was repaid early in April 2010.
- In December, long-term bilateral credit arrangements were reached with five top financial institutions for a total of Euros 1,075 million and final maturity in 2016.

Subsequent events

Events occurring subsequent to year end are described in note 21 to the annual accounts.

Outlook

Endesa's future profits will essentially depend on the dividends from its subsidiaries, determined by the profits made by those companies.

The Company's directors consider that Endesa will receive sufficient dividends from its subsidiaries to remunerate its shareholders appropriately.

Main risks associated with endesa's activity

Endesa conducts its activity in an environment where external factors could affect its operations and financial results. Endesa's operations are exposed to the following main risks:

1. Risks associated with Endesa's activities and industry

The Group's operations are subject to a wide range of regulations, any changes in which could have an adverse effect on the Group's business activities, financial position and the results of its operations.

The Group's operations are subject to a wide range of regulations, any changes in which could have an adverse effect on the Group's business activities, financial position and the results of its operations.

The Endesa Group's operating subsidiaries are subject to wide-reaching legislation on tariffs and other aspects of their operations in Spain and in each of the countries in which they operate. Although Endesa substantially complies with all the laws and regulations currently in force, the Group is subject to a complex set of laws and regulations that both public and private bodies try to apply. The introduction of new laws or regulations or changes in prevailing laws and regulations could have an adverse effect on the Group's business activities, financial position and the results of its operations.

These new laws or regulations sometimes modify certain regulatory aspects that can affect existing rights, which could negatively impact the Group's future accounts.

In recent years the Spanish electricity system has generated insufficient revenue, giving rise to a deficit. Royal Decree Law 5/2005 of 11 March 2005 and subsequent equivalent regulations established the requirement for certain companies, including Endesa, to finance that deficit. The Endesa Group is also pending recovery of a significant portion of stranded costs from non-mainland generation since 2001.

Royal Decree Law 6/2009 of 30 April 2009 (amended by Royal Decree Law 6/2010 of 9 April 2010) established the possibility for companies to recover the accumulated deficit from the system, including stranded costs from non-mainland generation until 2008, by contributing these collection rights to a securitisation fund set up for that purpose. This same Royal Decree Law also capped the possible deficit for 2009-2012 (amended by Royal Decree law 14/2010 of 23 December 2010) establishing that no deficit could be generated from 2013. Royal Decree Law 6/2009 of 30 April 2009 also foresaw coverage of the stranded costs from non-mainland generation after 2013 through General State

Budgets, which would gradually absorb the overspend in 2009-2012 in conjunction with the electricity system.

On 7 July 2010 Endesa notified the securitisation fund for the deficit in the Spanish electricity system of its irrevocable commitment to transfer all its collection rights for the shortfall in revenue from regulated activities and compensation for stranded costs from non-mainland generation from 2001-2008. On 13 January 2011 the final terms of the first issue of the securitisation fund for the deficit in the Spanish electricity system were filed at the Spanish National Securities Market Commission (hereinafter CNMV). Euros 1,996 million were issued, of which Endesa's share was Euros 1,041 million, received on 25 January 2011. On 15 February 2011 a second issue of Euros 1,994 million was made by the fund, of which Endesa's share was Euros 1,039 million to be received on 24 February 2011.

Considering the high volume of collection rights for the above items accumulated by Endesa, the securitisation of these rights due to be completed in the coming months should, if successful, bring a significant cash inflow and therefore have a positive impact on the Endesa Group's financial position.

The Group's operations are subject to wide-reaching environmental legislation, and any changes introduced could have an adverse effect on the Group's business activities, financial position and the results of its operations.

Endesa and its operating subsidiaries are subject to requirements of environmental legislation that include performing environmental impact studies for future projects, procuring the necessary licences, permits and other authorisations and complying with all the requirements of those licences, permits and standards. Like any regulated company, Endesa cannot guarantee that:

- Public authorities will approve its environmental impact studies;
- Public opposition will not cause delays or changes to any proposed project;
- Laws or standards will not be amended or interpreted so as to increase the costs of compliance or affect the operations, plants or plans of companies in which the Group has invested.

Certain legal environmental requirements have been tightened in Spain and the European Union in recent years. Although Endesa has made the appropriate investments to meet these requirements, their application and future amendments could adversely affect its business activities, financial position and the results of its operations. The results of its operations could also be affected by prices of emission rights or a shortage of these rights on the market.

A considerable volume of the power produced by Endesa in certain markets is subject to market forces that can affect the price and volume of power it sells.

Endesa is exposed to market price and availability risks for the purchase of the fuel (including fuel oil-gas, coal and natural gas) used to generate electricity and the sale of part of the power that it produces. Endesa has long-term supply contracts to guarantee fuel supplies for its power production activities in Spain. Endesa has entered into certain natural gas supply contracts that contain "take or pay" clauses. These contracts were established on the basis of certain reasonable assumptions regarding future requirements. Major differences from the assumptions used could require higher fuel purchases.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives. Although Endesa actively manages these risks, it cannot guarantee that such measures will eliminate all the market price risks relating to fuel requirements.

The Group's business could be affected by rainfall patterns and weather conditions.

Endesa's operations include hydroelectric production and, accordingly, depend on the weather conditions at any given time in the extensive geographic regions in which the Group's hydroelectric generating facilities are located. Droughts or other conditions that adversely affect the Group's hydroelectric generation business can reduce its earnings. The electricity business is affected by atmospheric conditions such as average temperatures, which determine levels of consumption. The margin on the business changes depending on weather conditions.

The Group's financial results can be adversely affected by certain market risks.

The Group is exposed to various types of market risk in the ordinary course of its business, including the impact of interest rate and commodity price changes and foreign currency exchange rate fluctuations. It therefore actively manages these risks to prevent them from significantly affecting its results.

Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited volatility in the income statement.

Depending on the estimates made by the Endesa Group and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

Currency risk

Currency risk essentially affects the following transactions:

- Borrowings in foreign currency arranged by Group companies and associates.
- Payments to be made in international markets for purchases of fuel stocks.
- Income and expenses of the Latin American subsidiaries in the functional currency of each company and, in certain cases, indexed to the US dollar.

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

The Endesa Group has contracted derivatives and borrowings in US dollars to mitigate the currency risk for revenue indexed to the US dollar. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

However, risk management strategies cannot always entirely eliminate exposure to changes in interest rates and foreign currency exchange rates, which could adversely affect the Group's financial position and the results of its operations.

Commodity price risk

The Endesa Group is exposed to the risk of changes in electricity-related commodity prices, including CO_2 emission rights and Certified Emissions Reductions (CERs), mainly through:

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

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the limits predetermined by the Risks Committee. These limits are based on expected results using a confidence interval of 95%.

Individual analyses are also carried out on the impact of certain relevant transactions on the Company's risk profile and achieving its set limits.

Exposure to these risks is managed long term by diversifying contracts, managing the procurements portfolio by reference to indexes with a similar or comparable trend to that of the end electricity (generation) or sale (retail) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives.

Liquidity risk

The Group's liquidity policy consists of arranging committed credit facilities and current financial assets for a sufficient amount to cover projected requirements for a period that depends on the situation and expectations of the debt and capital markets.

However, it is not possible to guarantee that a prolonged liquidity crisis in the markets that prevented the access of issuers to the capital markets would not have an adverse effect on the Group's liquidity position in the future.

Credit risk

Given the current economic climate, the Group is monitoring credit risk very closely.

Historically, credit risk on trade receivables is very limited, given the short period of collection from customers, to which supply may be cut off in accordance with the applicable regulations before very significant arrears are accumulated.

The Group's policies for managing credit risk on financial assets are as follows:

- Cash placements are made with top institutions in the markets where it operates.
- Derivatives and the credit risk associated with commodities included in the scope of IAS 39 are arranged and limited with highly solvent institutions.

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

- Analysis of counterparty risk where there is no external credit agency rating.
- Collateral is requested where required.
- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.

Although the measures taken by the Group considerably reduce exposure to credit risk, in the current economic climate it is not possible to guarantee that the Group will not incur losses due to non-payment of trade or financial receivables.

The construction of new facilities can be adversely affected by the factors commonly associated with these types of projects.

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex.

These investments have to be planned well in advance of their foreseen entry into operation and, therefore, decisions may need to be adapted to possible changes in market conditions, which could involve additional unplanned costs.

To build these facilities, the Group is also generally required to obtain permits and authorisations from the government, purchase or lease land and procure equipment procurement and construction contracts, operating and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and sufficient equity and debt financing. Factors that may affect the Group's ability to construct new facilities include:

- Delays in obtaining regulatory authorisations, including environmental permits.
- Shortages or changes in the price of equipment, materials or labour.
- Opposition from political and ethnic groups.
- Adverse changes in the political and regulatory environment in the countries where the Group operates.
- Adverse meteorological conditions that could delay completion of power plants or substations, or natural disasters, accidents and other unforeseen events.
- Inability to obtain financing at rates that are satisfactory for Endesa.

Any of these factors may cause delays in the completion or commencement of the Group's construction projects and increase the cost of planned projects. If Endesa is unable to complete these projects, the costs incurred may not be recoverable.

Endesa could incur environmental and other liabilities in connection with its operations.

Endesa is exposed to environmental risks inherent in its operations, including those derived from management of the waste, spills and emissions from the generating facilities, particularly nuclear power plants. Therefore, Endesa may be subject to claims for environmental and other damage in connection with its power generation, distribution and transmission facilities as well as its coal mining activities.

Endesa is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish legislation limits the liability of nuclear plant owners in the event of accidents. Such limits are consistent with the international treaties ratified by Spain. Spanish law provides that operators of nuclear facilities are liable for a maximum of Euros 700 million in relation to claims arising from a single nuclear accident. Endesa's potential liability in relation to its interests in nuclear facilities is fully covered by third-party liability insurance of up to Euros 700 million.

Endesa's potential liability for pollution and other damage to third parties or their assets has also been insured for up to Euros 150 million. If a complaint were filed against Endesa for environmental or other damage caused by its operations (except for the nuclear plants) for amounts exceeding the insurance coverage, its business activities, financial position and the results of its operations could be adversely affected.

Liberalisation of the European electricity industry could bring more competition and lower prices.

The liberalisation of the electricity industry in the European Union has led to increased competition as a result of the consolidation and entry of new market players in European Union electricity markets, including the Spanish electricity market. Deregulation has also led to lower electricity prices in certain market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which have led to greater liquidity in the electricity markets. As a consequence of this liberalisation of the electricity market, certain of Endesa's businesses are carried out in an increasingly competitive environment. If Endesa were unable to adapt to and adequately manage this competitive market, its business activities, financial position or the results of its operations could be adversely affected.

2. Risks associated with the countries where the Group operates

The Group's companies are exposed to a number of economic and political risks.

The Group is subject to various risks inherent in investment and activity in its different countries of operation, including risks relating to the following:

- Changes in administrative policies and regulations of the governments.
- Monetary and other restrictions on the movement of capital.
- Changes in the business or political environment.
- Economic crises, political instability and public disorder affecting operations.
- Nationalisation of assets.
- Interest and exchange rate fluctuations.

Revenue from subsidiaries, their market value and dividend payments from these subsidiaries are exposed to risks specific to the countries in which they operate, which could adversely affect demand, consumption and exchange rates.

Endesa cannot predict how any future worsening of the political and economic situation in its countries of operation or any other changes in the legislation of those countries, including amendments to current legislation or any other regulatory framework, would affect its subsidiaries or their business activities, financial position or the results of their operations.

3. Operational risks

Endesa's activity can be affected by technological failures or human error.

In all the business activities of the Endesa Group, direct or indirect losses could be caused by inadequate internal processes, technological failures, human error or certain external events Control and management of these risks, particularly those affecting generation and distribution facilities, are based on adequate training and empowerment of personnel and operating procedures, preventive maintenance plans and specific programmes, backed by quality management systems, that minimise their possible occurrence and impact.

Endesa has insurance cover to mitigate any negative economic impacts these types of risks could have on the Group.

4. Other risks

The Group is a party to legal and arbitration proceedings that could affect Endesa.

The Group is a party to various legal proceedings related with its business, including tax and regulatory disputes. It is also subject to ongoing or possible tax inspections. In general the Endesa Group is exposed to third party claims in all legal jurisdictions (criminal, civil, commercial, social and administrative) and national and international arbitration proceedings. Although Endesa considers that the appropriate provisions have been made for legal contingencies at 31 December 2010, it cannot be guaranteed that the Group will be successful in all proceedings or that an adverse ruling might not significantly and adversely impact its business operations, financial position or the results of its operations. New claims could also be made that have a major adverse effect.

Risk management policy

Information on risk management policy is included in note 12 to the annual accounts.

Own shares

Endesa did not hold any own shares at 31 December 2010 and did not carry out any transactions involving own shares in 2010.

Research and development activities

The Company has not engaged in any research and development directly as these activities are carried out by its subsidiaries.

Disclosures required by article 116 bis of the Spanish securities market act

a) The capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent:

The Company's share capital amounts to Euros 1,270,502,540.40 and it has been subscribed and fully paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of Euros 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 book-entry shares making up the share capital are marketable securities and governed by securities market regulations.

The book-entry shares of Endesa have been registered at Iberclear, the Spanish Central Securities Depository.

The shares of Endesa, S.A. are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included on the Ibex-35 index.

b) Restrictions on the transferability of securities:

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

c) Significant direct or indirect ownership interests in the share capital:

Shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Enel Energy Europe. S.L.U. (1)	974,717,763	—	92.063
Enel. S.P.A.	—	974,717,763	92.063
Total	**974,717,763**	**974,717,763**	**92.063**

(1) Enel Energy Europe S.L.U. is owned by ENEL, S.p.A.

d) Restrictions on voting rights:

There are no legal or bylaw restrictions on voting rights.

e) Shareholders' agreements:

No shareholders' agreements are currently in force.

f) Rules for the appointment and removal of directors and amendments to the Company's bylaws:

Rules for the appointment and removal of directors:

Pursuant to Articles 37 and 38 of the bylaws, "The appointment and removal of directors is the responsibility of the shareholders at the General Meeting. Directors can resign or be removed from office or re-appointed" and "Directors shall serve a term of four years and may be re-appointed for further four-year periods".

The appointment and re-appointment of directors are governed by the Board of Directors Regulations:

Article 5: Structure and membership of the Board

"Proposals for the appointment or re-appointment of directors made by the Board of Directors shall be for persons of acknowledged merit with the necessary professional knowledge and experience to discharge their duties and who undertake to dedicate sufficient time to the work of the Board."

Article 21. Appointment of directors.

"The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in accordance with the Spanish Companies Act and the bylaws.

Proposals for appointments or re-appointments of directors to be submitted by the Board of Directors to the shareholders at the General Meeting shall be approved by the Board at the request of the Appointments and Remuneration Committee, in the case of independent directors, and subject to a report from that Committee in the case of other directors."

Article 24. Re-appointment of directors.

"The Appointments and Remuneration Committee shall issue its mandatory report on the proposals to re-appoint directors that the Board decides to submit to the General Meeting."

Article 25. Removal of directors.

"25.1. The directors shall stand down from the Board when term of office for which they were appointed elapses, and in all other cases where required by law, the bylaws or these Regulations.

25.2. Directors are required to relinquish their office and submit their resignation to the Board when:

- The Company's credit and reputation could be harmed if they remain on the Board
- Any legally prohibited or incompatible situations have arisen and the Board, subject to a report from the Appointments and Remuneration Committee, rules that the director has committed a serious breach of duties.

25.3. When for any reason a director stands down from the Board, he may not provide services to any competitor for two years, unless the Board waives or shortens this ban.

25.4. Where directors resign or leave office for any other reason before the end of their term, an explanatory letter shall be sent to all members of the Board. Irrespective of whether this departure is reported as a subsequent event, the reason for the director standing down should be disclosed in the annual corporate governance report."

Rules for amendments to the Company's bylaws:

Pursuant to Article 26 of the bylaws, for the shareholders at the Annual or Extraordinary General Meeting to pass a Resolution to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.

When shareholders holding less than 50% of the subscribed voting stock are present or represented, the Resolutions referred to in the preceding section may only be adopted with the affirmative vote of shareholders representing two-thirds of the share capital present or represented at the Meeting.

g) The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares:

The Executive Chairman and the CEO have been granted, jointly, all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.

Endesa's Board of Directors cannot issue new shares of Endesa, S.A. without prior authorisation from the shareholders.

At the Endesa Annual General Meeting held on 21 June 2010, in accordance with Article 75 of the Spanish Companies Act, the shareholders also authorised the derivative acquisition of own shares, together with pre-emptive subscription rights, by any legal means, directly by Endesa, S.A., by the companies in its Group or through an intermediary, up to the legally permitted maximum. The acquisitions shall be made at a minimum price per share of the par value of the shares and a maximum price per share of the market value of the shares plus an additional 5%. The current authorisation is for five years.

The authorisation extends to any shares which have to be issued directly to employees and directors of the Company or its subsidiaries or due to the exercise of share options by those employees and directors.

h) The significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control over the Company as a result of a takeover bid, and its effects, except when the disclosure would be seriously harmful for the Company. This exception does not apply when the Company is legally obliged to disclose such information:

Endesa has loans and other borrowings from banks equivalent to Euros 1,410 million that might have to be repaid early in the event of a change of control over Endesa, S.A.

i) The agreements between the Company and its directors and executives or employees that provide for benefits when the latter resign or are terminated without just cause or if employment is ended as a result of a takeover bid:

At 31 December 2010 Endesa had 31 executive directors, senior executives and executives with guarantee clauses in their employment contracts.

Executive directors	2
Senior executives	10
Executives	19
Total	**31**

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

The regime for these clauses for the executive directors and senior executives is as follows:

Termination of employment:

- By mutual agreement: termination benefit equal to one to three times annual remuneration, on a case-by-case basis.
- Unilateral decision by the executive: no entitlement to a termination benefit, unless the decision to terminate employment is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or other causes for compensation for termination foreseen in Royal Decree 1382/1985.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

However, in order to be in line with the market, in the case of two of the aforementioned senior executives, the guarantee is one month and a half's salary payment per year of service in certain cases of termination of employment.

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

Post-contractual non-competition clause:

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

The regime governing the clauses for the 19 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits for senior executives.

Annual corporate governance report required by article 526 of royal decree law 1/2010 of 2 July 2010 approving the revised spanish companies act

The Annual Corporate Governance Report for 2010 is annexed to this directors' report, of which it is an integral part, as required by article 526 of the Spanish Companies Act.

Proposed distribution of profit

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

The 2010 profit of Endesa, S.A. of Euros 949,599,151.58 combined with retained earnings of Euros 2,452,550,379.57 gives a total of Euros 3,402,149,531.15.

The Company's Board of Directors will propose to the shareholders at the Annual General Meeting that this amount be used to make a gross dividend payment of Euros 1.017 per share with the rest added to retained earnings.

	Euros
Dividend (maximum amount to be distributed based on Euros 1.017 /share for all shares (1,058,752,117 shares))	1,076,750,902.99
Retained earnings	2,325,398,628.16
Total	**3,402,149,531.15**

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Este libro ha sido producido bajo las normas ISO 9001:2008 Sistema de Gestión de la Calidad, e ISO 14001:2004 Sistema de Gestión Medioambiental y verificada según el EMAS. Dichos sistemas verifican que en todo momento el proceso se realiza optimizando tanto la parte productiva como la gestión de residuos de acuerdo a la normativa vigente. Todos los papeles empleados proceden de bosques gestionados de manera responsable y han sido fabricados libre de cloro elemental (ECF) con pH neutro y están libres de metales pesados. Papel adecuado para archivo según la norma ISO 9076

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