endesa

Annual Report 2010 **Activities**

endesa10

Endesa
Operations Review
2010

ENDESA was incorporated in 1944 as Empresa Nacional de Electricidad, S.A. its name was changed to Endesa S.A. at general shareholders' meeting held on 25 june 1997.

ENDESA, S.A. is registered in Volume 323, Book 1, Page 143, Sheet M6405 of the Madrid trade and Companies Register. Its registered office and headquarters are at Ribera del Loira, 60, 28042, Madrid and its corporate tax identification number (NIF) IS A-28023430.

At 31 December 2010, the company had **share capital** of euro 1,270,502,540.40, represented by 1,058,752,117 shares, each with a par value of euro 1.20. Its shares are listed on the spanish stock exchanges and the Santiago de Chile offshore exchange.

ENDESA's main business activity is the generation, transmission, distribution and supply of electricity. the company is also a major operator in the natural gas market and carries out other services related to the energy business.

ENDESA is the leading company in the spanish electricity sector and the largest private multinational in the Latin American electricity market, with **total assets** of euro 62,588 million as at 31 December 2010.

In 2010 the company **reported net income** of euro 4,129 million, EBITDA of euro 7,474 million, EBIT of euro 5,031 million and total revenues of euro 31,177 million.

At the end of 2010, Endesa **employed** 24,732 people, 12,151 in Spain and Portugal, 12,462 in Latin America, and 119 in other countries and business areas.

Vision

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

Mission

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

Values

People
We work to ensure development opportunities for all company employees, based on merit and the professional contribution made

Health and safety
We make a firm commitment to occupational health and safety by promoting a preventive culture.

Team work
We encourage working towards achieving a common goal, sharing information and knowledge.

Ethical behaviour
We encourage professionalism, moral integrity, loyalty and respect for others.

Customer focus
The focus of our efforts is to boost customer satisfaction by providing competitive, high-quality solutions.

Innovation
We strive constantly to improve and find innovative solutions to meet the maximum profitability criteria.

Focused on results
Our activities are aimed at achieving the objectives of our business project and profitability for our shareholders, endeavouring to exceed expectations.

Community and the environment
we have made a social and cultural commitment to the community and adapt our business strategies to preserve the environment.

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Presentation

Borja Prado Eulate
Chairman

A company's behaviour and the responsibilities it assumes towards all those who place their trust and their savings in it go far beyond the presentation of financial results. Nevertheless, it is undeniable that these results are a fundamental indicator, and usually a reliable one, of the use the company has made of this trust.

I am therefore extremely pleased to be able to say, on presenting this Operations Review that in 2010 ENDESA achieved its best ever overall financial results: revenue and EBITDA were the highest ever in the company's long history, while profits were the second highest ever, only bettered in 2008 when they were boosted by exceptional levels of divestment.

These excellent results reflect a solid present and point to a promising future for ENDESA, in which it can continue to create wealth and value for all its stakeholders.

The figures speak for themselves. In 2010 ENDESA's net income was Euro 4,129 million, 20.4% higher than the previous year.

Three important factors had a significant influence on these figures. Firstly, the disposal of a series of non-core assets generated net capital gains of Euro 1,975 million.

A second factor which had a major influence on 2010 results was the value of the synergies achieved between ENDESA and ENEL, which amounted to Euro 740 million. Other efficiency programmes led to savings of a further Euro 108 million, making a total of Euro 848 million, 24% higher than the target initially set for the year.

These figures confirm another constant in the company's history: its ability to efficisently manage the resources it handles, achieving high standards of operational excellence. They also reflect the fact that cooperation with Enel makes us stronger and even more efficient, highlighting the advantages of forming part of one of the world's leading energy multinationals.

However, disposals and synergies would not have enabled us to achieve such excellent results if the company's operations had not been so successful. Revenue from our energy business grew by 20.3% to Euro 31,177 million and EBITDA rose to Euro 7,474 million, 3.4% higher than in 2009. As I have already mentioned, these are record figures.

The success of our business is even more remarkable if we consider the prevailing economic climate. In 2010 the Spanish economy continued to suffer the effects of the recession, with a 0.1% decline in GDP, a drop of 1.2% in domestic demand, and 4.7 million unemployed (20.3% of the total workforce).

Even so, after falling substantially in 2009, demand for electricity recovered notably in 2010, rising by around 3%. ENDESA took advantage of this development, achieving a 28.2% increase in revenues from electricity sales, mainly as a result of its highly competitive approach to the deregulated market.

In Latin America the economic situation is very different. The five countries in which we operate are recovering well from the effects of the international financial crisis. In 2010 GDP increases ranged from 4.4% in Colombia to 8.5% in Peru, while demand for electricity in our markets grew by 5.5%. Consequently, revenues from our business in the region increased by 18.1% and EBITDA rose by 7.4%.

In light of all these results, we shall propose at this year's General Shareholders' Meeting that a total gross dividend of Euro 1.017 per share against 2010 earnings be paid. If approved, the proposal will mean payment of a total of Euro 1,077 million in dividends, demonstrating ENDESA's commitment to ensuring a high return for its shareholders.

However, this commitment is no less important than its determination to fulfil all its obligations to its customers and society as a whole. In spite of the complicated economic climate and the need to take market conditions into account, ENDESA invested over Euro 3,400 million in 2010.

Of this amount, Euro 1,197 million was allocated to Latin America, a very similar amount to the previous year. A substantial part of this total was used in Chile for work on the 370 MW Bocamina II coal-fired plant, thus bringing the Quintero gas facility up to full capacity, and completing the 20 MW San Antonio hydroelectric plant in Colombia.

These facilities are part of a major plan for new capacity and various plants are currently under construction. These include the 400 MW El Quimbo plant in Colombia and the 200 MW Talara plant in Peru, while a number of large scale hydroelectric projects are also at the development stage: Hidroaysén (2,750 MW), Neltume (490 MW) and Los Cóndores (150 MW) in Chile, and Curibamba (188 MW) in Peru.

In Spain, investment in 2010 totalled Euro 2,211 million. Although this is notably less than in 2009, it is still a substantial figure and in line with market conditions. It should be remembered that, although demand in Spain grew by around 3% last year, it is still barely back at 2006 levels in absolute terms.

Nevertheless, in view of the likelihood of a sustained recovery in demand, ENDESA increased its net installed capacity in the Iberian market by 538 MW. The generation facilities that came on stream include the 895 MW Besós combined cycle plant in Barcelona, the Ca's Tresorer 2 combined cycle steam turbine in Mallorca, bringing the plant up to its full 215 MW capacity, and the two open cycle gas turbines at the Granadilla 2 combined cycle plant in Tenerife, whose total capacity is 152 MW.

ENDESA is thus approaching the future on the basis of solid achievements in the present. This extends to all areas which may contribute to strengthening our business project, including the targets set for 2011-2015, which we announced publicly at an event held in London on 15 March 2010.

In my opinion there are two particularly important aspects of ENDESA's Strategic Plan. The first is that, although we have not emerged from the recession, the company will continue investing at the same level as under the previous Strategic Plan. For the 2011-2015 period we plan to invest a total of Euro 10,345 million, almost identical to the amount envisaged for the 2010-2014 and sufficient to maintain our leading position in our markets.

The second is that the plan is flexible, open to possible increases if market conditions allow it, and clearly designed to take advantage of growth opportunities. Indeed, 36% of all net investment will be allocated to growth-related operations, which will include the construction of over 2,000 MW of new capacity.

This major investment effort, combined with synergies and other advances in efficiency achieved through cooperation with Enel and successful management of new developments in regulations, allows us to increase target EBITDA for 2015 slightly to Euro 7,800 million.

However, as I said at the beginning, our responsibility is not limited to our financial performance and neither are our strategic objectives purely financial. If I had to pick out one priority among the aims of our strategy, I would have no doubt about which one I would choose: the health and safety of all those who work in and for ENDESA. This priority can be summed up in two words: «zero accidents».

The importance we give to this matter shows clearly that ENDESA does not limit its view of the present and future of its business project to the achievement of financial targets but bases it on principles of social responsibility and the desire to develop a sustainable business model.

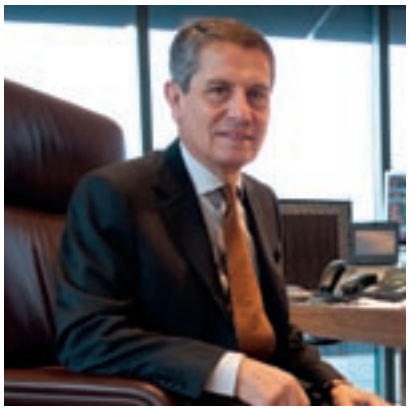
While we are always aware of the need to create value for all our stakeholders (shareholders, customers, employees, suppliers, etc.), protection of the environment, technological innovation and the needs of the societies in which we operate are also central to our concerns.

We also need to assume the concept of sustainability in the most literal and direct sense: ensuring the viability of our business in a changing, uncertain future, which is almost part of our present.

The challenges we anticipate in this area will radically transform major aspects of the power business. ENDESA is prepared to meet them and make a place for itself in this scenario: most of the new capacity we are going to create in future years will be free of CO_2 emissions; we will strengthen our presence in the renewable energy sector through our participation in Enel Green Power, a company which we floated on the Stock Exchange some months ago; we believe in our customers' freedom to choose, so we are clear leaders in promoting the deregulated Spanish market; we are pioneers in the introduction of remote management, a technology which is going to bring about a fundamental change in service conditions for electricity and the ability of customers to intervene in its management; we are the most active power company in the development of electric vehicles, the only transport alternative that can lead us to a more efficient and sustainable world; and we are actively involved in one of Europe's most important «smart city» projects: the SmartCity scheme in Málaga, an excellent pilot project for the urban future towards which we should be moving.

These and other initiatives in which we are involved, together with our commitment to our shareholders, customers and employees and our close contact with them, are part of an attitude which is fundamental to our company, based on a different, intelligent way of doing business that makes things happen and allows energy to make people's lives better.

Borja Prado Eulate
Chairman



Andrea Brentan
Chief Executive Officer

The ongoing international economic crisis, the persistence of severe turbulence in financial markets, the growing conviction that the challenge of entering a new recovery phase will be a very arduous, long-term undertaking, and the social and economic changes this difficult climate has generated have persuaded many companies of the need to change or completely update their business models.

All of these issues have strengthened our conviction of the importance of continuing to implement the strategy we have set for ourselves at ENDESA. This strategy centres, on one hand, on progress in efficiency, strict cost control and leveraging achievements in synergies and, on the other hand, on the application of Corporate Social Responsibility principles.

Nonetheless, this change in the business model must never allow us to lose sight of the primary obligations outlined in our corporate purpose: to supply our customers with electricity under the best conditions of quality and safety, create wealth, generate value for shareholders, deliver the best possible corporate earnings, and make optimal and competitive use of the resources at our disposal. Whatever changes we may make in our business model, we must never forget these goals.

It is clear that the present crisis forces us to reassess our business model and pay special attention to adopting sustainable development principles. For companies like ours, among other major challenges, this clearly translates into promoting technological innovation, assigning top priority to the safety and health of the individuals working at or for the company, and ensuring the conservation of natural resources.

Above all, we must always bear in mind that what lends meaning to our business is the fact that it is made up of people working for people in order to bring about progress in society. Indeed, ENDESA's spirit is reflected in the talent and attitude of the 25,000 people who work constantly to improve the well-being of 15 million individuals and their families.

We advocate a different, more intelligent approach to doing things, so that energy can be used to contribute to the well-being of individuals and society at large, making possible not only a business model which addresses present needs, but also the model needed to build a better future.

ENDESA made great progress in this direction in 2010 by effectively carrying out the responsibilities traditionally associated with its industry while continuing to innovate in line with future needs.

As for the first of these priorities, the Company yet again provided evidence of its ability to deliver excellent earnings, both in an adverse European environment, overshadowed by the ongoing economic crisis, and in the much more positive climate in the Latin American countries where it operates.

ENDESA earned net income of Euro 4,129 million in 2010, an increase of 20.4% over 2009. Meanwhile, gross operating profit (EBITDA) totalled Euro 7,474 million, an increase of 3.4%, and revenues rose by 20.3% to Euro 31,177 million.

Four issues greatly influenced these results. First, net capital gains generated by asset disposals. Highlights of these divestments in Spain included the renewable assets sold to Enel Green Power, a 60%-40% venture between ENEL and ENDESA, respectively; a legally mandated sale of transmission assets to Red Eléctrica de España; the sale of 80% of our natural gas transmission and distribution lines, though ENDESA holds a buyback option, and of stakes in two regasification plants. Divestment transactions conducted in 2010 accounted for a total of Euro 1,975 million, an increase of Euro 721 million over 2009.

A second factor which significantly influenced 2010 results was the value of synergies achieved between ENDESA and ENEL, which amounted to Euro 740 million. This amount, along with another Euro 108 million from other efficiency programmes, represented total savings of Euro 848 million, 24% higher than the target initially set for the year.

Thirdly, it is important to underscore the excellent performance of our Latin American business, which successfully capitalised on the region's favourable economic environment to generate a decisive contribution to the company's excellent total earnings, with revenue growth of 18.1 percent and an EBITDA increase of 7.2%.

A fourth highlight was our company's ability to properly manage the impact of a 4.8% decrease in its total electricity output – which was especially pronounced in Spain and Portugal, with an 8.4% drop – and to leverage a 3.1% increase in sales, substantially improving margins.

It is also worth noting that the company stepped up efforts to strengthen its financial position in 2010. ENDESA's net debt stood at Euro 15,336 million as of 31 December 2010, a decrease of Euro 3,226 million from the end of 2009. Furthermore, if we bear in mind that at the end of 2010 ENDESA had a recognised right to collect Euro 9,186 million in funds related to items in the Spanish regulated electricity regime, discounting this sum would leave proforma net debt of Euro 6,150 million.

ENDESA's consolidated equity was Euro 23,164 million at 31 December 2010, Euro 4,204 million higher than on the same date a year earlier.

Thanks to its stronger financial position, ENDESA was able to invest a total of Euro 3,408 million in 2010, of which Euro 3,021 million was used for capex and investments in intangible assets and Euro 387 million was used for financial investments. These figures, notwithstanding the logical adjustment for market conditions, still represent very substantial investment, making them highly significant in the current economic crisis. A large proportion of our investment focused on bringing generation plants online in Spain, including the Besós 5 (Catalonia) combined cycle plant, a steam turbine at Ca's Tresorer 2 (Balearic Islands) and two gas-fired turbines at Granadilla (Canary Islands), in addition to further work on the Bocamina II (Chile) power station.

It is important to stress that the company's excellent overall 2010 earnings were based on good performance in its two main geographical areas of interest.

The Spain and Portugal business contributed EUR 3,498 million to ENDESA's net income, Euro 739 million more than in 2009; it also accounted for Euro 4,079 million of EBITDA, an increase of 0.5%. This EBITDA increase, while modest, must be evaluated taking into account the impact of the aforementioned asset disposals and falling generation volumes. These were offset by rising sales to deregulated customers, synergies and efficiencies achieved with ENEL, encouraging results from energy management and an enhanced generation mix, thanks to higher hydro and nuclear output, which meant that 71.4% of the company's mainland Spain output was free of CO_2 emissions.

ENDESA maintained its leading position in the Spanish electricity market, with a 40.1% share of sales to the deregulated market, a 42.8% share of the distribution market and 28.2% of the ordinary regime electricity generation market.

In Latin America, our company successfully leveraged the region's economic environment, which was much more positive than that of Europe. While electricity output fell slightly (0.8%) as a result of negative rainfall conditions affecting Colombia and Chile, sales rose by 5.5% across all of ENDESA's markets in the region, with particularly strong growth in Peru (8.8%) and Brazil (7.2%).

Thanks to this robust performance, the Latin American business set a record for EBITDA, earning Euro 3,395 million, an increase of 7.2%, while operating revenues climbed 18.1% to Euro 9,986 million. Net income totalled Euro 631 million in 2010, 6% lower than in 2009. However, it rose 26.1% when one-time gains from asset disposals in 2009 and 2010 had been stripped out.

The soundness and consistency of 2010's financial and operating results are an endorsement of the company's business strategy. In keeping with the company's commitment to updating its Strategic Plan targets on an annual basis, ENDESA released its 2011-2015 Strategic Plan on 15 March 2011, as part of the Enel Group's strategy and annual earnings presentation.

ENDESA's 2011-2015 Strategic Plan is based on the cornerstones announced the previous year, though these were adjusted to account for conditions in the markets in which the company does business. For instance, the company maintains its commitment to achieving recurrent annual cost savings of Euro 1,066 million in 2012 thanks to synergies with ENEL and other efficiency schemes. The 2015 EBITDA target is now Euro 7,800 million, Euro 400 million ahead of the 2014 target envisaged in the previous version of the Strategic Plan. Investments are set to total Euro 10,300 million between 2011 and 2015, practically unchanged from the previous version of the Plan, with 64% reserved for maintenance activities and 36% allocated to business growth. By region, 53% of total investment will be devoted to the Spain and Portugal business, while the remaining 47% will be used in Latin America.

As it works to meet these financial targets, ENDESA will continue to make progress in innovating its business model, as mentioned earlier in this letter. Much of this progress will be based on the development of state-of-the-art activities in the technology field.

Highlights of the company's technological innovation projects include a remote management system in Spain, which calls for the introduction of 13 million intelligent electricity meters, 150,000 of which have already been installed. This system will

radically transform the company's relationship with its customers and become a vehicle for achieving even greater energy efficiency and operational improvements, while giving clients a more active role in managing their energy use.

A venture closely linked to this scheme is the SmartCity project in Malaga, which entails the deployment of state-of-the-art technologies in power generation and storage, demand management, efficient lighting, e-mobility, and energy efficiency in corporate and residential buildings.

ENDESA is undoubtedly the leading Spanish company in the rollout of electric vehicles, thanks to its installation of charging stations, agreements with electric vehicle manufacturers and active presence in joint ventures and projects related to e-mobility, including Movele, Quick, Crave, G4V, Green e-motion, Surtidor, and Elvira.

It is clear that these technological innovation projects, several of which are also being launched in Latin America, have highly beneficial impacts on environmental sustainability and make a substantial contribution to the company's strategy for combating climate change. In addition to the above initiatives, this strategy includes support for renewable energies via ENEL Green Power, our involvement in eight different projects for CO_2 capture and storage — a field in which ENDESA is also the undisputed leader in Spain — and activities associated with leveraging Clean Development Mechanisms (CDMs). In the latter area, by the end of 2010 ENDESA had a portfolio of 65 projects, leading to a reduction of more than 94 million tonnes of CO_2 emissions, and participated in seven carbon funds.

Nevertheless, the technological and environmental efforts geared towards perfecting our business model would not be complete or truly meaningful if they did not address a major concern for our company: people. This involves four main groups: employees, contractors, customers and individuals within the communities in which we do business.

As for our employees, I must insist once again that safeguarding their safety and health is one of our company's top priorities. In this area, our aim is very clear: «zero accidents.» However, the health of our employees and of contractor staff is gauged not just by an absence of accidents or illnesses, but by their levels of physical and psychological well-being. Available indicators show considerable progress in the period spanning 2004-2010, with improvements of approximately 70% among ENDESA employees and of 45% among contractor employees, placing us among the leading companies in our industry at both the Spanish and European levels. Nevertheless, these figures suggest that we still have room for improvement, and I am convinced that our recently approved Safety Plan and 5+1 Plan will enable us to achieve even better scores.

On the customer side, the technological innovations discussed earlier coincide with renewed efforts to enhance the customer service experience, generating improvements of 14% in the time needed to contract service, 7% in telephone support satisfaction and 2% in meter-reading and billing in 2010. Furthermore, ENDESA continues to offer the largest personalised customer care network in Spain, with nearly 450 service points staffed by more than 400 sales managers.

In 2010 ENDESA intensified its efforts to contribute to the economic, social, educational and cultural development of the most underprivileged communities in the markets in which we do business. The company invested Euro 47 million in this area, Euro 7 million more than in 2009. Examples of this commitment include Ecoelce and Ecoampla in Brazil and Ecochilectra in Chile, which offer discounts on electricity bills for customers who collect urban waste materials; a campaign using electricity bills to raise awareness of missing children in Peru and Argentina; a financial aid scheme for the local *panela* industry in Colombia; the Pehuén Foundation's assistance to indigenous communities in Chile and the Huinay Foundation's work to preserve biodiversity in Chile; and volunteer programmes and educational initiatives for children and teenagers, which ENDESA sponsors in all of the countries in which it operates.

All of these activities and projects are within the scope of ENDESA's 2008-2012 Sustainability Plan and enable the company to develop an electricity business model that not only addresses present needs but also provides solutions for the future.

In our view, to build such a future we must bear in mind that our electricity and gas business is only worthwhile if it remains permanently focused on people.

On the people who invest in the company, receive its services, work for it, work with it, live in the communities in which it conducts its operations; in short, all of the individuals and social groups who are in one way or another touched by our activities. They are the soul of this great business project and it only makes sense if it benefits them.

Andrea Brentan
Chief Executive Officer

Corporate governance

Board of Directors

Honorary Chairmen
D. Feliciano Fuster Jaume
D. Rodolfo Martín Villa
D. Manuel Pizarro Moreno

Chairman
D. Borja Prado Eulate

Vicechairman
D. Fulvio Conti

Chief Executive Officer
D. Andrea Brentan

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

Secretary (non director)
D. Salvador Montejo Velilla

Executive Committee

Chairman
D. Borja Prado Eulate

Members
D. Fulvio Conti
D. Andrea Brentan
D. Luis de Guindos Jurado
D. Luigi Ferraris

Secretary (non director)
D. Salvador Montejo Velilla

Audit and Compliance Committee

Chairman
D. Alejandro Echevarría Busquet

Members
D. Borja Prado Eulate
D. Luigi Ferraris
D. Miquel Roca Junyent

Secretary (non director)
D. Salvador Montejo Velilla

Appointments and Compensation Committee

Chairman
D. Luis de Guindos Jurado

Members
D. Claudio Machetti
D. Luigi Ferraris
D. Miquel Roca Junyent

Secretary (non director)
D. Salvador Montejo Velilla

Executive Management Committee

Chief Executive Officer
D. Andrea Brentan

General Manager - Legal Department
D. Borja Acha Besga

General Manager – Latin America
D. Ignacio Antoñanzas Alvear

General Manager – Spain and Portugal
D. José Damián Bogas Gálvez

General Manager - Finance
D. Paolo Bondi

General Manager - Procurements
D. Francesco Buresti

Deputy General Manager - Systems and Telecommunications
D. Rafael López Rueda

General Manager – Communication
D. Alfonso López Sánchez

General Manager – Strategy and Development
D. Héctor López Vilaseco

General Manager – Organisation and Human Resources
D. José Luis Puche Castillejo

General Secretary and Secretary to the Board
D. Salvador Montejo Velilla

Key Financial Data

Balance sheet data *(euro million)*	2006	2007	2008	2009	2010
Total Assets	**54,088**	**58,522**	**58,546**	**59,937**	**62,588**
Business in Spain and Portugal	30,254	32,753	41,668	40,876	40,779
Business in Latin America	16,595	17,590	16,878	19,061	21,809
Other	7,239	8,179	0	0	0
Property, Plant and Equipment	**33,714**	**30,595**	**31,528**	**32,913**	**32,896**
Business in Spain and Portugal	19,758	20,035	21,727	23,404	22,001
Business in Latin America	10,084	10,463	9,801	9,509	10,895
Other	3,872	97	0	0	0
Equity Attributable to Parent Company	**11,291**	**11,989**	**17,082**	**14,227**	**17,776**
Business in Spain and Portugal	5,936	6,045	14,325	10,218	12,800
Business in Latin America	3,022	3,367	2,757	4,009	4,976
Other	2,333	2,577	0	0	0
Equity Corresponding to Minority Shareholders	**4,645**	**5,141**	**3,682**	**4,733**	**5,388**
Business in Spain and Portugal	44	51	200	199	(2)
Business in Latin America	3,642	3,907	3,482	4,534	5,390
Other	959	1,183	0	0	0
Net Financial Debt	**19,840**	**20,834**	**14,003**	**18,562**	**15,336**
Business in Spain and Portugal	12,548	14,017	8,732	13,865	10,684
Business in Latin America	5,618	5,570	5,271	4,697	4,652
Other	1,674	1,247	0	0	0

Key income statement lines *(euro million)*					
Operating Revenue	**20,580**	**18,073**	**22,836**	**25,925**	**31,177**
Business in Spain and Portugal	10,090	10,273	14,482	17,473	21,191
Business in Latin America	6,079	7,308	8,354	8,452	9,986
Other	4,411	492	0	0	0
EBIT	**5,239**	**4,619**	**5,234**	**5,052**	**5,031**
Business in Spain and Portugal	2,705	2,663	2,826	2,555	2,483
Business in Latin America	1,688	1,919	2,408	2,497	2,548
Other	846	37	0	0	0
Income After Taxes And Minorities	**2,969**	**2,675**	**7,169**	**3,430**	**4,129**
Business in Spain and Portugal	1,843	1,785	2,209	2,759	3,498
Business in Latin America	462	471	506	671	631
Other	664	419	4,454	0	0
EBITDA	**7,139**	**6,368**	**6,895**	**7,228**	**7,474**
Business in Spain and Portugal	3,835	3,790	3,927	4,060	4,079
Business in Latin America	2,188	2,541	2,968	3,168	3,395
Other	1,116	37	0	0	0

Key economic flows *(euro million)*					
Net Flows From Operating Activities	**3,878**	**4,584**	**5,329**	**4,967**	**5,905**
Business in Spain and Portugal	2,310	2,723	3,056	2,387	3,532
Business in Latin America	1,252	1,285	2,273	2,580	2,373
Other	316	576	0	0	0
Total Investment	**4,336**	**4,746**	**4,150**	**4,180**	**3,408**
Business in Spain and Portugal	2,921	3,079	2.628	2,972	2,211
Business in Latin America	952	1,047	1,442	1,208	1,197
Other	463	620	80	0	0
DIVIDENDS	**1,736**	**1,621**	**6,243**	**1,088**	**1,077***

Per share data * *(euro)*					
Gain	2.80	2.53	6.77	3.24	3.90
Dividend	1.64	1.53	5.90	1.03	1.02*
Shareholders' equity	10.66	11.32	16.13	13.44	16.79
Total shareholder return (%)	72.10	6.90	–17.10	4.34	–15.13*
P/E ratio (Price/Earnings (x))	12.80	14.37	4.22	7.39	4.95

* Pending approval at the General Shareholders' Meeting as this report goes to press.

Key Operating Data

All data have been prepared in accordance with International Financial Reporting Standards (IFRS). The year-on-year declines observed in several lines are due to the sale of specific wind and hydro assets in Spain and Portugal to Acciona pursuant to the agreement signed between this company and Enel and Endesa in April 2007. Year-on-year declines were also registered in the data relating to co-generation and renewable energy assets, following their integration into Enel Green Power España.

	2005	2006	2007	2008	2009	2010
Workforce	**27,204**	**26,758**	**27,019**	**26,587**	**26,305**	**24,732**
Spain and Portugal (1)	12,709	12,625	12,677	13,590	13,397	12,151
Latin America	12,317	11,962	12,169	12,896	12,676	12,462
Other	2,178	2,171	2,173	101	232	119
Installed capacity *(MW)*	**45,908**	**47,113**	**49,187**	**39,656**	**39,642**	**40,141**
Spain and Portugal	**22,416**	**23,021**	**24,490**	**24,228**	**22,577**	**23,115**
Hydroelectric	5,379	5,362	5,363	5,417	4,729	4,731
Conventional thermal (2)	12,632	13,089	14,100	13,136	13,375	14,720
Thermal – nuclear (2)	3,397	3,397	3,397	3,641	3,670	3,664
Cogeneration and renewables (2)	1,007	1,173	1,630	2,034	803	0
Latin America (3)	**14,095**	**14,317**	**14,707**	**15,284**	**15,853**	**15,835**
Other (2)	**9,397**	**9,775**	**9,990**	**144**	**1,212**	**1,191**
Output *(GWh)*	**185,264**	**186,411**	**183,946**	**149,830**	**137,053**	**130,484**
Spain and Portugal (4)	**93,625**	**88,808**	**91,058**	**88,189**	**72,707**	**67,049**
Hydroelectric	7,479	7,571	7,149	7,548	8,533	9,208
Conventional thermal	61,006	54,372	58,126	50,942	38,506	29,665
Thermal – nuclear (2)	23,020	24,389	22,906	26,112	22,630	27,619
Cogeneration and renewables (2)	2,120	2,476	2,877	3,587	3,038	558
Latin America (3)	**57,890**	**62,028**	**59,512**	**60,690**	**62,767**	**62,416**
Other (2)	**33,749**	**35,575**	**33,396**	**951**	**1,579**	**1,020**
Sales *(GWh)*	**203,335**	**220,299**	**227,502**	**172,788**	**169,966**	**175,217**
Spain and Portugal	**100,868**	**109,412**	**113,375**	**109,032**	**104,618**	**106,894**
Regulated market	64,095	71,599	72,746	61,327	23,445	—
Deregulated market (5)	36,773	37,813	40,629	47,705	81,173	106,894
Latin America	**55,246**	**58,281**	**61,610**	**62,805**	**63,745**	**67,275**
Other (2)	**47,221**	**52,606**	**52,517**	**951**	**1,603**	**1,048**
Customers *(thousands)*	**21,936**	**22,701**	**23,454**	**24,066**	**24,607**	**25,002**
Spain and Portugal	**10,714**	**11,120**	**11,481**	**11,649**	**11,700**	**11,729**
Regulated market (6)	9,716	10,042	10,326	10,296	—	—
Deregulated market (5)	998	1,078	1,155	1,353	11,700	11,729
Latin America	**11,222**	**11,581**	**11,973**	**12,417**	**12,907**	**13,273**
Other	—	—	—	—	—	—

(1) In contrast to previous years, data for 2008, 2009 and 2010 include figures for Asociación Nuclear Ascó-Vandellos, Carbopego, Nuclenor, Pegop Energía Eléctrica, Tejo Energía, Endesa Ingeniería, Endesa Gas Distribución and Endesa Gas Transportista due to changes in the consolidation scope.
(2) Data consolidated by ENDESA.
(3) Includes the Chilean plant GasAtacama, accounted for using the proportionate consolidation method from 1 January 2008.
(4) Data measured according to busbar cost. 2009 hydro output sold to Acciona is included to June and output from Nuclenor and Tejo Energia throughout the year as these assets were accounted for using proportionate consolidation.
(5) To coincide with economic data for this business we include sales made by Endesa Energía and customers in European countries outside Spain and Portugal.
(6) Tariff customers. Does not include access customers.

Economic, Energy and Regulatory Framework

01. Macroeconomic Highlights

01.1. Global Economic Climate

The negative impact of the international crisis continued to take its toll on the global economy during 2010, above all on the developed economies and most particularly in Europe. Even though the performance of the main macroeconomic indicators was substantially better than in 2009, it is by no means clear that the crisis over.

The financial market turmoil witnessed during the course of 2010, particularly in Greece and Ireland (and in Portugal in 2011), generated serious doubts over the likelihood of a global recovery, causing a negative impact on economic activity and on business and household confidence.

In addition, the first few months of 2011 have brought conflict in several countries across the Arab World, triggering even greater uncertainty as a result of increases in the price of oil and other raw materials.

With regard to the main macroeconomic data, the US economy registered year-on-year growth of 2,8% in the final quarter of 2010 (+2.9% on an annualised basis). While a long way behind the growth rates reported in the emerging economies (average growth of 7% in 2010), US performance represents a significant recovery compared with the negative growth rate of 2.6% in 2009.

Economic growth in the Eurozone, meanwhile, stood at 0.3% in the fourth quarter of 2010, in line with the previous quarter. This represented a year-on-year growth rate of 2%.

01.2. Economic Climate in Spain

The international economic crisis had particularly serious consequences for the Spanish economy in 2010. Internal demand and business and household confidence remained at very low levels, which were incompatible with any return to strong and sustained growth.

Gross Domestic Product (GDP) fell by 10 basis points, a negative figure by all account, but far better than the contraction of 3.6% registered in 2009. Real GDP improved by 0.6% in the fourth quarter versus the same period the previous year, compared with the zero growth reported in the third quarter.

This downbeat GDP performance continued to take its toll on the labour market, and the unemployment rate reached 20.3% at the end of the year.

Inflation stood at 3% at year-end 2010, a level that causes some concern given that it coincides with a recession and the fact that it is largely (but not wholly) the result of higher oil prices and an increase in certain taxes, such as VAT.

Domestic demand contracted by 1.2% last year, although household (+1.2%) and business demand improved.

External demand, however, made a positive contribution, adding a percentage point to overall GDP.

The main threats to a stable recovery in Spain are weak economic growth, the high level of unemployment, productivity and the lack of competiveness abroad.

There is also significant surplus supply in the real estate market and the financial sector has yet to complete its restructuring process, meaning that there is still no smooth flow of financial resources into productive activity.

Electricity demand totalled 259,940 GWh for the mainland market in 2010, a rise of 3.3% versus 2009. The figure drops to +2.9% after adjusting for the number of working days and temperature, but marks a clear improvement on the decreases registered in the two previous years, even though in absolute terms consumption is still only at 2006 levels.

01.3. Economic Climate in Latin America

Latin America's economy remained upbeat in 2010, despite the international economic crisis and growth was stronger than expected. In those countries in which ENDESA operates, GDP growth varied between 4.3% (seen in Colombia) and 8.8% (registered in Peru).

The most significant and sustainable factors behind this positive performance were strong internal demand and foreign capital flows for the development of natural resources-related projects, involving minerals (Peru and Chile), hydrocarbons (Colombia and Brazil) and soft commodities.

In short, neither the turmoil deriving from the fiscal crisis and sovereign debt problems in certain Eurozone countries, nor fears about the threat of a new phase of economic slowdown in the US had any significant impact on Latin American markets or their growth outlook. On the contrary, forecasts are still being raised in reflection of the resilience of this region, which, among other factors, has benefited from the shift in focus of its international trade towards Asia, a trend that has been linked to the strong demand for raw materials from Asia's emerging economies.

Estimated GDP and inflation figures in the countries in which ENDESA operates are shown below:

	%		Chg. previous year (pp)	
2010	GDP	Inflation	GDP	Inflation
Chile	5.3	3.0	6.8	4.4
Argentina	8.3	10.9	7.4	3.5
Brazil	7.5	5.9	8.1	1.5
Colombia	4.3	3.2	3.6	0.7
Peru	8.8	2.1	7.6	2.2

Source: Latin American Consensus Forecast.

02. Interest Rate and Exchange Rate Trends

Euro interest rates declined during the first quarter of 2010, reaching a low of 0.63%. 3-month Euribor then started to pick up, finishing the year at 1.01%.

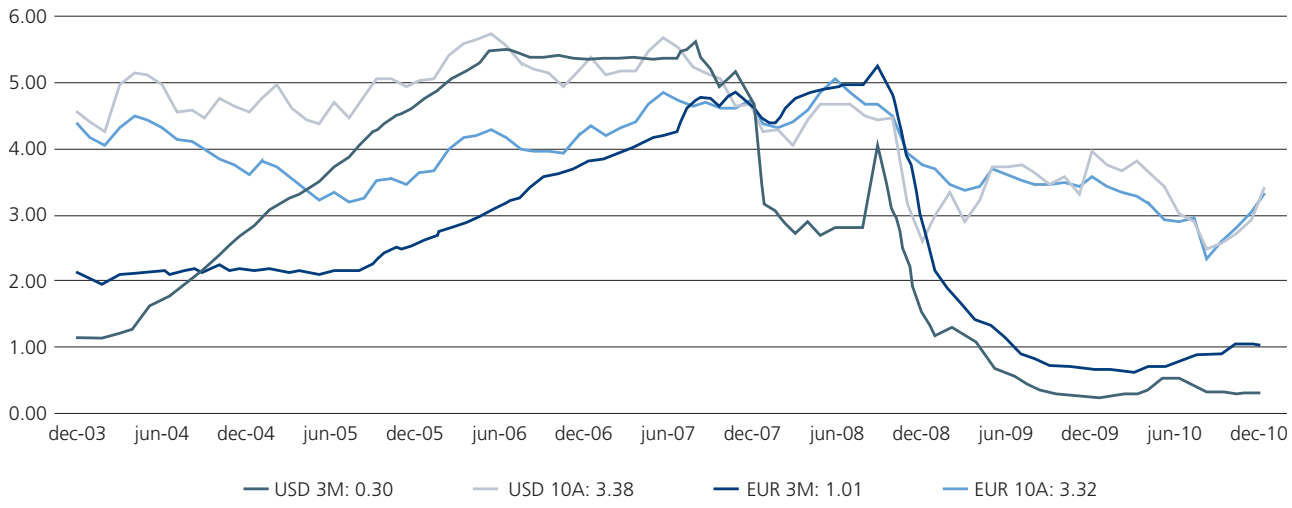
At the long end of the Euro interest rate curve, the 10-year swap eased from 3.59% at the close of 2009 to 3.32% by the end of 2010. The low point was reached in August at 2.33%, a level that also marked an all-time low.

Dollar rates, meanwhile, moved higher through to June, before dropping fairly sharply. Money market rates, as measured by 3-month USD Libor, began the year at 0.25% and then rose significantly to 0.54%, before finishing the year at 0.30%.

At the same time, the 10-year swap dropped from 3.97% at the beginning of the year to 3.38% by the end of December.

Benchmark interest rates set by Central Banks in the Latin American countries where ENDESA operates rose by 150bp or more in Chile, Peru, Argentina and Brazil, and remained unchanged at 9.50% in Colombia.

Interest rate trends in recent years



With regard to Euro parity with the most important currencies on ENDESA's balance sheet, the European currency lost ground across the board losing 7% versus the USD, from EUR/USD 1.43 at the end of 2009 to EUR/USD 1.34 by the close of 2010. The low point was reached in June, at EUR/USD 1.19 and the high in January at EUR/USD 1.45.

03. International Fuel and Freight Market

03.1. Oil and Oil Derivatives

During 2010, the oil price traded in a range of USD 70-80/barrel. Brent averaged USD 79.5/barrel and finished the year at USD 93/barrel, while oil derivative prices behaved similarly. Fuel oil and diesel prices ended the year at USD 486/tn and USD 763/tn, respectively.

03.2. Natural Gas

There was oversupply in the main natural gas markets, and this drove international spot prices to extremely low levels.

The excess supply was particularly acute in Spain, where year-end demand dropped 0.3% on 2009 (combination of a 10% increase in conventional demand, due to higher industrial consumption, and a drop of 15.7% in CCGT-related demand).

33.8% of natural gas sales were destined for the electricity generation market, as compared with 40% in 2009.

03.3. Coal

The coal price rose sharply at the beginning of 2010, reaching USD 86/tn, due to heavy buying from Asian countries. However, slower demand in Europe and the lack of any buying from China (due to the country's reorganisation and optimisation of its output) meant that prices had dropped back to USD 73/tn by the middle of the year.

The second half was affected by the drop in supply, partly due to weather conditions and logistics problems in South Africa and Russia caused by reduced rail services. As a result, the price rallied, closing the year at USD 122/tn.

03.4. Freight Market

ENDESA contracts most of its coal shipments in large vessels, in order to maximise economies of scale.

Ship leasing prices in 2010 were both low and volatile. In July, they slipped to USD 12,000/day, compared with USD 30,000/day at the beginning of the year, and the high of USD 51,000/day. Average prices were also lower than in previous years.

The reason behind the lower prices was, among other things, a 20% increase in the net size of the fleet.

04. Regulatory Framework in 2010

04.1. Main Regulatory Changes in Spain

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

Since 1 July 2009, all customers have bought their electricity through supply companies and the regulated integrated tariff applied to distributors has disappeared. Nevertheless, customers meeting certain requirements can acquire their energy at a price pre-established by the government, the tariff of last resort (TLR). In this case, these customers are supplied by suppliers of last resort (SLR).

04.1.1. Generation and markets

Royal Decree 1221/2010, of 1 October 2010, introduced restrictions on guarantee of supply, establishing a preferential dispatch mechanism for certain levels of energy volume at power stations fired by domestic coal. These power stations have to offer energy at variable cost in the day-ahead market and, in the event that their offer is not taken up, the transmission system operator will transfer programmed energy from other plants on a decreasing CO2-emission basis.

Output from domestic coal-fired plants will be remunerated according to audited costs and plants whose operations programmes are cut will receive no financial remuneration. The above-mentioned regulation provides for the restrictions on guarantee of supply to remain in force until the end of 2014.

The government has also introduced regulatory and remuneration changes for Renewables/CHP output through Royal Decrees 1565/2010 and 1614/2010. These include:

- The reduction in the premium for photovoltaic facilities of between 5% and 45% (depending on the type of facility).
- The 35% reduction in the benchmark premium for wind power facilities through to 31 December 2012.
- In solar power, access to the regulated tariff option for a period of 1 year (not the market price + premium option) and limits on the number of hours eligible for the premium.

Royal Decree 14/2010, meanwhile, has extended the cap on the number of hours eligible for the regulated tariff to photovoltaic facilities.

04.1.2. Shortfall from regulated activities

Royal Decree 6/2010 of 9 April 2010 modified certain provisions of Electricity Sector Law 54/1997, stating that as of 1 January 2013 access tariffs will be sufficient to cover all costs relating to regulated activities without the ex-ante deficit. This also limits the maximum deficit for 2009-2012. The initial limits were modified by Royal Decree 14/2010 of 23 December 2010, setting them at Euro 5.5 billion for 2010, Euro 3 billion for 2011 and Euro 1.5 billion for 2012.

Meanwhile, through to 1 January 2013, in the event that there are temporary mismatches between the shortfall on regulated activity settlements and the recognised ex-ante deficit on the access tariffs, these will be financed by the companies in differing proportions, with 44.16% corresponding to ENDESA.

2009 Tariff deficit

At 31 December 2009, the tariff deficit was Euro 4,300 million, once the effect of the effect of Royal Decree Law 11/2007 was taken into account, along with the revenue from final settlements relating to previous years and the amounts not allocated under quality-improvement programmes, etc.

ITC Order 3519/2009 of 28 December 2009, which reviewed electricity tariffs as of 1 January 2010, assumes an annual payment of Euro 247 million for the recovery of the ex-ante deficit recognised for 2009 while ITC Order 3353/2010, of 28 December 2010, recognises an annual payment of Euro 257 million.

In accordance with Royal Decree Law 6/2010 and given that the estimated figure of Euro 3.5 billion has been exceeded, the excess together with the interest (Euro 814 million) has been recognised in full in the tariff review order for 2011.

2010 Tariff deficit

Following publication of Royal Decree Law 14/2010 of 23 December 2010, the deficit recognised for 2010 stood at Euro 5.5 billion, an amount that was not surpassed by the regulated activity settlements.

ITC Order 3519/2009 of 28 December 2009, which reviewed electricity tariffs as of 1 January 2010, stipulates an annual payment of Euro 212 million for the recovery of the ex-ante deficit recognised for 2009 while ITC Order 3353/2010, of 28 December 2010, recognises an annual payment of Euro 231 million.

04.1.3. 2010 Electricity tariff

ITC Order 3519/2009 increased access tariffs by an average of 14.5% as of 1 January 2010. Access tariffs for customers eligible for the TLR with no time restrictions were lifted by an average of 9%.

On 15 December, the second CESUR auction in 2009 for setting the TLR for the first half of 2010 was completed with an average increase of 2.6% in the TLR with no time restrictions.

Meanwhile, ITC Order 1732/2010, which reviewed access tariffs as of 1 July 2010, made no changes, except for a reduction for those customers eligible for the TLR in order to offset the increase in the cost recognised in the TLR. Specifically, access tariffs for customers eligible for the TLR with no time restrictions fell by 3%.

The resolution of 28 June 2010 established the cost of electricity production and the TLR to be applied in the third quarter of 2010, maintaining the price of the TLR with no time restrictions for the third quarter. Similarly, the Resolution of 29 September 2010 set the tariffs to be applied in the fourth quarter, with an average increase in the TLR of 4.8%.

Royal Decree 1202/2010 of 24 September 2010 was also approved, covering the review period for the tariffs for accessing the electricity transmission and distribution grids and established that the review period should, in general, be annual, but quarterly when:

- There are time lags caused by imbalances in settlement payments in regulated electricity sector activities.
- There are regulatory changes that affect the regulated costs included in the access tariffs.
- (Exceptionally) there are special circumstances affecting regulated costs or the parameters used to calculate these.

In these cases, the TLR will be modified so as to ensure that it remains additive.

In short, progress was made throughout 2010 towards eliminating the tariff deficit, achieving suitable access tariffs and ensuring that TLRs are fully additive.

04.1.4. 2011 Electricity Tariff

ITC Order 3353/2010 left access tariffs unchanged as of 1 January 2011, while capacity payments payable by consumers rose 72%.

Furthermore, the period during which customers not eligible for the TLR and with no supply contract can continue to be supplied by the supplier of last resort (SLR) was extended until 31 December 2011.

The third CESUR auction of 2010, to set the TLR for the first quarter of 2011, was held on 14 December. The Resolution, published on 28 December 2010, established a 9.8% increase for the TLR with no time restrictions.

04.1.5. Gas System Tariff of Last Resort

February 2010 saw publication of Royal Decree 104/2010 that regulates the implementation of last resort supply. The Royal Decree established that the TLR should be the maximum and minimum price that the last resort suppliers are able to charge eligible consumers. It also stated that consumers connected to grids with pressure of less than 4 bars should be able to change supplier either in writing, by telephone, or via Internet.

Certain modifications were introduced into the calculation model for the natural gas TLR in 2010. ITC Order 1506/2010 of 8 June 2010 increased the relative importance of auctions and the number of auctions per year used for calculating the cost of the raw material used for fixing the price.

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

04.2. Main Regulatory Changes in Latin American Countries where ENDESA Operates

04.2.1. Chile

In January 2010, Royal Decree 1/2010 came into force, reforming the mechanism for passing on tender prices to the final customer as established in the Ley Corta II legislation of May 2005. As a result of this reform, the node price contracts established by the National Energy Commission have started to disappear and are being replaced by long-term contracts (of up to 15 years), the price of which will be set by the auctions held by the distributors since 2006.

On 26 November 2010, Chile's Sustainability Cabinet approved a regulatory decree covering power station emissions. The most relevant points of this decree include the reference to differences in standards between new/recently built plants and those that are already well established, the fact that plants under construction are to be recognised as existing plants, and the extension of the time limit for complying with the regulation covering plants in operation.

There has also been a continuation of the process for reviewing tariffs on Chilectra's subtransmission business, which came into force retroactively as of November 2010 for a period of four years.

04.2.2. Brazil

As part of the framework for adjusting the distribution tariff, on 15 March 2010 the Tariff Readjustment Index (TRI) at Ampla came into force, increasing the Distribution Added Value (DAV) by 1.3%. Subsequently, on 22 April 2010, the annual TRI for Coelce was approved with a 2.98% rise in the DAV.

Starting on 10 September, the Brazilian regulator, ANEEL, has scheduled a series of meetings to discuss the bases to be used for determining the third cycle of Ordinary Tariff Reviews (OTR) for distribution companies, which is due to be completed by the end of 2011.

In addition, Brazilian Law 12.111 has made it possible for CIEN to adapt its international interconnection lines to the national grid, and thereby receive a regulated fixed remuneration as approved by ANEEL on 14 December 2010. Meanwhile, on 28 December 2010, Directive PRT 1.004/2010 established that the Ministry of Mines and Energy would be responsible for approving this adaptation, once the conditions imposed by ANEEL have been accepted. CIEN's adaptation process is due to be completed and become effective during the course of 2011.

On 4 June 2010, a power supply agreement was signed between CIEN and CAMMESA, the Argentine electricity transmission system operator.

Further, on 5 October 2010, Decree 7324 was approved, extending until 31 December 2011 the «Electricity for All» project.

Finally, as part of the implementation of Law 12.187, on 10 December 2010, Decree 7.390 was published. This deals with Brazil's policy on the fight against climate change (PNMC) and includes specific targets for greenhouse gas emissions throughout Brazilian industry and through to 2020.

04.2.3. Colombia

Decree 2730-2010 issued by the Ministry of Mines and Energy and which covers the workings of the gas sector, was partially modified by Decree 2807-2010, with a new regulation on the supply, transportation, security, quality of service, international exchanges, and commercial and operational coordination.

Discussions are also taking place relating to the possibility of establishing an electricity supply charge, which are expected to be concluded in 2011.

04.2.4. Peru

January 2010 saw publication of Supreme Decree 01-2010, which covers the incentivisation and preservation of availability in Peru's generation assets and also the power remuneration of its plants. As part of this framework, the project for building three dual fuel (diesel and gas) plants was auctioned off (these plants may even be used in emergency situations). Empresa Eléctrica de Piura was awarded the project for the 200 MW plant at Talara (Piura) for a twenty-year period.

On 29 April 2010, Emergency Decree 032-2010 was published, containing measures to encourage project investment and financing. This Decree established a rural electrification plan based on the «Power for All» programme.

On 5 August 2010, the Ministry of Energy and Mines passed Decree 046-2010, regulating the secondary gas market. As a result of this legislation, gas users will be able to exchange products and transport capacity. Similarly, a system for carrying out auctions is expected to be set up.

Emergency Decree 079-2010 of 16 December 2010 extended Emergency Decree 049-2008 through to 31 December 2013, establishing a single marginal rate.

04.2.5. Argentina

During the course of the year, a temporary agreement was signed by the generation companies and the Energy Ministry, setting out the rules for the wholesale generation market and producers' remuneration that needs to be applied over the 2010-2011 period. As a result of this agreement, regulatory improvements were introduced that will allow for an increase in generation supply, via the 800 MW CT Vuelta de Obligado thermal gas plant and an increase in the energy price and in the remuneration of the costs relating to the running and maintenance of the thermal plants.

On 30 November, the Argentine Government instructed CAMMESA to sign an MEM Equipment Availability Commitment Contract with Endesa Costanera. This contract, signed on 12 December, will allow sufficient investment to ensure the correcting working of the Costanera thermal plant.

In the distribution segment, there was no significant progress on Edesur's ITR although the company did file its proposed tariff structure as required by the government.

2010 Results

01. Financial Data

01.1. Key Figures

01.1.1. Net income

ENDESA reported net income of Euro 4,129 million in 2010, Euro 699 million more (+20.4%) than in 2009. This figure includes Euro 1,975 million from disposals carried out in 2010, compared to Euro 1,254 million recognised for this item in 2009.

ENDESA: net income FY10

	Euro million	% change 2009	% of total net income
Spain, Portugal and Other	3,498	26.8	84.7
Latin America	631	(6.0)	15.3
Total	**4,129**	**20.4**	**100.0**

01.1.2. Revenues and EBITDA

Despite the fall in output, the increase in energy sold and margins on sales resulted in 3.4% rise in EBITDA versus 2009, to Euro 7,474 million.

Revenues rose 20.3% to Euro 31,177 million. Meanwhile, the increase in variable costs (+34.4%) was offset by the more moderate rise in fixed costs, which were up just 0.6%.

EBIT was Euro 5,031 million at year-end 2010, 0.4% lower than in 2009.

	Revenues		EBITDA		EBIT	
	Euro million	% change 2009	Euro million	% change 2009	Euro million	% change 2009
Spain, 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)**

01.1.3. Financial results

ENDESA reported financial losses of Euro 883 million in 2010, an increase of Euro 135 million on 2009.

Net finance expense totalled Euro 895 million, down 9.0%, while net exchange gains were Euro 12 million, compared to the loss of Euro 34 million seen in 2009.

01.1.4. Cash flows from operating activities

Cash flows from operating activities came to Euro 5,905 million, 18.9% more than in 2009.

Adjusted for changes in «Working capital», the figure would be Euro 5,828 million, which is 21% higher than the previous year: Euro 3,217 million in Spain, Portugal, and Other (+35.5%) and Euro 2,611 million in Latin America (+7%).

01.1.5. Net gains from asset disposals

In March 2010 the Enel Group integrated the renewable energy activities of ENDESA and Enel Green Power (EGP) in Spain and Portugal into a single organisation within the scope of EGP, a company 100% owned by ENEL. As a result of this operation, ENDESA no longer exercises control over the renewable energy subsidiary, Ecyr, and its stake has been diluted to 40%. ENDESA recognised net income of Euro 881 million relating to the transaction.

Additionally, the divestment of 1% of Red Eléctrica was completed for Euro 51 million, producing a gross capital gain of Euro 36 million. This is further to the Euro 5 million reported in 2009.

The sale of the group's 40% stake in Iniciativas de Gas (owner of a 50% stake in the Sagunto regasification plant) to Osaka Gas was also completed. This disposal generated gross capital gains of Euro 34 million.

The 50.01% stake in Endesa Hellas was also sold to Grupo Mytilineos for Euro 140 million. This transaction is not reflected in the company's results.

Meanwhile, ENDESA finalised the sale of its electricity transmission assets to Red Eléctrica de España. The price of the transaction was Euro 1,412 million, for a gross gain of Euro 748 million. The company also collected Euro 66 million in relation to its technical assistance agreement with Red Eléctrica.

Lastly, on 17 December 2010 an 80% stake in Nubia 2000, the company incorporating most of ENDESA's gas transmission and distribution assets, was sold. The operation reduced group debt by Euro 742 million and increased consolidated pre-tax income by Euro 489 million.

01.1.6. Investment

ENDESA invested a total of Euro 3,408 million in 2010. Of this figure, Euro 3,021 million was capex and the remaining Euro 387 million related to financial investments.

Investment

	Euro million			
	Capex and intangible assets	Financial investments	Total	% change 2009
Spain, 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)**

01.1.7. Financial management

2010 was also marked by extreme volatility in the market financial markets, and this took its toll on the confidence of investors and banks alike in the peripheral countries. This confidence crisis reached its peak during the second half of the year.

Market stress led to significant increases in the different risk indicators, which, predictably, led to wider credit margins on industrial corporate debt.

However, the adverse climate in the markets did not affect ENDESA's financial management, thanks to the company's robust balance sheet and ample liquidity levels. As a result, ENDESA had no need to look for additional financing.

Against this backdrop, the company's only moves were to arrange extensions to its long—term credit lines (Euro 1,075 million) and to make various improvements to conditions on current operations.

At the same time, it maintained its programme of short-term debt issues on both local and international markets, with an outstanding of figure of Euro 2,035 million at the end of the year.

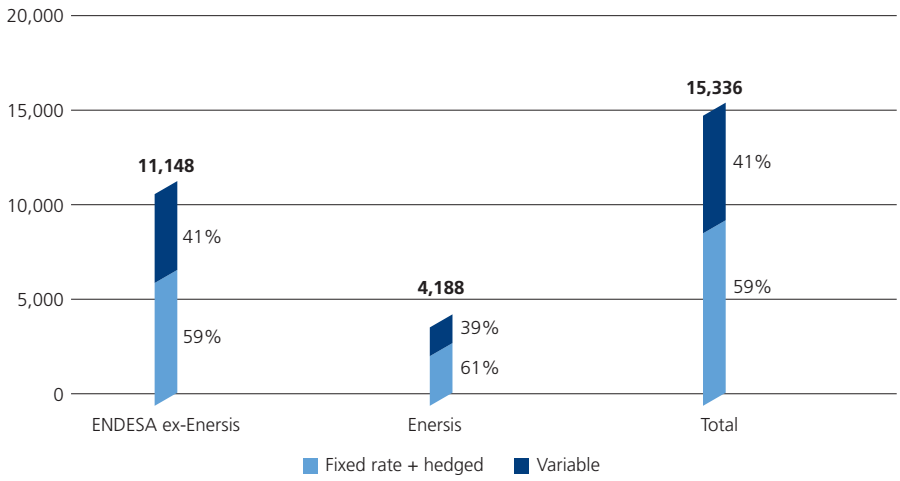
The average life of debt at ENDESA and its subsidiary companies, excluding the Enersis Group, stood at 3.5 years as at December 2010. Liquidity stood at Euro 6,467 million, of which Euro 6,176 million corresponded to undrawn sums on unconditional long-term credit lines with leading banks, sufficient to cover debt maturities for the next 15 months.

Additionally, Enersis Group companies continued to access the local and international financial markets. The average life of debt was 5.5 years at the year end and liquidity stood at Euro 2,115 million, of which Euro 578 million related to unconditional long-term credit lines, and cash of Euro 1,537 million. These amounts are sufficient to cover debt maturities falling due in the next 23 months.

The average life of the ENDESA group's debt at 31 December 2010 was 4.2 years.

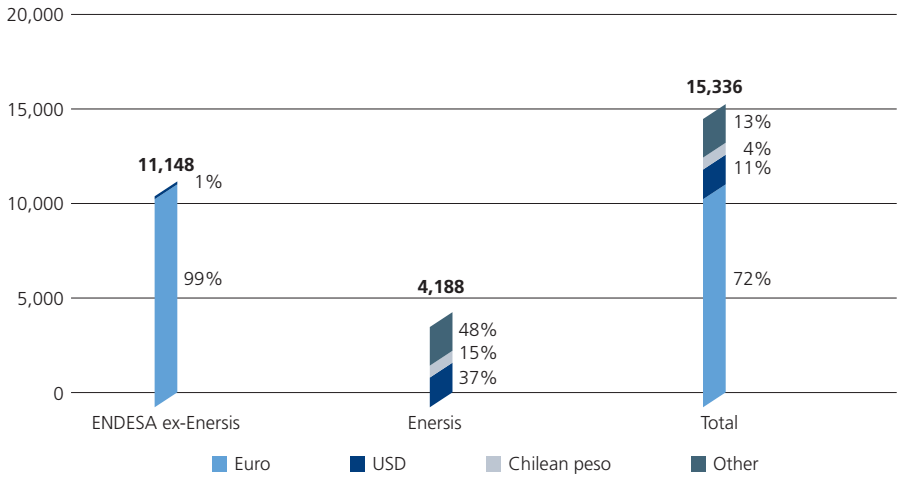
At year-end 2010, 72% of this debt was denominated in euros, 11% in US dollars and 17% in Latin American currencies. ENDESA continues to deploy a policy whereby its companies' debt is always denominated in the currency in which its cash flows are generated.

Net debt structure according to type of interest rate *(Euro million)*



At 31 December 2010, 59% of total group debt was fixed-rate or hedged while the remaining 41% was at a variable rate.

Net debt structure according to currency *(Euro million)*



01.1.8. Indebtedness and average cost of debt

ENDESA had net financial debt of Euro 15,336 million at 31 December 2010, a reduction of Euro 3,226 million compared to 31 December 2009.

Breakdown of ENDESA's net debt by business line (*)

			Euro million	
	31-12-10	31-12-09	Difference	% change
Business in Spain, 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 financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives.

The average cost of ENDESA's debt stood at 4.5% in 2010 and that of the Enersis Group at 8.3%. Excluding Enersis Group debt, the average cost of ENDESA's debt was 2.9%:

We would point out that ENDESA had the recognised right at 31 December 2010 to collect Euro 9,186 million in connection with two regulatory issues in Spain: Euro 6,340 million for financing the revenue shortfall from regulated activities and Euro 2,846 million in compensation for stranded costs in non-mainland generation. Stripping out these amounts, net debt was Euro 6,150 million.

On 7 July 2010, ENDESA notified the Deficit Securitisation Fund for the Electricity System of its irrevocable commitment to transfer these deficit collection rights for 2001-2008. According to Royal Decree 437/2010, these rights must be transferred within a year of the notification date, as long as no exceptional circumstances arise in the markets.

On 13 January 2011 the final terms and conditions of the first issue of the Deficit Securitisation Fund for the Electricity System were filed with the Spanish securities market commission (CNMV) for an amount of Euro 1,966 million. Euro 1,041 million of this amount corresponded to ENDESA and were collected on 25 January 2011.

The Fund's second issue (Euro 1,994 million) took place on 15 February 2011, Euro 1,039 million of which corresponded to ENDESA, and were collected on 24 February 2011.

Structure of ENDESA's net financial debt

	ENDESA and direct subsidiaries		Enersis Group		Total Enersis Group	
	Millions of Euros	% of total	Millions of Euros	% of total	Millions of Euros	% of total
Euro	11,083	99	0	0	11,083	72
Dollar	57	1	1,567	37	1,624	11
Other currency	8	0	2,621	63	2,629	17
Total	**11,148**	**100**	**4,188**	**100**	**15,336**	**100**
Fixed rate	4,962	45	2,555	61	7,517	49
Hedged	1,574	14	0	0	1,574	10
Variable	4,612	41	1,633	39	6,245	41
Total	**11,148**	**100**	**4,188**	**100**	**15,336**	**100**
Avg. life (years)	3.5		5.5		4.2	

01.1.9. Main financial transactions

Highlights of the risk transactions carried out by ENDESA, S.A. and its subsidiaries, excluding the Enersis Group, during 2010 are as follows:

- Early repayment of a Euro 2,000 million syndicated loan, originally signed for two years.
- Extension of long-term bilateral loans with five leading banks, for a total amount of Euro 1,075 million and maturing in 2016.

The main financial transactions carried out by the Enersis Group in 2009 through its subsidiaries were as follows:

- In Chile, consent solicitation on domestic bonds issued by Enersis and Endesa Chile, with the elimination of any reference to the non-Chilean subsidiaries in the cross default and bankruptcy/insolvency sections of the documentation. Adaptation of documentation to IFRS criteria at both Enersis and Endesa Chile.
- In Brazil, Ampla and Coelce reached financing agreements with Banco Nacional de Desenvolvimento Económico e Social (BNDES) and Banco do Nordeste do Brasil (BNB) for USD 230 million and USD 90 million respectively, for 2010-2011 CAPEX.
- In Colombia, Codensa issued USD 115 million of long-term bonds in the local market.
- In Peru, Edegel took out a loan of USD 61 million with Banco Continental.

01.1.10. Credit ratings

At the time of preparing the consolidated financial statements for 2010, ENDESA's long-term debt ratings were as follows: Moody's A3, Standard & Poor's A- (both under review for a possible downgrade) and Fitch A (stable outlook).

01.1.11. Equity

ENDESA's consolidated net equity stood at Euro 23,164 million at 31 December 2010, Euro 4,204 million more than at the close of 2009. Of this amount, Euro 17,776 million was owned by ENDESA shareholders, and Euro 5,388 million corresponded to minority shareholders of Group companies.

The net equity corresponding to ENDESA shareholders in 2010 rose by Euro 3,549 million compared with the 2009 figure, due to the following factors:

- Earnings generated during the period.
- Net currency gains of Euro 661 million, generated by the net assets of the group's Latin American companies as a result of local currency revaluations versus the euro.
- 2009 final dividend of Euro 559 million.
- 2010 interim dividend of Euro 529 million.

01.1.12. Financial leverage

ENDESA's equity and financial debt put the leverage ratio at 66.2% at 31 December 2010, compared with 97.9% at year-end 2009.

01.1.13. Accounting presentation criteria

As at 31 December 2010, ENDESA's consolidated balance sheet showed certain assets classified as «held for sale» on the basis that their disposal was planned within a year.

The main assets included under this heading were as follows:

- Chilean companies, Compañía Americana de Multiservicios Ltda. (CAM) and Synapsis Soluciones y Servicios IT Ltda. (Synapsis). On 20 December 2010, Enersis' management accepted the USD 20 million offer made by Graña y Montero S.A.A for CAM, and the USD 52 million offer made by Riverwood Captial L.P. for Synapsis. These two transactions were completed in 2011.
- The assets of Endesa Ireland Ltd, having put in motion the process for disposing of the whole of its stake.

01.2. Breakdown by Business Line

01.2.1. Business in Spain and Portugal

01.2.1.1. Net income - Spain and Portugal

Net income from ENDESA's business in Spain and Portugal (which also includes the rest of Europe and Morocco) was Euro 3,498 million, Euro 739 million higher year-on-year. This figure, which represents 84.7% of the company's total net income, includes the Euro 1,968 million from disposals in 2010 (compared with Euro 1,078 million in 2009).

EBITDA from this business reached Euro 4,079 million, up 0.5% on 2009, and EBIT was Euro 2,483 million, down 2.8%.

The positive performance of EBITDA was made possible, despite the disposals of renewable energy assets and lower electricity generation, by increased electricity sales and the improvement in the output mix (increase in hydroelectric and nuclear output, and lower thermal output).

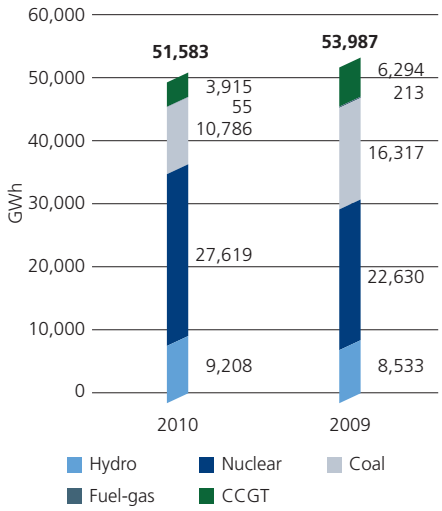
01.2.1.2. Highlights

Activity was buoyed by the recovery in electricity demand, which rose 3.28% in the year (+2.93% after adjusting for working days and temperature), following the decrease registered in 2009.

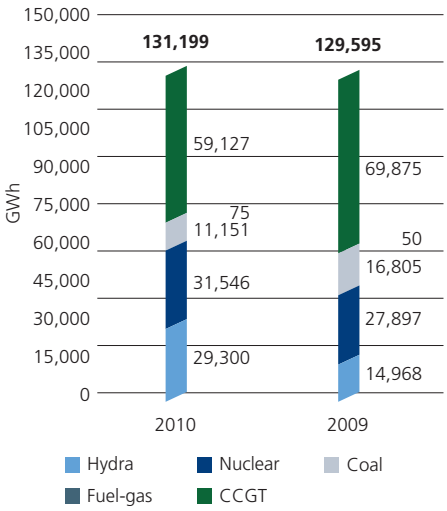
Wholesale prices, however, remained low in 2010, although they were still 2.7% higher than the previous year.

ENDESA maintained its leadership position in the Spanish electricity market, with a 28.2% generation market share under the ordinary regime, a 42.8% share of the distribution market, and a 40.1% share of sales to the deregulated market.

ENDESA's ordinary regime output on the mainland. Total: 51,583 GWh (–4.5%)



Rest of the sector's ordinary regime output on the mainland Total: 131,199 GWh (+1.2%)



01.2.1.3. Revenues

Revenues from the business in Spain, Portugal, and Other came to Euro 21,191 million in 2010, a rise of 21.3% versus 2009. Of this amount, Euro 20,186 million came from electricity sales, 22.8% more than in 2009.

Sales in Spain, Portugal and Other

			Euro million	
	2010	2009	Difference	% change
Sales on the deregulated market	16,098	12,560	3,538	28.2
Ventas Mercado Liberalizado	6,690	5,374	1,316	24.5
Sales to Suppliers of Last Resort	5,242	2,824	2,418	85.6
Sales in auctions	—	87	(87)	Na
Wholesale market sales	660	862	(202)	(23.4)
Deductions under Royal Decree Law 11/2007	—	(110)	110	Na
CHP/renewables generation	29	276	(247)	(89.5)
Supply to deregulated customers outside Spain	399	278	121	43.5
Non-mainland compensation	1,737	1,393	344	24.7
Power 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 supply	1,277	975	302	31.0
Other sales and services rendered	366	682	(316)	(46.3)
Total	**20,186**	**16,435**	**3,751**	**22.8**

Electricity sales

Despite the drop in electricity output in 2010, revenues from electricity sales in Spain, Portugal and Other rose 28.2% on the back of increased sales to deregulated customers (Spain +24.5%) and above all, due to the regulatory changes as of 1 July 2009 following the introduction of last resort supply.

Supply to deregulated customers

ENDESA's sales in Spain's deregulated market totalled Euro 6,690 million in 2010, a 24.5% increase on 2009 while sales revenues generated by customers in deregulated markets outside Spain were Euro 399 million, up 43.5% on 2009.

Sales to suppliers of last resort

In 2010, ENDESA sold 35,941 GWh of power to suppliers of last resort, generating revenues of Euro 5,242 million.

Electricity distribution

Regulated revenues from distribution activities totalled Euro 2,385 million, up 10.5% on 2009.

Gas distribution and supply

Revenues from gas sales in the deregulated market totalled Euro 1,277 million, up 31% on 2009.

Electricity generation in the rest of the business area

Electricity sales in the rest of the segment totalled Euro 205 million, down 22.3% on 2009, with the following breakdown: Ireland, Euro 120 million (–17.8%); Portugal, Euro 63 million (–30.8%); Greece, Euro 6 million (–50%); and Morocco, Euro 16 million (–4%).

01.2.1.4. Operating expenses

The breakdown of operating expenses in the Spanish, Portuguese and Other business in 2010 is provided below:

Operating expenses in Spain, Portugal and Other

			Euro million	
	2010	2009	Difference	% change.
Procurements and services	**14,380**	**10,492**	**3,888**	**37.1**
Power purchases	5,125	3,931	1,194	30.4
Fuel consumption	1,929	1,961	(32)	(1.6)
Transmission expenses	5,517	3,243	2,274	70.1
Other supplies and services	1,809	1,357	452	33.3
Personnel expenses	**1,279**	**1,497**	**(218)**	**(14.6)**
Other operating expenses	**1,652**	**1,571**	**81**	**5.2**
Depreciation & amortisation charges and impairment losses	**1,596**	**1,505**	**91**	**6.1**
Total	**18,907**	**15,065**	**3,842**	**25.5**

Power purchases

Power purchases came to Euro 5,125 million in 2010, a year-on-year rise of 30.4%. This increase was due to the power purchases required in 2010 for supplying SLR customers and for filling the gap with the group's own output, and also to the increase in deregulated customer supply tariffs.

Fuel consumption

Fuel consumption reached Euro 1,929 million in 2010, down 1.6% on 2009, as a result of the decrease in thermal output.

Other services

Power transmission costs totalled Euro 5,517 million, Euro 2,274 million higher than in 2009. This increase was due mainly to the recognition of the cost of access tariffs paid by SLR and the higher tariffs paid for supply, due to the significant rise not only in the volume of power sold but also in the actual tariffs.

Personnel and other fixed operating expenses

Fixed costs in 2010 totalled Euro 2,931 million, Euro 137 million lower (–4.5%) than in 2009.

These included Euro 132 million relating to the higher provisions allocated for headcount restructuring as a result of the early retirement of employees under the current redundancy programme.

Meanwhile, ENDESA made a provision of Euro 233 million for the contributions that it needs to make to the Energy Savings and Efficiency Plans established under Royal Decree Law 14/2010.

Depreciation and amortisation charges

Depreciation and amortisation charges and impairment losses totalled Euro 1,596 million, Euro 91 million more than in 2009. This figure includes a write down of Euro 115 million on the group's Irish assets.

01.2.1.5. Financial results

Net financial losses were Euro 460 million in 2010, Euro 87 million less than in 2009.

Net financial expenses dropped by Euro 70 million, and there was a positive exchange rate effect of Euro 5 million (compared with a negative impact of Euro 12 million in 2009).

Financial expenses included Euro 77 million from the restatement of financial revenues recorded in previous years and stemming from the accrual of interest relating to the electricity system deficit, in accordance with the provisions of Royal Decree Law 6/2010 of 9 April 2010.

The drop in long-term interest rates required higher provisions to cover the obligations relating to the on-going workforce reduction programmes (Euro 45 million).

Net debt in the Spanish and Portuguese business at 31 December 2010 stood at Euro 10,684 million versus Euro 13,865 million at the end of 2009. Of this amount, Euro 9,186 million was incurred to finance regulatory receivables, Euro 6,340 million to finance the revenue shortfall from regulated activities, and Euro 2,846 million to fund the non-mainland generation deficit.

01.2.1.6. Cash flows from operating activities

Cash flows from operating activities in this segment totalled Euro 3,532 million, up 48% on 2009.

01.2.1.7. Investment

Investment in the Spain, Portugal and Other business in 2010 totalled Euro 2,211 million, as detailed in the following table.

Total investment Business in Spain, Portugal and Other

	Euro million		
	2010	2009	% change
Capex	1,841	2,255	(18.4)
Intangible	139	148	(6.1)
Financial investments	231	569	(59.4)
Total	**2,211**	**2,972**	**(25.6)**

Capex Business in Spain, Portugal and Other

	Euro million		
	2010	2009	% change
Generation	939	1,041	(9.8)
Distribution	866	1,172	(26.1)
Other	36	42	(14.3)
Total	**1,841**	**2,255**	**(18.4)**

Capex in the power generation business includes, among others, the amount invested in the construction of the following combined cycle facilities: Besós 5, Elecgas, S.A., Ca's Tresorer 2 and Granadilla 2; the installation of gas turbines in Ibiza and Ceuta and diesel groups in Ceuta, Lanzarote, La Gomera and El Hierro.

In the distribution business, the company invested in optimising and extending its grid.

The total 2010 Capex figure also includes investments made in the large-scale installation of intelligent meters (as part of the remote management project) and their operating systems.

01.2.2. The Latin American Business

01.2.2.1. Net income

In ENDESA's Latin America business, net income dropped 6% year-on-year in 2010 to Euro 631 million.

01.2.2.2 Operating Income

EBITDA totalled Euro 3,395 million, up 7.2% on 2009 while EBIT reached Euro 2,548 million, a 2% improvement on 2009.

EBITDA and EBIT in the Latin American business

	EBITDA *(Euro milion)*			EBIT *(Euro million)*		
	2010	2009	% change	2010	2009	% change
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**

EBITDA and EBIT in the Latin American business. Generation and transmission

	EBITDA *(Euro million)*			EBIT *(Euro million)*		
	2010	2009	% change	2010	2009	% change
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 in the Latin American business. Distribution

	EBITDA *(Euro million)*			EBIT *(Euro million)*		
	2010	2009	% change	2010	2009	% change
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**

01.2.2.3. Highlights

Changes in unit margins

The unit margin in the generation business increased by 6.1% in Euro terms, to Euro 30.9/MWh. The rises in the generation margin in Colombia (+35.8%), Brazil (+15.4%), Argentina (+15.7%) and Peru (+11.0%) offset the lower unit margin in Chile (–7.5%).

The unit margin on the distribution activity was Euro 33.7/MWh, 9% higher than in 2009. During the year, there were increases in the unit margin in Colombia (+15.9%), Brazil (+8.8%), Peru (+5.8%) and Chile (+4.2%), with a decrease of 0.8% in Argentina.

01.2.2.4. Generation and Transmission

Chile

EBITDA in the generation business totalled Euro 882 million in 2010, and EBIT Euro 757 million, decreases of 12.7% and 8.8% respectively versus 2009. These reductions were the result of lower output (–6% year-on-year), lower sales prices to regulated customers, and the high level of spot prices on the energy bought.

Colombia

Lower output (–11%) was offset by higher sale prices and by favourable exchange rates. In this scenario, EBITDA and EBIT in the generation and transmission activities rose by 19.2% and 19.8% respectively versus 2009, to Euro 441 million and Euro 387 million.

Brazil

Output increased 53.5% versus 2009, due to improved gas supply at the Fortaleza plant and due to higher hydroelectric output at the Cachoeira plant. These factors, together with higher sales prices, drove EBITDA and EBIT up by 15.6% to Euro 222 million and Euro 200 million respectively.

Peru

Output was 4.6% higher than in 2009, due to increased sales prices, exports to Equador, and control of fixed costs. EBITDA improved by 17.1% and EBIT by 16.2%, to Euro 192 million and Euro 129 million respectively.

Argentina

Output increased 1.2% year-on-year in 2010, due to the greater availability of the Dock Sud plant and despite the costs relating to combined cycle maintenance costs at the Costanera plant. These factors, together with an improved sales margin, left EBITDA at Euro 128 million (up 16.4% on 2009) and EBIT at Euro 93 million (up 27.4%).

Argentina - Brazil interconnection

EBITDA totalled Euro 114 million, a 32.6% rise on the previous year. This growth was driven by the stronger revenues generated by Brazilian exports to Argentina.

However, despite this increase, EBIT fell by 42.9% to Euro 36 million, due to the provisions for accounts receivable in Argentina.

01.2.2.5. Distribution

Chile

EBITDA rose 3.6% to Euro 203 million, due to imperfections in the pass-through in 2009, and the application of a new subtransmission rate. EBIT, on the other hand, dropped 4.2% to Euro 59 million.

Colombia

EBITDA and EBIT from the distribution business registered rises of 20.7% and 19.5% to Euro 402 million and Euro 307 million respectively. These increases were largely driven by stronger sales and favourable exchange rates.

Brazil

EBITDA from the distribution business totalled Euro 685 million (up 21.9% on 2009), and EBIT was Euro 450 million (up 3.4%). These increases were mainly driven by stronger sales and consumption resulting from more robust economic activity.

Peru

EBITDA reached Euro 128 million (up 20.8% on 2009), and EBIT was Euro 96 million (up 20% on 2009), largely on the back of increased sales.

Argentina

Distribution EBITDA came to Euro 30 million for the full year, a drop of 51.6% versus 2009, while EBIT totalled Euro 6 million, a year-on-year fall of 85.4%. These decreases were mainly due to increased fixed costs as a result of inflation and to the impact of the provision to cover potential indemnities relating to a serious supply incident in Buenos Aires.

Financial results

ENDESA's Latin American business generated a net finance expense of Euro 423 million in 2010, a reduction of 10.2% compared to 2009.

Net financial expenses totalled Euro 430 million, Euro 19 million or 4.2% less than in 2009.

There was a positive currency effect in 2010 of Euro 7 million, compared with a negative effect of Euro 22 million in 2009.

Lastly, the Latin American business reported net debt of Euro 4,652 million at 31 December 2010, down Euro 45 million year-on-year.

Cash flows from operating activities

Net financial expenses totalled Euro 430 million, Euro 19 million or 4.2% less than in 2009.

Investment

Investment in this area was Euro 1,197 million in 2010, Euro 156 million of which corresponded to financial investment and Euro 1,041 million to capex, with the following breakdown:

Capex in Latin American business

	Euro million		
	2010	2009	% change
Generation	279	476	(41.4)
Distribution and Transmission	321	301	6.6
Other	47	61	(23.0)
Total Capex	**647**	**838**	**(22.8)**
Intangible assets (*)	**394**	**252**	**56.4**
Total Capex and investment in Intangible Assets	**1,041**	**1,090**	**(4.5)**

(*) Comprises investments in the Brazilian distribution business as, given the nature of the concession, the associated assets are classified partly as intangible and partly as financial under IFRIC 12.

02. Share Price Performance and Investor Relations

02.1. ENDESA on the Stock Market

2010 was a year that will be remembered for the sovereign debt crisis in the Eurozone, particularly in the peripheral countries. To tackle this situation, European governments introduced a series of strict austerity plans in an attempt to meet deficit targets and restore market confidence.

The situation drove the risk premiums of certain countries, such as Spain, Greece and Ireland, to all-time highs, a process that was in turn reflected by equity markets.

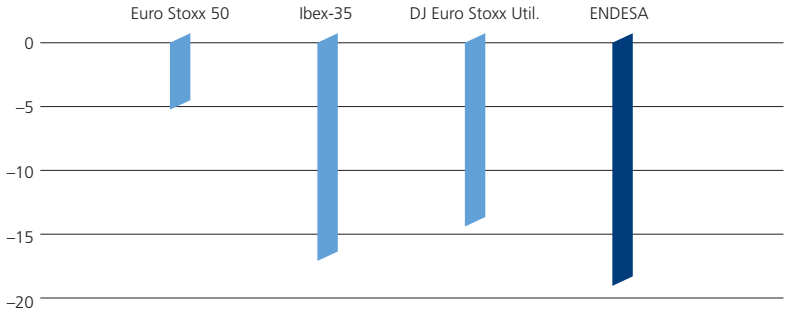
The diverging performances of peripheral and Central European economies revealed what was clearly a two-speed Europe, with Germany at the head of the leading pack and registering GDP growth of 3.6%. As a result, the *Dax Xetra* index rose 16.06%, making it the best performer among the main European equity markets in 2010.

The performances of Europe's other main equity indices varied considerably, but the tone was predominantly negative. The UK's *FTSE* rose 9.09%, while the French *CAC 40* and the *Dow Jones Eurostoxx 50* (benchmark index for the European equity market) finished the year down 3.34% and 5.35% respectively. Spain's IBEX 35 fell 17.43% on the year.

There was actually an improvement in the underlying fundamentals of the European electricity sector in 2010 following their deterioration the previous year, but it was not enough to boost share prices, which were also weighed down by the spectre of new sector taxes. As a result, the Dow Jones Eurostoxx Utilities fell 14.68%.

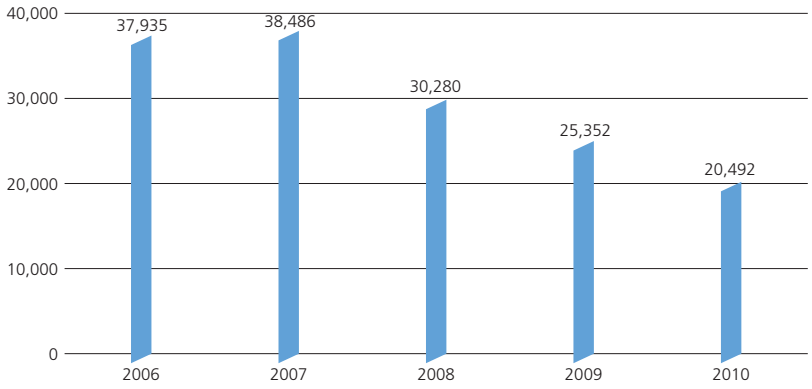
ENDESA's shares were not exempt from this trend, finishing the year down 19.42%, at Euro 19.295 per share. The year-end close was 13.9% above the low of Euro 16.93, registered at the close on 1 July, while the high of Euro 24 per share was registered at the close on 14 January.

Share price performance: ENDESA versus benchmark indices. 2010



As a result of the drop in its share price, ENDESA's value, as measured by its stock market capitalisation, stood at Euro 20.492 billion at year-end 2010.

ENDESA's stock market capitalisation 2006-10 (Euro million)



02.2. Dividend

At two different stages during the course of 2010, ENDESA paid a gross dividend of Euro 1.028/share on 2009 results, providing a total payout of Euro 1.088 billion.

The first of these two payments, of Euro 0.50 per share, was made on 4 January 2010, after the Board of Directors at its meeting on 14 December 2009 agreed to distribute an interim dividend against 2009 results. This payment implied a payout of Euro 529 million.

The second dividend, of Euro 0.528 per share, was distributed on 1 July 2010, following its approval by the Annual Shareholder Meeting on 21 June.

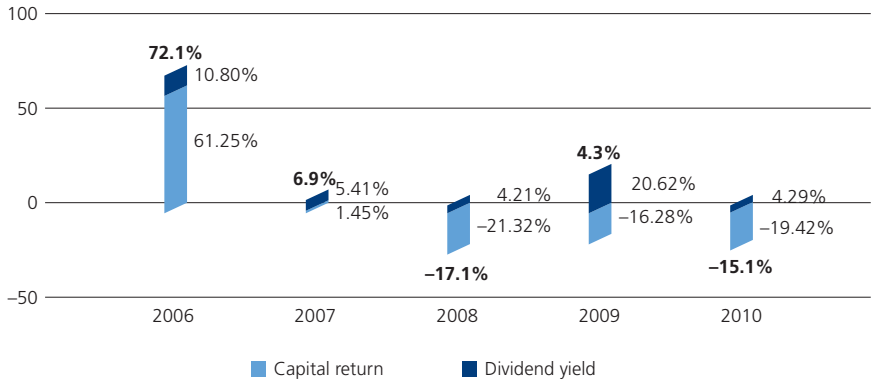
Additionally, at its meeting held on 20 December, 2010, ENDESA's Board of Directors agreed to pay a gross dividend to shareholders of Euro 0.50 per share against 2010 earnings. This was paid on 3 January 2011, and involved a payout of Euro 529 million. Lastly, the dividend proposal to be put before the Annual Shareholders' Meeting on 9 May includes the payment of a final dividend of Euro 0.517 per share. If approved, and when added to the interim dividend, this will give a total dividend of Euro 1.017 per share.

02.3. ENDESA on the main Benchmark Indices

02.3.1. Total returns for shareholders

As mentioned above, following the payment of the dividend in July, ENDESA's share price registered its low for the year on 1 July, and from there gained ground to close the year at Euro 19.295, for a loss over the full twelve-month period of 19.42%. The drop in the share price was partially offset by the dividend yield of 4.29%, which left shareholders' total return in 2010 at –15.3%.

The average total return for shareholders over the last five years has been +10.20% per annum.



02.3.2. ENDESA on the IBEX 35

Following completion of the bid by ENEL and Acciona in October 2007, ENDESA returned to the IBEX 35 with a market capitalisation coefficient of 5% due to its resulting free float of 7.94%.

This meant that it was ranked 33rd in the IBEX capitalisation ranking at the end of 2010. However, at its meeting on 9 December, 2010, the IBEX 35 Advisory Committee decided to increase the coefficient applied to ENDESA's capitalisation to 10%. As a result of this adjustment and as of 3 January, 2011, the company is now number 27 in the index's capitalisation ranking.

02.3.3. Liquidity

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

In absolute terms, including trading on the Spanish stock market (continuous market) as well as block trades and special transactions, the average number of shares in the company traded on a daily basis in 2010 was 603,864, 68.6% less than in 2009 (1,924,981).

Total trading volume for 2010 was 0.15 times the company's capital. However, trading volume was 1.8 times the market capitalisation represented by the real number of outstanding shares, a figure that is more in line with that registered in previous years.

In economic terms, the effective volume traded in 2010 was Euro 3,079 million, down 80.3% on 2009.

02.4. Share performance by Enersis and Endesa Chile

02.4.1. The Chilean Stock Exchange

The main Latin American stock market indices closed 2010 with substantially higher gains than their European counterparts.

In Chile, the Santiago stock exchange hit new all-time highs. The IGPA index rose 38.17%, while the IPSA index, comprising the market's most liquid stocks, provided an annual return of 37.59%; after having registered its best performance in 16 years the previous year when it rose 50.71%.

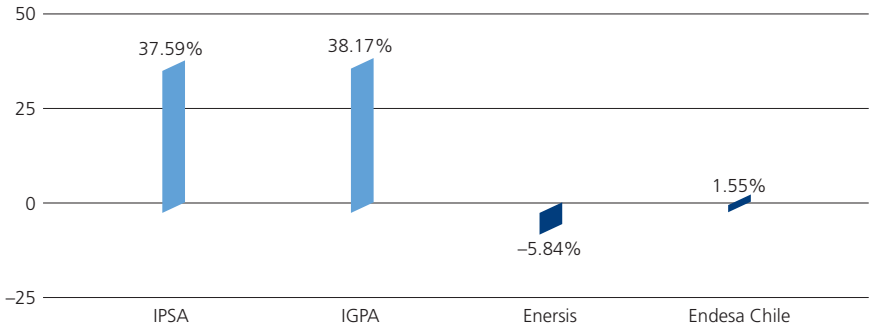
On the other hand, ENDESA's main listed subsidiaries in Chile failed to benefit from these favourable stock market conditions, and were weighed down by selling from local pension funds, which took advantage of the highs registered by both stocks to dispose of their positions.

The Enersis share price slipped 5.84%, closing the year at Pesos 217.42 per share, while Endesa Chile managed to finish the year in positive territory, with a rise of 1.55% to Pesos 876.70.

Despite these performances, Enersis and Endesa Chile were two of the most traded stocks on the Chilean stock market in 2010, with total trading volumes in the two stocks reaching Pesos 1,285,735 million and Pesos 1,578,266 million respectively.

The average daily trading volume at Enersis was 24.09 million shares, 15.6% more than the 20.84 million seen in 2009. Average daily trading volume in Endesa Chile rose 50%, from 5.1 million shares to 7.65 million, exceeding also the 2008 figure.

Share price performance: Enersis and Endesa Chile on the Santiago (Chile) stock exchange versus benchmark indices. 2010

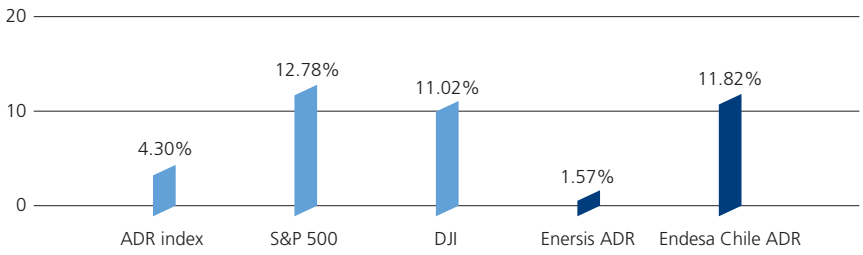


02.4.2. New York Stock Exchange

The stock market performances of Enersis and Endesa Chile in dollar terms were slightly better than on a local-currency basis: Enersis' ADR (*American Depositary Receipt*) closed the year with a gain of 1.57% at USD 23.22, while Endesa Chile's ADR rose 11.82% to close the year at USD 56.21.

Enersis underperformed its benchmark indices, while Endesa Chile stood out in particular against the Standard&Poor's ADR Index, which finished the year up 4.30%. The S&P 5000 and the Dow Jones Industrials, meanwhile, registered full-year rises of 12.78% and 11.02% respectively.

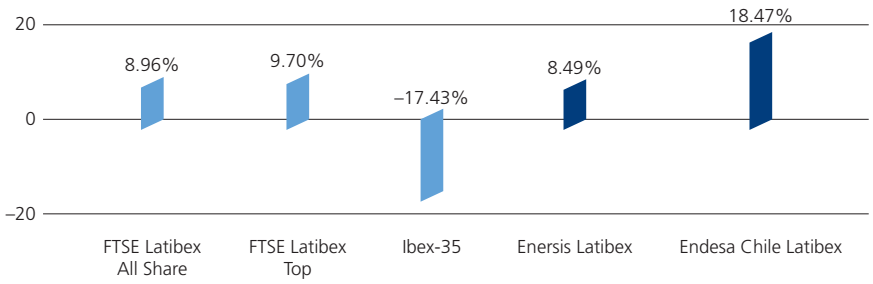
ADR performance: Enersis and Endesa Chile on the NYSE versus benchmark indices. 2010



02.4.3. Latibex

Enersis' shares gained 8.49% on the Latibex to Euro 42.47 per share, while Endesa Chile shares gained 18.49%, closing the year at Euro 17.50 per share.

Share price performance: Enersis and Endesa Chile on the Latibex versus benchmark indices in 2010



02.4.4. Enersis and Endesa Chile ratings

The ratings assigned by the ratings agencies to Enersis and Endesa Chile improved in 2010: Moody's to Baa3 and Standard & Poors and Fitch to BBB+.

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

On 16 February, Standard & Poor's raised its corporate credit and senior debt rating on Enersis and its subsidiary, Endesa Chile, from BBB to BBB+, with a «stable» outlook, on the back of stronger cash flow, increased reserves and an improvement in the levels of debt coverage.

Then in October 2010, Moody's put the outlook at both Endesa Chile and Enersis under revision for a possible upgrade from «stable».

Key share price data for ENDESA, Enersis and Endesa Chile in 2010

	High	Low	Average	Close	% Annual change	Nº shares traded
Continuous Market						
ENDESA (euros/share)	29.67	13.96	20.3	19.295	–19.42%	154,984,387
Chilean Stok Exchange						
Enersis (pesos/chare)	244.36	198.56	221.83	217.42	–5.84%	1,285,735,218,600
Endesa Chile (pesos/share)	936.64	780.61	862.22	876.70	1.55%	1,578,265,642,000
NYSE						
Enersis (US$/ADR)	25.29	18.34	21.80	23.22	1.57%	3,262,823,154
Endesa Chile (US$/ADR)	57.73	43.11	50.86	56.21	11.82%	1,588,389,916

02.5. Investor Relations and Shareholders' Office Activities

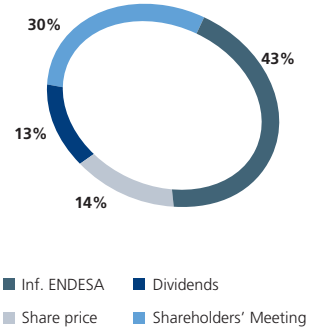
ENDESA maintains ongoing relationships with its shareholders, both private and institutional investors alike, as well as with the leading stock market analysts, and it provides them with a steady stream of detailed information. For this purpose, ENDESA has an Investor Relations Department and a Shareholders'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

02.5.1. Investor relations

The activities of the Investor Relations Department in 2010 included four public presentations to analysts and investors. These presentations focused on the company's quarterly results.

ENDESA held its Ordinary General Shareholders' Meeting on 21 June, 2010, at its headquarters in Madrid. All the points on the Agenda were approved at the meeting, with a record quorum of 93.995% of the share capital.

Type of information requested by ENDESA private shareholders in 2010



02.5.2. Shareholders' Office

ENDESA's Shareholders' Office offers a permanent shareholder relations service to the company's private shareholders. During 2010, 2,626 phone calls were attended, as were 106 visits and a large number of information mailings were also sent out.

One of the main sources of information offered to private shareholders is the «Investors» section of the company's website (www.endesa.es).

Strategy

ENDESA'S 2011-2015 Strategic Plan

On 15 March 2011, ENDESA announced the outline for its 2011-2015 Strategic Plan, the main lines of action of which are broken down by business area below. This presentation formed part of the company's commitment to update its Strategic Plan annually.

01. Strategy in Spain and Portugal

With regards to the business in Spain and Portugal, the aim of the 2011-2015 Strategic Plan is to consolidate the company's revenues and dominant position through the following lines of action:

- Meeting the objectives set out in the Synergy and Efficiency Plan. The company will continue to identify additional sources of synergies with its major shareholder, ENEL, progressing with the implementation of both the Synergy Plan and the Zenith Plan (cost efficiency), and working on new savings initiatives based on the integration of activities.

- Boosting operational excellence with action plans for each area:

  - Distribution. The main aim in this area is to maintain the high levels of service quality, optimising costs per client in order to bring them below the Euro 90 level. There is also a plan to install more than 13 million digital meters as part of the company's remote management project (currently just 150,000 such meters in service).
  - Nuclear. In this area, ENDESA will strive for operational excellence by improving the availability factor at its power stations, which is expected to rise from 74% in 2009 to 91% by 2015. The company also aims to put its plants at the top of the global league table based on safety indicators.
  - Supply. The main aim is to consolidate the company's leading position in the Iberian supply market based on returns. This will be done by improving the selection of products and value-added services and also the levels of customer satisfaction.

- Regulatory management. The future regulatory agenda is likely to include a number of items that are pending review and that will provide the business with greater stability. They will include, among other things, the increase in the tariffs adapted for the new tariff deficit limits, the implementation of the new payment method for the thermal plants based on capacity and availability, and confirmation of the role of nuclear power in the long-term energy mix.

  - Consolidation of the leadership position in the non-regulated market, based on three cornerstones:

  - Installation of new ordinary regime capacity: Tejo II 800 MW combined cycle plant (50% owned by ENDESA), Moralets 400 MW pumping station and the construction of two additional pumping stations, a 19 MW increase in the installed capacity of the Almaraz nuclear plant and the start up of 309 new MW in the non-mainland system, among others.
  - Leading position in supply. The company will consolidate its current 40% share of the electricity supply market and strengthen its position in gas supply, thereby leading the way in terms of dual supply in the deregulated market.

- Energy management strategy. Energy supply is to be optimised with the best possible risk coverage. In 2015, 67% (some 81 TWh) of the company's energy sales in the deregulated mainland market will be covered by its own output (and the remaining 33% through power purchases).

02. Strategy in Latin America

Latin America is the second-fastest growing market in the world in terms of energy demand. According to the International Energy Agency, demand for electricity and gas in the region is likely to grow by around 2.5% per annum through to 2020.

ENDESA is extremely well placed in five of Latin America's most important countries based on estimated GDP growth, country risk and rating. The countries in which ENDESA operates all enjoy upbeat GDP growth prospects (average of nearly 5% per annum). In addition, the level of country risk as measured by the Standard & Poors rating agency is lower in Chile, Brazil, Colombia, and Peru than it is for the region as a whole.

ENDESA's 2011-2015 Strategic Plan for Latin America focuses on growth and operational excellence, and is based on the following lines of action:

- Implementation of the Synergy Plan and Zenith (cost efficiency) Plan. Operational excellence, by way of different initiatives, the most significant being an improvement in the portfolio of generation projects and excellence in the development of new capacity.
  - Growth in generation and distribution: In generation, the growth target is around 1,000 MW of new capacity and in distribution, the aim is to widen the customer base by 1.9 million.
  - Regulation, with the focus on the active management of the tariff review process at ENDESA's distributors: Similarly, there is the potential for a revaluation in Argentina, with the expected resolution of certain regulatory issues critical to the business.

Implementing this strategy requires a specific focus for each country:

- Andean region (Chile, Colombia and Peru). The aim is to confirm the company's leading position by way of organic growth focused on efficiency and the development of new generation projects. The average demand growth expected in these countries during the period covered by the Plan is 4.8% per annum, with the reserve margin expected to drop in both Chile and Colombia.
  Development of new generation projects. In Chile, construction of the 370 MW Bocamina II coal-fired plant (due to come on stream in 2011); in Colombia, the 400 MW El Quimbo hydroelectric station (2014) and in Peru, the 200 MW Talara thermal plant (2013). Work will continue on other projects already in the construction phase, such as the 2,750 MW Hidroaysén hydroelectric plants, Chilean plants: Los Condores (150 mw) and Neltume (490 MW) and the 188 MW Curibamba hydroelectric project in Peru.
  Strong organic growth in distribution. The number of customers is expected to rise by 900,000 and distribution losses should decrease. The outlook for each country is as follows:

  - In Chile, average sales growth of 5.1% per annum and an expansion of the customer base of around 200,000. Losses are expected to be reduced by 0.5% over the 2010-2015 period.

  - In Colombia, electricity sales look set to rise by more than 4.2% per annum, and the customer base by some 500,000. Distribution losses are forecast to fall by 1.2% over the same period.
  - In Peru, electricity sales look set to rise by 5.2% per annum, while the customer base is forecast to grow by 200,000. Distribution losses are expected to be reduced by 0.1%.

- Brazil. The lines of action are likely to focus on capturing the Brazilian market's solid organic growth, which is characterised by rising average demand (around 5% over the next five years) and a low reserve margin. Electricity sales look set to rise by 4.7% per annum, while the customer base is forecast to grow by 900,000. Distribution losses are expected to be reduced by 0.4%. In the generation business, the company expects to expand its project portfolio.
- Argentina. The market environment is one of growing demand and a falling dry reserve margin. In the distribution segment, the customer base is expected to grow by 100,000, with sales rising by an average of 3.7% per annum and distribution losses decreasing by 0.5%.

03. Main Economic/Financial Data (2011-2015)

The main economic/financial data relating to the introduction of the 2011-2015 Strategic Plan are highlighted below.

03.1. Synergy and Efficiency Plan

One of the keys to the Strategic Plan is meeting the targets set for synergies and efficiency, which means achieving ongoing savings of Euro 1,066 million in 2012. 75% of these savings (Euro 804 million) are expected in Spain and Portugal, and the remaining 25% (Euro 262 million) in Latin America.

The Synergy and Efficiency Plan has already produced some very positive results. For example, 2010 saw cost savings of Euro 848 million (including the Zenith Plan), representing 124% of the target set for the year. 80% of the 2012 target has achieved reached during the first three years of the Plan.

03.2. Investment plan

The anticipated Investment Plan will be adaptable to the different potential market scenarios, even though the central scenario assumed is cautious and realistic, given the current economic crisis, and adjusted to reflect the demand outlook.

That said, the company intends to make a considerable investment effort, in keeping with its position as market leader. A total investment of Euro 10,300 million has been earmarked for the 2011-2015 period, 64% of which will go towards maintenance and the other 36% to business expansion. These figures have been adjusted to reflect the demand outlook, and 59% will be directed towards regulated businesses and 41% to those that are deregulated.

53% of the total investment (i.e. Euro 5,500 million) will be channelled into the company's activities in Spain and Portugal and the remaining 47% (Euro 4,800 million) into those in Latin America.

03.3. Financial Results

The financial results envisaged in the Strategic Plan include an EBITDA figure of Euro 7,800 million in 2015, which implies growth largely on the back of the increased contribution from the company's regulated activities.

53% of total EBITDA is expected to come from Latin America and 47% from Spain and Portugal.

Activities

01. Business in Spain And Portugal

01.1. Key data

01.1.1. Presence in Spain

At the end of 2010, ENDESA had 22,471 MW of ordinary regime capacity in Spain, with net output of 65,833 GWh.

Power sold on the deregulated market totalled 106.9 TWh. At year end ENDESA had 11,729,319 supply points. In the regulated market, i.e.; the market made up by customers who receive their electricity supply at the tariffs established by the government, ENDESA distributed a total of 117,670 GWh to final customers.

The company also has a sizeable presence in the natural gas sector. Through companies belonging to Endesa Gas, it was supplying gas to 425,900 customers in the deregulated market at the end of 2010, distributing 9,781 GWh. Gas sales in the deregulated market were 49.7 TWh, 7.1% up on 2009, with over 1,083,729 supply points.

01.1.2. Presence in Portugal

At the close of 2010, ENDESA had installed capacity of 644 MW in Portugal under the ordinary regime (244 MW at Tejo Energia and 400 MW at the first Electas group, already constructed). In the year as a whole, net ordinary regime output totalled 658 GWh, all of which corresponded to its 38.9% stake in Tejo Energía.

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

01.2. Activities in the spanish electricity sector

01.2.1. The Spanish electricity market

According to Red Eléctrica de España (REE), mainland electricity demand, following a decrease in 2009, recovered in 2010, with a rise of 3.28% (2.93% adjusted for working days and temperatures) to 260,230 GWh.

The overall effect of the increase in demand, higher output under the renewable/CHP regime (up 13% on 2009) and higher nuclear output (up 17.1% on 2009) reduced the «thermal gap» and resulted in a decrease in coal-fired output (–34.8%), combined-cycle output (–17.4%), fuel gas output (–12.3%).

In contrast, the higher rainfall levels meant that hydro output for the sector as a whole rose to 38,738 GWh in 2010, up 62.4% year-on-year, although this was easily outpaced by wind-powered generation which grew 18% to 42,702 GWh.

01.2.2. Electricity Generation

01.2.2.1. Ordinary regime

Installed capacity and power produced under the ordinary regime

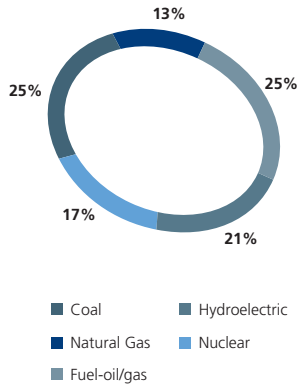
Of ENDESA's total installed capacity at the end of 2010, 22,471 MW related to ordinary regime facilities. Of this amount, 17,474 MW corresponded to the mainland electricity system and the remaining 4,998 MW to the Balearic and Canary Islands and the Spanish enclaves of Ceuta and Melilla.

ENDESA had a total net output of 65,833 GWh between mainland ordinary regime and non-mainland generation, a decline of 3.9% compared to 2009.

On the mainland, in line with the performance of the overall electricity sector, generation dropped 4.5% compared with 2009. There were reductions in domestic coal-fired output (–64.4%), combined cycle output (–37.8%), and imported coal-fired output (–19.7%), while hydroelectric and nuclear output rose by 7.9% and 22% respectively.

Non-mainland output registered 14,250 GWh, 1.6% down on 2009.

Structure of O.R. Installed Capacity in Spain as at 31/12/2010



ENDESA electrical energy output in busbars *(GWh)**

	2010	2009	% Var	% s/total
Hydroelectric	9,208	8,533	7.9	14.0
Nuclear	27,619	22,630	22.0	42.0
Domestic coal	1,848	5,188	–64.4	2.8
Imported coal	8,939	11,129	–19.7	13.6
Fuel-oil/gas	55	213	–74.3	0.1
CCGT	3,915	6,294	–37.8	5.9
Total mainland	**51,583**	**53,987**	**–4.5**	**78.4**
Non-mainland	14,250	14,488	–1.6	21.6
Total	**65,833**	**68,474**	**–3.9**	**100.0**

New facilities, extensions and operational upgrades

Below is a list of the main infrastructure projects developed, started or completed by ENDESA during 2010 in Spain and Portugal:

Mainland system

- Start up and commercial operation of the 859 MW Besós 5 combined cycle plant in Barcelona.
- Start up and commercial operation of the first unit (Unit 30) of the 400 MW Pego combined cycle plant (Abrantes, Portugal), the second unit (Unit 40), with similar capacity, is at the final-testing stage.
- Start up and commercial operation of the modification of the coal-fired operation at the Compostilla thermal plant (León).
- Commercial operation of the combustion gas desulphurisation plant at Group 1 of the Litoral thermal plant (Almería).

- Installation of low-emission NOx burners at Group 2 of the Teruel thermal plant and at Group 3 of the Compostilla thermal plant, and at Group I of the Litoral thermal plant.
- Start up of a new starter transformer at the Cristóbal Colón combined cycle plant in Huelva.
- The commencement of engineering work on the ash deposit excavator belts at the Litoral thermal plant.
- Preparation and presentation of dam emergency plans.

Balearic Islands

- Start up and commercial operation of the heat turbine at Ca`s Tresorer 2 combined cycle group at the thermal plant under this same name, in Mallorca, thereby completing the plant's 215 MW capacity.
- Start up and commercial operation of the natural gas regulation and measuring stations at the Ca's Tresorer and Son Reus plants in Mallorca.
- Commencement of the installation project for the natural gas regulation and measurement station at the Ibiza diesel plant.
- Commencement of the assembly process for the adaptation of the Ca's Tresorer generation facilities for the use of natural gas, and preparation for similar activities for the adaptation of the Son Reus plant.
- Start up and commercial operation of a fuel treatment facility at the Mahón diesel plant in Menorca.
- Start up of the four gas turbines at the Son Reus 2 and Ca's Tresorer 2 cycles running on natural gas.

Canary Islands

- Start up and commercial operation of two open-cycle gas turbines (152 MW) at the combined cycle plant, Granadilla 2 (Tenerife), and continuation of the construction and assembly of the combined cycle phase.
- Commencement of the projects involving the installation of systems for the reduction of NOx emissions in the gas turbines at the following plants: Candelaria (Tenerife), Jinámar (Gran Canaria), Las Salinas (Fuerteventura), Punta Grande (Lanzarote) and Arona (Tenerife).

Ceuta and Melilla

- Start up and commercial operation of a 12 MW group at the diesel plant in Ceuta.
- Start up and commercial operation of the modification of the refrigeration piping at the Melilla diesel plant.
- Commencement of building work on the new effluent treatment plants at the Ceuta and Melilla plants.

01.2.2.2. Renewables/CHP

On 17 March 2010, the respective Boards of Directors at ENDESA and Enel SpA approved the integration of the Spanish and Portuguese renewable energy activities of ENDESA and Enel Green Power SpA (EGP) into a single entity within the sphere of consolidation of EGP, a fully-owned company of Enel SpA, dedicated to the development of renewable energy worldwide.

As a result of this operation, the renewable assets of ENDESA and Enel in Spain and Portugal are now managed and developed via a single platform, Enel Green Power España, in which ENDESA and EGP hold stakes of 40% and 60% respectively.

01.2.3. Mining: coal extraction and land reclamation

In 2010, ENDESA had three coal mining operations in Spain, all of them open cast: one in the region of Andorra, Teruel (Gargallo Oeste pit), one in the Guadiato basin, Córdoba (Ballesta Este pit), and the other in Puertollano, Ciudad Real (Emma pit). In October of last year, the Ballesta Este pit was finally closed down, after 50 years in operation for ENDESA, via its subsidiary, Encasur.

Total coal output reached 1.8 million tonnes in 2010, equivalent to 5,950 million therms. This represented a 1% rise on 2009 and accounts for roughly 20% of Spain's national coal output.

ENDESA mining output by type of coal

Millions of therms LHV

Producer	Type of coal	2010	2009	% var.
Endesa Generación	Black lignite	1,772	1,739	+1.9
Encasur	Bituminous	4,178	3,845	+8.7
Encasur	Anthracite	—	307	–100.0
Total		**5,950**	**5,891**	**+1.0**

Coal sales were significantly lower than output, falling 18% versus 2009. This is a common trend across the whole sector and is due to the reduction over the last few years in the «thermal gap» available for conventional generation using domestic coal, a situation that has been further aggravated by weak demand and the high penetration level of renewable energies and natural gas.

Over the course of the year, there were significant delays in Encasur's supplies to E.On and Elcogas, although these were partially offset by the agreements of the Monitoring Commission for the Coal Plan 2006/2012 (12% reduction in thermal supplies) and by the agreements with E.On in accordance with prevailing contracts.

Of the total coal supply figure (1.5 million tonnes, equivalent to 4,903 million LHV therms), 41% went to Endesa Generación, 1% to the subsidiary, Elcogas, 44% to E.On Generación, and the remaining 11% to Almacenamiento Estratégico Temporal de Carbón managed by HUNOSA.

As for land reclamation and execution of end-of-activity plans, it is worth drawing attention to the environmental restoration carried out at the Andorra, Peñarroya, and Puertollano plants, in tandem with the exploitation phase. It is also worth highlighting the end-of-activity project at the As Pontes mine, which has involved the restoring of the hole left behind by the mine with a natural lake of high ecological and landscape value. So far this year, and as a result of high rainfall levels, the filling process has progressed well, with a substantial improvement also in the quality of the new water.

01.2.4. ENDESA in the regulated electricity market

On 1 July 2009, the Spanish electricity market was fully deregulated following the liberalisation of the retail market and the separation of energy distribution and energy supply activities. Since this date, Endesa Distribución has only worked with grid-access contracts.

In Spain, ENDESA distributes electricity to a market covering 20 provinces in nine autonomous regions (Catalonia, Andalusia, the Balearic Islands, Canary Islands, Aragon, Extremadura, Castile-Leon, Navarra and Valencia), covering 208,000 km^2 and with a total population of around 22 million.

In 2010, el number of distribution customers grew 0.6% year-on-year to 11.8 million.

ENDESA's network supplied 117,670 GWh of power in 2010 measured at busbar cost, a reduction of 1.9% on 2009.

	2010	2009	2010 *vs.* 2009
N.º of Customers	11,786,168	11,716,824	0.6%
Power contracted in Distribution (GW)	80.6	79.4	1.5%
Energy distributed measured at busbar cost (GWh)	**117.670**	115.467	1,9%

01.2.4.1. Development of distribution infrastructure

In 2010, ENDESA's distribution grid lines were increased by 1.6%, to 317,275 km. Underground lines accounted for 39% of this total.

During the year, 38 new high and medium-voltage substations came on stream, putting the total number of substations at 1,242 at year-end.

In addition to the development of this infrastructure, a number of projects to improve the quality of supply were carried out. These included increasing maintenance work, upgrading facilities and improving the automation of the high and medium-voltage networks. As a result, the company continued to roll out its Medium-Voltage Grid Automation Plan, with a total of 23,280 remote-controlled elements.

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

ENDESA distribution facilities

	2010 year-end	2009
High-voltage lines (km)[1]	18,200	20,348
Underground high-voltage lines (km)[1]	680	1,076
Medium-voltage lines (km)	80,570	79,318
Underground medium-voltage lines (km)	38,098	37,006
Low-voltage overhead lines (km)[2]	94,752	93,902
Low-voltage underground lines (km)[2]	84,974	80,686
Substations (nº)[1]	1,242	1,234
Substations (MVA)[1]	82,727	83,216
Transformer centres (number)	127,843	123,024

[1] Transmission assets were sold in 2010.
[2] Lower-voltage network figures are estimated.

Highlights of infrastructure that came on stream in 2010 include:

- In Aragón, the following new substations: Pitarco, PLFraga, Santa Eulalia, and Sariñena and also the expansion of the Fuendetodos, Los Leones and Espartal substations.
- In the Balearic Islands, the new Bossa and Capdepera substations.
- In Catalonia, building work on the Eixample, Anoia and Els Aubals substations and also on the Reus substation.
- In the Canary Islands, the Tablero substation.
- In Andalusia, new substations at Tomillar, Jaralillos, Cubillo, and Axarquia and also the expansion of Dos Hermanas substation and the 66kV Jerez-Montealto line.
- In Extremadura, the new 66 kV lines at Cierre Nevero, Mérida-Prado and Las Vaguadas.

01.2.4.2. Transmission

Article 35.2 of Act 17/2007 amending Electricity Sector Act 54/1997 stipulates that the transmission network manager (Red Eléctrica de España) will be the sole transmission system operator, on an exclusive basis.

As a result, ENDESA and REE signed a contract on 1 July 2010 by virtue of which the former sold to the latter all its transmission assets. The transaction includes the sale of 120 substations and over 2,500 km of network, primarily in the Canary Islands and the Balearic Islands. The transaction marked a step towards the consolidation of the Spanish sole transmission system operator model.

01.2.4.3. Continuity of supply

In Spain, the indicators used to measure the continuity of supply are the Time of Equivalent Supply Interruptions (Spanish initials TIEPI) and the Number of Equivalent Supply Interruptions (Spanish initials NIEPI). The procedures for calculating these are regulated by Royal Decree 1955/2000, and the results are audited annually by an independent company.

In 2010, the Time of Equivalent Supply Interruptions in markets supplied by ENDESA was 71 minutes, one minute more than in 2009. This implies availability of service equal to 99.98% of total hours for the year. The Number of Equivalent Interruptions was 1.6, a 10 basis point improvement on 2009.

All the cities and urban areas supplied by ENDESA enjoy levels of service quality that are on a par with those of the main cities in Europe. The Time of Equivalent Supply Interruptions in the main provincial capitals of Spain in which ENDESA distributes electricity are around 30 minutes/year and in a third of these (Teruel, Palma de Mallorca, Almería, Girona, Huesca and Las Palmas de Gran Canaria) it is 20 minutes/year or lower.

Aside from interruptions related to the distribution grid, there were a high number of supply interruptions in Girona and the Canary Islands during 2010 due to weather conditions classified as «force majeure».

01.2.5. ENDESA in the deregulated market

On 1 July 2009, the process to gradually eliminate regulated tariffs in the Spanish market was completed, with the abolition of low-voltage tariffs (for low consumption companies and the residential segment), which were the only ones remaining.

As of then, all customers who were still paying official tariffs to a distribution company were transferred by law to the Suppliers of Last Resort (SLR) appointed by the Ministry of Industry, Tourism and Commerce. For the area covered by Endesa Distribución, Endesa Energía XXI, S.L.U was appointed as SLR, and at 31 December 2010 it was supplying and attending 9.8 million customers, 9.5 million of which were residential customers.

For those customers with up to and including 10 kW of power contracted and who do not wish to negotiate a contract with an electricity supplier, the Tariff of Last Resort (TLR) was set up, this being the only price at which the SLR can supply power to these customers This tariff is published by the government quarterly and is based on an additive cost mechanism designed to ensure that the real costs of the SLR are covered. However, the CESUR auctions (pool auctions of bilateral contracts for the supply of energy at established rates) have not provided sufficient coverage for the total power required by the SLRs, and the supply strategy costs recognised by the TLR are also insufficient.

ENDESA supplied 106.9 TWh of power to deregulated customers in 2010. This represents 40.1% of the total power supplied, making it the undisputed leader in the sector. It is worth noting that the company's average share of overall supply in those areas not covered by its distribution grid exceeded 14%.

01.2.5.1. ENDESA'S customer service channels

ENDESA has an extensive customer service network and a Customer Service Excellence Plan, the main aim of which is to improve the leading indicators of customer satisfaction.

The volume of interactions between the company and its customers was the same as before the introduction of the latest regulatory changes (monthly invoicing, and the definitive end to regulated tariffs).

The customer service channels dedicated to Large Customers and Companies are staffed by over 400 Sales Managers across the whole country, and there is also a dedicated telephone line and an internet channel.

The domestic segment of these channels consists of 29 Sales Offices and 413 Service Outlets throughout the country, 7 telephone hotline platforms that received nearly 18 million calls in 2010, and an online office (www.endesaonline.com) with more than 550,000 registered users who engaged in more than 8.3 million interactions during the course of the year.

01.2.5.2. Customer services excellence plan

ENDESA's Customer Service Excellence Plan focused on four main items in 2010: reducing the time needed to contract supplies, improving the level of customer satisfaction (progress made in telephone service and claims), improving billing procedures (new services for the mass market and electronic billing for Public Authorities) and improving the supply variables (modelling variables that affect overall satisfaction and more useful customer contact information).

Among the results obtained, it is worth highlighting the 14% reduction in the time needed to contract supply, the 7% improvement in customer satisfaction with the phone-based service in the domestic segment and the 2% improvement in meter-reading and billing procedures, in addition to advances in the procedures for sales, activations, quality control, contracting.

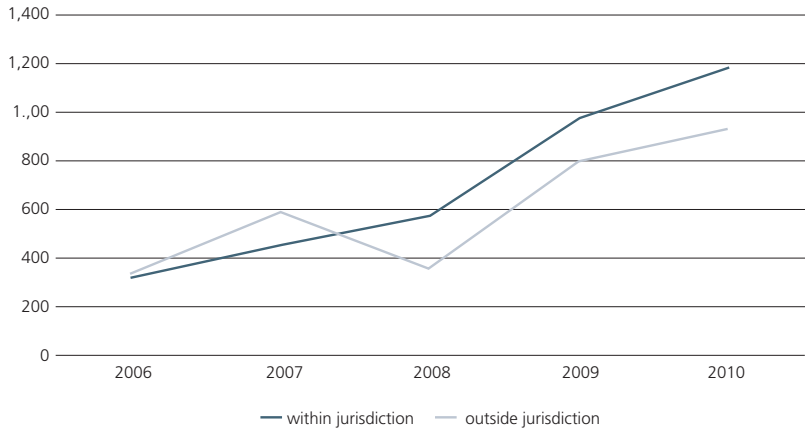
01.2.6. ENDESA's Customer Ombudsman

ENDESA's Customer Ombudsman works independently from the company's management teams and was appointed to provide customers with an additional means of dialogue in connection with the services provided by the company in the Spanish market. It listens to external and in-house representatives, before then proposing to the company new ways of understanding customer needs, in order to try and improve the quality of service.

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

In 2010, ENDESA's Customer Ombudsman's office received a total of 2,104 complaints, 19% more than in 2009. Of these, 1,182 related to the Ombudsman's area of responsibility, 21% more than the previous year. 36% of the complaints related to billing, 21% to the quality of supply, 13% to meter readings, 14% to contracting services, and 8% to receipts and other items.

Trend in complaints received

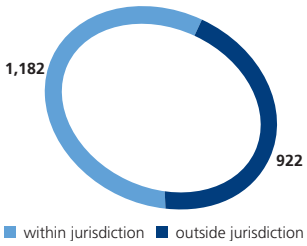


89% of the complaints were resolved satisfactorily (80% by way of agreement between the company and the customer, 18% with the help of the Ombudsman and the remaining 2% by other means).

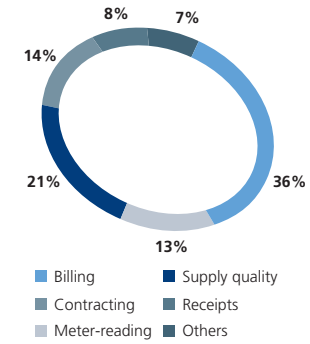
During the course of 2010, the Ombudsman recommended a series of improvements regarding the following items:

- Refunding the guarantee deposit on cancellation of a contract.
- Information regarding consumption estimates on bills.
- Controls to avoid supply cuts to customers who have a track record of paying on time.
- Special treatment of repeat complaints relating to the supply cycle.
- Communication of the report on the damage to receivers caused by incidents on the Catalonian electricity grid.

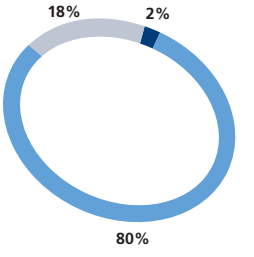
Complaints received 2010



Type of complaints received



Cases closed in 2010, according to type of resolution



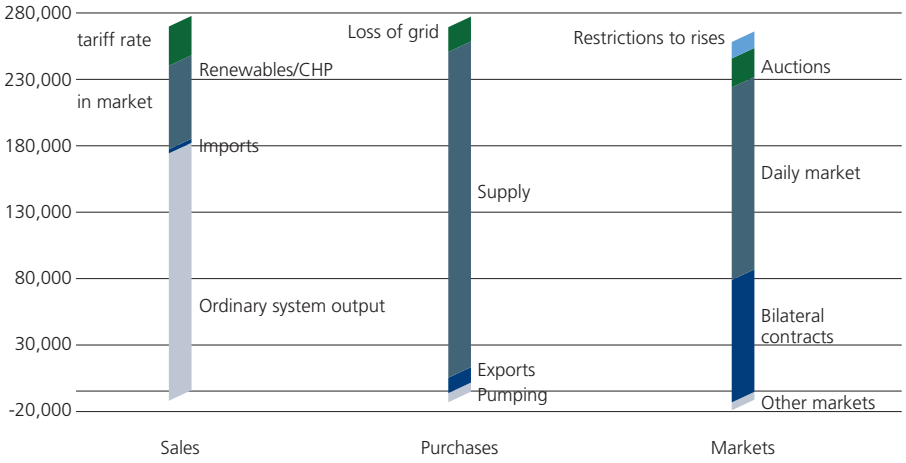
01.2.7. ENDESA in the wholesale market

01.2.7.1. Spain's wholesale electricity market

In 2010, the amount of energy in the Spanish electricity market destined for end customer sales, through distributors and suppliers, for export and for covering the consumption of the system itself (grid losses, auxiliary consumption by power stations and pumping consumption) reached 260,230 GWh.

Of this total energy supply, 50% was obtained in the OMEL day ahead market, 30.9% from bilateral contracts, 7.5% from auctions, 1.8% in REE operations markets and the rest, some 9.8%, was acquired directly from distributors at the renewables/CHP tariff rate.

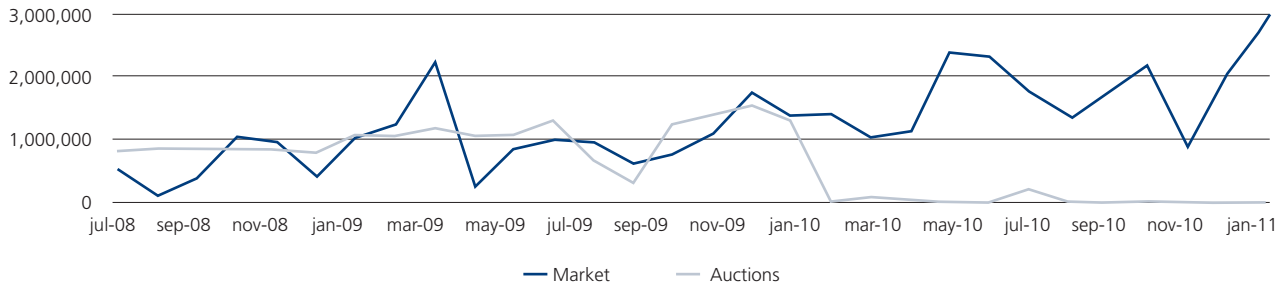
Sales and purchases in the mainland system *(GWh)*



In 2010, 55,244 GWh were purchased through OMIP forward contracts, 1% through auctions and the remainder through continuous trading.

OTC forward contracting through financial contracts also accounted for 29,458 GWh over the year.

OMIP volume traded *(MWh)*



01.2.7.2. Electricity auctions in the wholesale market

In the first quarter of 2010 the last of the options that the main market operators were forced to auction off within the OMEL framework were exercised. The exercising of these options implied the sale of 209.25 GWh for ENDESA.

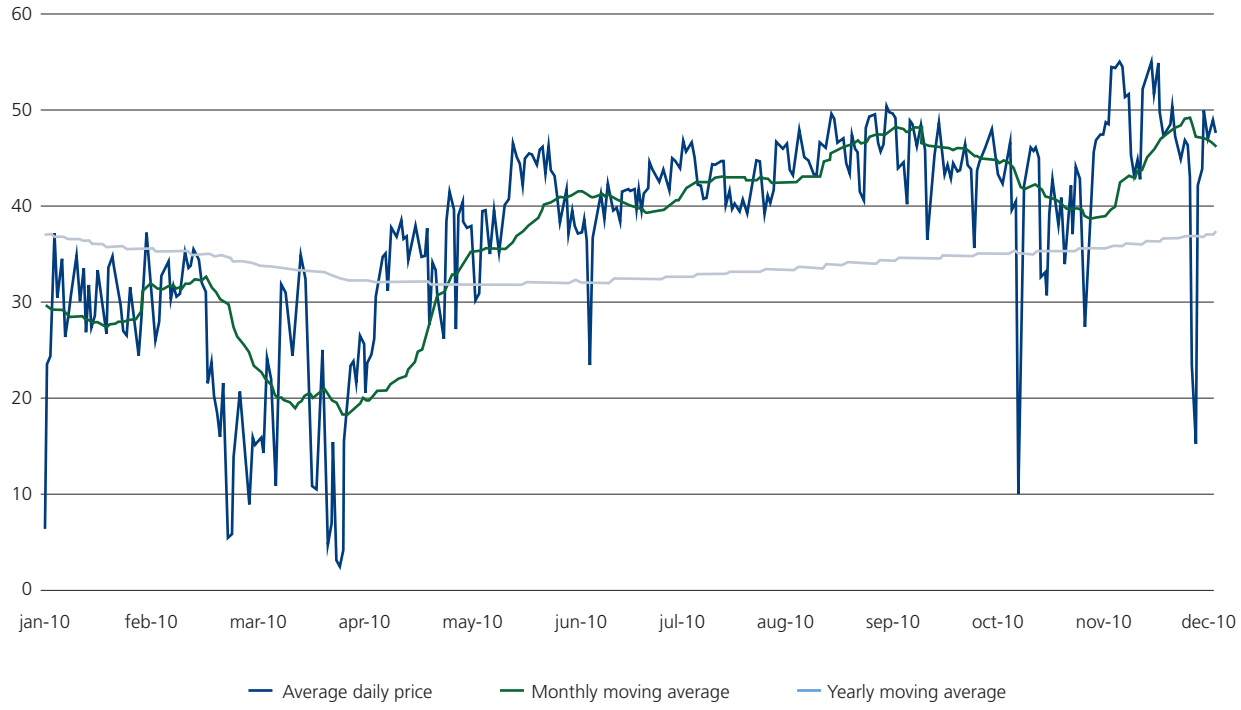
At the same time, the suppliers of last resort (SLR) operating in the Spanish Market took part in the CESUR auctions in accordance with purchases made during 2010 (roughly 40% of the energy auctioned off was supplied by ENDESA).

01.2.7.3. Electricity price trends in the wholesale market

The daily arithmetic average price was Euro 37.01/MWh in 2010, compared with Euro 36.96/MWh in 2009. Average weighted prices over the same periods were Euro 37.92/MWh and Euro 37.68/MWh respectively.

Given that in 2010 the stranded costs in forward markets added Euro 3.89/MWh to the average price and capacity payments Euro 1.8/MWh, the final year-end price was Euro 43,6 €/MWh[1], a year-on-year increase of 3%. This rise was driven mainly by the recovery in fuel prices.

Average daily price in 2010

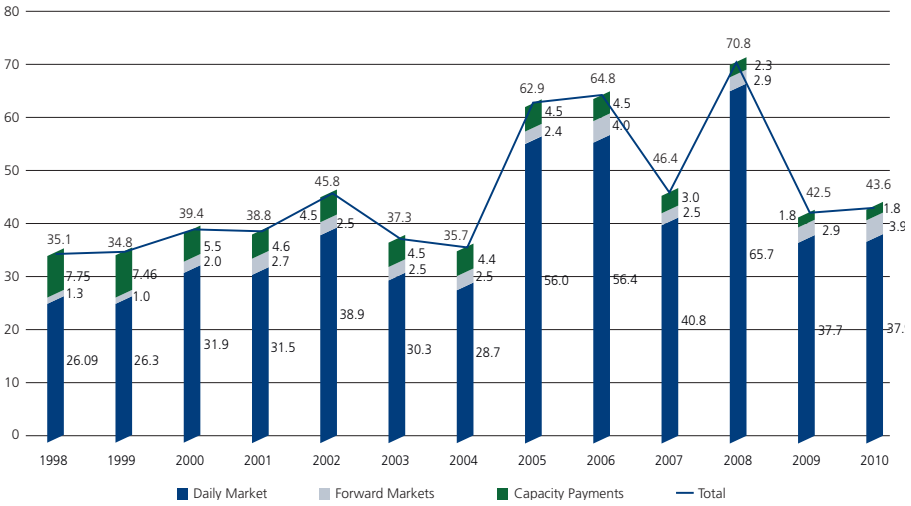


The increases in energy prices (2010 versus 2009) were as follows: imported coal (API2): 41%, gas (NBP): 65% and CO_2: 10%.

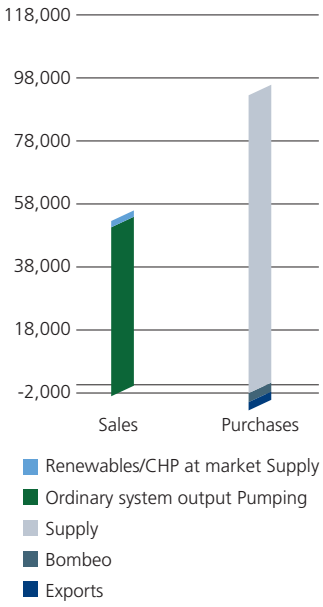
At the same time, the increase in hydroelectric and wind power output helped to contain the market price, despite the rise in fuel costs.

[1] In order to calculate the units, revenues from all the other markets and capacity payments have been assigned based on the amounts of energy purchased in the OMEL day ahead market.

Breakdown of price *(€/MWh)*



ENDESA sales and purchases *(GWh)*



01.2.7.4. Purchases and sales in the wholesale market

In 2010, ENDESA sold 54,266 GWh on the wholesale market, 21.8% of total mainland energy supply (the sum of ordinary regime, renewables/CHP output and imports).

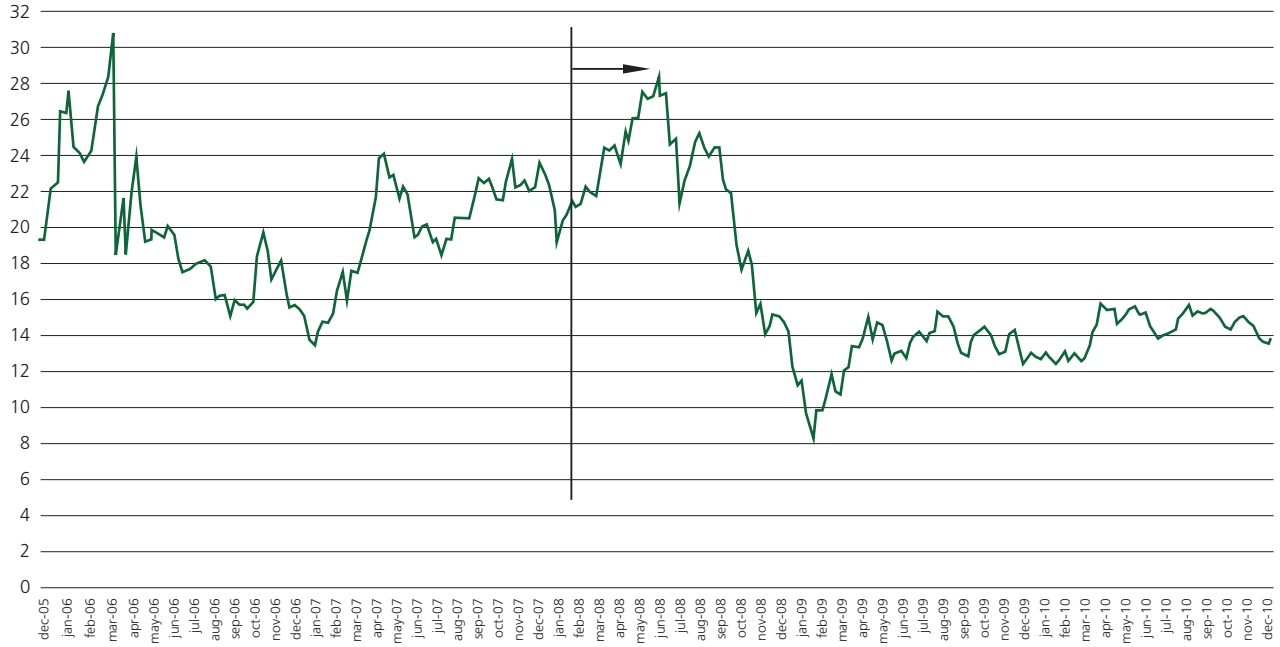
Almost 74% of the company's sales were the result of bilateral contracts and the remaining 26% were in the OMEL and REE markets.

ENDESA acquired 101,519 GWh of power on the wholesale market, of which 94.5% was used for supply and the rest for pumping consumption and exports.

01.2.7.5. CO_2 market: meeting ets commitments

In 2010, ENDESA continued to apply its environmental policy within the framework of the European emissions trading scheme (ETS) to comply with the objectives of the Kyoto Protocol. The company played an active role in the main European OTC and organised markets (Bluenext and ECX) and had accounts open in different registers to optimise the management of its emissions rights position.

Emission rights trading prices for Phase II of the ETS



ENDESA's allocation for emissions under the Spanish National Allocation Plan (NAP) was 24.27 million tonnes in 2010 (including non-mainland facilities), of which 19.23 million tonnes have been used.

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

01.2.8. Fuel procurement

In 2010, increased CHP/Renewables and nuclear output (versus 2009) resulted in a smaller «thermal gap», to the detriment of coal, natural gas and liquid fuels, forcing active purchases in all the physical wholesale and financial markets.

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

Fuel supplied to ENDESA, including own output

	2010	2009	
	Total	Total	Dif. %
Domestic Coal (kt)	1,320	3,613	–63.5
Imported Coal (kt)	4,991	7,049	–29.2
Oil Coke (kt)	5	413	–98.9
Liquid Fuel (kt)	2,734	2,721	0.5
Natural Gas Bicomb (M. m^3)	29	95	–69.4
Natural Gas CCGT (M. m^3)	3,607	1,126	220.5

* Includes non-mainland. Excludes supply to third parties.

ENDESA supplied 6.3 million tonnes of coal in 2010, a year-on-year decrease of 43%. In terms of liquid fuel, the company managed 1.6 million tonnes of fuel-oil and 1.07 million tonnes of gasoil, 7.8% less and 1.4% more than in 2009 respectively. Over the same period, it supplied 3.3 million tonnes of coal to third parties, 84% more than in 2009.

Lastly, Endesa Generación managed 0.9 bcm of gas for combined cycle consumption, while Endesa Energía managed 2.96 bcm for distribution (includes 0.23 bcm destined for third parties).

01.2.9. Risk management in the electricity business

ENDESA's results in Spain and Portugal are subject to uncertainty because of their exposure to the electricity, fuel and CO_2 emission rights markets, etc.

The company's internal risk management policy establishes, among other concepts, limitations on both added risk (risk margin) and portfolio risk (value at risk in the business portfolio or exposure to counterparty credit). In 2010, an appropriate balance was obtained between margin and risk.

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

The hedge strategy applied in 2010 took into account commercial sales activity, according to which ENDESA sells a greater volume of electricity than it actually generates, and the reduction of spreads in coal and gas plants.

This strategy combines dynamic delta strategies for thermal generation assets that minimise risk and capture the option value of these assets, together with power purchase programmes in wholesale markets to cover short positions resulting from the sale of electricity. The hedging strategies on short positions provide additional value in high-wind and low-demand scenarios.

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

The implementation of these strategies has allowed the company to maintain a low level of risk, always within established limits.

In the CO_2 emission rights market, it is noteworthy that ENDESA has a large portfolio of CDM projects that generate sufficient CERs at competitive prices for 2010-2012, managing the surplus by optimising the wholesale markets.

01.3. Activities in the portuguese electricity sector

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

01.3.1. Generation

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

In 2010, the Pego plant produced 1,692GWh (658 GWh corresponding to ENDESA's 38.9% stake), a figure that represented 3.2% of Portugal's total electricity consumption.

Maintenance of this plant is the responsibility of PEGOP, in which ENDESA controls a 50% stake. It also holds a 50% stake in Carbopego, the company that buys the plant's coal.

At the same time, Endesa Generación Portugal holds a stake of 50% in Elecgas, the company that is currently building an 800 MW combined cycle plant (2 400 MW groups), at which the provisional acceptance certificate was completed on the first group at the end of 2010.

01.3.2. Supply in the deregulated market

Electricity consumption in Portugal's deregulated market rose sharply in 2010, accounting for 49% of the total figure by the end of the year.

ENDESA continues to develop and strengthen its supply business in Portugal across all its market segments. At year-end 2010, the customer portfolio in electricity exceeded 4,400 GWh/year of consumption, with more than 4,300 supply points, the most important section being that between 10 and 50 GWh/year, in which the company obtained a market share of more than 21%.

Portugal's gas market underwent significant growth in 2010 (more than 10% versus 2009). ENDESA's gas portfolio there is made up of 6 industrial customers and 8 supply points with annual consumption of 285 GWh.

In addition to its electricity and gas sales, the company continued working to develop added-value products and services in order to increase the value of its portfolio and the loyalty of its customers, in accordance with its strategy of strengthening its commercial structure to ensure good domestic customer services.

01.4. Natural gas business in spain

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

01.4.1. The Spanish natural gas market in 2010

Natural gas consumption in Spain slipped slightly in 2009 (–0.3% versus 2008). Sales reached 401 TWh, including demand from electricity generation plants, which accounted for 34% of the total. Conventional demand from end customers (i.e. excluding demand from power plants) rose 10% versus 2009.

In all, 99.7% of total Spanish market demand was covered by imports: 30% from Algeria, 21% from Nigeria, 15% from Qatar, 9% from Trinidad and Tobago, and 8% from Egypt.

01.4.2. ENDESA in the Spanish natural gas market

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

At the end of 2010, ENDESA sold 80% of its holdings in the main gas distributors, including Endesa Gas Distribution and Gas Aragón. It also sold 20% of its stake in the Sagunto regasification plant and 21% of Reganosa.

01.4.2.1. Gas sales in the deregulated market

Conventional deregulated market

As at 31 December 2010, ENDESA's customer portfolio in the conventional deregulated natural gas market (excluding sales for electricity generation) was made up of 1,083,801 supply points, with an annual consumption of 49.7 TWh, an increase of 7.1% on 2009.

Over the twelve-month period, these supply points sold 41.2 TWh (excluding the gas supplied to the power stations), 21.6% more than the previous year, 2.2 TWh of which was energy sold to French and Portuguese customers.

Electricity generation plant market

Sales of natural gas to electricity generation plants (bi-combustible and combined cycle plants) totalled 10.7 TWh in 2010.

ENDESA's share of the deregulated market in Spain (including the generation market and the conventional deregulated market) stood at 12.3% in 2010, 30 basis points more than in 2009, and consolidated the company's position as the second ranking gas supplier in Spain.

01.4.2.2. ENDESA in the regulated gas market

ENDESA operates in the Spanish natural gas sector through Endesa Gas, the umbrella for its natural gas transport and distribution business interests in Spain.

In 2010, the company agreed to sell 80% of Endesa Gas to several infrastructure funds managed by Goldman Sachs, maintaining the remaining 20% and also a call option on the stake sold.

Following this deal, Endesa Gas continues to distribute natural gas via D.C. Gas Extremadura and Gasificadora Regional Canaria, S.A.

At the close of 2010, Endesa Gas was supplying natural gas to 425,900 consumers in nine Autonomous Communities, distributing a total of 9,781 GWh, a 3% increase in the number of customers and a 19% increase in the amount of energy distributed versus 2009.

The gas transport companies (Endesa Gas Transportista, S.L. and Transportista Regional de Gas, S.A.) brought an additional 685km of new pipeline on stream in 2010, and they have a further 1,045km under construction or at the project stage. The distribution companies built an extra 143km of pipeline, to leave the total network at 4,033km by the year end.

01.4.2.3. Reception, storage and regasification

In 2010, ENDESA sold its stakes in two LNG reception, storage and regasification plants :

Reganosa, in Mugardos (La Coruña). The 21% stake was sold to the Galicia Autonomous Community and Grupo Tojeiro (Gallega de Distribuidores de Alimentación S.S. and Forestal del Atlántico, S.A.).

Planta Regasificadora de Sagunto, S.A. The 20% stake (the result of a 40% stake in the Iniciativas del Gas S.L, owner of 50% of Planta Regasificadora de Sagunto, S.A.) was sold to Osaka Gas UK LTD.

In addition, ENDESA owns a 47.18% stake in Compañía Transportista de Gas Canarias, S.A. (Gascan), which is developing two LNG reception, storage, and regasification plants in the Canary Islands. Each of these plants has a planned storage capacity of 150,000 m^3 of LNG and natural gas regasification capacity of 150,000 $m^3/(n)/h$ (1.31 bcm/year).

Lastly, ENDESA has a 12% holding in the Medgaz project to construct a direct gas pipeline between Algeria and Spain, via Almería, which will carry 8 bcm of natural gas a year. 2010 saw completion of the construction of the overland terminals in Spain and Algeria and in November, start up tests were carried out on the pipeline.

02. The Latin American business

ENDESA is the leading private electricity multinational in Latin America and the largest electric utility in Chile, Argentina, Colombia and Peru. It also has a sound position in Brazil.

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

02.1. Key technical data

The companies in which ENDESA has interests in Latin America had total installed capacity of 15,835 MW at the close of 2010. Their aggregate output in the year was 62,416 GWh — 0.6% less than the previous year — with sales of 67,275 GWh, i.e. 5.5% more than in 2010, to a total of 13.3 million clients.

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

ENDESA is firmly committed to protecting the environment in these countries. As evidence of this, at the end of 2010, all of ENDESA's installed capacity in Latin America and that of its six distributors in the region had ISO 14001 environmental certification.

ENDESA's Latin American investees are also firmly committed to the principles of Corporate Social Responsibility. On an internal level, they give priority to personal health and safety and work proactively in this area. It has obtained certification for occupational health and safety management systems at its workplaces, under the OHSAS 18001 standard, which all the companies in the region had obtained at the end of 2010, while efforts were being made to ensure that sub-contractors were also certified according to the same standard. Externally, ENDESA's Latin American companies have developed a large number of social welfare projects, which are described in greater detail in the section on Social Initiatives in this report.

02.2. Breakdown of ENDESA'S operations in Latin America by country

02.2.1. Chile

Chile accounts for 32.1% of ENDESA's EBITDA in Latin America with 3,049 people employed by the group's companies in the country.

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

Through this holding in Enersis, ENDESA has an interest in Endesa Chile, the main generator in Chile, which owns 5,611 MW of capacity either directly or through its investees. Enersis holds a 59.98% stake in Endesa Chile.

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

Also, through Enersis, ENDESA holds a 99.08% controlling interest in the distributor Chilectra which has 1.6 million customers. Enersis also has significant holdings in companies conducting other activities in Chile and elsewhere in Latin America.

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

02.2.2. Brazil

Investments in Brazil are grouped together in the Endesa Brasil holding company, which accounts for 29.5% of ENDESA's EBITDA in Latin America. The company has a total workforce in Brazil of 2,946 employees.

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

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

In the distribution segment, ENDESA manages Ampla and Coelce in which it has controlling interests of 91.94% and 58.86%, respectively. Ampla distributes electricity to 2.6 million customers in the state of Río de Janeiro, while Coelce, which is listed on the São Paulo stock exchange, sells energy to 3.1 million customers in the state of Ceará.

02.2.3. Colombia

Colombia accounts for 24.5% of ENDESA's EBITDA in Latin America with 1,971 people employed by the group's companies in the country.

ENDESA holds a 48.48% stake in Emgesa, the country's largest generation company, with 2,914 MW of installed capacity.

ENDESA also holds a 48.48% controlling stake in the distribution company, Codensa, which supplies power to 2.5 million customers in Bogotá and to many towns in neighbouring areas. Furthermore, Codensa holds a minority stake in Empresa de Energía de Cundinamarca (EEC), which supplies more than 230,000 customers in the Cundinamarca region.

02.2.4. Peru

Peru accounts for 9.2% of total EBITDA in Latin America and the companies in which ENDESA has interests employ a total of 1,197 people.

ENDESA manages a total capacity of 1,801 MW in this country. It has an 83.60% controlling interest in the generation company Edegel, which has capacity of 1,668 MW and owns 95% of Empresa Eléctrica de Piura (Eepsa), with capacity of 133 MW.

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

02.2.5. Argentina

Argentina accounts for 4.7% of ENDESA's EBITDA in Latin America, while the group's companies in this country have a total workforce of 3,264.

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

In the distribution business, the group holds a 72.10% stake in Edesur, which supplies electricity to 2.4 million customers in the southern part of Buenos Aires.

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

02.2.6. Central America

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

Work on the infrastructure is being carried out by Empresa Propietaria de la Red (EPR). ENDESA holds an 11.1% stake in this company and is responsible for its executive management.

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

02.3. Generation

02.3.1. Key Data

At year-end 2010, ENDESA's generation investees in Latin America had a total installed capacity of 15,835 MW, i.e. 0.1% less than at year-end 2009. The decrease is mainly due to the closure of the 23 MW second unit at the Diego de Almagro plant and the 16 MW Huasco Vapor plant, both in Chile, although this was partly offset by the commissioning of the 20 MW San Antonio facility in Colombia.

ENDESA installed capacity in Latin America

		MW	
	2010	2009	% change
Chile	5,611	5,650	–0.7%
Argentina	4,522	4,522	0.0%
Colombia	2,914	2,895	0.7%
Peru	1,801	1,800	0.1%
Brazil	987	987	0.0%
Total	**15,835**	**15,854**	**–0.1%**

ENDESA's total electricity output in Latin America was 62,415 GWh in 2010, a year-on-year decrease of 0.6%.

ENDESA electricity output in Latin America

		GWh	
	2010	2009	% change
Chile	20,914	22,239	–6.0%
Argentina	15,991	15,806	1.2%
Colombia	11,283	12,674	–11.0%
Peru	9,133	8,728	4.6%
Brazil	5,095	3,320	53.5%
Total	**62,416**	**62,767**	**–0.6%**

02.3.2. Generation plants and projects

The main activities related to generation carried out by ENDESA's Latin American companies in 2010 are detailed below.

02.3.2.1. Chile

- Construction work continued on the Bocamina II coal-fired plant, which will contribute 370 MW of power to the grid, ensuring the security of supply in Chile. It is expected to come on stream at the end of 2011.
- Work continued on the Quintero GT gas plant to bring it up to full operational capacity and was completed at the beginning of 2011. The plant will be able to process up to 9.6 million cubic metres of liquefied natural gas per day and will have storage capacity for 320,000 cubic metres. This terminal plays a key role in supplying gas to Chile's central region and also supplies fuel to the San Isidro II CCGT power station and the Quintero GT plant, and other facilities.

- An environmental study for the 490 MW Neltume Hydroelectric Plant was submitted to the Los Ríos Region Environmental Assessment Service.
- Environmental processing of the HidroAysén Project continued. It is being developed by Centrales Hidroeléctricas Aysén, in which Endesa Chile has a 51% holding. When completed, the project will involve 2,750 MW of hydroelectric power being added to the Chilean grid, spilt between five plants, and also envisages the construction of a 2,000 km high-voltage transmission line. In January 2010 Corema, the regional environmental authority, published its second ICSARA report (consolidated report requesting clarifications, rectifications and/or amplifications) to which HidroAysén responded with relevant comments in October 2010. In November a third ICSARA report was received with considerably fewer observations than previously and HidroAysén has submitted its response this year.

02.3.2.2. Colombia

- In May 2010 the San Antonio hydroelectric plant came on stream, adding 20 MW to Emgesa's installed capacity.
- In response to an application submitted by Emgesa, the Colombian Ministry of the Environment, Housing and Regional Development published a resolution in September 2010 revising the environmental licence for the company's El Quimbo hydroelectric plant, which will have an installed capacity of 400 MW. Work on the plant commenced in October 2010 and it is expected to become operational in 2014.

02.3.2.3. Peru

- In September the Environmental Impact Study for the 195 MW Curibamba hydroelectric plant was submitted to the Peruvian Ministry for Energy and Mines.
- Empresa Eléctrica de Piura was awarded a contract by the State Pre-investment Agency for the construction of reserve power generation units at Talara (Piura) with installed capacity of 188 MW. These will be located near the company's Malacas plant.

02.4. Transmission

On 3 December 2010 the first 178 km section of the SIEPAC line connecting the power grids in Costa Rica and Panama became operational.

02.5. Distribution

02.5.1. Key Data

ENDESA's Latin American distribution subsidiaries sold a total of 67,275 GWh in 2010, up 5.5% from 2009.

ENDESA electricity distribution in Latin America

		GWh	
	2010	2009	% change
Chile	13,098	12,585	4.1%
Argentina	16,759	16,026	4.6%
Colombia	12,515	12,164	2.9%
Peru	6,126	5,716	7.2%
Brazil	18,777	17,254	8.8%
Total	**67,275**	**63,745**	**5.5%**

Results from Brazil and Peru were particularly good, with increases of 8.8% and 7.2% respectively.

At the end of the year, ENDESA had over 13 million customers in the five Latin American countries where it operates, an increase of 2.8% on 2009.

ENDESA customers in Latin America

			Thousands of customers
	2010	2009	% change
Chile	1,610	1,579	2%
Argentina	2,353	2,305	2.1%
Colombia	2,547	2,476	2.8%
Peru	1,098	1,060	3.6%
Brazil	5,665	5,487	3.2%
Total	**13,273**	**12,907**	**2.8%**

02.5.2. Distribution networks and service quality

The concession surface area of the six distribution companies in which ENDESA has an interest in Latin America totals 210,165 km^2, equivalent to 42% of the total surface area in Spain.

High-voltage lines had a total length of 11,362 km at year-end 2010, an increase of 87 km year-on-year, while medium and low voltage lines totalled 148,458 km and 135,935 km, respectively, increases of 7,047 km and 7,740 km, compared to 2009.

Installed capacity at substations owned by these companies totalled 32,425 MVA at 31 December 2010, up by 4,184 MVA year-on-year.

Energy losses by ENDESA's Latin American distributors totalled 11% for the region as a whole, the same figure as in 2009.

Quality of service by these companies was affected by various extraordinary external factors, including the earthquake in Chile, heavy rain in Rio de Janeiro, and periods of abnormally hot and cold weather in Buenos Aires. As a result, average annual interruption time per customer in 2010 was 11.3 hours, 26% more than the previous year.

02.6. Financial strategy

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

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

02.6.1. Solvency

Despite the international financial crisis, ENDESA's investees in Latin America successfully tapped the capital markets in 2010, allowing them to repay debt early, refinance maturities and extend the average life of their loans. This was achieved through the implementation of prudent financing and hedging policies, which helped to maintain their financial strength.

Enersis's domestic bond programme, launched in 2008 for 12.5 million Unidades de Fomento (UF) or USD 360 million, remained available in 2010. Enersis and Endesa Chile registered with the Chilean Securities and Insurance Supervisor two credit lines for a maximum amount of USD 200 million each in 2009. These lines are currently undrawn.

Endesa Chile repaid revolving credit lines worth USD 450 million. Because of their high level of liquidity Enersis and Endesa Chile did not need to renew revolving credit lines for USD 250 million.

Enersis and Endesa Chile had their risk ratings by Fitch Ratings and Standard & Poor´s upgraded from BBB to BBB+, for debt issued in local and foreign currency and for their Yankee Bonds.

This improvement was also reflected by local agencies. In Chile Feller Rate raised its rating of Enersis' and ENDESA's solvency, bonds and credit lines from AA- to AA.

On 22 December 2010 Moody's confirmed its Baa3 corporate risk rating for foreign currency debt, pending a possible upgrade.

The other Latin American companies in which ENDESA has holdings undertook refinancing, new issues and hedging operations for a total of USD 1,578 million. USD 190 million of this amount corresponded to Argentina, USD 157 million to Brazil, USD 1,044 million to Colombia and USD 187 million to Peru.

02.6.2. Foreign currency hedging policy

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

Enersis' and Endesa Chile's financial operations in 2010 enabled them to maintain dollar-denominated liabilities, at consolidated level, adjusted for expected cash flows in that currency. Endesa Chile undertook a UF to USD currency swap for 400 million equivalent dollars.

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

02.6.3. Liquidity

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

At year-end 2010, the Enersis Group held cash and cash equivalents of USD 2,052 million and USD 773 million in undrawn sums on unconditional credit lines.

02.7. Corporate strategy

In 2010 ENDESA continued with its policy of corporate streamlining and restructuring in Latin America in order to optimise the management of its assets, continue to take advantage of synergies and facilitate cash returns.

It has kept its commitment to driving ordered growth, combining the sale of non-core assets with new acquisitions.

In 2010, the following operations were carried out.

02.7.1. Chile

Aysén Energía S.A. was set up, a new subsidiary of Centrales Hidroeléctricas de Aysén, S.A. (HidroAysén). ENDESA is the majority stakeholder in this company, which is developing the HidroAysén project. In line with its commitment to supply economically priced power to the residents of the area, ENDESA will install mini-hydro plants near the main centres of population. The company's corporate purpose includes obtaining the right to use water to exploit these facilities.

As part of ENDESA's strategy of concentrating Enersis's operations in its main business, it reached an agreement with Riverwood Capital for the sale of all the share capital of the IT company Synapsis Soluciones y Servicios IT Ltda. The operation has called for company reorganisation in those countries where Synapsis has subsidiaries and the constitution of a new Chilean company, ICT Servicios Informáticos Ltda., which will take

over all Synapsis contracts with ENDESA companies, as only contracts with third parties were affected by the sale. The operation was concluded in February 2011.

In January 2011 an agreement was signed for the sale of all share capital of Compañía Americana Multiservicios Ltda. (CAM), a company supplying integrated solutions for power distribution. The operation called for company restructuring in those countries where CAM has subsidiaries.

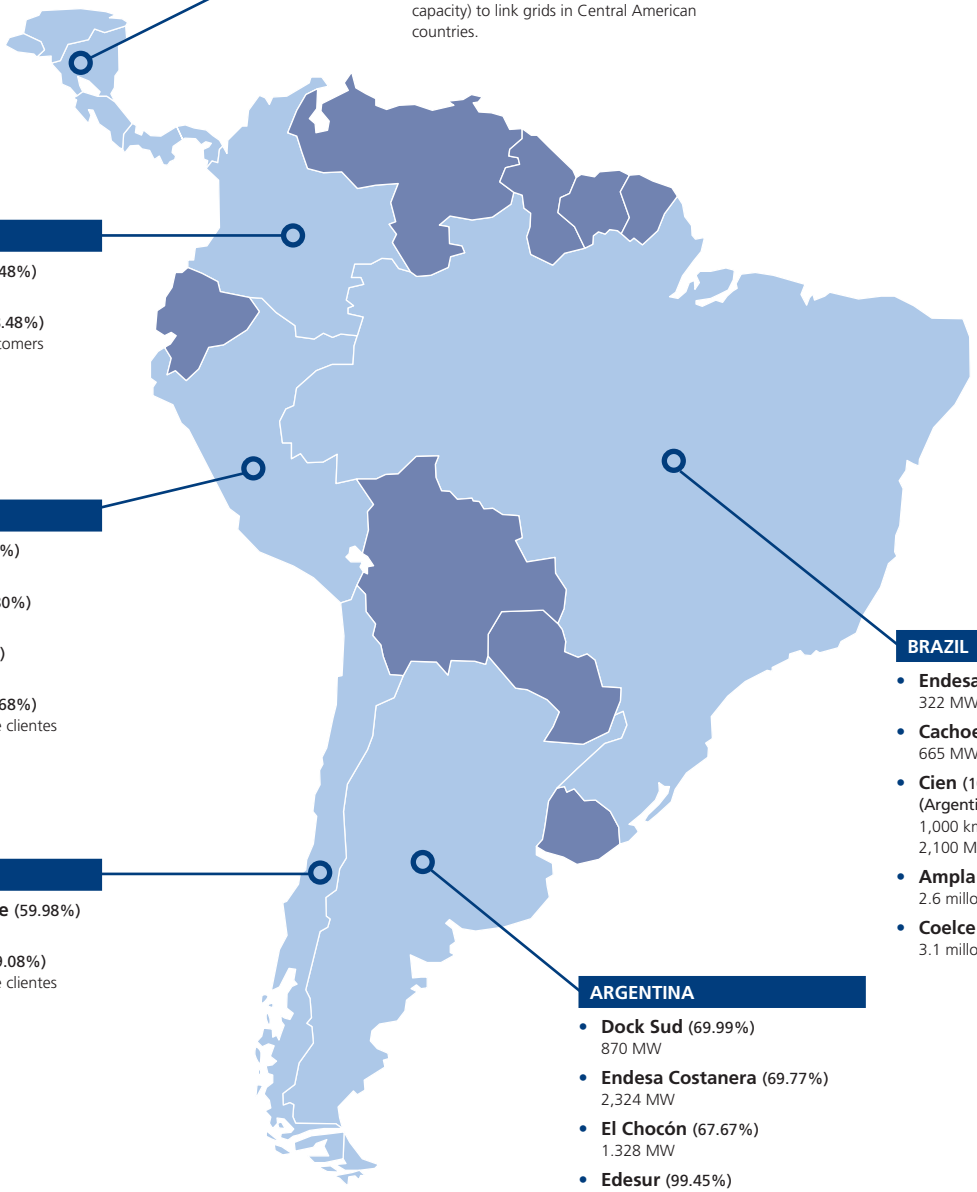
Lastly, the company streamlining process continued with the merger of Agrícola e Inmobiliaria Pastos Verdes Ltda and Construcciones y Proyectos Los Maitenes S.A., while Consorcio Ingendesa Minmetal Ltda and Consorcio Ingendesa Ara Ltda. were wound up.

02.7.2. Peru

With a view to reducing the tax burden and simplifying the company's structure, Compañía Peruana de Electricidad S.A. (CPE) was taken over by Inversiones Distrilima S.A. (Distrilima). Through Distrilima and Enersis, ENDESA thus acquired a 75.68% holding in Edelnor

At year end 2010, the takeover of the power generating company Empresa Eléctrica del Piura S.A. (Eepsa) was successfully completed. Together with the purchase of Empresa Eléctrica de Cabo Blanco S.A. (ELECSA) in 2011, this gives ENDESA a 96.5% stake in Eepsa.

02.7.3. ENDESA in Latin America



CENTRAL AMERICA

- **SIEPAC Project** (11.1%)
  Construction of 1,800 km power interconnection (230 kV with 600 MW capacity) to link grids in Central American countries.

COLOMBIA

- **Emgesa** (48.48%)
  2,914 MW
- **Codensa** (48.48%)
  2.5 million customers

PERU

- **Edegel** (83.6%)
  1,474 MW
- **Chinango** (80%)
  194 MW
- **Piura** (96.5%)
  133 MW
- **Edelnor** (75.68%)
  1.1 millones de clientes

CHILE

- **Endesa Chile** (59.98%)
  5,611 MW
- **Chilectra** (99.08%)
  1.6 millones de clientes

BRAZIL

- **Endesa Fortaleza** (100%)
  322 MW
- **Cachoeira Dourada** (99.61%)
  665 MW
- **Cien** (100%)
  (Argentina-Brasil interconnection)
  1,000 km
  2,100 MW
- **Ampla** (91.94%)
  2.6 millones de clientes
- **Coelce** (58,86%)
  3.1 millones de clientes

ARGENTINA

- **Dock Sud** (69.99%)
  870 MW
- **Endesa Costanera** (69.77%)
  2,324 MW
- **El Chocón** (67.67%)
  1.328 MW
- **Edesur** (99.45%)
  2.4 million customers
- **Yacylec** (22.2%)
  282 km
  507 kV

03. Operations in other countries

03.1. Key data

The main activities carried out by ENDESA in 2010 outside Spain and Portugal and Latin America were as follows:

03.2. Morocco

ENDESA operates in Morocco through the 32% stake it holds in Energie Electrique de Tahaddart, the company which owns the 384 MW CCGT plant in Tahaddart. In 2010 output at this plant totalled 2,153.7 GWh.

In June 2010, Energie Electrique de Tahaddart paid a dividend against 2009 earnings; Euro 4.2 million of this corresponded to ENDESA.

In December the annual audit for ISO 14001 environmental certification of the plant was completed with satisfactory results.

03.3. Ireland

ENDESA has been operating in the Republic of Ireland since January 2009 through Endesa Ireland, which owns four sites with a total operating capacity of 1,068 MW: Tarbert, a fuel oil plant with total installed capacity of 620 MW; Great Island, a fuel oil plant with total installed capacity of 240 MW; and Tawnaghmore and Rhode, each with two gas oil units and 104 MW capacity. These plants account for approximately 16% of the country's total installed capacity.

In 2010, Endesa Ireland had output of 299.83 GWh and sales of 328.42 GWh.

03.4. Energy management and participation in the wholesale markets

03.4.1. European wholesale activities

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

The introduction of market coupling between European markets and the consequent balancing of prices have led to lower levels of trading but also to improved management of positions in different markets.

The use of generation assets has also been optimised by exporting power via the Spain-France interconnection.

In 2010 ENDESA began operations in the United Kingdom, where it is active in the UK market itself and the interconnection with Ireland, having been allocated capacity in the annual interconnection auction.

In 2010 spot prices for power in France and Germany were higher. In France the average price was Euro 47.5/MWh (Euro 43.25/MWh in 2009) and in Germany it was Euro 44.93/MWh (Euro 39.28/MWh in 2009).

In the European markets, ENDESA Trading managed a total volume of 48.3 TWh in 2010. Its activity focused on interconnections, tollings and VPPs (Virtual Power Plants) in France and Germany.

04. Other activities

04.1. Acquisitions

In 2010 ENDESA's Purchasing Department awarded contracts for materials, equipment, work and services for Euro 5,012 million. Savings achieved by the procurement department were approximately 10% compared to the previous year.

04.1.1. Corporate activities

These are activities related to the company's core businesses, designed to achieve economies of scale and optimise processes.

In the area of occupational health and safety an audit plan was drawn up to assess occupational risk prevention systems in all the subcontractors who are engaged in risk related activities on behalf of ENDESA. Over 1,000 suppliers were identified in Europe and Latin America and 797 companies were audited during the year, mainly those whose activities involved most risk.

The tender process for a number of acquisitions by ENDESA and ENEL was completed, covering power transformers, hybrid modules, car hire and leasing, media services and personal computers.

In April 2010 the «Design to Cost» study for El Quimbo hydroelectric plant in Colombia was completed. This allowed savings of 4% of the total cost of the project.

In Spain the application of the new system for approving suppliers continued and work has begun on introducing it in Latin America.

04.1.2. Business in Spain and Portugal

Total procurement by ENDESA in Spain and Portugal in 2010 amounted to Euro 2,717 million. Major acquisitions included the following.

- Construction and maintenance of low and medium voltage networks over six years for a total of Euro 1,295 million.
- Remote management of regulated operations and minor work on low voltage networks over six years, for a total of Euro 308.6 million.
- Cancellation of contract, free of commitments, and relocation of investment following decision not to proceed with the project to install two new 800 MW units at Compostilla CCGT in León.

04.1.3. Business in Latin America

ENDESA awarded contracts for Euro 1,898 million in Latin America in 2010. They included:

- Tender for supplies to distributors in Latin America for Euro 137 million, applying «Design to Cost» criteria, including distribution transformers (Euro 52 million), low voltage cables (Euro 37 million) and electricity meters (Euro 21 million).
- Contracts for civil engineering work and main equipment for El Quimbo (Euro 322 million).

New, stricter safety requirements have been introduced to reduce the risk of work-related accidents to the employees of subcontractors in Latin America.

04.1.4. Key activities in systems and telecommunications purchasing

In 2010 contracts worth Euro 397 million were awarded for the purchase of systems and telecommunications.

Major acquisitions included the services of Software Factory and functional support for commercial systems in Spain for a period of six and a half years at a cost of Euro 111 million, and in Latin America for five years at a cost of USD 36 million.

05. Systems and telecommunications

In the area of telecommunications, work in 2010 focused on providing group companies with a standardised service model with guaranteed quality levels and lower costs.

05.1. CIO's office

The activity of the Chief Information Officer's office in 2010 concerned support for the operational areas of Commercial Systems, Technical Systems, Corporate Systems and Operations, and operational integration with Enel's ICT system.

The main projects undertaken were:

- Formulation of the Strategic ICT Plan 2011-2014.
- Work with Enel ICT to produce the ICT Strategic Guidelines 2011-2020.
- Work with Enel ICT to draw up the 2011-2020 ICT Plan.
- Formulation of the ICT Needs Plan for 2011.

- Formulation of the ICT Purchasing Plan for 2011.
- Contract for ICT services signed by Enel Servizi and Endesa Servicios.
- Preparation of 2011 Project Monitoring Plan with Enel.
- First stages of work to define standards and review system architecture to bring ENDESA and ENEL systems into line.
- Formulation of technological guidelines to develop applications using the group's three basic platforms (Java, .Net and SAP, and SOA).

05.2. Commercial systems

In 2010 the work of ENDESA's commercial systems was largely determined by the improvements needed to adapt to an increasingly dynamic and open market. It included the following activities:

- As part of the Everest Project (CRM), business processes were analysed as a preliminary to the modification of the present system, which will be undertaken in 2011. The TITAN Project was also developed to enable the Free Market Commercial System (SCE ML) to manage customers more effectively and to begin the process of separating distribution and sales (Unbundling Project). A project was also developed to improve communication between ENDESA's systems and those of other suppliers and distributors in the sector.
- In distribution, work continued on the Cervantes remote management project and the incorporation of remote metering in the sales system, together with the construction of a Data Mart (GIGA Project) to ensure information coverage.
- Lastly, changes in regulations affecting tariff of last resort (TLR) supplies, procedures for contracting and billing the discount rate (bono social), and the optimisation of systems were dealt with.

05.3. Internal corporate management

In 2010, work in this area focused on attaining the common management of corporate services through a shared-service architecture. The most significant projects completed during the year were as follows:

- Development of the new ENDESA corporate website, with improvements to search facilities, images, and multimedia functions and better accessibility for disabled users, to AA certified standard.
- Launch of the *Worldwide Group Planning & Reporting Project* dealing with consolidated accountancy and monitoring data from all consolidated Endesa Group companies. The project uses Enel's Hyperion-EPM platform for more efficient, integrated closing.
- Implementation of global projects: Developments include the incorporation of the Chile payroll in the *Pago Latinoamérica* project; new global reporting and extension of the DELFOS OHS model to Enel; introduction of supplier listings at SAGA; introduction of the product classification system in Enel, and use of digital signatures on purchasing documents.

- Definition of the business model for the SAP HR GLOBAL system, jointly with Enel, a basic element for future integrated development.
- Functional improvements to existing systems: COLABORA, SIIA or SPRESO with employee social benefit records.
- Access to bank statements and overdue payment data on the portal using the E2BANK platform.
- Development of new functions in tax information systems and improvements in management of information regarding tax, litigation, regulations and jurisprudence, and transfer costs.
- In Latin America initiatives were launched to provide ENDESA companies with a model to monitor the segregation of functions in access to systems and to implement the SAP GRC-Access Control tool for this purpose.
- Consolidation of the SGE case management global reporting model, including new management indicators on the BW_SAGA platform scorecard.

05.4. Technical systems

A substantial part of the work of the Technical Systems team in 2010 was concerned with the introduction of the new ICT system allowing systems management to be standardised as part of the Globaliza Project. This involved defining a new structure for roles and responsibilities in the area of technical systems.

In Latin America contracts were drawn up for our new service provider, Capgemini.

A route map was also prepared for technical applications and projects as part of the ENEL-ENDESA alignment process to identify and exploit synergies.

05.4.1. Distribution systems

Major Distribution Systems projects in 2010 included the following:

- The GCORE project to introduce a common system for all Endesa Group distributors. An analysis was carried out of the needs of the Codensa and Coelce companies and a first version of the Endesa Global Distribution System (SDE) was developed.
- As part of the Intelligent Control Network Operation Project, development of the SAC operating module continued with a view to providing functions for efficient monitoring of smart grids. Communication protocols were also brought into line with those of Red Eléctrica de España.
- Cervantes Project (remote management): Stage I AMMS production was initiated, with monitoring and management of 25,000 meters, and tests were completed for integration with DIANA, ALMA and SDE systems in stage II.
- S2G RDI project financed by the Spanish Ministry for Science and Innovation for the design and implementation of a system to monitor, supervise and maintain sub-stations in the power distribution network.
- As part of the Smartcity project (Malaga), commissioning of the Centre for Control and Monitoring.

05.4.2. Power generation systems

In 2010 work focused on the development of applications leading to common systems, with a view to reducing development and maintenance costs.

As part of the Generation Systems Plan improvements were made to allow the use of systems at all sites and to incorporate new, tested technologies in the operation of industrial facilities.

The main areas of activity were:

- As part of the Acspec Project, a strategic initiative to update technology in control systems, further work was done on implementing the control systems at the thermal production unit in the Balearics and the Ebro-Pyrenees area hydro facility.
- Within the SIP-CMD plant monitoring system a new application for chemical control was developed and various improvements were made to the application.
- SGE portal and automation of reserves: the technological development of production management applications continued, with the incorporation of new functions.
- Systems were rolled out for predictive monitoring of rotary equipment at plants.
- Lastly, a global tendering process was conducted to implement corporate SCADA in Latin America.

05.4.3. Energy management systems

Activity focused on systems for trading and fuels, with a view to achieving synergies between ENDESA and ENEL.

- A new model for analysing the gas consumer market was developed, which can also be used for the electricity market.
- The EDX system was introduced to facilitate the automatic addition of wholesale contracts in the *Ulises* corporate wholesale market system, from communication platforms in international markets.
- The NETA system was introduced for operations in the UK's physical electricity market.
- The EFET.net system was introduced for electronic confirmation of operations between companies in the European Federation of Energy Traders.
- The *Ulises* system was modified to streamline operations between ENDESA and ENEL.

05.5. Corporate operations and infrastructure

05.5.1. Telecommunications and remote control

In the field of telecommunications, plans were made for the transition of operational services to provide a common service model for all companies in the Endesa Group.

Work was undertaken on technological improvements to communications supports (migration from ENDESA's backbone telecommunications network in Spain to an MPLS network and migration from the Codensa SDH/PDH support network to an IP network, bringing major functional advantages).

Another pioneering initiative was the telecommunications support system for the Smartcity project. Its design was completed and the first stages in its installation carried out.

In line with our policy of technological improvements and ensuring the quality and availability of services, a project was undertaken to migrate the operational infrastructure of the Telecommunications Management Centre in Seville to the group's Datacenters, to provide security levels for any contingency.

A project was also launched for a remote service monitoring platform, which will allow transmission supports to be supervised, making a valuable contribution to the service.

Connectivity for the *CAT Off Shore* project was another issue tackled, with a view to delocating telephone support services in Colombia.

Other measures undertaken in 2010 were the following:

- Migration of data link operators and fixed and mobile telephony services to Telefónica and OI in Latin America.
- Plan for «total mobility» telephony, changing the corporate telephone system in Spain to a service model based on «full mobile» and IP technology.
- Migration to MPLS network to bring parallel networks together in a single network infrastructure.
- ATLAS platform for the supervision of devices and communication channels used for remote metering, monitoring and surveillance, etc.
- The Codensa MetroLan network and obsolescent technology were upgraded.
- High capacity networks in Brazil: an IP network was designed and equipment purchased to increase bandwidth between AMPLA sites.
- Improvements to Chilectra telecommunications infrastructures.
- Projects related to the natural growth of the business and greater automation in ENDESA's networks in Spain and Latin America.

05.5.2. Information and control systems

The main project undertaken in 2010 was the transformation of system operations, in line with the new global outsourcing contract for operations and infrastructures signed with IBM in December 2008. This project will transform the infrastructures, processes, organisation and tools supporting ENDESA's systems in all the countries in which it operates.

The following initiatives and projects were also undertaken in 2010:

- Completion of pilot programme stage and start of roll out of new EGlobal7 working environment, based on Microsoft Windows 7, in Spain and Latin America.

  - Completion in Latin America of analysis of electronic network infrastructures with a view to standardisation.

  - Migration of anti-virus systems and infrastructures supporting internet access by computers and servers in Spain and Latin America.

  - Renewal of networking and electronic infrastructures supporting data communication and access to systems in the San Miguel building, Zaragoza.

  - Roll out of new global platform for unified communications.

  - Work initiated on extending the Business Service Monitoring platform to systems in Latin America and to the remote management project.

  - Start of migration of telecommunications management centre operations in Seville to IBM Datacenters and consolidation of support infrastructure.

  - Introduction of virtualisation technology and consolidation of infrastructures for greater cost efficiency.

06. Property asset management: Bolonia Real Estate

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

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

The active management portfolio includes over 100 sites which are being transformed into buildable areas or whose situation is being regularised to enhance their potential market value.

Although the recession hit the real estate market in 2010, transactions worth Euro 20.6 million were completed during the year, of which Euro 13 million corresponded to transactions carried out in Latin America.

The regeneration of industrial areas continued with further work to transform the site of the coal-fired plant at Sant Adrià in Barcelona, expected to close in 2011. The 120,000 square metre site is located by the sea front and has great development potential.

The Espacio Project, undertaken in 2009 to rationalise the use of space in the group's offices, continued to produce significant savings. In 2010 renting operations were concluded which will lead to annual savings of Euro 15 million.

Rebuilding work commenced on the Vilanova building in Barcelona, which is to become ENDESA's new headquarters in the city, while work on the office block in Almería was finalised. Lastly, work began on refurbishing the «La Catalana» art nouveau building in Manresa (Barcelona).

Sustainability

ENDESA's strategy in the area of sustainable development is outlined in its 2008-2012 Strategic Sustainability Plan (PES for its initials in Spanish). During the third year of its implementation substantial progress was made towards achieving the targets set for 2012.

01. ENDESA'S 2008-2012 Sustainability Plan

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

On this basis we have developed two action levels. Firstly, the need to build upon the results obtained in accordance with the plan's seven basic lines and also the urgent need to devote special attention to two crucial challenges: namely, the fight against climate change and strengthening links with local communities in the countries and territories where ENDESA operates.

The following is a summary of the main activities carried out under the strategic sustainability plan in 2010. A more detailed description of these activities is offered in the company's 2010 Sustainability Report.

01.1. Commitment to our Customers

In 2010 ENDESA strengthened its commitment to its customers through a series of measures, improving customer service and consolidating the communication channels set up in 2009.

In Spain, ENDESA added to its distribution infrastructures, increasing the length of the lines in its network and increasing the number of new low- and medium-voltage sub-stations. An Action Plan was also introduced to prevent and attenuate serious interruptions to supply, focusing on three areas: anticipation, prevention and management of incidents.

ENDESA's Customer Service Excellence Plan, launched in 2003 obtained excellent results in 2010. They included a 14% reduction in waiting time for connections managed by the service channels and a 17% increase in customer satisfaction with telephone support.

The company strengthened its range of Value Added Products and Services (VAPS) in 2010 with new options related to energy efficiency to encourage rational and responsible energy use.

Among the goals achieved in connection with channels of communication with customers, the *Twenergy* platform, with over 1,800 members, became the largest professional and private internet community for those interested in sustainability and energy efficiency.

On-line contracting was introduced through the ENDESA online virtual office.

01.2. Commitment to our Employees

In the field of occupational health and safety, the 5+1 Plan was drawn up and launched, with six teams led by members of the company's Management Committee working on further improvements in this area. The Safety Plan was also introduced, bringing together all the company's previous risk prevention plans in Spain and Latin America.

In 2010 occupational health and safety indicators continued to improve, as they have done in recent years. The combined accident frequency index for ENDESA and its sub-contractors fell by 6.8% (from 4.96 in 2009 to 4.62 in 2010) and the combined index of seriousness was similar to the level recorded in 2009 (0.10).

As part of the Strategic Sustainability Plan, the 2010-2012 Corporate Social Responsibility Plan was drawn up. The section dealing with human resources (Senda Plan) aims to develop a culture of social responsibility in personnel management.

The company's support for the principles of gender equality and non-discrimination was consolidated by ENDESA's commitment to the United Nations' Women's Empowerment Principles.

For the third year running ENDESA renewed its certification as a family-friendly company for its position on its employees' work-life balance in Spain.

A new talent management model was developed to ensure personal development based on merit and effort, to help develop quality leadership.

01.3. Commitment to Good Governance: Ethical Behaviour and Transparency

ENDESA has a number of programmes designed to reinforce ethical and transparent conduct as a key value for the company to deal with the constantly changing business context.

In 2010 the Enel Group's Code of Ethics and Zero Tolerance for Corruption Plan were introduced, reinforcing the standards of corporate integrity assumed by the company.

An intensive internal communication campaign was launched to familiarise staff with these documents.

01.4. Commitment to our Investors

In 2010, ENDESA cemented its position as one of the world's leading companies in the area of sustainability by appearing for the tenth year running in the *Dow Jones Sustainability Index* and participating in the *Carbon Disclosure Project*.

Work continued on making the company a benchmark for investors in sustainability, especially in climate change issues.

01.5. Commitment to the Environment

ENDESA's commitment to the environment largely centres on combating climate change, obtaining excellence in environmental management and preserving biodiversity.

The second of these areas includes the integrated management of water, advances in environmental management systems and the pertinent accreditation, controlling environmental risks and damage as well as supervising emissions regulations.

Noteworthy steps taken in 2010 include the following:

- ENDESA subscribed to the CDP Water Disclosure initiative, intended to provide information for the market and guide investors towards sustainable water use, identifying business opportunities and the risks involved in using it irresponsibly.

  In recent years a considerable number of reservoirs in Spain have been emptied. In some cases repairs have been carried out to water intake and outflow channels and in others for dam walls have been repaired. The potential environmental impact of these activities has led ENDESA to draw up a protocol for emptying reservoirs which is part of the company's environmental management system. Sediment is removed, which contributes to maintaining acceptable trophic levels and improved water quality and biotic properties. Trophic conditions were studied in reservoirs in the Ebro basin and the inland basins of Catalonia.

- As part of its Biodiversity Conservation Plan, ENDESA carried out research and monitoring projects with a view to incorporating such conservation in all its activities, consolidating its internal culture of conservation and unlocking the value of natural heritage.

- Work on the Group I desulphurisation unit at the Litoral thermal power plant in Almería was completed, the last stage in the company's environmental measures to reduce emissions of sulphur, nitrogen oxide and particles at its thermal power stations in Spain.

- In 2010 work continued on the implementation and accreditation of ENDESA's environmental management systems under the ISO 14001 and EMAS standards at its main centres.

  At present 91% of total installed capacity in Spain and Portugal has received this accreditation and all hydroelectric and nuclear plants are ISO 14001 certified, as are the company's port, mining and distribution facilities.

  ENDESA Ireland has maintained environmental certification for two of its plants and has begun the certification process for the other two.

  ENDESA also successfully completed the implementation of the Environmental Management System at the Tahaddart combined cycle plant in Morocco.

  In 2010, nearly all of the company's generation and distribution facilities in Latin America were ISO 14001 certified for its environmental management policies and OHSAS 18001 certified for OHS prevention.

- A course on Biodiversity and Water Use was drawn up as part of the Biodiversity Conservation Plan. The course will be offered in all parts of Spain where the company has hydro power facilities. Work also began on a four volume series about biodiversity, which will be published each year from 2011 to 2014.

  In Latin America the company made further progress in establishing a culture of biodiversity conservation at its facilities. The third scientific expedition for research into and protection of the fjords in Patagonia was organised through the activities of the San Ignacio del Huinay Foundation in Chile.

- The analysis of environmental risks at the facilities planned for 2010 was completed, using a common methodology for all distribution and generation facilities.

01.6. Commitment to Innovation and Technology

in 2010 ENDESA consolidated its RDI functions and the new organisation of the area with a view to maximising the value of its medium- and long-term project portfolio. Direct investment in these initiatives totalled Euro 48 million, while a further Euro 16 million were invested on behalf of other technological associates through their participation in projects and consortia led by the company.

During the year the company applied for six new patents for proprietary technological solutions related to priority areas of interest.

Within its innovation strategy, corporate and organisational resources were provided for two particularly significant areas of development: e-mobility and energy efficiency.

01.6.1. E-mobility

In 2010 ENDESA maintained its firm commitment to leadership in e-mobility initiatives in the markets where it operates. Three measures are of particular interest:

- *Standardisation and certification*. ENDESA played an active part in CHAdeMO, the G4V (*Grids for Vehicles*) Consortium and Cenit Verde Consortium, associations which promote the installation and standardisation of recharging points and the integration of vehicles in the power system.

- Promoting and demonstrating mobility. Agreements were signed with the manufacturers and distributors of electric vehicles and other parties interested in promoting e-mobility. The QUICK Project was launched as part of the Movele Plan to develop a network of 14 fast recharge points in Spain. Work was carried out on the CRAVE Project, a technological solution for the rapid charging of electric vehicles, jointly with CIRCE (Zaragoza), and on the V2M Project, developed jointly with IREC in Catalonia. ENDESA also took part in the SURTIDOR Project, a consortium set up to design an ultra-fast recharging system based on the intelligent transfer of alternating current by direct contact, with an optional back-up energy storage system. Lastly, the company participated in other European initiatives, such as the Green e-Motion Consortium, which aims to achieve leadership in demonstrations of quick charging.

- Design of new business models. ENDESA is the only European utility chosen by the ELVIRE consortium (FP7), to exhibit future e-mobility business models and promote new uses and solutions in this field.

01.6.2. Energy Efficiency Initiatives

In 2010 ENDESA continued to develop its Global Energy Efficiency Plan through initiatives in generation, distribution and sales, and energy saving measures at its facilities.

In Latin America an Energy Efficiency Committee was set up with representatives of group companies and corporate energy efficiency departments.

In the Málaga Smartcity Project measures planned to develop smart grids and sustainable town planning were implemented, applying the «smart city» concept.

ENDESA also continued to participate in key sector technological platforms, including the Technological Platform for Energy Efficiency and the Platform for Electricity Grids of the Future (FUTURED).

01.6.3. Technology Map

ENDESA's technological project portfolio is based on the company's medium- and long-term strategic objectives, the optimum use of resources and guaranteed creation of value for the future. Measures undertaken in 2010 include those in the following areas:

- Carbon capture and storage Work continued on the Ciuden project, on the CAC OXY-300 demonstration plant and the pilot plant in Almería for CO_2 capture using microalgae and the production of biofuel.

- Renewable energies. The company took part in the CDV-500 Project to harness solar thermal power with direct steam cogeneration and in the Novare Hydro Project for remote management of hydroelectric power in Chile.

- Energy efficiency The Company took part in the ENERGRID Project for improving energy management in buildings.

- Distribution. ENDESA made an important contribution to the Cervantes Project to introduce a system for automatic remote monitoring and management of power supplies to domestic customers, and to the CENIT DENISE Project for research and development in technologies and information systems to meet the challenges of power distribution in emerging countries.

- Nuclear power. ENDESA holds the position of secretary in the Spanish nuclear fission energy technology platform, CEIDEN, which coordinates sector RDI. Through the Nuclear Energy Committee of the Spanish z Industry Association (UNESA for its initials in Spanish), ENDESA undertakes research projects of interest to all nuclear power stations.

01.7. Commitment to Society: our Partners

With the aim of extending its sustainability commitments to its supply chain, ENDESA continued to apply its supplier accreditation system and launched a Vendor Rating System which will enable it to monitor sustainability in the suppliers working with the company.

01.8. The Climate Change Challenge

As we have noted above, combating climate change is one of the key pillars of the 2008-2012 ENDESA Sustainability Report.

In 2010, in line with its Climate Change Programme, ENDESA reduced CO_2 emissions at its power facilities to 12.5 million tonnes below 2005 levels, an annual reduction of approximately 2.5 million tonnes, equivalent to 5.5% of the company's total annual emissions.

The Climate Change Programme consists of five strategic lines focusing on five priorities in this area: renewable energies, technological development, energy efficiency, sustainable transport, and CDMs. The main advances in 2010 were as follows:

- In March, the renewable energy activities of ENDESA and Enel Green Power (EGP) in Spain and Portugal were integrated in a single entity within EGP. The company, fully owned by ENEL, is one of the leading international operators in this market.

- New technological developments were introduced, designed to reduce CO_2 emissions via carbon capture and storage (CCS) projects, developing combined cycles and installing peak capacity, among other actions. The CIUDEN plant was built and a study carried out of the CAMNET plant as part of the ENDESA-CIUDEN project; financing was secured for stage I of the OXY 300 project; work began in Asturias on the construction of an experimental plant to capture CO_2 using limestone, a project undertaken jointly with Hunosa and CSIC; in La Pereda (Mieres-Asturias) installation work began on an experimental project for capturing CO2 by siphoning off the carbon dioxide produced in the combustion of coal and turning it into liquid; the first plant in Spain to capture CO_2 by chemical absorption was commissioned at Compostilla (León); development work was carried out on membranes for CO_2 capture in thermal power stations (Nanoglowa Project); and research was conducted into CO_2 capture in combined cycle plants (CENIT Openaer Project).

- We took advantage of energy efficiency and cogeneration opportunities in all business lines, including the following: in Málaga the first remote domestic smart metering system in Spain was installed and 5,000 smart meters were connected to the grid in Málaga, Seville and Barcelona; the Meters and More association was set up to introduce comprehensive metering solutions; the INTEGRIS (Intelligent Electrical Grid Sensor communications) project was launched to develop telecommunications infrastructures and channel the information needed by the new smart grids efficiently; the company cut power consumption by 24% at its headquarters; the Ilumina Plan was launched to encourage energy efficiency and responsible consumption via the replacement of interior lighting; for the first time in Spain a system of public lighting using LED lights was installed, providing a 60% reduction in consumption; 17,000 Spanish schoolchildren (40% more than

the previous year) were taught about energy saving through the Endesa Educa programme; and a superconductor cable that could reduce power losses in the network by 50% was developed.

- Action taken in the field of sustainable transport included participation in the CENIT VERDE project, financed by the National Strategic Consortia for Technical Research programme promoted by the Ministry of Science and Innovation, for research into technologies to introduce electric vehicles in the Spanish market; agreements were signed with Cepsa, Telefónica, Mitshubishi, Bergé and Renault-Nissan for the large scale roll out of electric vehicles; ENDESA also took part in projects such as G4V and ELVIRE for research into and demonstrations of electric vehicles in Europe; an alliance was formed with the Japanese company Chademo to develop fast recharging stations for electric vehicles; the first refilling station for ecological urban buses using vehicular natural gas was opened in Palma de Mallorca; an agreement was signed with the Seville City Council to promote electric transport in the city; at IBM the first electric vehicle recharging station on a corporate site in Spain was installed; a joint project was undertaken with the University of Zaragoza for the design of a fast recharging point for electric vehicles which stores energy; and an agreement was signed with BYD for cooperation on a scheme for energy storage in batteries.

- Clean Development Mechanisms are now dealt with by ENEL's international Carbon Strategy Unit. At the close of 2010 ENDESA had a portfolio of 65 CDM/JI projects, leading to a 94-million-tonne reduction in CO_2 emissions, and was also involved in seven different carbon funds.

01.9. The Local Community Challenge

The company's response to the challenge of forging ties with local communities, which forms part of the strategic sustainability plan, entails developing plans to adjust corporate strategies to local circumstances. In 2010 country and regional plans were developed for this purpose with Sustainability Committees set up in all countries and regions where the company operates.

In 2010, ENDESA allocated Euro 46.9 million to conducting and promoting social development activities, equivalent to 2.2% of net profit from continued operations attributable to the company's shareholders. Of this amount, 68% was earmarked for Latin America and 29% for Spain and Portugal.

ENDESA's work with local communities in the areas in which it operates focuses mainly on social, educational and cultural projects and programmes to raise environmental awareness. In 2010, 55% of investment in social action was allocated to projects for cooperation in social and economic development, which included the following:

- Euro 800,000 as immediate aid for those affected by the Chilean earthquake and a further contribution of USD 10 million to the post-earthquake reconstruction fund.

- Euro 1.2 million for victims of the Rio de Janeiro floods.

- In Brazil the Ecoelce and Ecoampla programmes for social development and raising environmental awareness were maintained. The programmes offer low-income customers discounts on their electricity bills in exchange for the selective collection and recycling of urban waste. In Chile, a similar programme, Ecochilectra, was launched.

- A programme was developed to assist in the search for missing children in Argentina and Peru, making use of an information section on electricity bills provided free of charge by the Edesur and Edelnor companies.

- The Paneleros Programme (Colombia), implemented in the Gualivá province to improve the productivity of the panelera chain in the region, producing high quality panela (sweetener) for human consumption and improving the productive infrastructure.

- We continue to support the Nuevo Pachacútec Higher Technological Institute and new donations have been made to the centre.

- The third edition of the Endesa *Solidarios* programme took place with a total contribution of Euro 40,000 to five community initiatives.

- The company and staff made a contribution to help mitigate the effects of the earthquake in Haiti.

Research, Technological Development and Innovation

01. ENDESA: RDI

ENDESA stepped up its research, technological development and innovation (RDI) activities in 2010. It consolidated its new organisation and coordinated its strategic portfolio of RDI projects with ENEL, with a view to maximising medium- and long-term added value. Both companies have intensified their efforts to take advantage of synergies in the areas in which they operate.

ENDESA's RDI activity forms part of its commitment to sustainability, as reflected in its 2008-2012 Sustainability Plan. One of its objectives is for the company to be recognised as a leader in industrial innovation by markets, customers, the scientific community and society as a whole. Most of our RDI work has been described in this report's chapter on Sustainability but we will restate it here to give a comprehensive view of our RDI activity.

ENDESA's direct investment in RDI activities in 2010 amounted to Euro 48 million. Another Euro 16 million were spent by technological partners on projects and consortia led by the company. During the year the company applied for six new patents for technological solutions related to priority areas of interest.

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

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

02. Key Technology and Innovation Initiatives

02.1. E-mobility

ENDESA is firmly committed to the development of e-mobility in its Spanish and Latin American markets and is playing a prominent role in this field with a view to positioning itself as an international leader in the e-mobility sector. Important steps taken in 2010 include the following:

- *Standardisation and regulation*. ENDESA was one of the first companies to join international standardisation and regulation groups for e-mobility equipment, systems and solutions. It has worked with the CHAdeMO association to extend the installation of rapid recharging points worldwide and unify standards for rapid vehicle recharging. In December 2010 ENDESA hosted the first meeting held by the association in Europe.

- RDI projects. ENDESA has spearheaded critical projects for the G4V (*Grids for Vehicles*) consortium under the European Union's Seventh Framework Programme for Research and Technological Development (FP7) in order to create medium- and long-term solutions for the optimal integration of vehicles into electricity grids.

  In Spain, ENDESA is a core partner in the CENIT VERDE consortium, a four-year project with a budget of nearly Euro 40 million, in which it is responsible for approaches to advanced interaction between the electric vehicle and the electricity grid.

- Mobility promotion and showcasing initiatives. ENDESA entered into a number of important agreements to cooperate with manufacturers and distributors of electric vehicles such as Bergé Automoción, Marubeni, Renault, Nissan, Mitsubishi, Peugeot, Toyota, Piaggio and Daimler.

  It also maintained its commitment to participate in the MOVELE Plan promoted by the Spanish Ministry of Industry for the installation of 550 recharging points in Madrid, Barcelona and Seville.

  With the support of the Andalusian Innovation and Development Agency (IDEA), ENDESA promoted the QUICK project to roll out a network of 14 rapid recharging points, including six bidirectional recharging points to develop the V2G concept.

  The company also developed a proprietary technological solution for the quick charging of electric vehicles through the CRAVE project in collaboration with CIRCE (Saragossa) and the V2M project, developed jointly with IREC (Catalonia).

  It also participated in the SURTIDOR project consortium for the development of an ultra-fast recharging system using intelligent DC current transfer by direct contact with an optional storage system.

  Lastly, it is involved in other important initiatives, such as the Green e-Motion consortium, with a view to attaining a leading position in Europe for showcasing rapid recharging systems.

- *Designing new e-mobility business models.* ENDESA is the only European utility chosen by the ELVIRE consortium, under the FP7, to define and exhibit future business models and promote new uses in e-mobility. The objective of ELVIRE is to develop solutions that enable vehicles to coordinate battery levels and usage with grid availability, and provide data and value added services to link the vehicle to the various types of supplier.

02.2. Energy Efficiency

ENDESA's Global Energy Efficiency Plan is part of an extensive series of initiatives related to generation, distribution and sales, and measures to maximise energy saving in its own facilities.

To develop and coordinate these measures in Latin America the company set up the Energy Efficiency Committee in 2010, comprising representatives of its companies in the area and the corporate energy efficiency department.

During the year, the company also carried out the measures envisaged in the Málaga SmartCity 2011 project. As part of this project ENDESA promotes the development of smart grids networks and sustainable town planning under the «smart city» concept, implementing cutting-edge technology for power generation and storage, demand management, efficient lighting and e-mobility, and energy efficiency in business and residential buildings, initiatives in which end customers play an active role, making the Málaga SmartCity a pioneering project.

In the project's first year, design of the architecture was completed and activity in the field was initiated, including the first 2,500 smart meters, delivery of the first electric vehicles, introduction of the first recharging points, installation of the first part of the PLC network to provide network automation services, installation of low consumption LED street lighting and the completion of the project monitoring and control centre.

02.3. Participation in Technology Platforms

ENDESA continues to play an active role in a variety of technology platforms, including the Spanish Technological Platform for Energy Efficiency, in which it holds the presidency, and the Spanish Future Electrical Grid Platform (FUTURED), in which it holds the office of Technical Secretary.

It also continues to conduct research in its markets, being involved in the Catalonian Institute for Energy Research (IREC) and the Andalusian Technology Corporation (CTA) foundations.

03. Innovation Projects: Technological Cornerstones

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

03.1. Fossil Fuel Generation

- *Ciuden project and CAC OXY-300 demonstration plant*. This is a global programme geared to demonstrating carbon capture and storage (CCS) technologies that brings together public research initiatives for combating climate change and ENDESA's private initiatives with a view to developing commercially viable technologies that significantly reduce emissions in electricity production. The CIUDEN project is the only Spanish project of its kind chosen by the EU to develop oxy-combustion-CFB technology for CCS in deep saline aquifers.

- *La Pereda project* Project for constructing and testing a pilot post-combustion CO_2 capture plant using carbonisation-calcination cycles at La Pereda in Asturias.

- *«Less CO_2 in Compostilla» project.* Design, development and construction of a chemical absorption CO_2 capture plant, applying and evaluating new amine-based chemical absorbents.

- *Pilot plant to capture CO_2 using microalgae.* This is a pilot plant located in the Almería thermal power plant set up for the recovery of carbon dioxide from combustion gases using microalgae in order to obtain commercially viable products such as biofuels. This project receives scientific and financial aid from the government through its inclusion in the national PlanE and CDTI programmes.

03.2. Renewable Energies

- *GDV-500 Project.* This project is designed to develop new systems to harness solar thermal power and generate steam more efficiently, while reducing environmental risks.

- *Marine energy map in Chile*. Project for drawing up a map of wave and tidal energy resources along the Chilean coastline to identify the best possible sites for generation plants.

- *Novare Hydro Project*. This project, carried out in Chile in conjunction with Starlab and Pontificia Universidad Católica de Chile, was designed to introduce satellite remote sensing technologies in renewable hydro energy management.

03.3. Energy Efficiency, Storage and Smart Grids

- *Novare Energrid project*. This project will examine the viability of a distributed smart infrastructure system to manage supply and demand in the electricity grid. The results will make it possible to manage the production and consumption of energy in a decentralised system based on small nodes (homes, businesses). The project is also intended to improve energy management in buildings via dialogue between consumers, producers and users.

- *STORE project*. A project for energy storage technologies applied to power systems for realistic use scenarios as a means of managing temporary imbalances between generation and demand.

- *Cervantes Project (remote management).* Smart grid project geared to introducing a system for automatic remote monitoring and management of power supplies to domestic customers.

- *INTEGRIS Project*. ENDESA leads this project to develop ICT infrastructure for smart grids that allow for the integration and interoperability of power line communication (PLC) and wireless communication technologies.

- *ICONO project*. This project aims to automate, assist and improve the work of network operators with elements that forecast network conditions and provide control measures in order to guarantee stability and security.

- *S2G project*. The aim of this project is to design and put into service an advanced power distribution monitoring, tracking and maintenance system from substations to transformer centres.

- *Project CENIT DENISE (Intelligent, Safe and Efficient Electricity Distribution).* This ENDESA-led consortium was set up to research and develop technologies and IT systems that meet the energy distribution requirements of emerging societies. The project, scheduled to run from 2007 to 2010, has a Euro 24 million budget.

03.4. Nuclear Energy

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

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

The following programmes are of particular interest:

- *The EPRI Nuclear Programme,* which pursues operational excellence at nuclear power plants.

- *Coordinated PCI Research Programme, carried out* with the participation of sector companies and the Nuclear Safety Council (CSN), to analyse plant security for both operators and the regulator.

- *Joint PIC Programme,* between electric utilities and ENUSA, which coordinates RDI activities related to nuclear fuel and defines projects of common interest.

Human Resources

1. Milestones in the Year's Activity

Highlights in the field of Organisation and Human Resources in 2010 were as follows:

- Introduction of the 5+1 Occupational Health and Safety Plan, a wide range of activities intended to bring about substantial improvements in occupational health and safety in the company.

- The Global Corporate Social Responsibility Plan for Human Resources («Plan Senda») was drawn up, its aim being to develop a culture of social responsibility in staff management.

- Workplace Environment Improvement Action Plan. Design and application of plans based on the results of the 2009 Workplace Environment Survey and completion of 2010 Workplace Environment Survey in the Enel Group.

- Assessment of behaviour using BARS (Behaviorally Anchored Rating Scales), to identify leadership skills.

2. ENDESA Employees

2.1. Total Workforce

At 31 December 2010 ENDESA employed 24,732 people directly, 6% fewer than the previous year. Of these, 12,305 were employed in Spain and Portugal and 12,427 in Latin America. In the year, 1,585 new employees joined the company.

	2010	2009	% change 2010/09
Closing workforce			
Spain and Portugal*	12,305	13,629	–9.7%
Latin America	12,427	12,676	–2.0%
Total	**24,732**	**26,305**	**–6.0%**
Average workforce			
Spain and Portugal*	13,156	13,807	–4.7%
Latin America	12,423	12,963	–4.1%
Total	**25,579**	**26,770**	**–4.4%**

* The workforce of the Spain and Portugal Business includes headcounts for Corporate, Services, and countries outside the Iberian market.

At year end contractors and subcontractors providing services to ENDESA employed 57,584 full-time and 3,624 part-time staff.

2.2. Workforce by Age, Sex and Type of Contract

ENDESA's workforce combines youth and experience. The largest percentage of employees corresponds to the 35 to 54 age band.

Age	% of workforce
Under 35	23%
35-44	29%
45-54	36%
55-59	8%
Over 60	4%

80% of staff are men and 20% women. In 2010 ENDESA continued to make efforts to increase the number of women it employs.

The company offers staff decent, competitive working conditions, which are above the market average. 96% of contracts are permanent.

3. Occupational Health and Safety

3.1. Indicators

In 2010 occupational health and safety indicators were maintained at similar levels to recent years.

The combined accident frequency index for ENDESA and its sub-contractors fell by 6.8% (from 4.96 in 2009 to 4.62 in 2010) and the combined index of seriousness was similar to the level recorded in 2009 (0.10).

	Fatal Accidents		Frequency			Seriousness		
	2010	2009	2010	2009	% Change	2010	2009	% Change
Spain and Portugal*								
ENDESA	0	0	2.75	4.15	–33.7%	0.20	0.24	–14.2%
Sub-Contractors	5	1	6.35	7.51	–15.4%	0.07	0.09	–21.5%
Combined	5	1	5.16	6.32	–18.4%	0.11	0.14	–19.3%
Latin America								
ENDESA	0	0	2.46	2.75	–10.7%	0.07	0.06	23.0%
Sub-Contractors	4	9	4.89	4.73	3.4%	0.11	0.09	23.5%
Combined	4	9	4.34	4.30	1.0%	0.10	0.08	23.1%
Total								
ENDESA	**0**	**0**	**2.58**	**3.37**	**–23.3%**	**0.13**	**0.14**	**–6.1%**
Sub-Contractors	**9**	**10**	**5.34**	**5.52**	**–3.3%**	**0.10**	**0.09**	**9.5%**
Combined	**9**	**10**	**4.62**	**4.96**	**–6.8%**	**0.10**	**0.10**	**3.9%**

* Spain and Portugal Business includes Corporate, Services, and countries outside the Iberian market.

3.2. Action Taken in 2010

Work on occupational health and safety in 2010 included the introduction of the 5+1 Plan to improve occupational health and safety in the company. The aims of the plan are the following:

- To introduce a culture of safety throughout the organisation and encourage its introduction in partner companies.
- To introduce mechanisms to improve safety standards in partner companies.
- To develop communication to improve safety and enhance ENDESA's reputation in this area.
- To assess risk-related situations and propose improvements in structural and organisational safety.
- To standardise internal prevention management systems and associated technological tools.
- To define and develop an occupational health and safety plan for major works.

Other measures taken included the following:

- The 2011-2015 Safety Plan was drawn up. This brings together risk prevention plans previously existing in Spain and Latin America, with a view to establishing ENDESA as a benchmark in this field wherever the company operates.
- The company's Safety, Health and Working Conditions Policies were updated and brought into line with the requirements of the OHSAS 18.001 standard.
- Introduction of programmes for OHSAS 18.001 international accreditation.
- e-mobility programme launched for safety inspection using PDAs.
- The Prevention Observatory for Safety in Spain continued its work, with the participation of social and government representatives and members of professional, risk-prevention and healthcare associations.
- ENEL's International Safety Week was held in November in Spain and Latin America, involving 126 different activities attended by over 6,000 employees

3.3. Awards

During Enel's International Safety Week three ENDESA facilities received awards for their performance in the area of safety:

- UPH Ebro-Pirineo (Spain): Zero Accidents Award.
- Alcudia Thermal Power Plant (Spain): Best Project Award for agreement signed with contractors.
- Cachoeira Dourada (Brazil): Innovation Award for mechanical support for pylons.

4. Social Dialogue and Partner Companies

4.1. Social Dialogue

In 2010, as in the past, relations between ENDESA's companies and their employees were regulated through collective bargaining agreements and the fullest respect for labour legislation.

At 31 December 2010, 57 collective bargaining agreements were in force in the group, covering 86% of all employees.

Country	No. of agreements
Argentina	7
Brazil	12
Chile	21
Colombia	3
Spain	5
Ireland	1
Peru	8

The main agreements signed in 2010 were as follows:

- Latin America: 9 collective agreements signed (4 in Brazil, 2 in Peru, 2 in Argentina and 1 in Chile).
- Spain: agreements signed concerning the rights and guarantees of employees affected by the transfer of assets to Red Eléctrica de España.

Hours lost as a result of strikes were equivalent to 0.03% of total hours worked, reflecting a very low level of conflict.

4.2. Partner Companies

In 2010 the company pursued a decisive, proactive policy regarding the health and safety of all employees working for ENDESA through partner companies. The main activities undertaken in this field were:

- Updating of contractual requirements for occupational health and safety.
- Audits of contractors.
- Programme to improve skills of contractors' employees.
- Ongoing monitoring of contractors' occupational health and safety management.

5. Relations with Staff

ENDESA aims to have a staff of qualified, committed and motivated individuals, who will do their best to contribute to the company's success.

It therefore tries to create a healthy, well-balanced working environment, where respect and personal consideration take priority, an environment that offers professional development opportunities based on merit and ability.

ENDESA's human resources policies, which have been in force for some years now, reflect its commitment to its staff.

Human Resources Policies	
Selection and integration	Striking a balance between personal, family and professional life
Health, safety and working conditions	Prevention of workplace harassment
Identification and development of talent	Overseas assignments
Management of diversity	Management of sub-contractors
Remuneration and benefits	Social dialogue

In 2010 work on revising them all began, with a view to:

- Simplifying the model, to draw up a single integrated staff policy.
- Creating an up-to-date, simple, comprehensible design in line with the company's current situation.
- Using the new staff policy to stimulate individual performance and ensure a high level of commitment among employees.

In line with the aims of its 2008-2012 Sustainability Plan and its human resources policy, ENDESA drew up and approved a Global Corporate Social Responsibility Plan with regard to human resources, the «Plan Senda». This plan is intended to further the development of a culture of social responsibility in staff management.

5.1. Diversity, Equality and Work-Life Balance

5.1.1. Equal opportunities

ENDESA is firmly committed to diversity, equal opportunities and a satisfactory work-life balance for employees, supporting gender equality and non-discrimination. In 2010 this commitment was consolidated through the following measures:

- The company endorsed the United Nations Global Compact's Women's Empowerment Principles, aimed at empowering women to participate fully in economic life across all sectors and at all levels of economic activity, which is essential to build strong economies, establish more stable and just societies, and achieve internationally-agreed goals for development, sustainability and human rights, among other objectives.

- Quantifiable targets were set for increasing the number of women contracted and strengthening their presence in managerial posts and other positions of responsibility. In 2010 the percentage of women employed accordingly increased by 3.13% to 20.44% of the workforce. The proportion of women holding managerial positions rose from 10.8% in 2009 to 11.8% in 2010.

- In Spain the measures envisaged in the Equality Plan forming part of the Third Framework Collective Agreement were implemented and consolidated. The Spanish Ministry of Health, Social Policy and Equality awarded ENDESA its «Equality in the Workplace» accolade, granted to companies with an outstanding record in ensuring equal treatment and equal opportunities for their workers.

- In Chile the Acuerdo Iguala agreement was signed with the National Service for Women (SERNAM) to foster a culture of equal treatment of men and women in employment and to introduce better practice in this area.

5.1.2. Striking a balance between professional, personal and family life

ENDESA continues to take steps to reinforce a flexible working environment and seeks to enable its employees to strike a balance between personal, family and professional life. The following measures were undertaken in 2010:

- In Spain ENDESA renewed its certification as a Family-Friendly Company, progressing from «committed» to «proactive» status. A pilot project for teleworking was launched. This will continue for six months and involves 41 employees.

- In Latin America further initiatives were introduced to improve the balance of employees' personal, family and professional lives. The Quality of Life Plan was introduced in Colombia, while Chilectra and Enersis, which represent ENDESA in Chile, were the companies most highly rated by working mothers and fathers in the country.

5.1.3. Diversity

In 2010 ENDESA undertook various measures to integrate staff with disabilities. The workforce includes 179 employees with differing degrees of disability and the company complies with the Spanish law on the social integration of the disabled (LISMI).

In Spain the following measures have been taken as part of the company's plan to integrate those with functional diversity:

- 20 new members of staff, employed directly or through special employment centres.
- Indirect procurement of goods and services valued at Euro 2.5 million from special employment centres.
- Nine open days organised jointly with Randstad to offer ENDESA employees and their families information and advice about issues related to disability.
- Over 70 families signed up for the Family Plan, run by ENDESA and the Adecco Foundation, and the company continued to work with the Universia Foundation to increase the number of disabled students attending university.

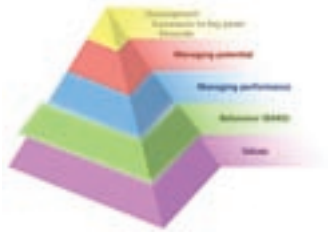
In Latin America, ENDESA has also launched a plan to integrate disabled employees. In Chile, for example, a programme was launched to employ 10 workers with differing levels of disability as engineers and technical or administrative staff.

5.2. Working Climate

ENDESA's 2009 Workplace Satisfaction and Commitment Survey highlighted various areas for improvement and specific action plans were accordingly formulated. Five global areas for action were defined: communicating strategy; information about customers, competitors and the market; information about responsibilities, functions and objectives; the pace of change and its management; and diversity and respect for individual differences. A total of 53 action plans were drawn up for improvements in these areas and by the end of the year 82.44% of their objectives had been achieved.

In December 2010 the Enel Workplace Environment survey was conducted with ENDESA involved for the first time as a member of the group. Over 82% of ENDESA staff participated. An 83.5% level of commitment was recorded, seven points higher than the result obtained in the company's 2009 survey.

5.3. Talent and Leadership



In 2010 ENDESA introduced a new model for talent management, to ensure personal development based on recognition of merit and quality leadership.

The aim is to identify individuals and teams who can enable the company to grow, support its development and manage its commitment effectively, this being one of the company's greatest challenges.

5.3.1. Main initiatives

In 2010 the main initiatives concerning the management of talent and leadership were as follows.

- The BARS process was introduced. This assesses a series of observable behaviour patterns which enable managers to identify leadership qualities in their team members. Seven specific factors are taken into account: «acts and feels like a member of the group», «assumes responsibilities and risks», «helps team members to develop», «copes well with job», «steers change», «gives priority to workplace health and safety» and «is results oriented». During the year, 9,561 BARS assessments were carried out.

- Initiatives such as the Twin Exchange Program, offering professionals the chance to work in other countries where the group operates. Its main aims are to promote professional development and create a body of professionals able to work in an international setting and share know-how.

5.3.2. Education

ENDESA is committed to the professional development of staff as a way to ensure the success of its business. We would highlight the following corporate programmes carried out in the year:

- *Leadership for Energy Management Programme*. A training programme aimed at staff who are not yet working as managers but who have been identified as having the necessary talent and potential. The programme is run jointly with the IESE and SDA Bocconi business schools. It is intended to foster strategic thinking, reinforce managerial skills through the Enel Leadership Model and promote the development of «agents of change» and networking. In 2010 three sessions were held, attended by 44 members of ENDESA's staff.

- *Junior Enel International Progre.:* This programme is intended for employees who have recently joined the Enel group, holding degrees or similar qualifications and having a maximum of two years' previous professional experience. The programme's objective is to reinforce the development of a multicultural and international outlook in the group, laying the foundations for better understanding of the cultural, organisational and economic dynamics of a multinational company. In 2010 four sessions were held, attended by 12 members of ENDESA's staff.

A wide range of other training programmes took place, including the following: Remote management training, language learning plan, environmental training plan, customer service training, raising awareness of occupational risk prevention, «From Thought

to Action» leadership programme, Endesa Ireland training plan, and Latin American management training plan. A total of 5,100 employees benefited from these courses,

which were complemented by the activities of the Endesa Energy School, whose aim is to promote the generation and sharing of knowledge and innovation throughout the organisation.

5.3.3. Remuneration

ENDESA's system of remuneration, which complies with local labour legislation and the relevant collective bargaining processes, is linked to the strategy, culture and values of the company and is intended to generate value.

In 2010 a number of managers whose performance had been exceptional received a bonus averaging 15% of their salaries, as part of the «15x15 Plan». The plan is intended to give recognition to merit and outstanding individual performance and to strengthen the commitment of managers to the company.

A Loyalty Plan was also introduced, providing long-term deferred remuneration. The first 2010-2012 programme is subject to the achievement of demanding economic and profitability targets by ENDESA and the Enel Group. The plan affects approximately 1,200 employees.

In the area of Social Welfare, the company maintains its pension commitments to current employees, employees taking early retirement, and retired employees. These commitments totalled Euro 8,131 million at the end of 2010.

Commitments at 31/12/10

Item	Total	%
Pension plans:	**3,689**	**45%**
Spain and Portugal	2,601	32%
Ascó Vandellós - Nuclenor	233	3%
Latin America	854	10%
Ireland	1	0%
Life insurance policies	**1,527**	**19%**
Other commitments with liabilities	**59**	**0.7%**
Headcount reduction plans	**1,903**	**23%**
Retirement provision for Energía	**795**	**10%**
Provision for Vinculación awards	**65**	**1%**
Provision for health	**93**	**1%**
	8,131	**100%**

In Spain the social benefit record system was introduced, an application which provides information for employees about their rights and the company's commitments to them.

Finally, ENDESA was proud to win an award for its pension plan from Investment & Pensions Europe, the leading publication on pension plans and pension funds.

6. Organisation and Security Of Information

In 2010 major efforts were made to ensure that information was organised in accordance with the company's needs. The main challenges were to optimise organisation and processes, making them more accessible to our businesses and more customer oriented, and align them with ENDESA's strategic objectives. The following projects were of particular interest:

- In Spain Endesa Red and its subsidiary Endesa Distribución Eléctrica introduced an Operating Efficiency Plan, designed to make the organisation's operations more effective and efficient and support the introduction of the new regional structure and model for sales offices.

- In Latin America an analysis was conducted of the way in which the generation and distribution business lines are organised and new structures were defined. LEAN methodology was applied, in particular to maintenance work in distributors in Brazil and Argentina, and to the management of works for new supplies in Brazil.

Work in the area of information security included a review of the ownership of network drives and access to them and greater protection for confidentiality in the sending of messages and documents by e-mail.

Community Initiatives

ENDESA considers that an integral part of its business activities is to actively assume the consequences of the relationships it maintains with the regions and communities in which it operates, contributing to their development through a variety of community actions. It thus implements a range of projects designed to improve social and living conditions in the community and help disadvantaged groups to enter employment.

These measures also make a significant contribution to developing regional ties, one of the main objectives of the company's 2008-2012 Sustainability Plan.

01. ENDESA'S Social Policy

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

The company is aware that the supply of energy is fundamental to the advancement and well-being of the community. It is therefore committed to the obligations associated with this service, striving to provide the best possible conditions of safety, quality and respect for the environment. Its social activities are an extension of this commitment, giving priority to disadvantaged communities or areas.

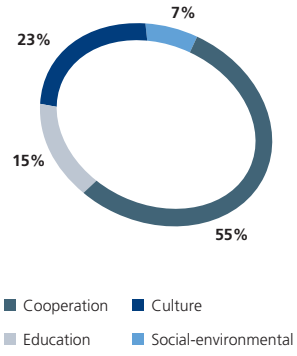
ENDESA only participates in community initiatives which meet the following fundamental criteria. They must:

- Complement its function as a basic service provider.
- Develop projects linked to the nature and characteristics of the company's businesses.
- Provide access to goods and services that are related to electricity.
- Respond to the needs of the communities with which ENDESA interacts.
- Contribute to wealth and job creation, as well as social integration.
- Help the most disadvantaged groups.
- Be sustainable over time. Ideally, the most successful ones should be replicable.
- Foster cooperation with community representatives in the development of projects.
- Be reported systematically and transparently in accordance with internationally accepted standards.

02. Investment in Social Projects

ENDESA's social projects respond to initiatives by corporate headquarters, local organisations and partner companies. These projects can be divided into four categories:

Overall performance in social development by category



COOPERATION

Designed to cover basic individual or collective needs in the areas where ENDESA operates and other needs related to the development of local communities.

These activities can be broken down into two groups

- Assistance in covering basic needs.
- Cooperation in local development.

CULTURE

Activities focusing on the preservation of local cultural identity,support for study of and research into community history, conservation of cultural heritage, support for cultural awards, etc.

EDUCATION

Programmes to promote basic literacy, general education and training for local communities and groups, aimed at both adults and children.

SOCIAL-ENVIRONMENTAL

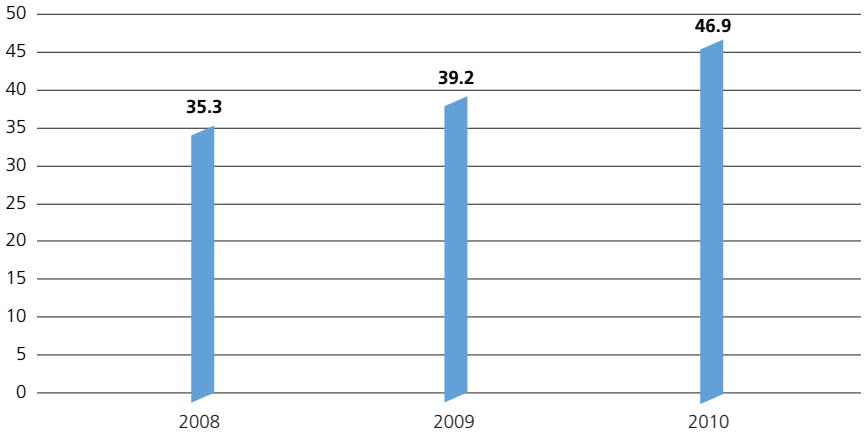
Promoting values linked to protection of the natural environment in local communities. This does not include measures directly related to environmental protection carried out by ENDESA as part of its normal business activity.

In 2010 the Company allocated Euro 46.9 million to social projects, equivalent to 2.2% of net profit from continued operations attributable to the company's shareholders.

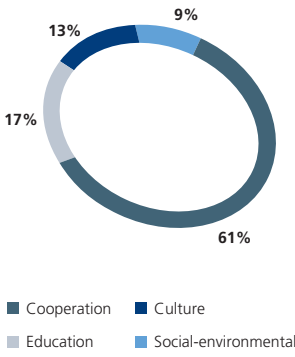
Of this amount, 71% was earmarked for Latin America and 29% for Spain and Portugal.

ENDESA's investments in general interest social development activities in 2010	Euro thousands
Spain and Portugal	14,881
Corporate Centre	7,637
Endesa Foundation	6,000
Spain and Portugal	1,244
Latin America	32,000
Total	**46,881**

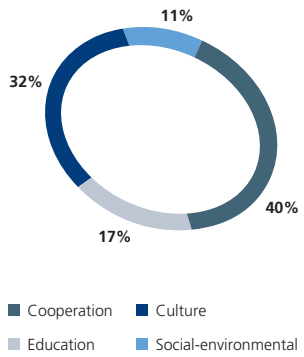
Investment by ENDESA in Social Development *(Euro millions)*



Social investment in Spain and Portugal by corporate centre and regional organisation in 2010



Social investment by ENDESA in Latin America in 2010



03. Main Lines of Action

03.1. Cooperation

Social cooperation is ENDESA's main area of social development, based on its knowledge of the needs of the communities where the company operates.

Much of its activity is geared to covering the basic needs of the community as a whole or of a particular disadvantaged group. It is carried out both in communities which lack essential services and in more developed communities with groups which are vulnerable or lack basic attention.

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

Measures include rural electrification projects, voluntary programmes, donations, building and funding schools, etc. The following are examples:

- In 2010 ENDESA's Latin American businesses allocated Euro 4.66 million to electrification projects, providing disadvantaged rural communities access to this basic service.

- Products and services

  - Ecoelce and Ecoampla (Brazil), programme for social development and raising environmental awareness, with discounts on customers' electricity bills in exchange for the selective collection and recycling of urban waste. In 2001 this programme was extended to Chile via the Ecochilectra project.
  - Programme for donating food to community canteens for children in Argentina.
  - Programme to replace refrigerators with more efficient models for low-income families in Brazil.
  - Energy bills in Braille (Ampla, Brazil) and (Chilectra, Chile).
  - Service which entails providing telephones for the deaf and hard of hearing (Chilectra, Chile).

- Volunteer programmes:

  - Employees in Chile, Brazil, Colombia and Peru continued to work in corporate voluntary programmes with the support of ENDESA's companies in these countries.
  - In 2010 the third Endesa Solidarios voluntary programme concluded in Spain. Since its inception the programme has raised over Euro 130,000, with contributions from over 1,900 employees.

- Cooperation and social development:

  - The Chilectra Football Cup, a joint initiative of the distributor Chilectra and UNICEF, Conace and the Iván Zamorano Foundation to encourage participation in sport and combat sedentary lifestyles, alcoholism and drug addiction.
  - The Pehuén Foundation in Chile promotes programmes to improve the quality of life in six Pehuenche communities.
  - Edelnor has installed lighting at sports facilities in Peru, helping to create recreational and social areas which can be used at night, and contributing to building healthy, drug-free communities.
  - A campaign to locate lost children in Chile, Brazil and Peru by printing their photographs on electricity bills and posting them in sales offices.
  - The Paneleros Programme (Colombia), implemented in the Gualivá province to improve the productivity of the panelera chain in the region, producing high quality panela (sweetener) for human consumption and improving productive infrastructure.
  - The Twenergy on-line community was set up to encourage responsible energy consumption.
  - The ADO programme in Spain provides additional funding for elite programmes to train candidates for the Spanish Olympic squad.

03.2. Educational Initiatives

ENDESA also works closely with the academic community. It has entered into agreements and directly participates in or promotes programmes at each level of education, from early years through to university and professional training. Many of these programmes involve an educational campaign to promote the safe and efficient use of electricity among children and young people, both in Spain and Latin America.

Some of the most important projects are:

- Endesa Educa, a programme aimed at Spanish students to teach them about efficient and rational energy use. This initiative has been implemented by providing schools with educational material related to energy resources, raising awareness among students about the importance of energy to general quality of life issues. The programme offers a range of activities which encompasses everything from introductory educational material on this topic to visits to ENDESA installations. In 2010, 16,249 children and young people took part in over 600 activities as part of the programme.

- The Instituto Tecnológico Pachacútec (Pachacútec Technology Institute) in Peru, is the fruit of a joint project by the Edelnor company and the El Callao diocese, through the Fundación Desarrollo Integral Nuevo Pachacútec (Nuevo Pachacútec Integrated Development Foundation). The aim is to train professionals in the electricity sector in an especially disadvantaged neighbourhood in Lima. The company has been involved in this project for five years and two classes of specialised technicians have already graduated and are working in the sector.

- The Paseo Itinerante de la Electricidad (Travelling Electricity Exhibit) is an educational exhibition touring the Cundinamarca region in Colombia to teach about the transformation process brought about by electricity through 10 entertaining, educational and interactive modules.

- El Viaje de la Energía (Argentina) is a programme which disseminates basic knowledge about electricity and its safe and efficient use to primary school children living in the area around the Edesur company concession. It has now completed its fifth year.

03.3. Cultural Initiatives

ENDESA is involved in conserving and promoting the local heritage and cultures in the areas in which it operates.

A significant number of these activities are related to illuminating monuments or organising artistic and cultural events. An interesting example was the Endesa Foundation's sponsorship of an exhibition of codices from the Sistine Chapel at the Biblioteca Nacional in Spain.

In 2010, 23% of ENDESA's social action comprised activities in this area.

03.4. Socio-Environmental Initiatives

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

The work of the Huinay Foundation in Chile is of particular interest in this area. It is a biodiversity research centre whose aim is to preserve the natural heritage of Huinay and the Chilean fjord region. In 2010 a guide to the benthic animals in Chilean Patagonia was published, based on the results of over a decade of field work.

04. London Benchmarking Group

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

In addition to the account given above of the company's social initiatives, which follow the calculation methodology used by ENDESA for several years, the following table provides the figures obtained using the LBG methodology, which generated figures quite similar to those obtained using ENDESA's «traditional» methodology.

ENDESA's contribution to social action in 2010, as per LBG*	Euro thousand
Contributions, Spain and Portugal	13,574
Contributions, Latin America	35,786
Total	**49,360**

Appendices

ENDESA's generation facilities in Spain at 31/12/10 (Ordinary regime) MW b.a.

	Company	Location	Type of fuel	No of units	Total capacity (MW)	% Endesa	Capacity corresponding to Endesa (MW)
Mainland System							
Conventional Thermal Plants							
Coal							
Compostilla	ENDESA	Cubillos del Sil-León	H-A	4	1,199.6	100.0	1,199.6
Anllares	33.33% ENDESA	Anllares-León	H-A	1	365.2	33.33	121.7
As Pontes	ENDESA	As Pontes-La Coruña	LP	4	1,468.5	100.0	1,468.5
Teruel	ENDESA	Andorra-Teruel	LN	3	1,101.4	100.0	1,101.4
Litoral	66.66% END-33.33% SEV	Carboneras-Almería	CI	2	1,158.9	100.0	1,158.9
Total Coal				**14**	**5,293.6**		**5,050.1**
Conventional fuel-gas							
Foix	TERBESA (G, ENHER)	Cubelles-Barcelona	F-GN	1	519.7	100.0	519.7
San Adrián 1 y 3	FECSA	San Adrián-Barcelona	F-GN	2	575.5	100.0	575.5
CCGT							
San Roque 2		San Roque-Cádiz	CCTG	1	408.3	100.0	408.3
Besós 3		Besós-Barcelona	CCTG	1	419.3	100.0	419.3
Besós 5		Besós-Barcelona	CCTG	3	859.0	100.0	859.0
Colón 4		Huelva	CCTG	1	397.8	100.0	397.8
As Pontes		As Pontes-La Coruña	CI	3	849.1	100.0	849.1
Total fuel-gas				**12**	**4,028.6**		**4,028.6**
Total Conventional Thermal				**26**	**9,322.2**		**9,078.7**
Nuclear							
Ascó I	40% END-60% FEC	Ascó-Tarragona	N	1	1,032.5	100.0	1,032.5
Ascó II	40% END-45% FEC	Ascó-Tarragona	N	1	1,027.2	85.0	873.1
Vandellós II	72% ENDESA	Vandellós-Tarragona	N	1	1,087.1	72.0	782.7
Garoña	NUCLENOR	Stª Mª Garoña-Burgos	N	1	466.0	50.0	233.0
Almaraz I	36% SEVILLANA	Almaraz-Cáceres	N	1	1,045.0	36.0	376.4
Almaraz II	36% SEVILLANA	Almaraz-Cáceres	N	1	987.9	36.0	355.8
Trillo	2% NUCLENOR	Trillo-Guadalajara	N	1	1,067.5	1.0	10.7
Total Nuclear				**7**	**6,713.2**		**3,664.3**
Hydroelectric							
Conventional hydroelectric							
U. de Prod. Hidr. Noroeste			H	31	749.4	100.0	749.4
U. de Prod. Hidr. Ebro-Pirineos			H		1,966.3	100.0	1,966.3
U. de Prod. Hidr. Sur			H		683.9	100.0	683.9
Pumping plants							
U. de Prod. Hidr. Ebro-Pirineos			H		760.9	100.0	760.9
U. de Prod. Hidr. Sur			H		570.0	100.0	570.0
Total Hydroelectric					**4,730.5**		**4,730.5**
Total Mainland					**20,765.9**		**17,474**

	Company	Location	Type of fuel	No of units	Total capacity (MW)	% Endesa	Capacity corresponding to Endesa (MW)
Non Mainland Systems							
Balearic Islands							
Coal							
Alcudia	GESA	Mallorca	CI	4	510,0	100,0	510,0
Fuel-Gas							
Alcudia	GESA	Mallorca	G	2	75,0	100,0	75,0
Son Reus		Mallorca	G	14	611,6	100,0	611,6
Ca's Tresorer		Mallorca	G	6	477,4	100,0	477,4
Mahón	GESA	Menorca	F-G	6	271,6	100,0	271,6
Ibiza	GESA	Ibiza	F-G	17	309,3	100,0	309,3
Formentera	GESA	Formentera	G	1	14,0	100,0	14,0
Total Balearic Islands					**2.268,9**		**2.268,9**
Canary Islands							
Fuel-Gas							
Jinamar	UNELCO	Gran Canaria	F-G	11	335,6	100,0	335,6
Barranco de Tirajana	UNELCO	Gran Canaria	F-G	10	697,0	100,0	697,0
Candelaria (1)	UNELCO	Tenerife	F-G	9	256,8	100,0	256,8
Granadilla (2)	UNELCO	Tenerife	F-G	13	714,2	100,0	714,2
Punta Grande	UNELCO	Lanzarote	D-G	12	212,5	100,0	212,5
Las Salinas	UNELCO	Fuerteventura	D-G	12	186,6	100,0	186,6
El Palmar		La Gomera	D	10	22,9	100,0	22,9
Llanos Blancos		El Hierro	D	9	12,7	100,0	12,7
Los Guinchos		La Palma	D-G	11	107,7	100,0	107,7
Hydroelectric	UNELCO	La Palma	H	1	0,8	100,0	0,8
Total Canary Islands					**2.546,9**		**2.546,9**
Ceuta & Melilla							
Ceuta	ENDESA	Ceuta	F-D	8	97,70	100,0	97,7
Melilla	ENDESA	Melilla	F-G	7	84,42	100,0	84,4
Total Ceuta & Melilla					**182,1**		**182,1**
Total Mainland and Non-Mainland					**4.997,9**		**4.997,9**
Total Endesa plants in Spain					**25.763,8**		**22.471,4**

(1) Candelaria includes the Guía de Isora facility (GT: 48.6 MW)
(2) Granadilla includes the Arona facility (GT: 2*24.3 MW)

Fuel:
H-A (hard coal-anthracite), Brl (brown lignite), BL (black lignite), IC (imported coal),
F (fuel oil), G (gasoil), NG (natural gas), CCGT (combined cycle-gas turbine) D (diesel), N (nuclear), H (hydroelectric).

ENDESA'S generation facilities in Latin America

	Country	Installed capacity 31/12/10 (MW)	Hydro	Fuel Gas	Coal	CCGT	Wind	Stake held Endesa Latinoamérica	Capacity equivalent to stake held (MW)
Los Molles	Chile	18.0	18.0					36.36%	6.5
Rapel	Chile	377.0	377.0					36.36%	137.1
Sauzal	Chile	76.8	76.8					36.36%	27.9
Sauzalito	Chile	12.0	12.0					36.36%	4.4
Cipreses	Chile	106.0	106.0					36.36%	38.5
Isla	Chile	70.0	70.0					36.36%	25.5
Pehuenche	Chile	570.0	570.0					33.69%	192.0
Curillinque	Chile	89.0	89.0					33.69%	30.0
Loma Alta	Chile	40.0	40.0					33.69%	13.5
Abanico	Chile	136.0	136.0					36.36%	49.4
El Toro	Chile	450.0	450.0					36.36%	163.6
Antuco	Chile	320.0	320.0					36.36%	116.4
Pangue	Chile	467.0	467.0					39.55%	184.7
Ralco	Chile	690.0	690.0					36.36%	250.9
Tarapacá tg	Chile	24.0		24.0				36.36%	8.7
Tarapacá carbón	Chile	158.0			158.0			36.36%	57.4
Atacama	Chile	390.3				390.3		18.18%	141.9
Tal Tal	Chile	244.9		244.9				36.36%	89.0
Diego de Almagro	Chile	23.8		23.8				36.36%	8.7
Huasco	Chile	64.2		64.2				36.36%	23.4
San Isidro	Chile	379.0				379.0		36.36%	137.8
San Isidro II	Chile	399.0				399.0		36.36%	145.1
TG Quintero	Chile	257.0		257.0				36.36%	93.4
Bocamina	Chile	128.0			128.0			36.36%	46.5
Palmucho	Chile	34.0	34.0					36.36%	12.4
Canela	Chile	18.2					18.2	27.27%	4.9
Canela II	Chile	60.0					60.0	27.27%	16.4
Ojos de Agua	Chile	9.0	9.0					36.36%	3.3
Total Chile		**5,611.2**	**3,464.8**	**613.9**	**286.0**	**1,168.3**	**78.2**	**—**	**2,029.4**
Costanera (Vapor)	Argentina	1,138.1		1,138.1				25.37%	288.7
Costanera (C. Combinado)	Argentina	859.0				859.0		25.37%	217.9
Central Buenos Aires	Argentina	327.0				327.0		25.37%	83.0
Dock Sud (C.Combinado)	Argentina	797.5				797.5		39.99%	318.9
Dock Sud (C.Abierto)	Argentina	72.0		72.0				39.99%	28.8
El Chocón	Argentina	1,200.0	1,200.0					23.77%	285.2
Arroyito	Argentina	128.0	128.0					23.77%	30.4
Total Argentina		**4,521.6**	**1,328.0**	**1,210.1**	**—**	**1,983.5**	**—**	**—**	**1,253.0**
Cachoeira Dourada	Brasil	665.2	665.2					61.16%	406.8
Fortaleza	Brasil	321.6				321.6		61.40%	197.4

	Country	Installed capacity 31/12/10 (MW)	Hydro	Fuel Gas	Coal	CCGT	Wind	Stake held Endesa Latinoamérica	Capacity equivalent to stake held (MW)
Total Brazil		**986.8**	**665.2**	**—**	**—**	**321.6**	**—**	**—**	**604.3**
El Guavio	Colombia	1,213.0	1,213.0					31.37%	380.5
Charquito-Limonar-Tinta-Tequendama	Colombia	76.6	76.6					31.37%	24.0
La Junca	Colombia	19.5	19.5					31.37%	6.1
San Antonio	Colombia	19.5	19.5					31.37%	6.1
Cadena Pagua (Guaca y Paraíso)	Colombia	601.2	601.2					31.37%	188.6
Termozipa	Colombia	235.5			235.5			31.37%	73.9
Betania	Colombia	540.9	540.9					31.37%	169.7
Cartagena	Colombia	208.0		208.0				31.37%	65.2
Total Colombia		**2,914.2**	**2,470.7**	**208.0**	**235.5**	**—**	**—**	**—**	**914.2**
Ventanilla	Perú	492.7				492.7		22.71%	111.9
Piura (Malacas)	Perú	132.8		132.8				84.50%	112.2
Huinco	Perú	247.3	247.3					22.71%	56.2
Matucana	Perú	128.6	128.6					22.71%	29.2
Callahuanca	Perú	80.4	80.4					22.71%	18.3
Moyopampa	Perú	66.1	66.1					22.71%	15.0
Huampaní	Perú	30.2	30.2					22.71%	6.9
Santa Rosa	Perú	429.4		429.4				22.71%	97.5
Yanango	Perú	42.6	42.6					18.17%	7.7
Chimay	Perú	150.9	150.9					18.17%	27.4
Total Peru		**1,801.1**	**746.2**	**562.2**	**0.0**	**492.7**	**—**	**—**	**482.3**
Total		**15,834.8**	**8,674.9**	**2,594.3**	**521.5**	**3,966.1**	**78.2**	**—**	**5,283.11**

ENDESA's generation facilities in other countries

Power station	Country	Type of plant	Installed capacity (MW) at 31/12/10 (*)
Tahaddart (32% proportionately consolidated)	Morocco	Combined cycle	384
Tarbert	Ireland	Thermal	620
Great Island	Ireland	Thermal	240
Rhode	Ireland	Thermal	104
Tawnaghmore	Ireland	Thermal	104

(*) 100 % of the plant

Significant events during 2010 and the first quarter of 2011

2010

8 January Fitch Ratings raises debt rating of Enersis and Endesa Chile from BBB to BBB+.

14 January Start up of Cenit Verde, the Spanish consortium dedicated to developing the electric vehicle, of which Endesa forms part.

21 January Endesa, the only Spanish company to participate in Europe's G4V project on the large-scale impact of the electric vehicle.

3 February Madrid's Mayor presents Endesa's Chairman with the first two free-parking discs for electric vehicles (with unlimited parking times in certain parts of the city).

The Endesa foundation is the most transparent in terms of economic information overthe Internet according to the report "Construir Confianza" published by the Fundación Compromiso Empresarial.

16 February Standard & Poor's raises debt rating of Enersis and Endesa Chile from BBB to BBB+.

17 February Endesa and Cepsa reach an agreement for installing recharging points on electric vehicles at Cepsa service stations.

22 February Endesa begins installation of Europe's first facility to test microalgae cultivation for carbon capture at its Carboneras power plant in Almeria.

3 March Endesa wins one of the awards in the Spanish leg of the European Business Awards for the Environment 2009/2010 for the Ecolce project, carried out by its Brazilian subsidiary distribution company, Coelce.

17 March The respective Boards of Directors at Endesa and Enel SpA approve the integration of the Spanish and Portuguese renewable energy activities of Endesa and Enel Green power SpA (EGP) into a single entity within the sphere of consolidation of EGP, a fully-owned company of Enel SpA.

18 March Endesa announces a USD 10 million fund to help rebuilding work in Chile following the 27 February earthquake.

25 March The Thaddart plant in Morocco becomes the first power station on the African continent to be ISO 14001 certified.

7 April Endesa and Enel team up with Japanese association CHAdeMO to expand the installation of electric vehicle express-recharging points across the globe.

8 April Endesa and Bergé Automoción sign an agreement to develop electric vehicles in Spain.

9 April Endesa, Enel and the Renault-Nissan alliance sign a Memorandum of Understanding to develop electric mobility in various countries simultaneously.

30 April Endesa develops a super-conductor cable which can reduce power losses on the grid by up to 5%.

12 May The Board agrees to modify Board Regulations and approve its revised text.

25 May Coelce is ranked among the 100 best companies to work for in Latin America by the Great Place to Work Institute.

30 May Endesa closes its first year in the Portuguese residential power market with 18,000 customers.

14 June Endesa installs Spain's first domestic smart meter in Malaga.

17 June	Endesa endorses the United Nations' Women's Empowerment Principles to foster the participation of women in all sectors of the economy and at all levels.
25 June	Endesa's certification as a Family-friendly Company is renewed and its status improved.
1 July	The sale of the power transmission assets owned by Endesa to Red Eléctrica de España for Euro 1,412 million is completed.
2 July	Endesa sells its 50.01% holding in Endesa Hellas to Mytilineos for Euro 140 million.
8 August	Endesa Operaciones y Servicios Comerciales is spun off from Endesa Red and becomes part of Endesa Energía.
12 August	Endesa now has 3.3 million customers in the Spanish deregulated market for combined power and gas services, confirming its leading position.
13 August	Edegel and Edelnor, have been recognised in the "2010 Business Eco-Efficiency Awards", organised by the Peruvian Ministry of the Environment.
20 August	Chilectra placed second in the Sixth CSR Ranking 2010 for companies in Chile.
20 August	Coelce named Best Power Distribution Company in Brazil by the Brazilian Association of Power Distributors.
24 August	Ecoelce Project receives 2010 Chico Mendes Environmental Prize, the most prominent award of its kind in Brazil.
27 August	Endesa starts construction of a plant to capture CO_2 using limestone in Asturias.
31 August	To date, Endesa Educa has taught 17,000 students to save energy.
9 September	Endesa confirms its position as a world leader in sustainable development by appearing for the tenth year running in the Dow Jones Sustainability World Index.
23 September	Endesa announces that it is to invest USD 837 million in the construction of a 400 MW hydroelectric power station at El Quimbo in Colombia.
24 September	Endesa agrees on the sale of 80% of its stake in the subsidiary in which its gas distribution and transmission assets are incorporated, reserving the right to repurchase the stake sold.
13 October	Endesa and the Real Madrid Foundation sign an agreement to promote sport among young people in disadvantaged districts in Peru.
26 October	The Prince and Princess of Asturias attend the celebrations to mark the tenth anniversary of the Prince of Asturias university chair at Georgetown University, which is sponsored by the company.
28 October	Ampla and Coelce win the 2010 National Award for Quality, which recognises excellence in management in Brazil.
11 November	Endesa receives the National Confederation of Special Employment Bureaus' (CONACEE) Integration Award for fostering the workplace integration of people with disabilities.
25 November	Endesa wins tender for project to extend the Malacas thermal power station in Piura with an additional 200 MW capacity.
10 December	Endesa Chile's Bocamina I plant resumes commercial operations after having been damaged in the earthquake on 27 February.
	Standard & Poor's puts the ENDESA long-term debt rating of "A–" on credit watch for a potential downgrade, maintains the rating on its short-term debt at "A-2", and revises ENDESA's individual profile from "A–" to "BBB+".

13 December Emgesa and Codensa donate COP 500 million to the recovery fund set up by the Colombian government to restore normal conditions after the floods affecting the country.

16 December Moody's puts Endesa's long-term debt rating of "A3" on credit watch for a possible downgrade and maintains its short-term rating of "P-2".

20 December Endesa agrees to sell Chilean subsidiaries CAM and Synapsis.

30 December Chilectra placed first for technical quality in Chilean Fuel and Energy Superintendence's quality of service ranking.

2011

January 19 Enel Green Power, in which Endesa has a 40% holding, brings three wind farms with total capacity of 96 MW into operation in Spain.

January 21 Endesa receives "Equality in the Workplace" award in recognition of its policies of equal opportunities and equal treatment in its terms of employment.

January 25 Enel Green Power inaugurates a 10 MW wind farm in Portugal.

January 28 Endesa and Enel join the Global Compact LEAD platform, a United Nations Organization initiative bringing together the 54 best companies in the world regarding sustainability issues.

4 February The Smartcity Project (Malaga) wins two awards at the 2011 Smart Metering Europe Summit.

28 February Endesa is the first Spanish power company to be awarded service charter certification for its customer acquisition process by the Spanish Association for Standardisation and Certification (AENOR).

2 March Agreement by Endesa, Enel and the Port of Barcelona to develop Spain's first "green port".

7 March Endesa and Barcelona Tech (UPC) launch Spain's first official master's degree in nuclear engineering.

15 March Endesa presents its 2011-2015 Strategic Plan.

29 March Endesa signs agreement with Faconauto (the Spanish Automobile Dealers Association) for the installation of recharging points for electric vehicles at the premises of the Association's members.

30 March Endesa inaugurates the first heat-exchanger power plant in Spain.

ENDESA since its incorporation

1944	Endesa is incorporated on 18 November.
1945/1957	The Compostilla I thermal plant in Ponferrada (León) is built and comes on stream.
1961/1972	The first three units of the Compostilla II thermal plant in Ponferrada (León) are built and begin production.
1964	The hydro plant at Cornatel (León) comes on stream.
1972	Merger with Hidrogalicia
	Acquisition of the As Pontes (A Coruña) open pit coal mine and the Andorra (Teruel) underground coal mines from Empresa Nacional Calvo Sotelo.
1972/1979	The As Pontes (A Coruña) thermal plant is built and comes on stream.
1976/1980	The Andorra (Teruel) thermal plant is built and starts production.
1979/1984	The new units of the Compostilla II thermal plants are built and come on stream.
1980	The Ceuta and Melilla diesel groups come into operation.
1980/1984	The first groups at the Litoral and Puerto de Carboneras thermal plants (both in Almería) are built and come on stream.
1981	Mining begins at the Corta Alloza open pit coal mine in Andorra (Teruel).
1983	The Endesa Group is created following the acquisition of the Spanish National Institute of Industry's (INI) holdings in Enher, Gesa, Unelco and Encasur.
1985	The Electricity Asset Swap Agreement is signed with other companies in the sector leading to a significant increase in the company's installed capacity.
1986	The Ascó II (Tarragona) nuclear power station starts production.
	Mining begins at the Corta Barrabasa mine in Andorra (Teruel).
1987	The Vandellós II nuclear power plant is connected to the national grid.
1988	Initial Public Offering of Endesa shares, which reduces the State's holding to 75.6%.
	Endesa's shares are traded for the first time on the New York Stock Exchange.
1990	Completion of the Escatrón thermal plant (Teruel).
1991	Acquisition of 87.6% of Electra de Viesgo, 40% of Fecsa, 33.5% of Sevillana and 24.9% of Saltos del Nansa.
1992	Acquisition of 61.9% of Carboex.
	Endesa increases its holdings in Fecsa and Nansa to 44.9% and 37.5% respectively.
	Elcogas is incorporated to build the first gasification plant integrated into a CCGT unit in Puertollano.
	Endesa acquires its first foreign holdings, with stakes in two Argentine companies.
1993	Acquisition of a 55% stake in Hidroeléctrica de Cataluña.
	Acquisition of a shareholding in Tejo Energía (Portugal), which owns the Pego thermal plant.

1994 Public Offering of Endesa shares, which sees State ownership reduced to 66.89%.

Endesa takes a stake in Compañía Peruana de Electricidad y Distrilima at their incorporation.

Acquisition of 11.78% of Sociedad General de Aguas de Barcelona (AGBAR).

1995 Endesa acquires a 9.7% holding in Edenor, the Argentine electricity distributor, and a 7.2% holding in Airtel, Spain's second largest mobile phone operator.

Enher acquires 100% of Hidroeléctrica de Cataluña.

1996 Endesa increases its stake in Fecsa to 75%

Stake in Sevillana increased to 75%.

Signs the Protocol for the new Spanish Electricity System Regulation.

1997 A consortium in which Endesa participates is awarded the second telephony operating licence (Retevisión).

Public Offering for an additional 25% of Endesa.

Endesa acquires 31.9% of Enersis.

1998 Public Offering of an additional 33% of Endesa's shares.

Endesa makes a capital reduction of 8.19%.

1999 Endesa completes its corporate consolidation process by incorporating minority shareholders from its Spanish electricity subsidiary companies into the shareholder structure of Endesa. The merger is approved at the respective General Shareholders' Meetings on 27 April.

Endesa acquires an additional 32% of Enersis and becomes the controlling shareholder.

Endesa sells its stake in Airtel.

2000 The telecommunications holding Auna is set up, in which Endesa holds an initial 27.8% stake.

Endesa acquires Smartcom, a Chilean mobile telephony company.

Endesa's shares are traded for the first time on the Santiago de Chile Off-Shore Stock Exchange.

2001 Endesa agrees to sell its stake in Argentine distributor, Edenor.

Endesa acquires 30% of French electricity generator Snet.

A consortium led by Endesa, and in which it holds a 45% stake, is awarded the Italian generation company Elettrogen.

Viesgo's generation and distribution assets are awarded to the Italian company, Enel, in a competitive tender.

2002 Endesa is included in the Dow Jones Sustainability World Index (DJSI).

Endesa's first CCGT power plants come on stream: Besós, San Roque and Son Reus.

Endesa sets up Sodesa, a joint venture with Sonae of Portugal, to sell electricity in the Portuguese market.

Endesa's Customer Ombudsman's Office commences its activities.

2003 Endesa sells its electricity transmission network to Red Eléctrica, S.A.

Endesa sells its 3.01% stake in Repsol YPF, 7% of Red Eléctrica, S.A and 100% of Made.

Endesa's Board of Directors modifies its Regulations and approves the Internal Code of Conduct in Stock Markets.

Endesa relocates the registered offices of Endesa Generación to Seville and Endesa Red to Barcelona.

2004 The 400 MW Tahaddart plant in Morocco, the country's first CCGT plant, is synchronised to the grid.

Endesa sells its 11.64% stake in Aguas de Barcelona, as well as its NETCO Redes shareholding and its subsidiary companies Senda Ambiental and Enditel.

2005 Endesa sells its holding in Moroccan company, Lydec

Gas Natural launches a hostile takeover bid for 100% of Endesa's capital.

Endesa creates Endesa Brasil, a holding company for all its Brazilian operating assets.

Endesa sells France Telecom a 27.7% stake in the Auna group.

Endesa sells its 40% stake in CEPM, the Dominican Republic-based generation company.

Endesa sells its remaining 5.01% stake in Auna to Deutsche Bank.

2006 E.On of Germany launches a takeover bid for 100% of Endesa.

Endesa signs an agreement with Algerian company Sonatrach to supply natural gas though the MedGaz gas pipeline.

Endesa is rated the leading electric utility in the world for its commitment to sustainable development, according to the Dow Jones Sustainability World Index.

Acciona acquires 10% of Endesa.

2007 Acciona notifies the CNMV that its total stake in Endesa stands at 23.01%.

Gas Natural withdraws its takeover bid for 100% of Endesa.

Enel confirms that its direct and indirect stake in Endesa now totals 24.973%.

E.On withdraws its takeover bid for Endesa.

Enel and Acciona request that the CNMV authorise their joint takeover bid for 100% of Endesa.

Colombian utilities Emgesa and Betania merge to become the country's leading electricity generator.

The CNMV announces the successful outcome of the takeover bid launched by Enel and Acciona for Endesa.

Endesa Eco inaugurates Canela I, Endesa's first wind farm in Latin America.

2008 Endesa takes over the presidency of SIEPAC, the project for electricity interconnection between the six Central American countries.

The San Isidro II power plant in Chile comes on stream with a fuel oil combined cycle, totalling 353 MW of installed capacity.

Endesa is awarded a licence to sell gas in Portugal.

Enel and Acciona agree with E.On that the value of the assets to be transferred to the latter following the agreement signed in April 2007 is Euro 11,500 million.

The As Pontes (A Coruña) combined cycle plant comes on stream.

Agreement signed for the sale of Endesa Europa and other Endesa assets to E.On.

Endesa acquires an additional 23.78% in Edegel and an additional 24% in Edelnor, in Peru.

2009

Enel acquires Acciona's holding in Endesa, making it the company's main shareholder, with 92.06% of its capital. According to the terms of the agreement, Endesa undertakes to sell certain wind farm and hydro generation assets to Acciona.

Distribuidora de Energia de Cundinamarca, partly owned by Codensa, acquires 82.34% of Empresa de Energia de Cundinamarca.

Endesa and the Andalusia Autonomous Government present Smartcity, a pioneering project promoting a new urban energy management model.

The first and second units of the Quintero power plant in Chile come on stream (129 MW and 128 MW respectively).

Enersis and Endesa Chile acquire, via Generalima, 24% of Edelnor and 24.9% of Edegel, respectively, from Endesa Latinoamérica.

Canela II, the largest wind farm in Chile, starts commercial operations.

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