



*"making things  
possible..."*

# endesa11

Annual Report **Summary document** 2011



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This report summarises the activities carried out by the Company in 2011. The complete annual information: **Legal Documentation** (Financial Statements and Corporate Governance Report), **Operations Review** and **Sustainability Report**, is sent by email and is also available on our corporate website [www.endesa.com](http://www.endesa.com).

This new design is intended to improve communication with our stakeholders by presenting them with a summary of the Company's financial, operational, social and environmental results in a more dynamic and visual format.

It will also help reduce the environmental impact of producing hard copies of these reports. In 2011, 78,860 sheets of creator silk FSC paper were used to publish all of our 2010 annual reports, in Spanish and in English. In other words, 7,114 kg of paper. For this 2011 edition, we have cut paper consumption by 40%.

All paper used in these reports comes from responsibly-managed forests and is elemental chlorine free (ECF) with neutral pH and free of heavy metals.

# Summary

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Panoramic view of the Andorra thermal plant



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**ENDESA WAS** incorporated in 1944 as Empresa Nacional de Electricidad, S.A. Its name was changed to ENDESA, S.A. at the 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 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.

**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.





Euro **1,270.5** million

**Share capital** at 31 December represented by 1,058.7 million shares, each with a par value of Euro 1.20. Its shares are listed in the Spanish stock exchanges and the Santiago de Chile offshore exchange.

Euro **2,212** million  
**Net income** in 2011

Euro **7,265** million  
**EBITDA** in 2011

Euro **4,653** million  
**EBIT** in 2011

Euro **58,721** million

**Total assets** at 31 December 2011. ENDESA is the leading company in the Spanish electricity sector and the largest private electricity multinational in Latin America.

Euro **32,686** million  
**Total revenues** in 2011

**22,877** employees  
**Employed directly** at ENDESA at year-end 2011

## Vision



### Energy

ENDESA is an energy sector operator and provider of associated services, focused on electricity.

### Efficiency and commitment

A responsible, efficient and competitive multinational company, committed to health, safety and the environment.

### Global competitiveness

A company ready to compete on a global level.

## Mission



### Shareholders

To maximise the value of our shareholders' investments.

### Markets

To serve our markets and exceed customers' expectations.

### Employees

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 contributions made.

## Health and safety

We have made 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.

## Results 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 maximum profitability criteria.

## Results driven

Our activities are aimed at achieving the business targets set and generating returns 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.



Colomers Cirque (Arties)





# Presentation



**Borja Prado Eulate**  
Chairman

The Annual Report that companies present to their shareholders each year is not only the best way to offer a true and precise view of the results obtained, in an exercise of responsibility and transparency which is both compulsory and expected, but it is also a way of reflecting openly on the framework in which these results have been achieved. This is clearly a truism, but a point I believe is worth reiterating this year given the significance of the environment in which our Company is operating and the role we play in this context.

In 2011, ENDESA reported net profit of Euro 2,212 million, a sufficiently sound figure in absolute terms and in line with previous years' figures in like-for-like terms, continuing the long trend of profitability which all of us who are involved in this great business project can be justly proud. However, while commendable in its own right, the real scale of this achievement can only be appreciated when we consider the environment in which it was forged.

Without wishing to magnify the scale or reach of our activities in any way, it is clear that ENDESA's size and weight in the electric utilities sectors of the countries in which we operate and the very nature of these activities –with an impact not only in the economic sphere but also on the quality of life of our customers– make our Company's interaction with its environment especially significant. I would also reiterate that the present context, heavily marked by the international economic and financial crisis, is battering companies' earnings, and is even affecting the way in which they assume their responsibilities to stakeholders and society in general.

It should therefore be pointed out that the economic outlook has worsened considerably since the last half of 2011, both in Spain and abroad. 2011 GDP growth forecasts for OECD nations are barely higher than 1%, rising a mere 0.2% in the last quarter of the year due to the weakness in demand. Forecasts for the EU are not much better, estimating growth of 1.5% for 2011 as a whole; while Spain saw negative growth (-0.3%) in both the last quarter of 2011 and the first quarter of 2012.

On an international scale, in addition to these macroeconomic data, the European public debt crisis, ongoing trials and uncertainties plaguing the financial markets, and the strict fiscal adjustment measures implemented on both sides of the Atlantic should also be considered, as they are also holding back economic recovery. In Spain, the sharp decline in domestic consumption (negative growth in all quarters of last year) and above all an unemployment rate of more than 24% of the active population (over 5.6 million workers) are taking their toll.

Clearly, to achieve the results ENDESA is now presenting to shareholders and other stakeholders has not been an easy task. A sound starting position is needed, in addition to proven strengths and a resolute attitude when adopting initiatives that entail a great deal of effort.

I would highlight four such undertakings made by our Company: a clear focus on our core business, so that earnings are largely underpinned by our "real economy"; strict cost discipline, seeking synergies and efficiency gains in close and efficient collaboration with our core shareholder; intelligent use of the comparatively better macroeconomic and market conditions seen in Latin America; and a clear vision of the social responsibility that is an integral part of the basic service we supply in the countries where we operate.

In relation to the first point, it is important to point out that revenues from our energy activities grew 4.8% in 2011 year-on-year, to Euro 32,686 million, with EBITDA of Euro 7,265 million, approximately 41% of the Enel Group's total EBITDA.

These results are predicated on the positive trend in physical sales, reflecting the sound performance of our activities: ENDESA's power output in 2011 totalled 138,714 GWh, up 6.3% on 2010, while electricity sales climbed 0.3% to 175,701 GWh. While the last figure is modest on a standalone basis, it is not when the adverse demand scenario in the Spanish market is considered. In

2011, demand for electricity in mainland Spain fell 1.2%, -2.1% adjusted for working days and temperatures.

The second most important factor driving ENDESA's 2011 results was once again the synergies obtained through collaboration with our core shareholder (totalling Euro 1,029 million). If we also consider the Euro 181 million raised through other efficiency programmes, total savings would stand at Euro 1,210 million. This brings to light two key issues: 1) the benefit to our Company of belonging to one of the largest multinational energy groups in the world, and 2) the joint capacity of Enel and ENDESA to improve efficiency levels, so responding to one of the main challenges facing the business world both in Spain and abroad in the current crisis context.

In relation to my third point, I would point out that overall, the Latin American countries where ENDESA operates responded better to the crisis in 2011 than EU countries, boosted mainly by domestic demand and raw material exports. However, GDP variations over the year as a whole, while positive in themselves, were lower in some cases than in the previous year, although still within a high range (3% and 8.5%). ENDESA was once again able to take advantage of this favourable context, reporting EBITDA in its Latin American business of Euro 3,241 million, contributing 44.61% to total group EBITDA.

Also in 2011, I believe that ENDESA has demonstrated its willingness to honour its obligations to society in the midst of the crisis. This is a permanent attitude, worthy of a company that considers its links with society to be one of the main features of its identity, and even more so given the current economic backdrop. We must also be aware that one of the factors that the crisis is bringing to light on both sides of the Atlantic is the need to ensure that the search for profits (the legitimate goal of any business project) should not only bring about social benefits but be closely linked to this very objective.



This was ENDESA's aim throughout 2011, working, above all, to efficiently meet its inherent commitment to society: supplying a basic social service. The performance of the quality and continuity of supply rates offered to customers in all the markets where ENDESA operates are proof of this, with an improvement of 20% in Spain and 6.7% in Latin America. Improvements, as in Spain, have been achieved even though, in the eyes of virtually all sector players, tariffs fall short of covering all supply costs.

The Company has also achieved this while honouring its commitment to society, developing hundreds of projects focused on community development, education, culture, environmental awareness, etc, in all countries in which it operates, with a total investment of Euro 46.4 million, equivalent to 2.1% of net profit.

Care has also been taken to look after the welfare of all the people who work for and with the Company – people who have been behind the success of this business project and these excellent results. Once again, health and safety issues were a priority last year, and the Company managed to reduce the number of serious and fatal accidents by 42% compared to 2010. New initiatives have also been implemented aimed at establishing a global concept of occupational health and safety which is not predicated on the eradication of accidents and illness but as a way of ensuring the personal and social well-being of all ENDESA's employees.

The Company has invested heavily despite the crisis, creating wealth for society as a whole, and contributing significantly to the direct and indirect creation of jobs while maintaining a large number of business partners, including numerous SMEs.

This highlights that, despite the complex economic context and the need to carefully consider market trends, ENDESA invested more than Euro 2,826 million in 2011, shared between its two main geographical markets: Euro 1,495 million in Spain and Portugal, and Euro 1,331 million in Latin America. The investments made follow the same criteria of financial discipline and market

awareness that the Group will adhere to in coming years. This is reflected in the information disclosed to the market on 8 March during the presentation of the Enel Group's Strategic Plan for 2012-2016.

In line with this disclosure, ENDESA will invest Euro 10,700 million during the period indicated, of which 71% will be used for maintenance activities and the remaining 29% for business expansion. This substantial investment outlay, coupled with synergies and other efficiency improvements, allows us to slightly raise our EBITDA guidance for 2016 to Euro 8,300 million.

Additionally, the strengthening of our activities, of which this investment is a reflection, will be underpinned by our ongoing commitment to technological innovation in order to ensure that our Company plays a leading role in the future development of our sector. Therefore, projects to roll out electric vehicles, smart metering and carbon capture and storage, power storage systems and smart cities (such as the projects in Malaga and Barcelona in Spain and Buzios in Brazil) are excellent pilot schemes for the urban future that we should aim to build.

In sum, these are some of the main facts and figures that comprise ENDESA's 2011 results, of which this Operations Review provides a more comprehensive analysis. A sound and positive set of financial results that will enable us to submit to the 2012 General Shareholders' Meeting a proposal to pay a gross total dividend of Euro 0.606 per share against 2011 earnings. If approved, this will mean a dividend payout of Euro 641.6 million, once again meeting ENDESA's commitment to shareholders.

This commitment has been reiterated ever mindful of our responsibilities in all areas, but particularly against the backdrop of the current crisis. We believe that our business activities must fully comply with our objective of meeting the interests and expectations of all our stakeholders, and, in particular, our desire to help find a way out of the current crisis.



To do this, we have a proven commitment to each and every one of the countries in which we operate, regardless of origins and borders, and this is once again reflected in our account of the past year. Our only request is for a balanced, fair and safe legal and regulatory framework under which we can work efficiently to meet this commitment.

I firmly believe that by working together every day in pursuit of this goal, we will always enjoy the support of our shareholders, employees and partners. Support which is invaluable and for which we are deeply and sincerely thankful.

A handwritten signature in black ink, consisting of stylized, overlapping letters that appear to be 'BPE' followed by a period.

**Borja Prado Eulate**  
Chairman



**Andrea Brentan**  
Chief Executive Officer

The profound crisis in which we are immersed and which is drastically affecting employment and the viability of many companies, is placing greater demands on all businesses to ensure a more responsible and efficient use of raw materials, and technological and financial resources.

At the same time, the crisis has led us to reassess what we know as the “real economy”; the economy that creates wealth and tangible values.

At ENDESA we have at no time strayed from our commitment to the «real economy», adhering strictly to our corporate purpose of supplying customers with electricity under the best conditions of quality, accessibility and safety, creating value for our shareholders and wealth for society, promoting technological innovation, and making the health and safety of our employees and external partners a priority while following a responsible environmental conduct and, in short, making efficient use of the resources at our disposal.

Ensuring an efficient use of resources requires greater ethical responsibility in business management; bringing to the attention of the general public the key requirements of corporate social responsibility, which include transparency, good governance, customer service, loyalty to investors, suppliers and other stakeholders, and the optimisation of costs – ENDESA is making a special effort in all these areas.

This effort is reflected in the results that we are able to present to our shareholders and other stakeholders year after year. 2011 was no exception, despite the adverse economic and sector backdrop.

In 2011, ENDESA reported net income of Euro 2,212 million, compared to Euro 4,129 million in 2010, down 46%. However, on like-for-like terms, 2011 net income dropped only 0.7%, implying that profitability has been maintained in a much more unfavourable environment. 2010 results included Euro 1,975 million of capital gains on asset disposals, while in 2011 the only gain from this type

of operation (the sale of the systems and communications business line) had a net impact of Euro 123 million.

Furthermore, in 2011 the asset values of the stakes in Endesa Ireland, and Endesa Costanera and Edesur in Argentina were revised.

EBITDA stood at Euro 7,265 million, down 3%, although taking into account the shrinking of the consolidated group to focus on the Company's core business, the wealth tax applied in Colombia (which will be paid instalments in 2011-2014), and the negative exchange rate effect, EBITDA would have risen 2% in like-for-like terms.

This EBITDA figure was achieved in a context of falling demand for electricity and gas in Spain, with a significant decline in nuclear output due to recharging and maintenance work carried out at plants in Spain and lower hydroelectric output in Spain and Chile.

Our focus on ensuring the efficient use of resources was also key to obtaining these results. This focus was once again evidenced in the high number of synergies obtained during the year thanks to joint work and as a result of belonging to the Enel Group. Synergies totalled Euro 1,029 million in 2011, which, in addition to the Euro 181 million in synergies obtained from other efficiency projects, led to total savings of Euro 1,210 million; outstripping our original target for the year by 24%.

The same rigour and discipline also saw the ENDESA strengthen its financial position in 2011. Net debt stood at Euro 11,002 million at 31 December 2011, a decrease of Euro 4,334 million from the end of 2010. Furthermore, if we bear in mind that at the end of 2011 the Company had a recognised right to collect Euro 5,380 million in funds related to items in the Spanish regulated electricity regime, discounting this sum would leave proforma net debt of Euro 5,622 million.

To gain a broader view of the Company's financial strength, net debt must be compared to consolidated equity, which stood at

Euro 24,679 million at 31 December 2011, up Euro 1,515 million on the figure at year-end 2010. This financial strength makes ENDESA highly solvent and has allowed the Group to act as a major driver of growth in the regions where it operates. ENDESA has continued to make significant investments in the midst of the crisis, mostly in infrastructure, thereby contributing to the generation of wealth, the conservation of a large number of jobs and the viability of many of its external partners.

Specifically, the Company invested Euro 2,826 million in 2011, of which Euro 2,558 million corresponded to infrastructure investments and Euro 268 million to financial investments. Furthermore, these investments were evenly distributed between our two main geographical markets: Euro 1,495 million in Spain and Portugal, and Euro 1,331 million in Latin America. Although these investments clearly had to be adapted to the market situation, and specifically the unfavourable demand trends in Spain and Portugal, it has clearly been an unusually high investment effort given the current crisis.

The context was difficult but one which ENDESA's two main geographical business lines were able to successfully weather, with excellent management results.

The business in Spain and Portugal contributed net income of Euro 1,533 million and EBITDA of Euro 4,024 million to consolidated figures. EBITDA showed a slight decrease of 1% compared to 2010. However, a like-for-like comparison reflects an increase of 5% in Spain and Portugal. These results were obtained in a context of falling hydroelectric and nuclear production, due, respectively, to the lower rainfall levels compared to 2010 and to planned plant closures. The higher average price on the electricity wholesale market should also be taken into account.

In Latin America, ENDESA successfully leveraged the region's economic environment, which was much more positive than that of Europe. Net income from this business totalled Euro 619 million, with EBITDA of Euro 3,241 million. This is 5% down on 2010,

but if we strip out the effect of the Colombia wealth tax accruing at 1 January 2011, which will be paid in instalments over 2011-2014, and the negative exchange rate effect; in like-for-like terms EBITDA would have decreased 1%. Given lower hydro output due to the severe drought, this is a good result.

These figures reflect that ENDESA is successfully navigating the global crisis and taking advantage of growth in Latin America. Therefore, the 2012-2016 Strategic Plan presented to the markets on 8 March 2012 contains a significant investment programme, estimated at Euro 10,700 million over the period, divided evenly between the Company's two main geographical markets. It also envisages average cumulative annual EBITDA growth of 2.6% to Euro 8,300 million in 2016, of which Euro 4,600 million will be contributed by Latin America and the remaining Euro 3,700 million by the business in Spain and Portugal.

ENDESA will also continue to focus on technological innovation to maintain its leadership position through a broad programme of RDI projects calling for a total investment of Euro 320 million. 2011 saw advances in the fundamental lines of this programme.

For example, ENDESA reinforced its leading position in e-mobility in 2011 through the installation of 329 charging points in Spain and Latin America, driving the development of the fast charge system and forming part of CHAdeMO, the Japanese association promoting the development of a standard fast charge system (ENDESA heads up the European part of the project). Agreements have been signed with electric vehicle manufacturers, and the Company participates actively in international projects and consortia.

In the area of remote management, the roll-out of 13 million smart meters in Spain continued at a fast pace during 2011. One million new meters had been installed at the close of the year and the project kicked off in Latin America with a pilot roll-out in Brazil in collaboration with Enel.

With regard to carbon capture and storage, work continued on projects to demonstrate oxycombustion technology at the Compostilla facility, the pilot postcombustion plant using carbonisation-calcination cycles at La Pereda and the CO<sub>2</sub> fixation project using microalgae at the Litoral de Almería thermal power facility, all in Spain.

Lastly, mention must be given to the advances made in the Smart-City projects being developed in Malaga and Barcelona in Spain and in Buzios in Brazil, involving 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.

This broad and diverse range of technological and environmental initiatives is aimed at providing a series of products and services that will ensure the well-being of millions of people. At ENDESA, more than 22,000 employees work to meet the energy needs of more than 25 million customers and the societies in the areas where the Company operates.

People are our priority. The health and safety of our employees and those of our external partners are of the utmost importance. This is reflected in our committed target of achieving "zero accidents". While this goal has not yet been met, we are taking significant steps towards it every year. The steady improvement in our accident rates is proof of this: the number of serious and fatal accidents fell by 42% in 2011 compared to 2010 and by 78% compared to 2009.

The importance of our customers is once again reflected in the economic figures, strategy and technological initiatives carried out by our Company. Efficiency improvements, better service quality, the modernisation of our grid, and particularly, the development of smart meters are initiatives developed exclusively to offer our customers a secure service in the best possible conditions. Initiatives that must be complemented with the care we offer our customers through the hundreds of thousands of interactions made

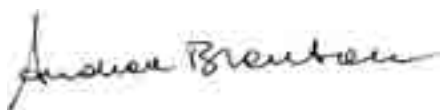
every year. In 2011 significant advances were made in this field. In Spain, for example, waiting times at our sales offices were reduced by 48%, a 24% improvement was noted in sales, contracting and activations in the mass market and perceived quality improved by 8% in meter-reading and billing procedures.

In 2011, ENDESA's commitment to corporate social responsibility (CSR) was boosted by its inclusion in Global Compact LEAD, the United Nations (UN) initiative that brings together the 54 most sustainable companies in the world.

Outstanding initiatives in Spain include the restoration of the As Pontes mine and slag heap to create the most biodiverse area in Galicia, containing the biggest artificial lake in Europe and more than 600,000 newly-planted trees.

In Latin America, highlights include the Enabling Electricity Programme. This groups together ENDESA's social initiatives aimed at providing access to electricity through developing new capacity; ensuring the accessibility of technology and infrastructures and implementing projects that remove economic barriers for low-income customer groups.

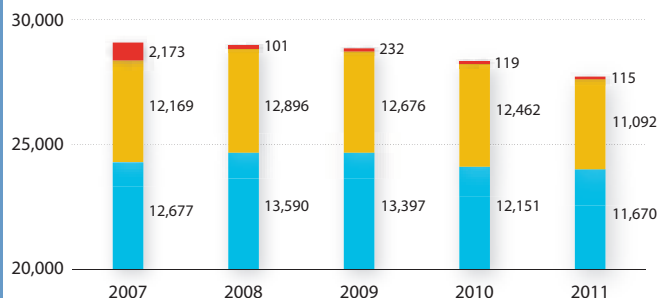
In sum, the best representation of the trust that shareholders and investors place in our company year after year (for which we offer them our whole-hearted respect and thanks) is the effort being made by more than 22,000 of our people every day to supply electricity and gas to more than 25 million customers and their families. This is an incentive that we should never lose sight of under any circumstances or in any environment, as it is the real substance of our great business project.



**Andrea Brentan**  
Chief Executive Officer

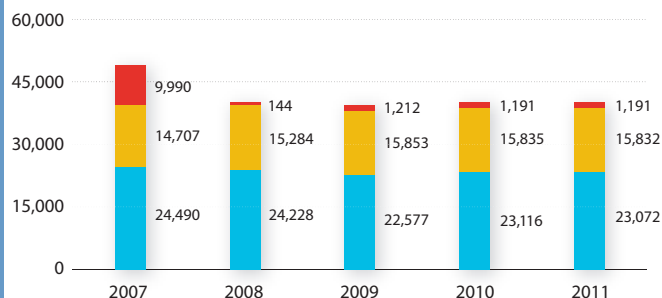
## Key financial data

### Workforce



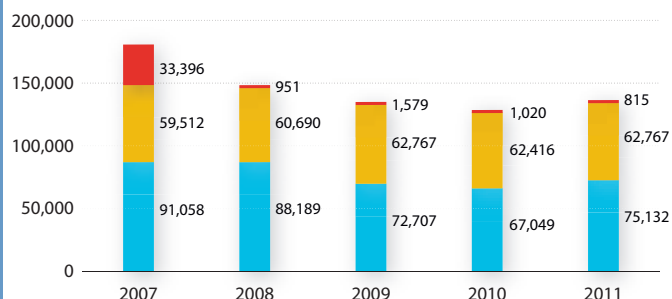
### Installed capacity

MW



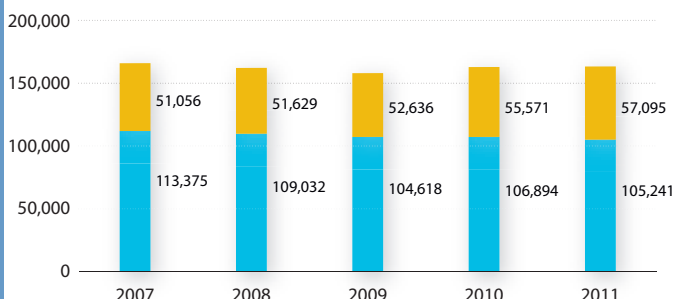
### Output

GWh



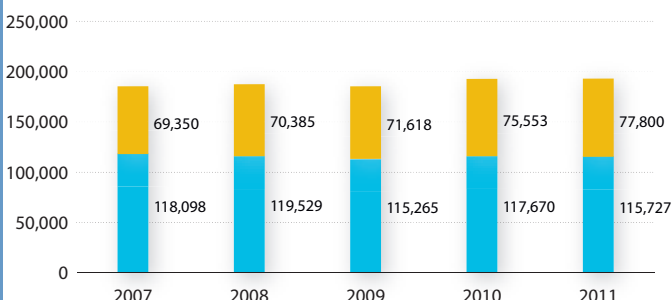
### Sales to end customers

GWh

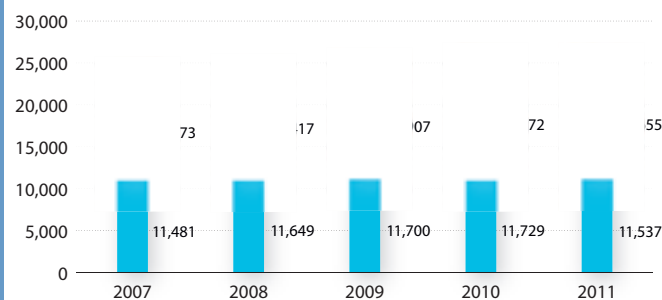


### Energy distributed

GWh



### Customers

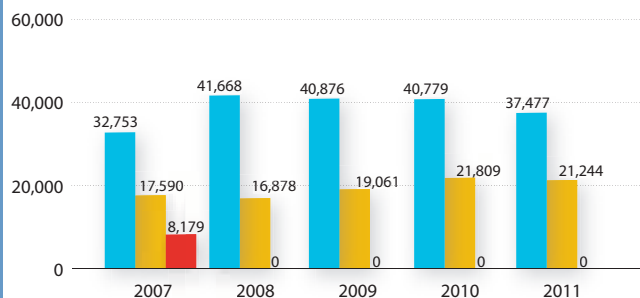


Spain and Portugal Latin America Others

# Key financial data

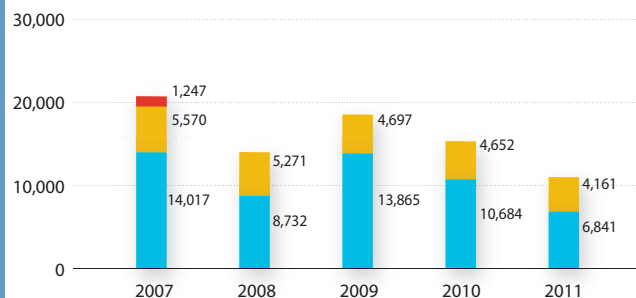
## Total assets

Euro million



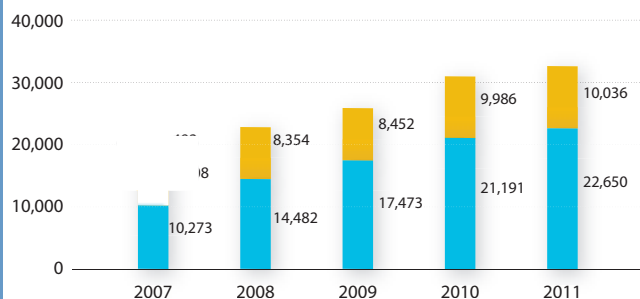
## Net financial debt

Euro million



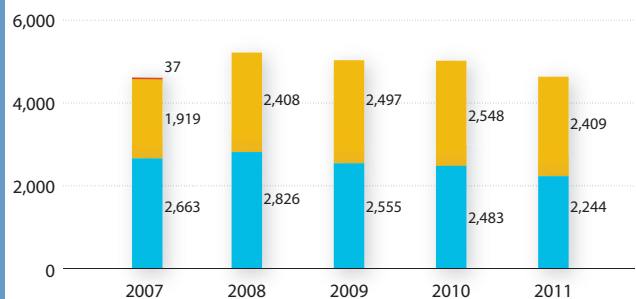
## Operating revenue

Euro million



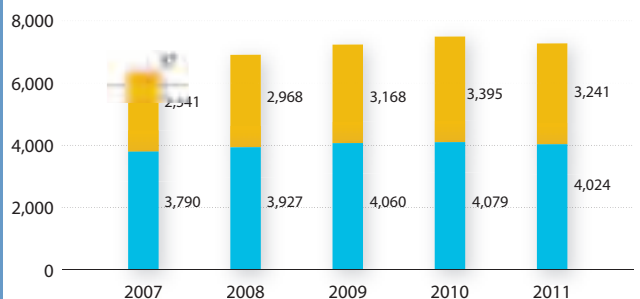
## EBIT

Euro million

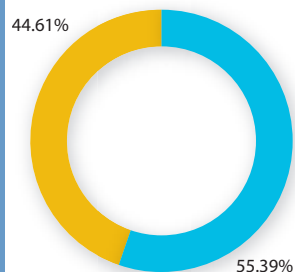


## EBITDA

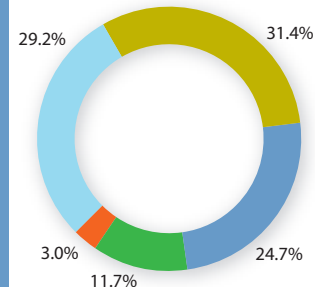
Euro million



## EBITDA by business



## EBITDA Latin America by country



Spain and Portugal Latin America Others

Brazil Colombia Peru Argentina Chile

# Corporate governance

ENDESA is constantly implementing and updating its corporate governance regulations in order to adhere to both Spanish and international recommendations and practices, in keeping with its corporate circumstances.





## 1. ENDESA's corporate governance regulations

The following documents comprise the regulations:

- Bylaws
- General Shareholders' Meeting Regulations
- Board of Directors' Regulations
- Code of Conduct in Securities Markets
- Charter Governing Senior Management
- Charter Governing Executives
- Employees' Code of Conduct
- Code of Ethics
- Zero Tolerance Plan Against Corruption
- General Principles for Criminal Risk Prevention
- Procedures for Related-party Transactions
- Regulations governing the Electronic Shareholders' Forum

ENDESA remains committed to transparency and good governance practices. A more detailed description of these best practices is offered in the Company's 2011 Annual Corporate Governance Report.

## 2. Company management structure

### 2.1. The General Shareholders' Meeting

On 19 June 2003, the General Shareholders' Meeting of ENDESA, S.A., in compliance with the provisions of its Corporate Bylaws, approved its regulations at the proposal of the Board of Directors of ENDESA, S.A., in

order to facilitate shareholder participation in such meetings. These Regulations were last amended on 9 May 2011.

The objective of boosting the participation of shareholders in the Shareholders' Meetings was met by establishing mechanisms to provide them with information and encourage them to contribute to decision-making in the Company by exercising their rights to participate in debates and to vote. For such purpose, the Regulations were drafted taking into consideration not only legal and statutory provisions but also the above-mentioned recommendations, the best practices of listed companies and ENDESA's own experience.

In this regard, shareholders at the Extraordinary Shareholders' Meeting of 14 December 2009 resolved to amend these Regulations to incorporate certain practices and recommendations included in the Unified Code of Good Governance approved by the CNMV on 22 May 2006, as well as other common-ly-accepted practices, including:

- When substantially independent matters are submitted to voting at the General Meeting, the Board of Directors shall prepare different proposed resolutions so that the shareholder may vote on them separately, especially in respect of the appointment or ratification of directors, which shall be voted on individually; and amendments to the Corporate Bylaws, differentiating each article or group of articles that are substantially independent.
- Removal of limits on attendance rights to encourage wider participation at the Shareholders' Meetings (prior to the

amendment, shareholders had to hold at least 50 shares).

ENDESA operates an active policy aimed at achieving the widest dissemination of call notices for Shareholders' Meetings, while seeking to encourage shareholder participation through the following measures:

- Call notices are published in the Official Mercantile Gazette (BORME), the corporate website, the CNMV's website as well as various national newspapers.
- In 2011, the period of time between the Meeting being convened and actually held was extended to 41 days to give shareholders sufficient time to familiarise themselves with the full wording of the resolutions and other supplementary information (the Corporate Enterprises Act stipulates at least one month's notice).
- Increase in the number of usual communication channels between shareholders and the Company such as the Electronic Shareholders' Forum and the mailbox on the corporate website.

#### Live webcast of the General Shareholders' Meeting on the Company's website.

- Voting and proxies by remote means of communication (conventional mail and e-mail).

In sum, the Company constantly strives to ensure widespread shareholder participation at the General Shareholders' Meetings. The effect of these endeavours was seen in the high quorum (93.87%) attending the Shareholders' Meeting held on 9 May 2011.

**Recent attendance quorums**

2006 (GSM)	48.26%
2007 (GSM)	75.11%
2007 (ESM)	93.57%
2008 (GSM)	93.84%
2009 (GSM)	93.54%
2009 (ESM)	93.75%
2010 (GSM)	93.99%
2011 (GSM)	93.87%

**2.2. Board of Directors**

ENDESA, S.A. is governed by a Board of Directors which, in accordance with its corporate Bylaws, must be composed of a minimum of nine and a maximum of fifteen members.

At 31 December 2011, ENDESA's Board of Directors comprised nine directors: two executive directors, three independent directors and four proprietary directors, as follows:

The Chairman of the Board may call a Board Meeting as often as he deems appropriate or at the request of at least two directors. In 2011, the Board of Directors met on 11

**Board of Directors**

Position on the board	Name	Date of first appointment	Type of director
Chairman	Borja Prado Eulate	20/06/2007	Executive
Vice Chairman	Fulvio Conti	25/06/2009	External Proprietary Director
Chief Executive Officer	Andrea Brentan	18/10/2007	Executive
Member	Luigi Ferraris	18/10/2007	External Proprietary Director
Member	Claudio Machetti	18/10/2007	External Proprietary Director
Member	Gianluca Comin	14/09/2009	External Proprietary Director
Member	Miquel Roca Junyent	25/06/2009	External-Independent
Member	Alejandro Echevarría Busquet	25/06/2009	External-Independent
Member	Luis de Guindos Jurado*	25/06/2009	External-Independent
Secretary (non-director)	Salvador Montejo Velilla	01/07/1999	

\* On 21 December 2011, Luis de Guindos Jurado tendered his written resignation as member of the Board of Directors, the Executive Committee and the Appointments and Remuneration Committee of ENDESA, S.A. following his appointment as Minister of Economy and Competitiveness in the new Spanish government.



2011 General Shareholders' Meeting

occasions, with 98.99% of its members in attendance.

The Chairman shall set the agenda for all Board Meetings although one third of the Board members may request, giving sufficient notice, the inclusion of any items they deem should be covered. Once the meeting has been called to order, each director may propose other agenda items not initially contemplated.

In accordance with the Corporate Enterprises Act and the Company's Bylaws, the Board of Directors is responsible for the governance and management of the Company. It shall perform the following functions acting as a single body or through its Committees:

- Establish the corporate strategy and management guidelines.
- Supervise the performance of senior management.
- Ensure transparency in the Company's relations with third parties.

2.3. Executive Committee

The Executive Committee must consist of a minimum of five and a maximum of seven Board Members, including the Chairman and the Chief Executive Officer. The appointment of members of the Executive Committee shall require the affirmative vote of at least two-thirds of the Board.

Executive Committee

Position on the board	Members	Date of first appointment	Type of director
Chairman	Borja Prado Eulate	24/03/2009	Executive
Director	Fulvio Conti	30/06/2009	External Proprietary Director
Director	Andrea Brentan	18/10/2007	Executive
Director	Luigi Ferraris	30/06/2008	External Proprietary Director
Secretary (non-director)	Salvador Montejo Velilla	01/07/1999	

2.4. Audit and Compliance Committee

The Audit and Compliance Committee must comprise a minimum of four and a maximum of six members of the Board of Directors, appointed with the favourable vote of the majority of the Board itself. The majority of its members shall be non-executive directors. ENDESA's Audit and Compliance Committee shall include:

must be replaced every four years and may be re-elected one year after leaving office.

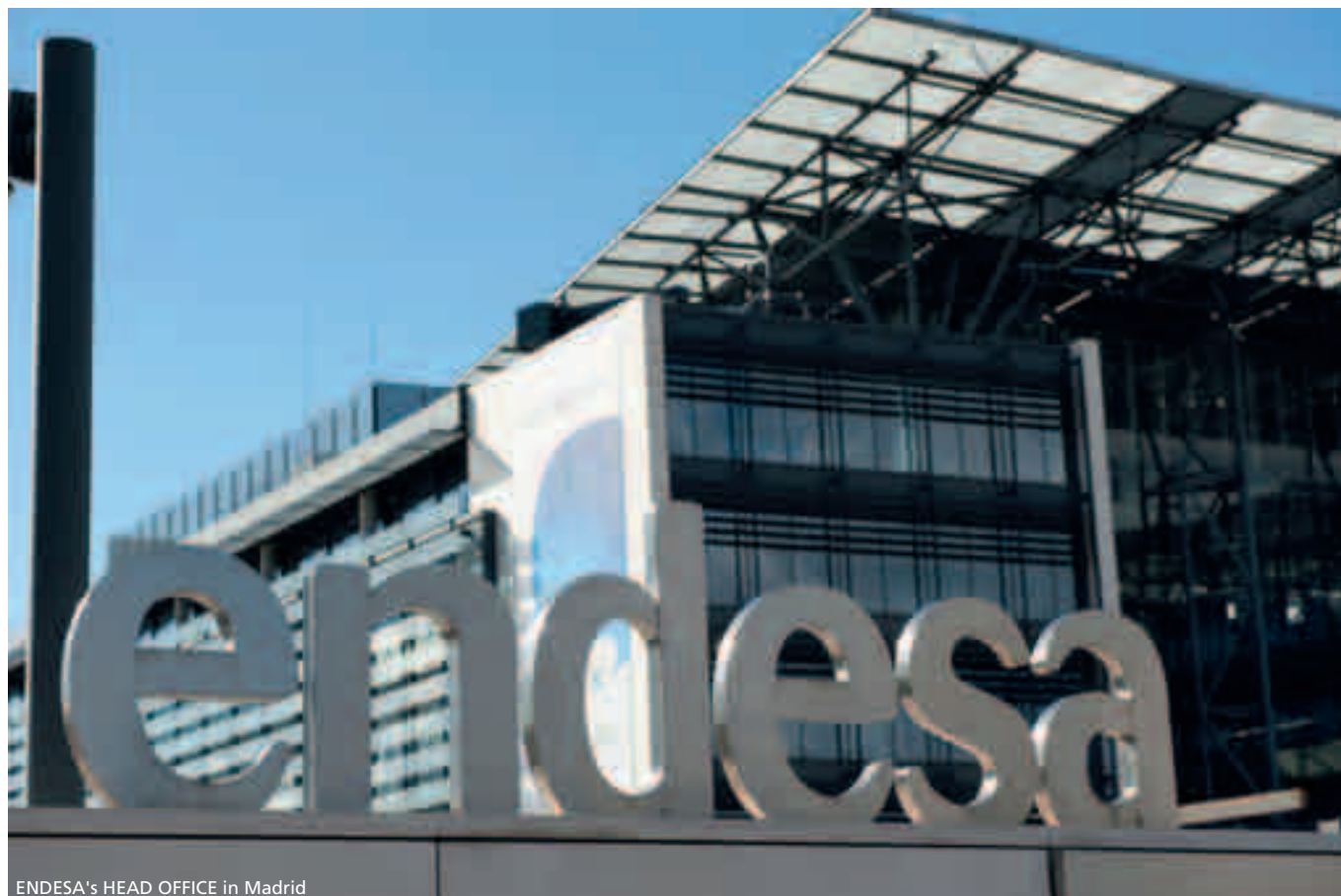
The Audit and Compliance Committee must ensure that internal audit procedures and internal control systems are adequate; that objective criteria are used to select the external auditors and Internal Audit Manager; and, in general, that information on the Company is correct and is consistent with the principle of transparency.

Audit and Compliance Committee

Position on the board	Members	Date of first appointment	Type of director
Chairman	Alejandro Echevarría Busquet	20/07/2009	External-Independent
	Luigi Ferraris	24/03/2009	External Proprietary Director
Directors	Borja Prado Eulate	20/06/2007	Executive
	Miquel Roca Junyent	30/06/2009	External-Independent
Secretary (non-director)	Salvador Montejo Velilla	01/07/1999	

The Chairman of the Audit and Compliance Committee is appointed by the Board of Directors from among the non-executive directors or members, with the favourable vote of the majority of the Board itself. The Chairman

In 2011, the Audit and Compliance Committee met on 10 occasions. One of its members was unable to attend one of the meetings and duly appointed a proxy.



ENDESA's HEAD OFFICE in Madrid

## 2.5. Appointments and Remuneration Committee

The Appointments and Remuneration Committee must comprise a minimum of four and a maximum of six members of the Board of Directors, appointed with the favourable vote of the majority of the Board itself. ENDESA's Appointments and Remuneration Committee shall include:

The Chairman of the Appointments and Remuneration Committee is appointed

### Appointments and Remuneration Committee

Position on the board	Members	Date of first appointment	Type of director
Chairman	Luis de Guindos Jurado*	20/07/2009	External-Independent
	Claudio Machetti	25/06/2009	External Proprietary Director
Directors	Luigi Ferraris	24/03/2009	Executive
	Miquel Roca Junyent	30/06/2009	External-Independent
Secretary (non-director)	Salvador Montejo Velilla	01/07/1999	

\* On 21 December 2011, Luis de Guindos Jurado tendered his written resignation as member of the Board of Directors, the Executive Committee and the Appointments and Remuneration Committee of ENDESA, S.A. following his appointment as Minister of Economy and Competitiveness in the new Spanish government.

by the Board of Directors from among the non-executive directors, with the favourable vote of the majority of the Board itself. The Chairman must be replaced every four years and may be re-elected one year after leaving office.

The Appointments and Remuneration Committee shall report on the proposal, appointment and removal of directors, on their appointment to the Executive Committee and Board Committees, and on their remuneration. It shall also supervise the Company's senior management with regard to appointments and dismissals, as well as the areas of training, promotion and recruitment and the application of earnings and areas of responsibility.

In 2011, the Appointments and Remuneration Committee met on eight occasions. One of its members was unable to attend one of the meetings and duly appointed a proxy.

### 3. ENDESA's compliance with the UNIFIED CODE OF GOOD GOVERNANCE

IN RECENT YEARS, ENDESA has made substantial progress in complying with the Recommendations of the Unified Code of

Good Governance, and in 2011 it complied with 91.35% of the recommendations, compared to 90.20% in 2010, 85.85% in 2009, 80.56% in 2008 and 83.65% in 2007 (in order to calculate these percentages, those recommendations which were "Not applicable" to ENDESA were not taken into account, while a classification of "Compliant" was recorded for 50% of those with which ENDESA was deemed "Partially compliant").

In 2011, ENDESA was "Compliant" or "Partially compliant" with a further two recommendations (34 and 40). At present, ENDESA complies with all the recommendations relating to its Bylaws and General Shareholders' Meeting, its directors and director remuneration, while it does not comply with 3.45% of total recommendations, namely those relating to Board committees.

### 4. Director remuneration

On 22 May 2006, the Spanish National Securities Market Commission approved the Unified Code of Good Governance which includes the principles of the European Commission's Recommendations of 14 December 2004 and which is based, among other items, on transparency of director remuneration, including all remuneration paid to executive directors.

The 2011 Sustainable Economy Act of 24 March introduced new disclosure requirements for listed companies whereby they must provide detailed information on remuneration paid to all their directors. As part of its commitment to shareholders and investors and pursuant to the principle of transparency, ENDESA has been providing this information since 2006 in its Annual Report on Directors' Remuneration.

#### Adherence to Recommendations

	2007	2008	2009	2010	2011
Compliant	40	40	42	43	45
Not compliant	5	7	4	2	2
Partially compliant	7	7	7	6	5
Not applicable	6	4	5	7	6
<b>Total recommendations</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>



# Strategy

On 8 March 2012, ENDESA outlined its 2012-2016 Strategic Plan. This presentation forms part of the Company's commitment to update its Strategic Plan annually.



## 1. Strategy in Spain and Portugal

The 2012-2016 Strategic Plan for Spain and Portugal will focus on shoring up the Company's revenues and dominant position through the following lines of action: the search for operational excellence, strict control over investment, leadership in the deregulated businesses and keeping margins stable.

Investment in the business in Spain and Portugal for 2012-2016 is estimated at over Euro 5,300 million, which is earmarked for the regulated businesses and additional capacity for the non-mainland facilities. With this outlay, the Company aims to post EBITDA of approximately Euro 3,700 million in 2016.

**«Investment in Spain and Portugal to reach Euro 5,300 million with 2016 EBITDA of around Euro 3,700 million»**

## 2. Strategy in Latin America

ENDESA looks set to benefit from the strong macroeconomic backdrop in the region as well as the favourable regulatory environment, which will help boost operations there. Macroeconomic forecasts for the re-

gion point to average annual GDP growth for the countries where ENDESA is present of 4.4% and a 5.1% increase in demand for the 2011-2016 period.

With this in mind, the 2012-2016 Strategic Plan for the business in Latin America will focus on bolstering the Company's revenues and dominant position through the following lines of action: seizing opportunities for organic growth, optimising the cash position, operational excellence and optimising the corporate structure.

Investment earmarked for the business in Latin America for the period is over Euro 5,400 million, with 47% of this intended for expanding the business. With this outlay, the business in Latin America aims to post EBITDA of approximately Euro 4,600 million.

## 3. Main economic/financial data, 2012-2016

The Company intends to make a considerable investment effort, in keeping with its position as market leader. A total investment of Euro 10,700 million has been earmarked for 2012-2016, 71% of which will go towards maintenance and the remaining 29% to business expansion.

The financial results envisaged in the Strategic Plan include EBITDA of Euro 7,000 million in 2012, Euro 7,400 million in 2014 and Euro 8,300 million in 2016. The increasing contribution to these figures of the business in Latin America is noteworthy, which is expected to represent 55% of the total in 2016. Average annual EBITDA growth for 2012-2016 will be 2.6%.

Work will continue on the Synergy and Efficiency Plan, which saw cost savings of Euro 1,210 million in 2011.



Presentation of ENDESA's 2012-2016 Strategic Plan



# Investors

The negative impact of the economic and financial crisis which began in 2007 continued to take its toll on the economy in 2008. The sovereign debt crisis and the crisis in the financial sector worsened in the final quarter, pushing risk premiums of the peripheral economies to record levels.

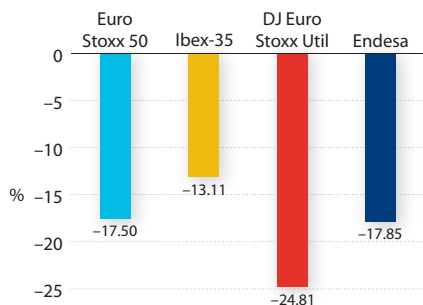




## 1. ENDESA on the stock market

Against a backdrop of financial and economic turmoil, ENDESA's share price lost 17.85% in 2011, ending the year at Euro 15.85 per share. Meanwhile the stock reached a high of Euro 24.05 per share on 10 May.

**ENDESA on the Madrid Stock Exchange and comparison with leading benchmark indices in 2011**



**«ENDESA's share price at 31 December 2011 was Euro 15.85 per share»**

Due to these declines, ENDESA's value, measured as its market cap, was Euro 16,781 million at 31 December 2011.

### 1.1. Total shareholder returns

In 2011, ENDESA paid out a gross dividend against 2010 results of Euro 1.017 per share, bringing the total payout for the year to Euro 1,076 million.

The 17.9% drop in ENDESA's share price was partially offset by the dividend yield of 5.3%, which left total shareholder return in 2011 at -12.6%

ENDESA's Board of Directors has agreed to propose to the Company's General Shareholders' Meeting a dividend payment of Euro 0.606 per share against 2011 earnings in a single payment. This represents 30% of the Company's ordinary profit.

### 1.2. Credit ratings

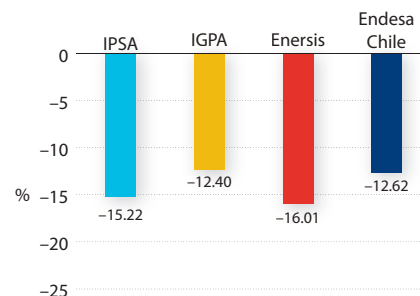
**«ENDESA's Board of Directors has agreed to propose to the Company's General Shareholders' Meeting a dividend payment of Euro 0.606 per share against 2011 earnings»**

At the date of the 2011 consolidated financial statements, ENDESA's long-term credit ratings were: Standard & Poor's: "A-", under review for a possible downgrade; Moody's: "A3" with a negative outlook, and Fitch: "A-", with a stable outlook.

## 2. Enersis and Endesa Chile share price performance

Enersis' share price contracted 16.01% to end the year at 182.62 pesos per share, while Endesa Chile lost 12.6%, closing at 766.07 pesos.

**ENDESA on the Madrid Stock Exchange and comparison with leading benchmark indices in 2011**



### 2.1. New York Stock Exchange and Latibex

The stock market performances of Enersis and Endesa Chile in dollar terms were negative: Enersis' ADR (American Depositary Receipt) closed the year down 24.07% at USD 17.63, while Endesa Chile's ADR was 21.10% down at USD 44.35.

Enersis' shares on the Latibex market lost 23.7%, closing the year at Euro 13.35 per share, while Endesa Chile's share price closed 20.3% down at Euro 33.69 per share.

### 2.2. Credit ratings

Standard & Poors and Fitch left their credit ratings for Enersis and Endesa Chile unchanged in 2011 at "BBB+", whereas Moody's upgraded both companies in April to "Baa2" from "Baa3".

# Businesses

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 provides other services related to the energy business.



Atacama combined cycle plant (Chile)

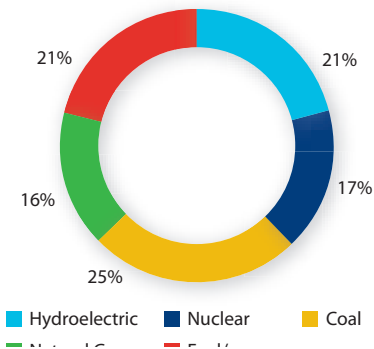
## 1. Business in Spain and Portugal

### 1.1. Business in Spain

#### 1.1.1. Electricity generation

At 31 December 2011, ENDESA's installed capacity at ordinary regime facilities was 21,976 MW. Of this amount, 16,914 MW corresponded to the mainland electricity system and the remaining 5,062 MW to the Balearic and Canary Islands and the Spanish enclaves of Ceuta and Melilla.

Structure of installed capacity under the ordinary regime in Spain at 31/12/11



ENDESA had a total net output of 72,678 GWh between mainland ordinary regime and non-mainland generation, an increase of 10.4% compared to 2010.

Non-mainland output registered 13,962 GWh, 2% down on 2010.



«Ordinary regime installed capacity totalled 21,976 MW in Spain»

In 2011, demand for electricity in mainland Spain fell 1.2% (-2.1% without correcting for working days and temperature).

ENDESA's output at busbar,

	2011	2010	% chg.	% of total
Hydroelectric	6,179	9,208	-32.90	8.50
Nuclear	25,177	27,619	-8.80	34.60
Spanish coal	11,178	1,847	505.20	15.40
Imported coal	11,902	8,939	33.10	16.40
Fuel-gas	0	55	-100.00	0.00
Combined cycle	4,281	3,915	9.30	5.90
Total mainland	58,716	51,583	13.80	80.80
Non-mainland	13,962	14,250	-2.00	19.20
Total	72,678	65,833	10.40	100.00

### 1.1.2. Mining

In 2011, ENDESA extracted a total of 850,000 tonnes of coal, equivalent to 2,836 million therms. Coal sales were 22% higher than output.

Land reclamation and the execution of plans to wind up mines continued in 2011. It is worth drawing attention to the environmental restoration carried out at the Andorra and Puertollano sites, while restoration work on the hole left behind by the As Pontes mine concluded with the creation of a lake.

### 1.1.3. Regulated market

In Spain, ENDESA distributes electricity to a market covering 20 provinces in nine self-governing regions (Catalonia, Andalusia, the Balearic Islands, the Canary Islands, Aragon, Extremadura, Castile-Leon, Navarre and Valencia), covering 192,790 km<sup>2</sup> and with a total population of around 22 million.

In 2011, the number of distribution customers increased by 0.3% year-on-year to 11.9 million and their contracted capacity stood at 81.1 GW, up 0.7%.

ENDESA's distribution networks supplied 105.1 TWh of power to customers in 2011, making it sector leader with 42.9% of total power supplied.

ENDESA's network supplied 115.7 TWh of power in 2011 measured at busbar cost.

In 2011, the length of ENDESA's distribution grid in Spain was extended by 1.3%, to

321,463 km. Underground lines accounted for 40% of this total.

During the year, 12 new medium- and high-voltage substations came on stream, putting the total number of substations at 1,240 at year end.

The Company also continued to roll out its Medium Voltage Grid Automation Plan, with a total of 25,098 remote-controlled elements.

### 1.1.4. 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). In 2011, the Time of Equivalent Supply Interruptions in markets supplied by ENDESA was 60 minutes, 15 minutes less than in 2010. This implies availability of service equal to 99.99% of total hours for the year. The Number of Equivalent Supply Interruptions was 1.4: a two basis point improvement on 2010.

Table 1

	2011	2010	2011 vs. 2010
Energy supplied measured at busbar cost (GWh)	115,727	117,670	-1.70%
Power contracted in Distribution (GW)	81.1	80.6	0.70%
Length of distribution grid (km)	321,463	317,275	1.30%



ENDESA sales office



Son Reus combined-cycle thermal plant  
(Palma Mallorca)



### 1.1.5. Deregulated market

In 2011, ENDESA supplied 97.6 TWh to customers in the deregulated market through a total of 11.5 million supply points. This represents 39.6% of the total power supplied, making the Company the undisputed leader in the sector. Its average market share in areas not covered by its distribution grid was 18%.

## 1.2. Business in Portugal

### 1.2.1. Electricity generation

ENDESA holds a 38.9% stake in Tejo Energia, the company which owns the Pego coal-fired thermal plant (628 MW gross capacity).

At the end of 2011, ENDESA had installed capacity of 1,095 MW under the ordinary regime (244 MW at Tejo Energia and 851 MW at Elecgas). The Pego plant produced 2,271 GWh (883 GWh corresponding to ENDESA's 38.9% stake) which represents 4.5% of Portugal's total electricity consumption.

ENDESA holds a 50% stake in Elecgas, the company responsible for building an 851 MW combined cycle plant (two 425 MW groups). The second group started commercial operations in March 2011.

ENDESA also holds 100% of the tolling contract at Elecgas, whereby it receives 1,570 GWh of the energy produced by Elecgas GWh (3.1% of the market share of the Portuguese electricity market).



Lastly, in 2011 construction work began at the Girabolhos hydro pumping plant (364 MW).

### 1.2.2. Deregulated market

In 2011, deregulation of the Portuguese market continued in the Large Customers (medium-voltage) and Companies (special low-voltage) segments, and power supplied to the deregulated market now accounts for 50% of total consumption in the country.

ENDESA remains the second largest operator in the Portuguese deregulated electricity market, with a market share of over 26%. At year-end 2011, the electricity customer portfolio totalled 5,884 GWh/year of consumption, with 3,350 medium-voltage supply points and 3,021 special low-voltage supply points.

## 2. The Latin American business

### 2.1. Business in Latin America

The Latin American countries where ENDESA operates weathered the crisis better than the EU markets, largely thanks to domestic demand and raw material exports. That said, these economies slowed slightly in the second half of 2011, mainly because of stricter monetary policies and particularly the global economic climate. Nonetheless, GDP continued to rise, although at a lower rate than in the previous year.

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

The companies in which ENDESA has interests in Latin America had total installed capacity of 15,832 MW at the close of 2011. Their aggregate output in the year was 62,767 GWh (0.6% more than the previous year), with sales of 69,553 GWh, 3.4% more than in 2010, to a total of 13.7 million customers, i.e. 382,000 more than in 2010.

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.

**«The companies in which ENDESA has interests in Latin America had total installed capacity of 15,832 MW and aggregate output of 62,767 GWh»**

#### 2.1.1. Chile

ENDESA operates in the Chilean market through the Enersis Group, in which it holds a controlling stake of 60.62%. Chile accounts for 29.2% of ENDESA's EBITDA in Latin America.

Through this holding in Enersis, ENDESA controls 59.98% of Endesa Chile. In turn, Endesa Chile holds stakes in other Chilean generators, such as San Isidro, Pangué, Cel-

ta and Pehuenche, and owns 50% of GasAtacama.

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

#### 2.1.2. Brazil

Investments in Brazil are grouped together in the Endesa Brasil holding company, which accounts for 31.4% of ENDESA's EBITDA in Latin America.

ENDESA holds a 99.61% stake in the Cachoeira Dourada hydroelectric power plant and a 100% stake in the Fortaleza thermal power plant (322 MW installed capacity).

In the transmission business, ENDESA wholly owns CIEN, which manages the two 500-



Termozipa plant (Colombia)

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 99.64% and 58.86%, respectively.

### 2.1.3. Colombia

Colombia accounts for 24.7% of ENDESA's EBITDA in Latin America.

ENDESA holds a 48.48% stake in Emgesa, the country's largest generation company.

ENDESA also holds a 48.48% controlling stake in the distribution company Codensa, which supplies power to 2.5 million customers in Bogotá and neighbouring municipalities. Furthermore, Codensa holds a minority stake in Empresa de Energía de Cundinamarca (EEC), which supplies more than 242,000 customers in the Cundinamarca region.

### 2.1.4. Peru

Peru accounts for 11.7% of ENDESA's EBITDA in Latin America.

ENDESA has an 83.6% controlling interest in the generation company Edegel, and owns 96.5% of Empresa Eléctrica de Piura (Eepsa).

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

### 2.1.5. Argentina

Argentina accounts for 3% of ENDESA's EBITDA in Latin America.

In the generation business, ENDESA holds a 69.99% stake in Central Dock Sud. Through Enersis and Endesa Chile, it also controls 69.77% of the Costanera thermal plant and 67.67% of the El Chocón hydroelectric plant.

In the distribution business, the Group holds a 99.45% stake in Edesur, which supplies electricity to 2.4 million customers in southern Buenos Aires.

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

### 2.1.6. Central America

ENDESA is taking part in the infrastructure development for the SIEPAC Project, which involves the construction of a 1,800-km grid interconnection between six Central American countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama).

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

## 2.2. Generation

At year-end 2011, ENDESA's generation investees in Latin America had total installed

capacity of 15,832 MW, virtually the same as at year-end 2010.

ENDESA's total electricity output in Latin America was 62,767 GWh in 2011, a year-on-year increase of 0.6%.

Once the Bocamina II plant in Chile, the Talará project in Peru and the El Quimbo plant in Colombia have come on stream in 2014, ENDESA's installed capacity will increase to 16,790 MW.

## 2.3. Transmission

In 2011, two further sections of the SIEPAC interconnection project between the electricity systems of Costa Rica and Nicaragua and between Honduras and El Salvador were completed, bringing the total length of line in service to 575 km. In total, 1,575 km of line have been built, 87% of the total length of the project.

## 2.4. Distribution

ENDESA's Latin American distribution investees sold a total of 69,553 GWh of power in 2011, up 3.4% compared with 2010.

### ENDESA - installed capacity in Latin America

	2011	2010	% chg.
Chile	5,611	5,611	0.00
Argentina	4,522	4,522	0.00
Colombia	2,914	2,914	0.00
Peru	1,798	1,801	-0.20
Brazil	987	987	0.00
<b>Total</b>	<b>15,832</b>	<b>15,835</b>	<b>0.00</b>

MW

Electricity generation in Latin America <i>GWh</i>			
	2011	2010	% chg.
Chile	20,722	20,914	-0.90
Argentina	15,960	15,991	-0.20
Colombia	12,090	11,283	7.20
Peru	9,840	9,133	7.70
Brazil	4,155	5,095	-18.40
<b>Total</b>	<b>62,767</b>	<b>62,416</b>	<b>0.60</b>

At the end of the year, ENDESA had over 13 million customers in the five Latin American countries where it operates, an increase of 2.9% on 2010.

The concession surface area of the distribution companies in which ENDESA holds an interest in Latin America totals 213,057 km<sup>2</sup>, equivalent to 42% of the total surface area in Spain.

Installed capacity at substations owned by these companies totalled 35,660 MVA at 31 December 2011, up by 3,235 MVA year-on-year.

Energy losses reported by ENDESA's Latin American distribution companies in 2011 stood at 10.6%, up 0.3 points year-on-year.

Turning to quality of service, the annual average interruption time per customer for all the distribution companies, including Empresa Eléctrica de Cundinamarca in 2010 in order to carry out a like-for-like comparison, declined from 13.2 hours in 2010 to 12.5 hours in 2011. The average number of interruptions per customer also declined, from 7.7 in 2010 to 7.1 in 2011.

Electricity distribution in Latin America <i>GWh</i>			
	2011	2010	% chg.
Chile	13,697	13,098	4.60
Argentina	17,233	16,759	2.80
Colombia	12,857	12,515	2.70
Peru	6,572	6,126	7.30
Brazil	19,194	18,777	2.20
<b>Total</b>	<b>69,553</b>	<b>67,275</b>	<b>3.40</b>

### 3. Business in other countries

#### 3.1. Presence in other countries

##### 3.1.1. Morocco

ENDESA operates in Morocco through the 32% stake it holds in Energie Electrique de



ENDESA customers in Latin America <i>(thousands)</i>			
	2011	2010	% chg.
Chile	1,638	1,610	1.70
Argentina	2,389	2,353	1.50
Colombia	2,617	2,547	2.70
Peru	1,144	1,098	4.20
Brazil	5,868	5,665	3.60
<b>Total</b>	<b>13,656</b>	<b>13,273</b>	<b>2.90</b>

Tahaddart, a company that owns a 380 MW CCGT plant in Tahaddart. In 2011, output at this plant totalled 2,329 GWh.

##### 3.1.2. Ireland

ENDESA has been operating in the Irish Republic since January 2009 and has 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. In 2011, Endesa Ireland had output of 69.7 GWh and sales of 162.48 GWh.

### 4. Gas supply

ENDESA strengthened its position in the natural gas supply markets in Spain, France and Portugal, consolidating its status as the second-ranked gas supplier in Spain with an overall market share of 15% (conventional market).

ENDESA operates in the Spanish natural gas sector through Endesa Gas, the umbrella for the Group's natural gas transport and distri-





Tahaddart CCGT plant (Morocco)

**«ENDESA consolidated its status as the second-ranked gas supplier in Spain with an overall market share of 15% (conventional market)»**

bution business interests in Spain. In 2010, the Company agreed to sell 80% of Endesa Gas to several infrastructure funds managed by Goldman Sachs, retaining the remaining 20% and a call option on the stake sold. Subsequent to this transaction, Endesa Gas also holds stakes in D.C. Gas Extremadura, Gasificadora Regional Canaria and Gas Extremadura Transportista.

At 31 December 2011, ENDESA's customer portfolio in the conventional deregulated natural gas market (excluding sales for electricity generation) was made up of 1 million supply points, with an annual consumption of 48.7 TWh, an increase of 18.3% on 2010, with energy supplied to customers in France and Portugal accounting for 7.0 TWh of this amount.

Sales of natural gas to electricity generation plants (dual fuel and combined cycle plants) totalled 13.9 TWh in 2011, an increase of 29.6% compared with 2010.

In the Portuguese gas market, ENDESA supplied 3,674 GWh/year, with the convention-

al customer portfolio consuming 454 GWh/year.

#### **4.1. Reception, storage and regasification**

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 on the Canary Islands. Lastly, ENDESA has a 12% holding in the Medgaz project to construct an underwater gas pipeline between Algeria and Spain, which will carry 8 bcm of natural gas a year.

#### **4.2. Other actions**

On 30 June 2011, an agreement was finalised with Gas Natural, SDG, S.A. whereby ENDESA will acquire a portfolio of approximately 245,000 gas customers and other associated assets in the Madrid area. Once the relevant regulatory and anti-trust authorisa-

tions have been granted, the contracts will be transferred to ENDESA Energía, S.A.U. and ENDESA Energía XXI, S.L.U.. during the first quarter of 2012.

# 2011 results

ENDESA achieved sound results in 2011 in like-for-like terms compared with previous years, continuing the long trend of profitability of the business project.



## 1. ENDESA's consolidated key figures

ENDESA reported net income of Euro 2,212 million in 2011, Euro 1,917 million less than in 2010. The decline is explained by the fact that 2010 net income included Euro 1,975 million net of taxes and non-controlling interests generated by the disposals carried out during the year. However, the only significant capital gain in 2011 came from the sale of ENDESA's telecommunications and systems business to Enel Energy Europe, S.L.U. (EEE). This generated a net gain of Euro 123 million.

Excluding the gains from the sale of assets in both periods, net income was down 0.7% year-on-year.

EBITDA and EBIT declined by 2.8% and 7.5% in 2011, respectively, to Euro 7,265 million and Euro 4,653 million.

In 2011, revenues grew 4.8% to Euro 32,686 million, primarily due to higher sales prices. Variable costs rose 9.7%, offset by the 6.1% decline in fixed costs (Euro 257

«ENDESA reported net income of Euro 2,212 million, EBITDA of Euro 7,265 million and EBIT of Euro 4,653 million»

million), thanks to the implementation of the Synergy and Efficiency Plan.

Cash flow from operating activities amounted to Euro 5,838 million, representing a 1.1% decline on 2010.

Investments stood at Euro 2,826 million in 2011. Of this amount, Euro 2,577 million was capex and investment in intangible assets. The remaining Euro 268 million related to financial investments.

ENDESA's consolidated net equity stood at Euro 24,679 million at 31 December 2011, Euro 1,515 million more than at the close of 2010. Of this amount, Euro 19,291 million was owned by ENDESA, S.A. shareholders, and Euro 5,388 million corresponded

«Revenues grew 4.8% and investment amounted to Euro 2,826 million»

to minority shareholders of Endesa Group companies.

Changes in group equity and net debt resulted in leverage of 44.6% at 31 December 2011, compared to 66.2% at 31 December 2010.

Gains from asset disposals in 2011 totalled Euro 113 million. Of this amount, Euro 93 million corresponded to the business in Spain and Portugal and Other, and Euro 20 million to the business in Latin America. At the end of 2010, ENDESA started proceedings for the sale of its 100% stake in ENDESA Ireland. This disposal is expected to be finalised in the first few months of 2012.

## 2. Results for the Business in Spain and Portugal and Other

Net income from ENDESA's business in Spain and Portugal and Other (this includes the rest of its businesses in Europe and Morocco) was Euro 1,593 million, Euro 1,905 million lower year-on-year, contributing 72%

### ENDESA's net income in 2011

	Euro million	% chg.	% of total net income
Spain and Portugal and Other	1,593	-54.5	72
Latin America	619	-1.9	28
<b>Total</b>	<b>2,212</b>	<b>-46.4</b>	<b>100</b>

### Revenues, EBITDA and EBIT

	Revenues		EBITDA		EBIT	
	Euro million	% chg. 2010	Euro million	% chg. 2010	Euro million	% chg. 2010
Spain and Portugal and Other	22,650	6.9	4,024	-1.3	2,244	-9.6
Latin America	10,036	0.5	3,241	-4.5	2,409	-5.5
<b>Total</b>	<b>32,686</b>	<b>4.8</b>	<b>7,265</b>	<b>-2.8</b>	<b>4,653</b>	<b>-7.5</b>



**«ENDESA's consolidated equity stood at Euro 24,679 million and leverage at 44.6%»**

to ENDESA's total net income. Excluding the gain from asset disposals, net income in this business segment would have risen by 0.2%.

EBITDA was Euro 4,024 million, down 1.3% year-on-year, and EBIT totalled Euro 2,244 million, down 9.6%.

In 2011, ENDESA reported revenues of Euro 22,650 million. Of this amount, revenues from sales accounted for Euro 21,234 million.

Sales in the Spanish deregulated market totalled Euro 7,172 million, while revenues from sales to deregulated European markets other than Spain were Euro 626 million.

In 2011, sales to last resort suppliers generated revenues of Euro 4,973 million.

Regulated revenue from distribution activities amounted to Euro 2,241 million.

Revenues from gas sales in the deregulated market amounted to Euro 1,525 million.

Power purchases stood at Euro 6,321 million, while fuel consumption totalled Euro 2,647 million.

Fixed costs in 2011 were Euro 2,563 million.

The net financial loss reported for 2011 was Euro 295 million.

Net financial expenses dropped by Euro 178 million, while exchange losses amounted to Euro 8 million.

Net financial debt in the Spain and Portugal and Other business at 31 December 2011 stood at Euro 6,841 million vs. Euro 10,684 million at year-end 2010. Of this amount, Euro 5,380 million was incurred to finance regulatory receivables: Euro 3,281 million to finance the revenue shortfall from regulated activities and Euro 2,099 million to fund the non-mainland generation compensation.

Cash flow from operating activities in the business in Spain and Portugal and Other totalled Euro 3,407 million in 2011 representing a decline of 3.5%.

Investment in the Spain and Portugal and Other business in 2011 totalled Euro 1,495 million.

In the Spain, Portugal and Other business, we would note that the investments in the Besós 5, Ca's Tresorer II and Granadilla 2 CCGTs were completed, in addition to the investment to increase capacity at the Almaraz nuclear power plant.

Capex in the distribution business relates to investments to expand and optimise the network. It also includes investments for the widespread installation of smart meters and their associated operating systems.

**«Net income from ENDESA's business in Spain and Portugal and Other was Euro 1,593 million, contributing 72% to ENDESA's total net income. EBITDA was Euro 4,024 million»**

### 3. Results from the business in Latin America

ENDESA's Latin America business reported a 1.9% decline in net income to Euro 619 million in 2011.

EBITDA stood at Euro 3,241 million, down 4.5%, while EBIT stood at Euro 2,409 million, a decline of 5.5% in comparison to 2010.

The unit margin in the generation business declined by 4.4% to Euro 29.6/MWh. Improvements were seen in Colombia (+7.9%), Peru (+7.7%), and Argentina (+0.7%), which partially offset the declines in Chile (-15.1%) and Brazil (-0.3%).

The unit margin on distribution activities was Euro 33.1/MWh. The unit margin in Chile (+1.4%) rose, which failed to offset the falls in Argentina (-12%), Peru (-1.5%), Brazil (-1.0%) and Colombia (-0.7%).

ENDESA's Latin American business generated a net financial expense of Euro 327 million.

Net finance expense for the year was Euro 353 million, down 17.9%. Net exchange gains amounted to Euro 26 million.

Net debt at ENDESA's Latin American business stood at Euro 4,161 million, a reduction of Euro 491 million from 2010.

**«Net income from the Latin America business amounted to Euro 619 million and EBITDA to Euro 3,241 million»**

**EBITDA and EBIT of Latin America business***Euro million*

	EBITDA			EBIT		
	2011	2010	% change	2011	2010	% change
Generation and transmission	1,875	1,979	-5.3	1,549	1,602	-3.3
Distribution	1,402	1,448	-3.2	893	1,018	-12.3
Other	-36	-32	n/a	-33	-72	n/a
<b>Total</b>	<b>3,241</b>	<b>3,395</b>	<b>-4.5</b>	<b>2,409</b>	<b>2,548</b>	<b>-5.5</b>

**EBITDA and EBIT of Latin America business – Generation and Transmission***Euro million*

	EBITDA			EBIT		
	2011	2010	% change	2011	2010	% change
Chile	728	882	-17.5	595	757	-21.4
Colombia	433	441	-1.8	377	387	-2.6
Brazil	224	222	0.9	207	200	3.5
Peru	245	192	27.6	186	129	44.2
Argentina	118	128	-7.8	80	93	-14
<b>Total Generation</b>	<b>1,748</b>	<b>1,865</b>	<b>-6.3</b>	<b>1,445</b>	<b>1,566</b>	<b>-7.7</b>
Brazil-Argentina interconnection	127	114	11.4	104	36	188.9
<b>Total</b>	<b>1,875</b>	<b>1,979</b>	<b>-5.3</b>	<b>1,549</b>	<b>1,602</b>	<b>-3.3</b>

**EBITDA and EBIT of Latin America business – Distribution**

	EBITDA			EBIT		
	2011	2010	% change	2011	2010	% change
Chile	233	203	14.8	188	159	18.2
Colombia	371	402	-7.7	276	307	-10.1
Brazil	684	685	-0.1	529	450	17.6
Peru	137	128	7	104	96	8.3
Argentina	-23	30	n/a	-204	6	n/a
<b>Total</b>	<b>1,402</b>	<b>1,448</b>	<b>-3.2</b>	<b>893</b>	<b>1,018</b>	<b>-12.3</b>

ENDESA's business in Latin America generated cash flow of Euro 2,431 million.

Investment in this business unit stood at Euro 1,331 million in 2011, Euro 172 million of this amount corresponded to financial investments and Euro 1,159 million to capex and investments in intangible assets.



# Sustainability and the envi- ronment

ENDESA's sustainable  
development strategy is  
set out in the 2008-2012  
Sustainability Plan.



## 1. ENDESA Sustainability Plan

ENDESA's Sustainability Plan was 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, two action levels were developed. Firstly, the need to build upon the results obtained in accordance with the plan's seven basic lines, and secondly, the urgent need to devote special attention to two crucial challenges: 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 2011. A more detailed description of these activities is offered in the Company's 2011 Sustainability Report.

### 1.1. Commitment to our customers

In Spain, the Company extended its distribution infrastructure, increasing the length of its network and the number of new medium- and high-voltage substations. An action plan was also rolled out to prevent and attenuate interruptions in supply, focusing on three areas: anticipation, prevention and incident management.

Meanwhile, ENDESA's Customer Service Excellence Plan achieved a 24% reduction in waiting time for connections managed by the service channels, a 48% reduction

in average waiting time at sales offices and an 8% increase in customer satisfaction with telephone support. The Company strengthened its range of Value Added Products and Services (VAPS) in 2011 with new options related to energy efficiency to encourage rational and responsible energy use.

The most noteworthy outcomes achieved in connection with strengthening customer communications channels include the Twenergy platform becoming the most important online community for sustainability and energy efficiency in the world, with more than 30,000 registered users and nearly 2 million visits.

### 1.2. Commitment to our employees

The 5+1 Plan and Safety Plan stand out among the activities performed in the area of occupational health and safety. In 2011, occupational health and safety indicators continued to improve, as they have done in recent years.

In accordance with the objectives set out in the ENDESA Strategic Sustainability Plan and Human Resources Policies in 2010, the Company designed and approved the Senda Plan, a corporate social responsibility plan dealing with human resources in the following areas: management of gender equality



and non-discrimination, work-life balance and flexibility; the integration of disabled people and people at risk of social exclusion; and the promotion of volunteering and socially-responsible investment.

ENDESA consolidated its Family Friendly Company model and rolled it out in Latin America, with new flexible working initiatives regarding time and workspace management adapted to the specific situation and work regulations of each country.

The Talent Management Model was also established to ensure personal development based on merit and to help develop quality leadership.

### 1.3. 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. In

2011, the Enel Group's Code of Ethics and Zero Tolerance Plan Against Corruption were incorporated into established performance criteria, thereby reinforcing the standards of corporate integrity in relation to the ethical responsibility of employees.

### 1.4. Commitment to our investors

ENDESA has 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*.

### 1.5. Commitment to the environment

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

### 1.6. Commitment to innovation and technology

The two lines of priority action for the Company focused on e-mobility and energy efficiency, which are discussed in the following chapter.

### 1.7. Commitment to Society: our collaborators

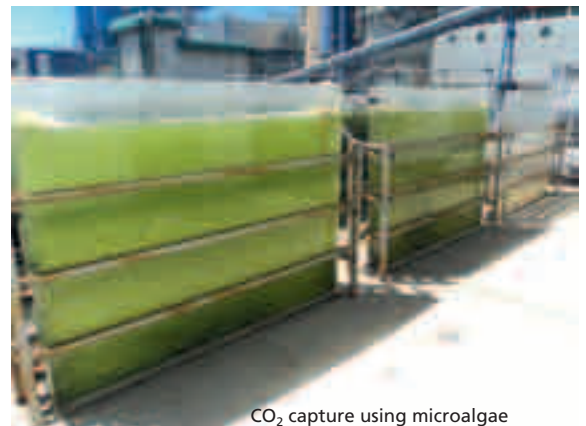
In order to extend its sustainability commitments to the supply chain, ENDESA continued to apply the Supplier Rating System and completed the Emergency Safety Plan to check the compliance of contractors performing risk activities at ENDESA facilities.

### 1.8. The climate change challenge

Combating climate change is one of the key pillars of ENDESA's 2008-2012 Sustainability Plan, and, in particular, its Climate Change Programme.



Electric vehicle  
recharging point



CO<sub>2</sub> capture using microalgae





Students of the Nuevo Pachacutec Institute in Peru

ENDESA allocated Euro 46.4 million for the implementation and promotion of various community initiatives. Of this amount, 75% was earmarked for Latin America and the remaining 24% for Spain and Portugal.

A great part of ENDESA's work with local communities focused on social initiatives, as most are carried out to benefit the communities where the Company operates. Social, educational, cultural and environmental awareness targets were set, with 50% of investment in social activities allocated to projects for cooperation in social and economic community development.

Over the year, ENDESA cut emissions from its power plants by 12.5 million tonnes in CO<sub>2</sub> with respect to 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. In the CDP Global 500 report, ENDESA ranks fourth among electricity companies included in the fight against climate change.

### 1.9. 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

2011, country and regional plans were developed, with Sustainability Committees set up wherever the Company operates.



# Research, technological development and innovation

In 2011, ENDESA continued to pursue its Innovation Model to ensure that all the Company's research and technological development activities generate value, and to foster a culture of innovation and create sustainable competitive advantages.





## 1. Investment

ENDESA's direct investment in RDI activities in 2011 totalled Euro 41 million. Further investments were also mobilised, through technological partners, in RDI projects and consortia led by the Company.

**«ENDESA's direct investment in RDI activities in 2011 totalled Euro 41 million.»**

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

## 2. Main technological development and innovation activities

### 2.1. E-mobility

ENDESA remains firmly committed to the development of e-mobility initiatives in its markets in Spain and Latin America. It plays an active role in this area, with a view to securing a position as international leader in the e-mobility sector, participating, under the EU's Seventh Framework Programme (FP7), in four key projects (G4V, Elvire, Green eMotion and eDash) covering a range of issues from basic impact studies to the development of bidirectional recharge technologies and demonstrations and unification of the European framework.

Outside of Europe, the Zem2All (*Zero Emissions Mobility to All*) project was rolled out by companies from Spain and Japan. This project will see 200 normal and fast-charge electric vehicles put on the road in the city of Malaga, in addition to the roll-out of new information and communications technologies for users.

In Spain, ENDESA remained a leading member of the CENIT VERDE consortium, in which it is in charge of developing the most advanced systems for interaction between electric vehicles and the power grid. It is also a leading member of several collaboration projects for specific e-mobility applications, such as the DER 22@, IREC MICROGRID and



CHARGE&RIDE projects.

ENDESA also participated in the SURTIDOR project consortium to develop an ultra-fast recharging system using intelligent DC current transfer by direct contact with an optional storage system.

Meanwhile, ENDESA is developing its own quick charge solutions for electric vehicles: the CRAVE project to integrate batteries and

renewable energies with quick-charging systems, and the V2M project to develop and design discharging solutions for electric vehicles to offer auxiliary services to the grid and users.

### 2.2. Energy efficiency

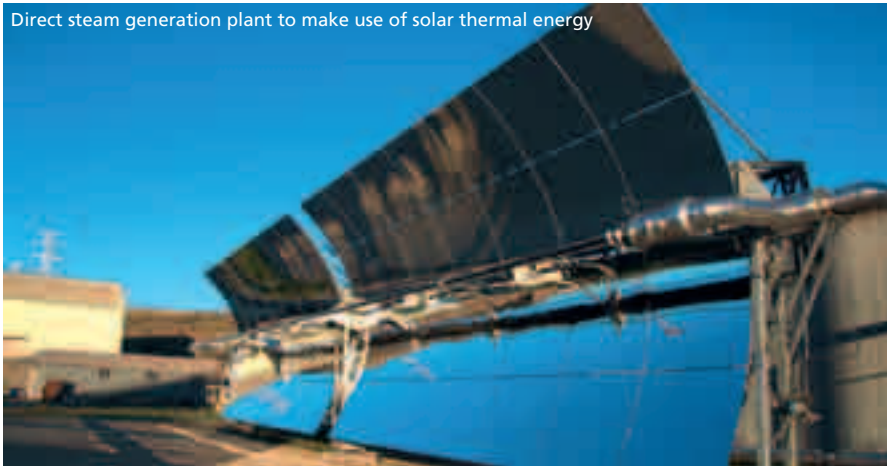
For ENDESA, energy efficiency means transforming and using energy in the most intelligent and best way possible throughout its value chain, while maintaining the same quality of services it offers its customers. In 2011, it developed its Energy Efficiency Plan (PE3) and was involved in several communication and awareness-raising initiatives, with the Company's headquarters being awarded three certificates – ISO 14001, UNE-EN 16001 and UNE 171330-3 – for its Integrated Environmental, Energy Efficiency and Indoor Air Quality Management System.

ENDESA continues to participate in various technology platforms, including: the Spanish Technological Platform for Energy Efficiency, the Spanish Future Electrical Grid Platform (FUTURED) and the Nuclear Fission Platform (CEIDEN). The Company also collaborates in other platforms such as the Spanish CO<sub>2</sub> Technology Platform, the Spanish Technology Platform for Hydrogen and Fuel Batteries, the Spanish Technology Platform for Industrial Security (PLATI) and the Spanish Biomass Platform (BIOPLAT).

## 3. Innovation projects

ENDESA's portfolio of innovation projects is structured around six key technology areas:

Direct steam generation plant to make use of solar thermal energy



Malaga SmartCity



Fossil Fuel Generation, Renewable Energies, Energy Efficiency and Storage, Smart Grids and Nuclear Energy, encompassed in its strategic medium- and long-term resource optimisation and added-value generation targets.

### 3.1. Fossil fuel generation

The main projects designed to promote CO<sub>2</sub> capture and storage technologies include: the Ciuden Project and the CAC OXY-300 demonstration plant, the project for constructing and testing a pilot post-combustion CO<sub>2</sub> capture plant using carbonisation-calcination cycles at the La Pereda thermal plant, the construction and operation of an experimental chemical absorption CO<sub>2</sub> capture plant using amine-based chemical solutions in Compostilla, and the pilot plant to capture CO<sub>2</sub> using microalgae located in the Litoral de Almería thermal power plant.

### 3.2. Renewable energies

Noteworthy renewable energies projects include the GDV-500 Project to develop new systems to harness solar thermal power and the Undimotriz project in Chile, the Capim Elefante project in Brazil and the Condition-Based Maintenance Project developed in Chile.

### 3.3. Energy efficiency and storage

*Novare Energrid Project*, a smart infrastructure system to management supply and demand in the electricity grid, the *STORE* energy storage project, the *Smart Metering* automated grids and efficient public lighting project.



ENDESA solar home, SmartCity Barcelona

Vandellós nuclear plant



### 3.4. Smart grids

The Malaga SmartCity project, a pioneering initiative in Spain that brought online 7,000 smart meters, 34 LED lights and innovative photovoltaic street lights, integrated micro-generators, electric vehicle recharging points and the PLC network for communication with all distribution centres involved. Other project starts in 2011 included: *SmartCity Barcelona*, and the *Buzios Smartcity Project*, the first *SmartCity* initiative in Latin America.

### 3.5. Nuclear energy

ENDESA is involved in nuclear R&D through its participation in the *EPRI Nuclear Programme*, which pursues operational excellence at nuclear power plants, the *Coordinated PCI Research Programme*, organised to analyse plant security, and the *Joint PT Programme*, developed by electric utilities and ENUSA which coordinates RDI related to nuclear combustion.

# People

ENDESA offers its staff decent, competitive working conditions; pursues a decisive, proactive policy regarding the health and safety of all employees; and is firmly committed to the principles of gender equality and non-discrimination.





## 1. ENDESA's workforce

ENDESA offers its staff decent, competitive working conditions, which are above the market average. 98% of contracts are permanent. In order to promote employment, ENDESA also offered 1,239 people internships or scholarships.

At 31 December 2011, ENDESA employed 22,877 people directly, 8% fewer than the previous year. Of these, 11,704 were employed in Spain and Portugal and 11,173 in Latin America. In the year, 1,504 new employees joined the Company.

The largest percentage of employees corresponds to the 35 to 54 age band. 79% of staff are men and 21% are women.

**«ENDESA directly employed 22,877 people at year end, 8% lower than the previous year»**

### 1.1. Occupational health and safety

In 2011, occupational health and safety indicators improved compared to the two previous years. The combined accident frequency rate (company employees and contracted personnel) fell by 16.9% vs. 2010 (from 4.62 to 3.83) with reductions in both categories, while the combined severity rate increased in 2011 (from 0.10 to 0.13).

The total number of serious and fatal accidents dropped by 42% compared to 2010 and by 78% compared to 2009.

### 1.2. Partner companies

In 2011, the Company pursued a decisive, proactive policy regarding the health and

**«The total number of serious and fatal accidents dropped by 42% compared to 2010 and by 78% compared to 2009»**



Installation of smart meters

safety of all employees working for ENDESA through partner companies.

## 2. Relations with ENDESA staff

### 2.1. Equality, work-life balance and diversity

For many years now, ENDESA has been firmly committed to and continues to promote the principles of gender equality and non-discrimination. In this regard, the number of women employed as a percentage of total hires increased from 26.5% in 2010 to 28% in 2011. In Spain, the figure rose from 34.9% to 39.5%, and in Latin America it increased by 22.07%.

	2010	2011	% Var. 2010/11
<b>Closing workforce</b>			
Spain and Portugal*	12,270	11,785	-4.0
Latin America	12,462	11,092	-11.0
<b>Total</b>	<b>24,732</b>	<b>22,877</b>	<b>-7.50</b>
<b>Average workforce</b>			
Spain and Portugal*	13,156	12,125	-7.80
Latin America	12,423	11,240	-9.50
<b>Total</b>	<b>25,579</b>	<b>23,365</b>	<b>-8.70</b>

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



ENDESA also 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.

In 2011, ENDESA undertook various measures to integrate staff with disabilities. The Company employs 177 people with different abilities.

## 2.2. Workplace environment

**«For many years now, ENDESA has been firmly committed to and continues to promote the principles of gender equality and non-discrimination »**

On the back of the results of the 2009 Workplace Satisfaction and Commitment Survey, a Workplace Environment Improvement Action Plan was designed for 2011-2012, identifying Global Action Plans (1,368 initiatives were defined, of which 84% were initiated).

## 2.3. Talent and Leadership

ENDESA works to identify individuals and teams who can enable the Company to grow. To this end, the Leadership Model was developed to define the performance trends linked to the Company's seven leadership factors. Meanwhile, the Management Mod-

el was implemented with common criteria for defining a "management position" in all Enel Group companies, carrying out an evaluation of all management positions using *Hay methodology*.

## 2.4. Training

For ENDESA, training is one of the basic cornerstones which guarantees the ongoing professional development of its employees to ensure its business project is successfully carried out.

In 2011, 1,091,304 training hours were given, 14.75% online and 85.25% in the classroom. A total of 19,022 employees received training in the year, equivalent to 83.14% of the workforce. Investment in training, excluding loss of earnings, totalled Euro 11,072,758 million.

**«1,091,304 training hours were given to 19,022 employees. Investment in training, excluding loss of earnings, totalled Euro 11.07 million»**

ENDESA pays close attention to occupational health and safety training, as shown by the 211,235 training hours given.

To attract young talent, ENDESA carried out a scholarship programme to help train recently-graduated young people and facilitate their inclusion in the business world. 1,239 people took part in the 2011 scholarship programme (111 in Spain, 16 in Ar-





gentina, 512 in Brazil, 271 in Chile, 133 in Colombia and 196 in Peru).

## 2.5. Remuneration and welfare benefits

ENDESA's system of remuneration complies with local labour legislation and relevant collective bargaining processes. It is linked to the Company's strategy, culture and values and is intended to generate value. All remuneration processes are based on merit, performance and the attainment of concrete and tangible targets and results.

In the area of welfare benefits, the Company upheld its pension commitments to current employees, employees taking early retirement, and retired employees. These commitments totalled Euro 7,805 million at year-end 2011, with Euro 5,408 million externalised, of which more than Euro 2,400 million corresponded to the ENDESA Group Employees' Pension Plan (23,061 holders and beneficiaries). Pension plans managed in Latin America totalled Euro 697 million.





# Social initiatives

ENDESA considers that an integral part of its business activities is to actively assume the consequences of the relationships it maintains with the regions and communities in which it operates, contributing to their development through a variety of community actions. It thus implements a range of projects designed to improve social and living conditions in the community and help disadvantaged groups to gain employment.



Coffee plantation scheme in Cundinamarca, Colombia

## 1. Investment in social development projects

In 2011, the Company allocated Euro 46.4 million to social development projects, equivalent to 2.1% of net profit from continuing operations attributable to Company shareholders.

Of this amount, 76% was earmarked for Latin America and 24% for Spain and Portugal.

### ENDESA's investments in social initiatives in 2011\*

*Euro thousand*

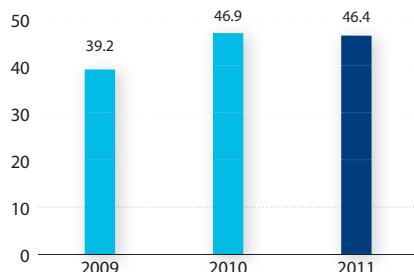
Spain and Portugal	11,263
Corporate Centre	6,183
Endesa Foundations	3,936
Regional organisations in Spain and Portugal	1,145
Latin America	35,157
<b>Total</b>	<b>46,420</b>

\* Excludes investment in rural electrification (Euro 5.9 million), as these investments are directly related to conducting ENDESA's business activity.

**«In 2011, ENDESA allocated Euro 46.4 million to conducting and promoting social development activities, equivalent to 2.1% of net profit from continuing operations attributable to the Company's shareholders»**

### ENDESA's INVESTMENT IN social initiatives

*Euro million*



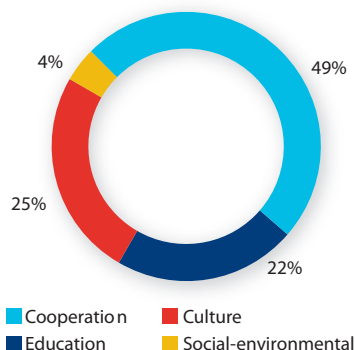
## 2. Cooperation

Social cooperation includes programmes to cover basic needs, volunteer programmes, donations, social development, building and funding schools, etc. Some examples of these programmes are as follows:

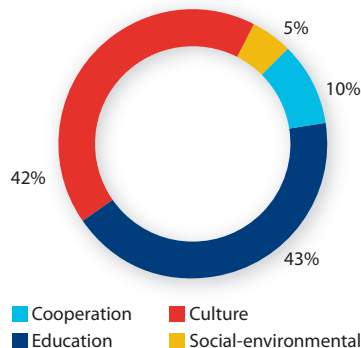
### Products and services

- Ecoelce (Colombia), Ecoampla (Brazil) and Ecochilectra (Chile), programmes for social development and raising environmental awareness, with discounts on customers' electricity bills in exchange for the selective collection and recycling of urban waste.
- Programmes for donating food to community canteens for children in Argentina.
- Programme to replace refrigerators with more efficient models for low-income families in Brazil.
- Siembra Energía programme in Colombia aimed at encouraging responsible consumption habits in the use of electricity and appliances.

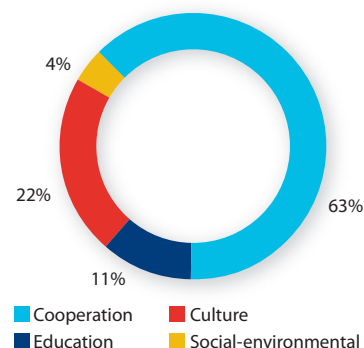
### Overall performance in social development by category



### ENDESA's investment in social initiatives in Spain and Portugal in 2011



### ENDESA's investment in social initiatives in Latin America in 2011







#### Volunteer programmes:

- Employees in Chile, Brazil, Colombia and Peru continued to implement corporate voluntary programmes.
- The fourth Endesa Solidarios volunteer programme concluded in Spain (raising over Euro 180,000 with contributions from over 2,900 employees since its inception).



#### Cooperation and social development:

- The Chilectra Football Cup and Ampla, to encourage participation in sport and combat sedentary lifestyles, alcoholism and drug addiction among young people.
- The Pehuén Foundation in Chile, promoting programmes to improve the quality of life in six Pehuenche communities.



- Lighting at sports facilities in Peru.
- A campaign to locate missing children in Chile, Brazil and Peru by printing their photographs on electricity bills and posting them in sales offices.
- The Twenergy on-line community, set up to encourage responsible energy consumption.
- The ADO programme in Spain sponsoring Olympic sports.

### 2.1. 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 teaching Spanish students about efficient and rational energy use (in 2011, 16,894 children and young people from 294 educational centres took part).
- The Pachacútec Technology Institute in Peru, a joint project by the Edelnor company and the El Callao diocese, to train professionals in the electricity sector.
- Technical training programme for the distribution and supply business where-





Community canteens

by the Endesa Colombia Foundation trained 100 youngsters to enter the electricity sector.

- El Viaje de la Energía (Argentina), a programme which disseminates basic knowledge about electricity and its safe and efficient use in schools.

2.2. 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. In 2011, the Endesa Foundation and the Sevillana Endesa Foundation together illuminated 12 religious and civil monuments. They also collaborated in various cultural initiatives, including sponsoring exhibitions, as well as film and book shows.

In Latin America, the Company supported various projects related with the cultural identity of the societies in which it operates, as well as a number of exhibitions, concerts, theatre, dance, photography, arts and craft, film and historical monument conservation projects.

2.3. Socio-environmental initiatives

As part of its commitment to society, ENDESA promotes awareness and values linked to 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 2011, 16 projects and scientific meetings on the environment and diversity were held, as



Goías Granada Orchestra

well as two expeditions. The Foundation also hosted the ENDESA biodiversity committee meeting.

3. 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 usual reporting on its social initiatives, ENDESA followed LBG calculation methodology for the third year running.

ENDESA's contribution to social initiatives in 2011, according to LBG\*

Euro thousand	
Contributions, Spain and Portugal	11,913
Contributions, Latin America	38,121

\* The main difference in the total result of both reporting systems is due to the time employees spend on social initiatives per scheme which is then converted into euros.



Litoral thermal plant (Almería)

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Printed on FSC® certified paper



Publisher:  
Communications Department

Design:  
Communications Department / Cromotex

Layout and Proofing:  
Cromotex

Printing:  
Tf Artes Gráficas  
Committed to the environment

Legal deposit:  
M-18619-2012



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