

endesa11

Annual Report 2011 **Legal Documentation**

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possible..."*



Endesa

Legal Documentation

2011

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

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Endesa, S.A. and Subsidiaries



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Auditors' Report

Translation from the original issued in Spanish.

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Audit Report

ENDESA, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report
for the year ended December 31, 2011





Ernst & Young, S.L.
Torre Pícaro
Plaza Pablo Ruiz Pícaro, 1
28020 Madrid
Tel.: 902 365 456
Fax: 915 727 300
www.ey.com/es

Translation of a report and consolidated financial statements originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails (See Note 40)

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
ENDESA, S.A.

We have audited the consolidated financial statements of ENDESA, S.A. (the Parent Company) and its Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the Directors are responsible for the preparation of the Group's financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2011 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of ENDESA, S.A. and Subsidiaries at December 31, 2011, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with IFRS, as adopted by the EU, and other applicable provisions in the regulatory framework for financial information.

The accompanying 2011 consolidated management report contains such explanations as the Directors of ENDESA, S.A. consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2011 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of ENDESA, S.A. and its Subsidiaries.

ERNST & YOUNG, S.L.

José Luis Perelli Alonso

February 28, 2012

Ernst & Young, S.L. is a company registered in the Spanish Commercial Register of Madrid at
Torre Pícaro, Plaza Pablo Ruiz Pícaro, 1, 28020 Madrid
Tax ID: 27949, Libro G, Folio 219, Sección 8ª
Módulo 22123, Inscritión 136, C.I.F. B-28070001

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Consolidated Financial Statements

for the year ended 31 December 2011

Translation from the original issued in Spanish.

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Consolidated Statements of Financial Position

at 31 December 2011 and 2010

Millions of Euros

	31 December 2011	31 December 2010
ASSETS		
Non-current Assets	43,169	43,555
Property, plant and equipment (Note 5)	32,904	32,896
Investment property (Note 6)	74	69
Intangible assets (Note 7)	3,013	3,167
Goodwill (Note 8)	2,617	2,797
Investments accounted for using the equity method (Note 9)	897	899
Non-current financial assets (Note 10)	1,821	1,641
Deferred tax assets (Note 22)	1,843	2,086
Current Assets	15,552	19,033
Inventories (Note 11)	1,253	1,129
Trade and other receivables (Note 12)	5,470	6,109
Trade and other receivables	5,062	5,433
Current income tax assets	408	676
Current financial assets (Note 13)	5,652	9,434
Cash and cash equivalents (Note 14)	2,788	1,828
Non-current assets held for sale and discontinued operations (Note 33)	389	533
Total Assets	58,721	62,588
EQUITY AND LIABILITIES		
Equity (Note 15)	24,679	23,164
Of the Parent (Note 15.1)	19,291	17,776
Share capital	1,271	1,271
Share premium and reserves	15,248	12,004
Profit for the year of the Parent	2,212	4,129
Interim dividend	—	(529)
Valuation adjustments	560	901
Non-controlling interests (Note 15.2)	5,388	5,388
Non-Current Liabilities	23,735	27,383
Deferred income (Note 16)	4,129	3,936
Non-current provisions (Note 17)	4,168	4,714
Provisions for pensions and similar obligations	1,040	1,257
Other non-current provisions	3,128	3,457
Non-current interest-bearing loans and borrowings (Note 18)	12,791	16,256
Other non-current liabilities (Note 21)	654	602
Deferred tax liabilities (Note 22)	1,993	1,875
Current Liabilities	10,307	12,041
Current interest-bearing loans and borrowings (Note 18)	1,070	985
Current provisions (Note 24)	935	1,020
Provisions for pensions and similar obligations	—	5
Other current provisions	935	1,015
Trade payables and other current liabilities (Note 23)	8,219	9,824
Suppliers and other payables	7,754	8,919
Current income tax liabilities	465	905
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations (Note 33)	83	212
Total Equity and Liabilities	58,721	62,588

The accompanying notes 1 to 40 to the consolidated financial statements are an integral part of the consolidated statements of financial position at 31 December 2011 and 2010.

Consolidated Income Statements

for the years ended 31 December 2011 and 2010

Millions of Euros

	2011	2010
Income (Note 25)	32,686	31,177
Sales (Note 25.1)	30,827	29,558
Other operating income (Note 25.2)	1,859	1,619
Procurements and Services	(21,682)	(19,768)
Power purchases	(8,926)	(7,409)
Cost of fuel consumed	(3,961)	(3,154)
Transmission costs	(6,251)	(6,087)
Other variable procurements and services (Note 26)	(2,544)	(3,118)
Contribution Margin	11,004	11,409
Self-constructed assets (Notes 3a and 3d)	204	265
Personnel expenses (Note 27)	(1,625)	(1,852)
Other fixed operating expenses (Note 28)	(2,318)	(2,348)
Gross Profit from Operations	7,265	7,474
Depreciation and amortisation, and impairment losses (Note 29)	(2,612)	(2,443)
Profit from Operations	4,653	5,031
Net Finance Cost (Note 30)	(622)	(883)
Finance income	717	377
Finance expenses	(1,357)	(1,272)
Net exchange differences	18	12
Net profit of companies accounted for using the equity method (Note 9)	30	1
Gains/(losses) from other investments	6	6
Gains/(losses) on disposal of assets (Note 31)	113	2,361
Profit before Tax	4,180	6,516
Income tax expense (Note 32)	(1,159)	(1,398)
Profit after tax for the year from continuing operations	3,021	5,118
Profit after tax for the year from discontinued operations (Note 33)	—	—
Profit for the year	3,021	5,118
Parent company	2,212	4,129
Non-controlling interests	809	989
Basic net earnings per share for continuing operations (Euros)	2.09	3.90
Diluted net earnings per share for continuing operations (Euros)	2.09	3.90
Basic net earnings per share for discontinued operations (Euros)	—	—
Diluted net earnings per share for discontinued operations (Euros)	—	—
Basic net earnings per share (Euros)	2.09	3.90
Diluted net earnings per share (Euros)	2.09	3.90

The accompanying notes 1 to 40 to the consolidated financial statements are an integral part of the consolidated income statements for the years ended 31 December 2011 and 2010.

Consolidated Statements of Comprehensive Income

for the years ended 31 December 2011 and 2010

Millions of Euros

	31 December 2011			31 December 2010		
	Owners of the Parent	Non-controlling interests	Total	Owners of the Parent	Non-controlling interests	Total
Profit for the year	2,212	809	3,021	4,129	989	5,118
Other comprehensive income:						
Income and expense recognised directly in equity	(185)	(225)	(410)	485	647	1,132
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	—	—	—	—	—	—
From measurement of financial instruments	—	—	—	8	—	8
Available-for-sale financial assets	—	—	—	8	—	8
Other income/(expenses)	—	—	—	—	—	—
From cash flow hedges (Note 15.1.7)	(199)	(74)	(273)	(46)	23	(23)
Translation differences	(242)	(130)	(372)	661	656	1,317
From actuarial gains and losses and other adjustments	278	(38)	240	(186)	(33)	(219)
Companies accounted for using the equity method (Note 15.1.7)	(5)	(7)	(12)	(2)	(4)	(6)
Other income and expenses recognised directly in equity	—	—	—	—	—	—
Tax effect	(17)	24	7	50	5	55
amounts transferred to income statement and/or investments	63	(8)	55	43	6	49
From measurement of financial instruments	—	—	—	(45)	—	(45)
Available-for-sale financial assets	—	—	—	(45)	—	(45)
Other income/(expenses)	—	—	—	—	—	—
From cash flow hedges (Note 15.1.7)	105	(4)	101	101	1	102
Translation differences	(8)	(5)	(13)	—	—	—
Companies accounted for using the equity method (Note 15.1.7)	(2)	—	(2)	—	—	—
Other income and expenses recognised directly in equity	—	—	—	—	—	—
Tax effect	(32)	1	(31)	(13)	5	(8)
Total comprehensive income	2,090	576	2,666	4,657	1,642	6,299

The accompanying notes 1 to 40 to the consolidated financial statements are an integral part of the consolidated statements of comprehensive income for the years ended 31 December 2011 and 2010.

Consolidated Statements of Changes in Equity

for the year ended 31 december 2011

Millions of Euros

	Equity attributable to owners of the Parent							Total equity
	Capital and reserves					Valuation adjustments	Non-controlling interests	
	Share capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit/(loss) for the year	Other equity instruments			
Balance at 1 January 2011	1,271	11,475	—	4,129	—	901	5,388	23,164
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of errors	—	—	—	—	—	—	—	—
Adjusted balance at 1 January 2011	1,271	11,475	—	4,129	—	901	5,388	23,164
Total comprehensive income	—	219	—	2,212	—	(341)	576	2,666
Transactions with shareholders or owners	—	501	—	(1,076)	—	—	(576)	(1,151)
Capital increases/(reductions)	—	—	—	—	—	—	—	—
Conversion of liabilities into equity	—	—	—	—	—	—	—	—
Dividends paid	—	529	—	(1,076)	—	—	(508)	(1,055)
Transactions with treasury shares or own equity instruments (net)	—	—	—	—	—	—	—	—
Increases/(reductions) due to business combinations	—	—	—	—	—	—	—	—
Other transactions with shareholders or owners	—	(28)	—	—	—	—	(68)	(96)
Other changes in equity	—	3,053	—	(3,053)	—	—	—	—
Share-based payments	—	—	—	—	—	—	—	—
Transfers between equity items	—	3,053	—	(3,053)	—	—	—	—
Other changes	—	—	—	—	—	—	—	—
Balance at 31 December 2011	1,271	15,248	—	2,212	—	560	5,388	24,679

The accompanying notes 1 to 40 to the consolidated financial statements are an integral part of the statement of changes in equity for the year ended 31 December 2011.

Consolidated Statements of Changes in Equity

for the year ended 31 december 2010

Millions of Euros

	Equity attributable to owners of the Parent							Total equity
	Capital and reserves					Valuation adjustments	Non-controlling interests	
	Share capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit/(loss) for the year	Other equity instruments			
Balance at 1 January 2010	1,271	9,291	—	3,430	—	235	4,733	18,960
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of errors	—	—	—	—	—	—	—	—
Adjusted balance at 1 January 2011	1,271	9,291	—	3,430	—	235	4,733	18,960
Total comprehensive income	—	(138)	—	4,129	—	666	1,642	6,299
Transactions with shareholders or owners	—	(19)	—	(1,089)	—	—	(987)	(2,095)
Capital increases/(reductions)	—	—	—	—	—	—	(89)	(89)
Conversion of liabilities into equity	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(1,089)	—	—	(683)	(1,772)
Transactions with treasury shares or own equity instruments (net)	—	—	—	—	—	—	—	—
Increases/(reductions) due to business combinations	—	—	—	—	—	—	(204)	(204)
Other transactions with shareholders or owners	—	(19)	—	—	—	—	(11)	(30)
Other changes in equity	—	2,341	—	(2,341)	—	—	—	—
Share-based payments	—	—	—	—	—	—	—	—
Transfers between equity items	—	2,341	—	(2,341)	—	—	—	—
Other changes	—	—	—	—	—	—	—	—
Balance at 31 December 2010	1,271	11,475	—	4,129	—	901	5,388	23,164

The accompanying notes 1 to 40 to the consolidated financial statements are an integral part of the statement of changes in equity for the year ended 31 December 2010.

Consolidated Statements of Cash Flows

for the years ended 31 december 2011 and 2010

Millions of Euros

	2011	2010
Profit before tax	4,180	6,516
Adjustments for:	2,627	1,090
Depreciation and amortisation, and impairment losses (Note 29)	2,612	2,443
Other adjustments (net)	15	(1,353)
Changes in operating assets and liabilities	704	77
Other cash flows from operating activities:	(1,673)	(1,778)
Interest received	644	309
Dividends received	4	12
Interest paid	(960)	(669)
Income tax paid	(805)	(875)
Other receipts from and payments for operating activities	(556)	(555)
Net cash flows from operating activities	5,838	5,905
Acquisitions of property, plant and equipment and intangible assets	(2,814)	(2,593)
Proceeds from sale of property, plant and equipment and intangible assets	281	1,529
Purchase of investments in group companies	(102)	(30)
Proceeds from sale of investments in group companies	72	1,532
Purchase of other investments	(2,225)	(2,221)
Proceeds from sale of other investments	4,879	879
Cash flows from changes in consolidated group	(7)	(87)
Grants and other deferred income	212	233
Net cash flows from/(used in) investing activities	296	(758)
Proceeds from borrowings, non-current (Note 18.1)	1,254	1,174
Repayment of borrowings, non-current (Note 18.1)	(2,658)	(1,201)
Net cash flows used in current borrowings	(2,024)	(3,670)
Dividends of the Parent paid (Note 15.1)	(1,076)	(1,088)
Payments to non-controlling interests	(617)	(570)
Net cash flows used in financing activities	(5,121)	(5,355)
Total net cash flows	1,013	(208)
Effect of exchange rate changes on cash and cash equivalents	(68)	191
Net increase/(decrease) in cash and cash equivalents	945	(17)
Cash and cash equivalents at 1 January (note 14)	1,843	1,860
Cash in hand and at banks	528	1,262
Cash equivalents	1,315	598
Cash and cash equivalents at 31 December (note 14)	2,788	1,843
Cash in hand and at banks	1,053	528
Cash equivalents	1,735	1,315

The accompanying notes 1 to 40 to the consolidated financial statements are an integral part of the consolidated statements of cash flows for the years ended 31 December 2011 and 2010.

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Notes to the Consolidated Financial Statements

for the year ended 31 December 2011

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1. Group activity and financial statements

ENDESA, S.A. (hereinafter "the Parent Company" or "the Company") and its subsidiaries make up the ENDESA Group ("ENDESA" or "the Group"). The Company's registered and head offices are at calle Ribera del Loira, 60, Madrid.

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

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

The ENDESA Group 2010 consolidated financial statements were approved by the shareholders at the General Meeting of Shareholders held on 9 June 2011.

These consolidated financial statements and most of the separate financial statements of all the companies comprising the Group for 2011, which were used in the preparation of the consolidated financial statements, are pending approval by shareholders at their respective general meetings of shareholders. However, the directors consider that financial statements will be approved without modification.

The presentation currency of the Parent Company of the Group is the euro and the figures shown herein (unless stated otherwise) are in millions of Euros.

The Company forms part of the ENEL Group, whose parent is ENEL, S.p.A. (hereinafter "ENEL"). ENEL is governed by Italian commercial legislation. Its registered office is at Viale Regina Margherita, 137, Rome, Italy. In Spain, the ENEL

Group is headed by ENEL Energy Europe, S.L.U. (hereinafter "EEE"), with registered office at Calle Ribera del Loira, 60, Madrid. The ENEL Group's 2010 consolidated financial statements were approved by the shareholders at the General Meeting of Shareholders held on 29 April 2011 and filed with the Rome Companies Register. The Company's shares are admitted for trading on the Spanish stock exchanges. Therefore, it presents consolidated financial statements in accordance with article 43 of the Spanish Code of Commerce.

2. Basis of preparation

2.1. Accounting principles

ENDESA's consolidated financial statements for the year ended 31 December 2011 were authorised for issue by the directors at a board meeting held 27 February 2012 and prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union at the reporting date pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council and other applicable regulations regarding financial reporting.

These consolidated financial statements present fairly the equity and financial position of the Group at 31 December 2011, as well as the consolidated comprehensive income, consolidated operating performance, changes in consolidated equity and changes in consolidated cash flows for the year then ended.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS, as explained in the measurement bases applied to each, non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell (see Note 3).

ENDESA's consolidated financial statements for the years ended 31 December 2011 and 2010 have been prepared from the accounting records of the Company and those of the rest of the companies comprising the Group.

Each company prepares its annual financial statements in accordance with the accounting principles and standards prevailing in the country in which it operates. When necessary, adjustments and reclassifications have been made to the financial statements of subsidiaries to bring their accounting principles into line with IFRS and the criteria of the IFRS Interpretations Committee (hereinafter "IFRIC").

At the date of authorisation for issue of these consolidated financial statements, the following IFRSs and IFRIC interpretations have been published in the Official Journal of the European Union:

a) Standards and interpretations adopted by the Group in the 2011 consolidated financial statements:

Standards and interpretations	Mandatory application for
Amendment to IAS 32 <i>Financial Instruments: Presentation - Classification of Rights Issues</i> . <i>The amendment classifies rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency as equity instruments if the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.</i>	Annual periods beginning on or after 1 February 2010.
IAS 24 <i>Related Party Transactions</i> <i>The revised version clarifies the definition of related party. It also provides a partial exemption from the disclosure requirements regarding transactions with government or government-related entities.</i>	Annual periods beginning on or after 1 January 2011.
Amendment to IFRS 8: <i>Operating Segments</i> derived from revision of IAS 24. <i>Amends the disclosure requirements for major customers of entities under government control.</i>	Annual periods beginning on or after 1 January 2011.
Amendment to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i> . <i>The amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements.</i>	Annual periods beginning on or after 1 January 2011.

Standards and interpretations	Mandatory application for
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i> . <i>This interpretation states that an entity's equity instruments issued to a creditor to extinguish all or part of a financial liability are "consideration paid". These equity instruments shall be measured at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured, in which case they shall be measured to reflect the fair value of the financial liability extinguished.</i>	Annual periods beginning on or after 1 July 2010.
Amendments to IFRS 1 - Exemption from Comparative IFRS 7 Disclosures. <i>Amends the limited exemption from comparative IFRS disclosures to first-time adopters of IFRS.</i>	Annual periods beginning on or after 1 July 2010.
Improvements to IFRSs (issued by the IASB in May 2010). <i>The improvements affect IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13.</i>	Annual periods beginning on or after 1 July 2010 and 1 January 2011.

Adoption of the new standards did not have a significant effect on the Group's consolidated financial statements.

b) Standards not adopted by the Group in the 2011 consolidated financial statements:

Standards and interpretations	Mandatory application for
Amendments to IFRS 7 related to transfers of financial assets. <i>The amendment changes disclosure requirements for transfers of assets where the entity has continuing involvement in them.</i>	Annual periods beginning on or after 1 July 2011.

At the date of authorisation for issue of the consolidated financial statements, the Group's management is assessing the impact of this amendment on the consolidated financial statements. It does not expect any significant impact.

2.2 Responsibility for information and estimates

Group management is responsible for the contents of the consolidated financial statements and expressly states that all IFRS principles and criteria have been applied.

In preparing the financial statements, the directors made estimates to measure certain assets, liabilities, revenues, expenses and commitments included therein.

These estimates were essentially as follows:

- Measurement of financial assets and goodwill to determine any impairment losses (see Note 3e).
- Assumptions used in the actuarial calculation of liabilities and obligations to employees and the leaving dates for employees involved in personnel restructuring plans (see Note 17).
- Useful lives of property, plant and equipment and intangible assets (see Notes 3a and 3d).
- Assumptions used to calculate the fair value of financial instruments (see Note 20).
- Unmetered power supplied to customers (see Note 3q).
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives, etc., which can be used to estimate the overall settlements in the electricity system to be made in the corresponding final statements. These settlements, which are pending at the date of authorisation for issue of the consolidated financial statements, could affect the assets, liabilities, income and expenses related with electricity system activities and, in particular, the shortfall in revenue from regulated activities in Spain.
- Interpretation of existing or new electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of authorisation of these consolidated financial statements (see Note 4).
- The likelihood and amount of underdetermined or contingent liabilities (see Note 3m).
- Future costs for decommissioning and restoration of land (see Notes 3a, 3d and 3m).

- Taxable income of the Group companies to be declared to the taxation authorities in the future and used as the basis of income tax balances recognised in the accompanying consolidated financial statements (see Note 3p).

Although these estimates have been based on the best information available at the date of preparation of the consolidated financial statements, future events could require the estimates to be increased or decreased in subsequent years. Changes in estimates are made prospectively and the effects recognised in the corresponding consolidated financial statements for future years.

2.3. Subsidiaries and jointly-controlled entities

Subsidiaries are the investees in which the parent company controls, directly or indirectly, more than half of the voting rights or has the power to govern their financial and operating policies so as to obtain benefits from its activities. The existence of potential voting rights held by the Group that are exercisable or convertible at the end of the reporting period are considered when assessing the power govern the financial and operating policies.

Companies are jointly controlled when the above situation is through the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relative to the activity require the unanimous consent of the Group and the remaining venturers.

The Group considers Special Purpose Entities (hereinafter "SPEs"), understood to be those entities over which the Group has control even when it does not hold a controlling interest therein, as subsidiaries. The Group is considered to have control when it obtains substantially most of the benefits of the SPE and retains the majority of the risks related to the SPE, even when it does not hold an interest therein. ENDESA did not have any SPEs in 2011 or 2010.

Appendix I to the consolidated financial statements (ENDESA Group companies) lists the Group's subsidiaries and jointly-controlled entities.

2.3.1. Changes in consolidation scope

Appendix III to the consolidated financial statements details changes in the consolidated group during 2011.

In 2011, nine companies were included in the consolidation scope: ENEL.Re, N.V. (hereinafter "ENEL.Re"), ENEL.Re Limited, Central Vuelta de Obligado, S.A., ENDESA Ingeniería, S.L.U. - ENEL Sole S.R.L., U.T.E. III, ENDESA Ingeniería, S.L.U. - ENEL Sole S.R.L., U.T.E. IV, ENDESA Ingeniería, S.L.U. - ENEL Sole S.R.L., U.T.E. V, ENDESA Ingeniería, S.L.U. - ENEL Sole S.R.L., U.T.E. VI, ENDESA Ingeniería, S.L.U. - Cobra Instalaciones y Servicios, S.A, U.T.E. and Hidromondego – Hidroeléctrica do Mondego, Lda.

Consolidation of ENEL.Re and ENEL.Re Limited using proportionate consolidation led to increases of Euros 59 million in Non-current assets, Euros 54 million in current assets, Euros 48 million in non-current liabilities and Euros 23 million in current liabilities in the consolidated statement of financial position. The financial indicators for the other companies joining the consolidated group are not material.

In 2010, three companies were added to the consolidated group: Aysén Energía, S.A., ENDESA Ingeniería, S.L.U. – ENEL Sole, S.R.L., U.T.E. II and ICT Servicios Informáticos Ltda. The financial indicators for these companies are not material.

Exclusions from the consolidation scope in 2011 relate mainly to the following transactions:

- The sale of the 100% interest in Compañía Americana de Multiservicios, Ltda. and subsidiaries (hereinafter "CAM Group") (see Note 31). The deconsolidation of this company led to decreases of Euros 24 million in non-current assets, Euros 64 million in current assets, Euros 11 million in non-current liabilities and Euros 59 million in current liabilities in the consolidated statement of financial position.
- The sale of the 100% interest in Synapsis Soluciones y Servicios IT, Ltda. and subsidiaries (hereinafter "the Synapsis Group") (see Note 31). The deconsolidation of this company led to decreases of Euro 18 million in non-current assets, Euros 42 million in current assets, Euros 3 million in non-current liabilities and Euros 22 million in current liabilities in the consolidated statement of financial position.

- The change in the method for consolidating Compostilla Re, S.A. (hereinafter "Compostilla Re") from full to proportionate consolidation following the integration of ENEL Group's reinsurance activities in ENEL.Re, a wholly owned subsidiary of ENEL Group (50% through ENDESA and 50% through ENEL Investment Holding B.V.), which led to the loss of ENDESA's control over Compostilla Re. It now has joint control. The change in the method for consolidating Compostilla Re led to decreases of Euros 59 million in current assets, Euros 11 million in non-current liabilities and Euros 13 million in current liabilities in the consolidated statement of financial position.

Exclusions from the consolidation scope in 2010 relate mainly to the following transactions:

- The integration of the activities of ENDESA and ENEL Green Power, S.p.A. (hereinafter "EGP") in the field of renewable energies in Spain and Portugal into a single EGP consolidated company fully controlled by ENEL, which led to the loss of ENDESA's control over Grupo ENEL Green Power España, S.L. (hereinafter "EGP Spain"), formerly ENDESA Cogeneración y Renovables (see Note 9). The deconsolidation of EGP Spain led to decreases of Euros 1,242 million in non-current assets, Euros 212 million in current assets, Euros 1,090 million in non-current liabilities and Euros 278 million in current liabilities in the consolidated statement of financial position (see Note 31).
- The sale of the 50.01% interest in ENDESA Hellas Power Generation and Supplies, S.A. (hereinafter "ENDESA Hellas") (see Note 33). The deconsolidation of this company led to decreases of Euros 365 million in non-current assets, Euros 48 million in current assets, Euros 75 million in non-current liabilities and Euros 76 million in current liabilities in the consolidated statement of financial position.
- The disposal of gas distribution and transmission assets through the sale of 80% of ENDESA Gas T&D, S.L. (hereinafter "ENDESA Gas"), formerly Nubia 2000, S.L., which changed its name in 2011. This led to decreases of Euros 555 million in non-current assets, Euros 28 million in current assets, Euros 93 million in non-current liabilities and Euros 92 million in current liabilities in the consolidated statement of financial position (see Notes 9, 31 and 33).

Except for these transactions, had the changes in the consolidated group occurred at the beginning of 2011 and 2010, the differences in the key figures in the accompanying consolidated income statement and consolidated statement of financial position compared to the accompanying consolidated financial statements would not have been significant.

2.3.2. Consolidated companies in which the Group holds an interest of less than 50%

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

2.3.3. Non-consolidated companies in which the Group holds an interest of more than 50%

Although the ENDESA Group owns more than 50% of Centrales Hidroeléctricas de Aysén, S.A. (hereinafter "Aysén") and Asociación Nuclear Ascó-Vandellós II, A.I.E., (hereinafter "ANAV"), in addition to other insignificant companies listed in Appendix I, these are considered jointly-controlled entities because the Group has shared control by virtue of shareholder agreements.

2.4. Associates

Associates are entities in which the Parent Company has significant influence, directly or indirectly. A holding of more than 20% generally indicates significant influence (see Note 3h).

Appendix II to these consolidated financial statements (Associates) describes the relationships between ENDESA and each of its associates.

2.5. Other investments

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

2.6. Basis of consolidation and business combinations

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after the adjustment and elimination of intragroup transactions.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Jointly-controlled entities are consolidated using proportionate consolidation. The Group combines its proportionate share of each of the assets, liabilities, income, expenses and cash flows in its consolidated financial statements.

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

1. At the acquisition date, the assets, liabilities and contingent liabilities of the subsidiary are measured at fair value, except certain assets and liabilities which are measured according to the principles set out in IFRS. Where the acquisition cost of the subsidiary exceeds the fair value of the Parent company's share of its assets and liabilities, including contingent liabilities, the difference is recognised as goodwill. Where the acquisition cost is lower, the difference is recognised in the consolidated income statement. Costs attributable to the acquisition are recognised as an expense as incurred.

2. Non-controlling interests in the fair value of the net assets acquired and the profit or loss of fully consolidated subsidiaries are recognised in equity - non-controlling interests in the consolidated statement of financial position and non-controlling interests in the consolidated statement of comprehensive income, respectively.
3. The financial statements of foreign companies with a functional currency other than the euro are translated to Euros as follows:
 - a. Assets and liabilities at the rate of exchange prevailing at the reporting date.
 - b. Income and expenses at the average exchange rate for the year.
 - c. Equity at the historical rate at the acquisition date and retained earnings and contributions at the average exchange rate for the year, as appropriate.

Exchange differences arising on the translation of financial statements are shown net of the related tax effect under translation differences in other comprehensive income in the consolidated statement of comprehensive income (see Note 15).

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

4. All balances and transactions between fully consolidated companies, or the related portion in the case of proportionately consolidated companies, were eliminated on consolidation.
5. When a transaction results in the loss of control of a subsidiary, any investment retained in the company is measured at its fair value at the date when control is lost. The difference between the fair value of the consideration received plus the fair value of the investment retained and the carrying amounts of the non-controlling interests in the former subsidiary, and the assets and

liabilities derecognised from the consolidated statement of financial position following the loss of control of the previously controlled subsidiary is recognised under gains/(losses) on disposal of assets in the consolidated income statement.

6. Changes in investments in subsidiaries that do not result in the Parent gaining or losing control of the subsidiary are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity of the parent.

3. Measurement criteria

The main measurement criteria used in preparing the accompanying consolidated financial statements were as follows:

a) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. In addition to the price paid for the acquisition of each item, cost also includes, where appropriate, the following items:

- Borrowing costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use; e.g. electricity generating and distribution facilities. The interest rate used is that applicable to the specific purpose financing or, in the absence of such a rate, the average financing rate of the company making the investment. The average financing rate depends mainly on the geographical area and ranges from 2.0% to 9.5%. Euros 64 million were capitalised in this respect in 2011 and Euros 73 million in 2010 (see Note 30).

- Personnel expenses relating directly to work in progress. The amounts capitalised are recognised under personnel expenses in the consolidated income statement and self-constructed assets in the consolidated statement of financial position. Euros 165 million were capitalised in this respect in 2011 (2010: Euros 141 million).
- The Group recognises the costs it will incur in the future to decommission its facilities in the cost of the asset, at present value, and recognises the related provision. The Group reviews its estimate of these future costs annually, increasing or decreasing the value of the related asset based on the outcome of the review. For nuclear power plants, this provision includes the amount that the Group estimates it will have to pay until the government-owned company Empresa Nacional de Residuos Radioactivos, S.A. (hereinafter "Enresa") assumes responsibility for decommissioning these plants pursuant to Royal Decree 1349/2003 of 31 October 2003, and Law 24/2005, of 18 November 2005 (see Note 17.3).

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

Assets under construction are transferred to property, plant and equipment in use once the trial period has ended and they are available for use, at which time depreciation begins.

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

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

Regular maintenance, upkeep and repair expenses are recognised in the income statement are expensed as incurred.

Indivisible assets shared by the Group with other owners are recognised in proportion to the Group's ownership of those assets (see Note 5).

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

Property, plant and equipment, less their residual value where appropriate, are depreciated when they are available for use on a straight-line basis over their estimated useful lives, which are the periods of expected use. Useful lives are reviewed regularly and adjusted prospectively, as appropriate.

The useful lives of assets for the purposes of calculating depreciation are as follows:

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

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

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

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

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

The terms and conditions of these arrangements require that the plants revert to State ownership in good working order when the concessions expire. The reversion period for the plants ranges from 2012 to 2067.

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

The Group has assessed the specific situations of each of the above concessions, which vary depending on the country, business and legal jurisdiction. It concluded that in no case are there determining factors for applying IFRIC 12 *Service Concession Arrangements* (see Note 3d).

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

b) Investment property

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

Investment properties are measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

The market values of investment property are detailed in Note 6. For Latin America, these were calculated based on the best estimates of Group's management taking into account market conditions at each date. For the rest of the Group, external appraisals carried out in the fourth quarter of 2011 were used.

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

Company	Activity	Country	Concession term	Period remaining
Empresa Distribuidora Sur, S.A.	Distribution	Argentina	95 years	76 years
Hidroeléctrica El Chocón, S.A.	Generation	Argentina	30 years	12 years
Transportadora de Energía, S.A.	Transmission	Argentina	85 years	76 years
Compañía de Transmisión del Mercosur, S.A.	Transmission	Argentina	87 years	76 years
Centrais Elétricas Cachoeira Dourada, S.A.	Generation	Brazil	30 years	16 years
Central Geradora Termelétrica Fortaleza, S.A.	Generation	Brazil	30 years	20 years
Compañía de Interconexión Energética, S.A. (Transmission Line 1)	Transmission	Brazil	20 years	9 years
Compañía de Interconexión Energética, S.A. (Transmission Line 2)	Transmission	Brazil	20 years	11 years

c) Goodwill

Goodwill on consolidation represents the excess of the acquisition cost over (under) the acquisition-date fair value of the Group's interest in the identifiable assets acquired and liabilities assumed, including contingent liabilities, of a subsidiary or jointly-controlled entity.

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

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

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and translated to Euros at the exchange rate prevailing at the reporting date.

Goodwill acquired on or after 1 January 2004 is measured at cost of acquisition and goodwill acquired before that date is recognised at the carrying amount at 31 December 2003, in accordance with the Spanish GAAP applicable at that date. Goodwill is not amortised, but allocated to each cash-generating unit (hereinafter "CGUs" or "CGU") or groups of cash-generating units. At the end of each reporting period, CGUs are tested for impairment and written down if recoverable amount has been reduced below carrying amount (see Note 3e).

d) Intangible assets

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

except for those with indefinite useful lives, which are not amortised.

At 31 December 2011, there are no significant intangible assets with indefinite useful lives except carbon dioxide (hereinafter "CO₂") emission allowances.

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

d.1. Concessions

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

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

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

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

Company	Activity	Country	Concession term	Period remaining
Ampla Energia e Serviços, S.A.(*)	Distribution	Brazil	30 years	15 years
Companhia Energética do Ceará, S.A.(*)	Distribution	Brazil	30 years	16 years
Sociedad Concesionaria Túnel El Melón, S.A.	Road infrastructure	Chile	23 years	5 years

(*) Considering that part of the rights acquired by the subsidiaries are unconditional, part of the asset has been recognised as an intangible asset and part as a financial asset (see Note 10.1).

Expenses and income incurred to improve the infrastructure of these concessions amounted to Euros 266 million and Euros 374 million in 2011 and 2010, respectively (see Notes 25.2 and 26).

Borrowing costs are capitalised using the criteria specified in letter a) of this note, provided that the concession operator has a contractual right to receive an intangible asset. No borrowing costs were capitalised in 2011 and 2010.

Personnel expenses directly related to buildings under construction of Euros 11 million and Euros 35 million were capitalised in 2011 and 2010, respectively.

Concessions are amortised over the term of the concession.

Concession contracts that are not subject to IFRIC 12 are recognised using general recognition criteria. The Group depreciates any assets recognised as property, plant and equipment (see Note 3a) on a straight-line basis over the shorter of the asset's economic life or the concession term. When calculating asset impairment, the Group's contractual obligations to invest in, improve or replace assets are considered to produce the future cash outflows required to generate cash inflows. Assets whose right to use has been conveyed by the Group in exchange for consideration are accounted for using the criteria specified in the note on leases (see Note 3f).

d.2. Research and development costs

Development expenditures on projects are recognised as an intangible asset when the Group is reasonably assured of the technical feasibility of completing the project and that the project will generate future economic benefits.

Research costs are expensed as incurred. Research costs in the consolidated income statement amounted to Euros 41 million in 2011 (2010: Euros 48 million).

d.3. CO₂ emission rights

Group companies that emit CO₂ in their electricity generation activity must deliver CO₂ emission rights (allowances) equal to their emissions during the year in the first few months of the following year. The Group recognises CO₂ emission allowances as non-amortisable intangible assets.

CO₂ emission allowances are initially recognised at acquisition cost, with provisions recognised where market value falls below cost.

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

d.4. Other intangible assets

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

e) Impairment of assets

The Group assesses throughout the year and, in any case, at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount to determine the extent of any impairment loss. For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the CGU; i.e. the smallest identifiable group of assets that generates independent cash inflows.

Nonetheless, the Group estimates the recoverable amount of the CGUs to which good or intangible assets with indefinite useful lives have been allocated systematically at each reporting date.

In general, the Group considers the distribution and generation businesses in each country to represent a CGU.

The recoverable amount is the higher of market value less costs to sell and value in use. Value in use is the present value of estimated future cash flows. The Group bases its estimate of the recoverable value of virtually all its items of property, plant and equipment, goodwill and intangible assets on value in use.

In estimating value in use, the Group prepares pre-tax cash flow projections based on the latest budgets available. These budgets include Group management's best estimates of the income and expenditure of the CGUs according to industry projections, past experience and future expectations.

These projections generally cover a 10-year period (the period used in the Group's planning process). Cash flows are estimated to the end of the useful lives of the assets

or the end of the concession, as appropriate, by applying reasonable growth rates that do not increase or exceed the average long-term growth rates for the related industry or country.

The estimated future cash flows are discounted to present value using a pre-tax rate that reflects the cost of capital of the business and its geographical area. It considers the current time value of money and the risks premiums generally used by analysts for the business and the geographical area.

The discount rates applied in 2011 and 2010 fall within the following ranges: **(table 1)**

The changes in the discount rates applied in 2011 and 2010 relate to the different assessments of sovereign debt risk, mainly for countries in the euro area and, to a lesser extent, in Latin America.

Changes in the variables comprising the discount rate in 2011 include:

- An increase in the risk-free rate (euro and US dollar) and country risk due to higher average sovereign debt yields in the period considered;
- Higher market risk premium according to statistical trends;
- Higher betas due to differences in business performance (greater dispersion in deregulated activities).

The period for cash flow projections used to extrapolate the estimates is generally the remaining useful life of generation assets and 10 years plus growth to perpetuity for distribution assets. For concessions with a defined expiration, cash flows are projected to the expiration date.

Table 1

Country	Currency	2011		2010	
		Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
Spain	Euro	6.2	8.3	6.2	6.5
Latin America:					
Chile	Chilean peso	8.0	10.1	7.5	8.8
Argentina	Argentine peso	15.0	17.1	15.0	16.8
Brazil	Brazilian real	9.5	11.6	9.6	10.8
Peru	Peruvian new sol	7.3	9.3	7.3	8.1
Colombia	Colombian peso	8.9	10.9	9.6	9.8

The following growth rates were used to extrapolate the cash flow projections:

Country	Currency	2011(*)	2010
		Growth rate 'g' (%)	Growth rate 'g' (%)
Spain	Euro	0-2.0	0-2.0
Latin America:			
Chile	Chilean peso	4.2-5.3	4.21
Argentina	Argentine peso	7.0-7.9	6.73
Brazil	Brazilian real	5.0-6.0	5.37
Peru	Peruvian new sol	3.2-4.3	3.35
Colombia	Colombian peso	4.4-5.2	4.21

(*) The uneven performance across activities, affected by the widespread uncertainty, especially deregulated activities, warranted using different growth rates in 2011 for distribution and generation in Latin America.

In addition to the discount rates, the key assumptions used based on past experience and current sector forecasts are as follows:

- Forecast growth of demand
- Average rainfall obtained from historical series and actual starting levels
- Forecast trends in the energy mix
- Expected fuel costs based on forward price estimates of international bodies and leading analysts
- Forecast trends in fixed costs
- Existing supply and sales contracts
- Regulatory measures in place and those that could be adopted in future rate revisions affecting both output and plants and remuneration as established in the various legislations and based on the best information available
- Required investment to meet expected production and distribution sales levels

If the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised for the difference under depreciation and amortisation, and impairment losses in the consolidated income statement. The impairment loss is first allocated to reduce the goodwill allocated to the

CGU and then to reduce the carrying amounts of the CGU's remaining assets on a pro rata basis of value in use up to fair value less costs to sell. The resulting amount cannot be negative.

A previously recognised impairment is reversed if there has been a change in the estimate of the asset's recoverable amount. A reversal of an impairment loss is recognised by increasing the carrying amount of the asset with a credit to income. The reversal is limited to the carrying amount of the asset had no impairment loss been recognised. Impairment losses relating to goodwill cannot be reversed.

The following procedure is used to determine whether an impairment loss should be recognised for financial assets:

- For assets of a trading nature, provisions are recognised for the amounts for which there is objective evidence that the Group will not be able to recover all the amounts under the original contractual terms. Group companies have a general policy of recognising impairment allowances based on the ageing of the past-due balance, except where specific collectability analysis is advisable, such as for past-due amounts receivable from public entities.
- In the case of receivables of a financial nature, the need to recognise impairment losses is determined by analysis of each specific case. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

The Group recognises impairment losses on financial assets through use of an allowance account. The carrying amount is eliminated against the allowance account when the impairment is deemed to be irreversible. Impairment losses for trade receivables are recognised as an expense under depreciation and amortisation, and impairment losses and for financial assets under provisions for bad debts and other in the consolidated income statement. Reversals in future periods of impairment losses are limited to what the amortised cost of the assets would have been had no impairment loss been recognised. If the impairment is irreversible, the carrying amount of the financial asset is eliminated from the allowance account.

At the date of authorisation for issue of the consolidated financial statements all material past-due financial assets are of a trading nature.

f) Leases

Leases that transfer substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. All other leases are classified as operating leases.

The Group assesses the substance of leases that grant the right to use certain assets to determine the existence of implicit leases. In these cases, at inception of the lease, the Group separates the lease payments and consideration related to the lease from any other elements in the arrangement.

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

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

Contingent rents are recognised as an expense when it is likely that they will be incurred.

g) Financial instruments

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

g.1. Non-derivative financial assets

The Group classifies its non-current and current financial assets, whether permanent or temporary, excluding investments accounted for using the equity method (see Note 9.1) and assets held for sale (see Note 3j), in four categories:

1) Loans and receivables:

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

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

2) Held-to-maturity investments:

These are investments that the ENDESA Group has the positive intention and ability to hold until maturity, and which are measured at amortised cost as defined above. The Company did not have any significant investment of this type at 31 December 2011 or 2010.

3) Financial assets at fair value through profit and loss:

These include financial assets held for trading and financial assets designated as at fair value through profit and loss on initial recognition, which are managed and measured on a fair value basis. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value, with net changes in fair value recognised in the consolidated income statement.

4) Available-for-sale financial assets:

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

These assets are recognised in the consolidated statement of financial position at fair value when this can be determined reliably. Since it is not usually possible to determine reliably the fair value of investments in companies that are not publicly traded, such investments are measured at cost less any identified impairment losses.

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

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

Purchases and sales of financial assets are recognised on the trade date.

The criteria for recognising impairment of financial assets is described in note 3e.

g.2. Cash and cash equivalents

Cash and cash equivalents on the consolidated statement of financial position includes cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value.

g.3. Non-derivative financial liabilities

Financial liabilities, which include interest-bearing loans and borrowings and trade and other payables, are generally recognised at the amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method (see Note 3g.1).

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

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

g.4. Derivatives and hedge accounting

The derivatives held by the Group relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or commodity price risk (electricity, fuel, CO₂ emission rights and CERs), the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivates are measured at their fair value at the end of the reporting period. Financial derivatives are carried as assets under financial assets and commodity derivatives under trade and other receivables when their fair value is positive and under interest-bearing loans and borrowings and trade and other payables, respectively, when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are recognised in the consolidated income statement, except where the derivative has been designated as a hedging instrument and all the requirements for hedge accounting under IFRS have been met; for example, the hedge must be highly effective. In this case, recognition depends on the type of hedge as follows:

Fair value hedges

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

Cash flow hedges

The effective portion of the gain or loss on the derivative is recognised in other comprehensive income in the consolidated statement of comprehensive income. The cumulative gain or loss recognised in this account is transferred to the consolidated income statement as the underlying hedged item affects profit or loss. The effects are netted under the same heading in the consolidated income statement. The ineffective portion of the gain or loss on the hedges is recognised directly in the consolidated income statement.

Hedges of a net investment in a foreign operation

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, net of the related tax effect, is recognised under translation differences in other comprehensive income in the consolidated statement of comprehensive income (see Note 15) and transferred to the consolidated income statement when the hedged investment is sold.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in the range of between 80% and 125%. The Group discontinues prospectively the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, if the hedge no longer meets the criteria for hedging accounting or if it revokes the designation.

The Group has entered into commodities forward sale and purchase contracts, mainly for electricity and fuel. In general, these contracts are carried in the consolidated statement of financial position at their market value at the reporting date, with any increases or decreases in value recognised

in the consolidated income statement, except when all the following conditions are met:

- The sole purpose of the contract is for own use, i.e. to general electricity in fuel contracts, and for retail sale in electricity and gas purchase and sale contracts.
- The Group's projections support the purpose of these contracts as for own use.
- Past experience of the contracts indicates that contracts have been for own use, except on rare occasions where another use has been necessary as a result of exceptional circumstances or due to logistics management that the Group cannot control or predict.
- The contract does not provide for net settlement and there has not been past practice of net settling similar contracts.

The Group evaluates whether derivatives are embedded in its contracts and financial instruments to determine if their characteristics and risks are closely related to those of the host contracts provided that the overall contract is not recognised at fair value. If their characteristics and risks are not closely related, the derivatives are separated, with changes in value recognised in the consolidated income statement.

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

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

g.5. Disclosure by level of financial statements

In accordance with the procedures described above, the Group uses the following hierarchy for determining and disclosing the fair value of financial instruments (see Note 20.1):

Level 1

Financial instruments whose fair value measurements are calculated from quoted prices in active markets for identical assets or liabilities.

Level 2

Financial instruments whose fair value measurements are calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine fair value within Level 2 by class of financial assets or financial liabilities take into account the estimate of future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each month, translated to Euros at the exchange rate prevailing on the last working day of each month. All these measurements are made using out-of-house tools, such as Bloomberg and SAP.

Level 3

Financial instruments whose fair value measurements are calculated from inputs, for assets or liabilities that are not based on observable market data.

g.6. Financial guarantee contracts

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

Subsequently, financial guarantee contracts are measured as the difference between:

- The amount of the liability determined according to the accounting principles for provisions in Note 3m, and
- The amount of the initially recognised asset, less the portion taken to the consolidated income statement on an accruals basis.

g.7. Derecognition of financial assets and financial liabilities

Financial assets are derecognised:

- When the contractual rights to the cash flows from the financial asset have expired or been transferred or the Group has assumed a contractual obligation to pay the received cash flows to one or more third parties; and
- The Group has transferred substantially all the risks and rewards of the asset, or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In 2011 and 2010, the Group entered into receivables transfer agreements considered factoring without recourse as it transferred the risks and rewards of ownership of the financial assets transferred (see Note 12).

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

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

h) Investments accounted for using the equity method

Investments in associates are accounted for using the equity method.

Under the equity method, the investment in the associate is carried on the statement of financial position at the Group's share of net assets of the associate, adjusted, where applicable, to eliminate intragroup transactions, plus unrealised gains relating to the goodwill paid on acquisition of the company.

If the resulting amount were negative, the investment is carried at zero in the consolidated statement of financial position, unless the Group is required to redress the com-

pany's equity, in which case the corresponding provision for liabilities and charges is recognised.

Dividends received from these companies are deducted from the value of the investment, while ENDESA's share of the profit or loss of these companies based on its percentage of ownership is recognised in the consolidated income statement under net profit of companies accounted for using the equity method.

Appendix II to these consolidated financial statements (Associates) describes the relationships between ENDESA and each of its associates.

i) Inventories

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

The cost for acquiring nuclear fuel includes the borrowing costs on the financing while in process. Finance costs of Euros 2 million in 2011 and Euros 1 million in 2010 were capitalised in this respect (see Note 30). Nuclear fuel in process is transferred to operating expenses when introduced in the reactor and recognised in profit and loss based on the power capacity consumed in the period.

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

The Group classifies as non-current assets held for sale property, plant and equipment, intangible assets, financial assets, investments accounted for using the equity method and disposal groups (groups of assets that will be sold together with the liabilities directly associated with those assets) for which an active programme to locate a buyer has been initiated at the reporting date, that are available for immediate sale and whose sale is expected to be completed within one year from that date.

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

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

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

The Group measures non-current assets held for sale that cease to be classified as held for sale or cease to be included in a disposal group at the lower of the asset's carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date the asset is reclassified to non-current assets.

The non-current assets held for sale and the components of the disposal groups classified as held for sale are disclosed in the accompanying consolidated financial statement as follows: assets in a single line item under non-current assets held for sale and discontinued operations and the liabilities also in a single line under liabilities directly associated with non-current assets classified as held for sale and discontinued operations.

The profit or loss after tax of discontinued operations is presented separately in the consolidated income statement under profit after tax for the year from discontinued operations.

k) Treasury shares

Treasury shares are deducted from equity in the consolidated statement of financial position and measured at cost.

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

At 31 December 2011 and 2010, the Group held no treasury shares and no transactions involving treasury shares were carried out in the years then ended.

l) Deferred income

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

Government grants are recognised once the related investments have been made under the terms of the partnership agreements or rulings by the authorities.

These amounts are recognised under deferred income in the consolidated statement of financial position and taken to the consolidated income statement under other operating income over the useful lives of the assets, thereby offsetting the related depreciation charge.

In the case of facilities allocated to the Group, the asset and deferred income are recognised at the fair value of the asset on the date the assets are transferred and taken to profit and loss under other operating income in the consolidated income statement over the useful life of the asset, thereby offsetting the related depreciation charge.

CO₂ emission allowances granted free-of-charge under the NAP for emission rights approved by each country are initially recognised as an intangible asset and deferred income at their market value when the rights are received. If the market value of the rights falls below the amount recognised at the date on which they were received, intangible assets and deferred income are written down accordingly. The deferred income is taken to other operating income in the consolidated income statement when CO₂ is emitted, whereas the cost of the emission right is recognised as indicated in 3m.

m) Provisions

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

The Group also recognises provisions for liabilities arising from ongoing lawsuits and termination benefits, deposits and similar guarantees and to hedge risks.

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

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

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

m.1. Provisions for pensions and similar obligations

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

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

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

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under provisions for pensions and similar obligations under non-current provisions on the liability side of the consolidated statement of financial position. Any negative difference is recognised under financial assets - loans and receivables under non-current assets in the consolidated statement of financial position, provided that this negative difference is recoverable by the Group, usually through a reduction in future contributions taking into consideration the limits set by paragraph 58b of IAS 19 and IFRIC 14 *IAS 19 - The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The effect of application of this limit is recognised under other comprehensive income in the consolidated statement of comprehensive income (see Note 15).

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

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

m.2. Provisions for workforce restructuring costs

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

nised, the employees have an expectation that these early retirements will proceed.

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

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

m.3. Provision to cover the cost of CO₂ emission allowances

Group companies that emit CO₂ in their electricity generation activity must deliver CO₂ emission rights (allowances) equal to their emissions during the year in the first few months of the following year.

The obligation to deliver emission allowances for the CO₂ emitted during the year is recognised as a current provision under other current provisions in the consolidated statement of financial position. The related cost is recognised under other variable procurements and services in the consolidated income statement. This obligation is recognised at the same amount as the CO₂ emission allowances to be delivered to cover this obligation in intangible assets in the consolidated statement of financial position (see Notes 3d and 3l).

If at the reporting date the Group does not hold all the CO₂ emission allowances required to cover its emissions, the cost and the corresponding provision are recognised on the basis of a best estimate of the price that the Group will have to pay to acquire those allowances. When a more appropriate estimate does not exist, the Group estimates the acquisition price for the allowances not held by the Group as the market price at the reporting date.

m.4. Provisions for decommissioning costs

The Group recognises a provision for the expected cost to dismantle some of its plants and certain electricity distribution facilities (see Note 3a).

Provision adjustments are recognised with a charge to finance costs in the consolidated income statement.

n) Translation of foreign currency balances

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

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

o) Current/non-current classification

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

Liabilities due within 12 months are classified as non-current liabilities when long-term refinancing is assured at the Group's discretion through existing unconditional long-term credit facilities. At 31 December 2011 and 2010, these balances amounted to Euros 4,715 million and Euros 2,705 million, respectively.

p) Income tax

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

At 31 December 2011, the consolidated tax group comprised 36 companies. The most important are EEE, ENDESA, ENDESA Generación, S.A.U. (hereinafter "ENDESA Generación"), Gas y Electricidad Generación, S.A.U. (hereinafter "Gesa"), Unión Eléctrica de Canarias Generación, S.A.U. (hereinafter "Unelco"), ENDESA Red, S.A.U. (hereinafter "ENDESA Red"), ENDESA Distribución Eléctrica, S.L.U. (hereinafter "EDE"), ENDESA Operaciones y Servicios Comerciales, S.L.U. (hereinafter "EOSC"), ENDESA Energía, S.A.U. (hereinafter "ENDESA Energía"), ENDESA Energía XXI, S.L.U. (hereinafter "ENDESA Energía XXI"), ENDESA Latinoamérica, S.A.U. (hereinafter "ENDESA Latinoamérica") and ENDESA Financiación Filiales, S.A.U. (hereinafter "ENDESA Financiación Filiales").

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

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

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

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

Deferred tax liabilities are recognised for all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, when the Group can control the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Group companies in Spain have open to inspection by the taxation authorities all the main applicable taxes since 2008, except income tax, which is open to inspection since 2006.

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

Country	Period
Chile	2007-2011
Argentina	2002-2011
Brazil	2007-2011
Colombia	2009-2011
Peru	2007-2011
Portugal	2008-2011
Ireland	2009-2011

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the

event of inspection, which cannot be objectively quantified at present. Nevertheless, the directors do not expect that any additional liabilities that could arise in the event of inspection would significantly affect the Group's future profits.

q) Income and expense recognition

Income and expenses are recognised on an accruals basis. Revenue from electricity and gas sales is recognised when these commodities are supplied to the customer, even if not yet billed. Sales therefore include an estimate of the energy supplied before customers' meters have been read (see Note 2.2).

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

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

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

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

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

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

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

r) Earnings (loss) per share

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

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

In 2011 and 2010, the Group did not perform any potentially dilutive transactions that could cause diluted earnings per share to differ from basic earnings per share.

s) Share-based payment plans

Where Group employees participate in a remuneration scheme tied to ENEL's share price, and ENEL assumes the cost of the scheme, the Group recognises the fair value of ENEL's obligation to employees as an expense under employee benefits expense in the consolidated income statement, and records an increase in equity for the same amount as an equity holder contribution (see Note 15.1.12).

t) Dividends

Dividends are recognised as a reduction in equity when approved by the competent body, which is usually the board of directors in the case of interim dividends and the shareholders at their general meeting of shareholders in the case of final dividends (see Note 15.1.9).

u) Statement of cash flows

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

Cash flows

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

Operating activities

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

Investing activities

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

Financing activities

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

4. Industry regulation and electricity system operations

4.1. Spain

Overview

The electricity system in Spain is basically regulated by Electricity Industry Law 54/1997, of 27 November 1997 (the Electricity Industry Law), which was amended by laws including Law 17/2007, of 4 July 2007. The main features of

the Electricity Industry Law and subsequent implementing regulations are as follows:

- Electricity is generated on a free-market basis.
- Energy is dispatched from generating plants on the daily market, consisting of 24 daily auctions matching purchase and sale bids. The matching price corresponds to the marginal price for each auction. Electricity produced by renewable energy or combined heat and power (CHP) plants is included in the auctions, and the price for this power is supplemented by a feed-in tariff.
- Transmission, distribution and the system's economic and technical management are regulated activities.
- Electricity supply is entirely deregulated and consumers must contract their supply from a supplier. Since 1 July 2009, consumers meeting certain criteria can choose to contract their supply from a last resort supplier (hereinafter "LRS"), and thereby avail of the last resort tariff (hereinafter "LRT"). This tariff is an incremental tariff set by the Government considering the cost of electricity production based on forward market prices.
- Access charges are the same throughout Spain and collected by distributors and transmission companies, which act as collection agents in the electricity system.
- Payments for non-mainland and mainland electricity generated using Spanish coal are regulated.

Remuneration of the electricity distribution activity

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

- Four-year regulatory periods during which remuneration remains constant.
- Basic or benchmark remuneration determined on a case-by-case basis for each company, which takes into account the investment, operating and maintenance and other costs required to operate.

- Regulatory tools applicable to the reporting information obtained from the companies (benchmark network model and regulatory cost accounting) whereby the regulator determines changes in remuneration on the basis of projected investments.
- Incentives to enhance electricity supply service quality and reduce losses.

Non-mainland electricity systems

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

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

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

Feed-in tariffs accrued until 31 December 2008 will be received with a charge to electricity system earnings whereas those accrued from 2013 will be charged to Spanish General State Budgets. Royal Decree Law 6/2009 of 30 April 2009 established a mixed system for the 2009-2012 transition period, whereby a declining percentage of the stranded costs in non-mainland generation is financed by electricity system earnings and a rising percentage by General State Budgets. Law 39/2010 of 22 December 2010 on the General State Budget for 2011, and Royal Decree Law 20/2011 of 30 December 2011 on urgent financial, tax and budgetary measures to redress the public deficit cut the percentages established in Royal Decree Law 6/2009 of 30 April 2009 regarding the feed-in tariffs charged to Spanish General State Budgets in 2010 and 2011, whereby the settlement system managed by the National Energy Commission (hereinafter "CNE") is subsidiary.

Applying the aforementioned legislation, at 31 December 2011, ENDESA has a balance receivable of Euros 2,099 million (Euros 2,846 million at 31 December 2010) reflecting the feed-in tariffs for non-mainland generation in the 2001-2011 period, recognised under current financial assets in the consolidated statement of financial position (see note 13).

Electricity generation using Spanish coal

Royal Decree 134/2010, of 12 February 2010, amended by Royal Decree 1221/2010, of 1 October 2010, establishes a mechanism to guarantee the output from certain power plants that use Spanish coal, for reasons of supply security, setting a regulated price for its remuneration.

The Resolution of 10 February 2011 establishes for 2011 the quantities of coal to be consumed, the maximum output covered by this mechanism, and the price for the energy produced using Spanish coal. This mechanism was first applied at the end of February 2011.

The Resolution of 31 December 2011 establishes for 2012 the quantities of coal to be consumed, the maximum output, and the price for the energy produced using Spanish coal. On the same date, Royal Decree Law 20/2011 of 30 December 2011 on urgent financial, tax and budgetary measures to redress the public deficit was enacted, establishing on an exceptional basis for 2012 the possibility of modifying these quarterly parameters through a Secretary of State for Energy Resolution.

Deficit from regulated activities

Royal Decree Laws 6/2009, of 30 April 2009 and 6/2010, of 9 April 2010 stipulated that as of 2013 any grid access charges established should be sufficient to cover all electricity system costs, with no ex ante deficit. For the 2009-2012 period, Royal Decree Law 6/2009, of 30 April 2009 caps the deficit for each year and the access charges established for those years must be sufficient to prevent those limits being exceeded. Royal Decree Law 14/2010, of 23 December 2010 revised these limits to Euros 5,500 million, Euros 3,000 million and Euros 1,500 million for 2010, 2011 and 2012, respectively.

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

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

Royal Decree 437/2010, of 9 April 2010 regulates the securitisation of the electricity system deficit. In accordance with this legislation, on 7 July 2010 ENDESA notified the securitisation fund for the deficit in the Spanish electricity system (hereinafter "FADE") of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities to 2010 and compensation for stranded costs in non-mainland generation from 2001 to 2008. Pursuant to Royal Decree 437/2010, of 9 April 2010, these collection rights had to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed since the notification, the initial holders would be able to waive the commitment to transfer any collection rights that have not been securitised by the FADE (see Note 13). As the committed rights had not been transferred to the FADE before 7 July 2011, the Interministerial Commission issued a resolution stating that exceptional conditions had occurred in the markets that prevented the FADE from acquiring said rights in the stipulated timeframe. ENDESA decided not to waive the commitment to transfer any collection rights, extending it for another year, i.e. until 7 July 2012.

Royal Decree 1307/2011, of 26 September 2011 was published on 11 October 2011, amending the aforementioned Royal Decree 437/2010, of 9 April 2010 to bring it into line with the revised deficit limits set forth in Royal Decree Law 14/2010, of 23 December 2010, and establishing the possibility of straightforward security sales (private placements).

During 2011, ENDESA transferred tariff deficit collection rights to the FADE totalling Euros 5,115 million (see Notes 13 and 39).

On the other hand, the shortfall in access charges collected in 2011 to cover the system costs during the same period led to a shortfall in revenue from regulated activities of Euros 3,446 million for the entire sector over this period. ENDESA must finance 44.16% of this amount.

Balances relating to the financing of the deficit in regulated activities recognised under current financial assets in the consolidated statement of financial position total Euros 3,281 million at 31 December 2011 and Euros 6,340 million at 31 December 2010 (see Note 13).

2012 electricity tariff

Order ITC/3586/2011 of 30 December 2011 revised access charges from 1 January 2012, establishing the following increases:

- Increase in the LRT of 12.8%, equivalent to the decrease in energy costs following the CESUR (Last Resort Energy Supply Contracts) auction on 20 December 2011.
- Increase in other low-voltage access charges of 6.3%.
- Increase in high-voltage access charges of 2%.

This Order establishes a forecast shortfall in revenue from regulated activities from 1 January to 31 December 2012, both inclusive, of Euros 1,500 million.

The Resolution of 30 December 2011 established the LRT applicable in the first quarter of 2012, which remains the same as in the previous quarter taking into account the decrease in energy costs following the CESUR auction.

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

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

2008-2012 NAP:

- Establishes the total volume of rights to be allocated to the sectors and facilities to which Law 1/2005 of 9 March 2005 applies, including the electricity industry;
- Defines and describes the methodologies for distributing these industry rights in order to obtain the individual allocations for each facility;
- Declares and caps the use of CO₂ credits obtained from projects based on the flexible mechanisms of the Kyoto Protocol.

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

The 2008-2012 NAP allocates an annual average of 25.1 million tonnes of CO₂ to ENDESA thermal power plants. Applying the permitted allowance of 42%, ENDESA's facilities could use up to 10.5 million tonnes per year of credits obtained from emission reduction projects.

Holder of nuclear power plant operating permits

The Third Additional Provision of Law 12/2011, of 27 May 2011 governing civil liability for nuclear damage or damage caused by radioactive materials sets forth an amendment to Nuclear Energy Law 25/1964, of 29 April 1964. This amendment sets forth changes to the system for holding permits to operate nuclear power plants.

The amendment to the Nuclear Energy Law enacted through the aforementioned provision establishes that the permit holder or operator of a nuclear power plant must be an individual or body corporate that is responsible for the entire facility and that this responsibility cannot be delegated.

The Third Additional Provision of Law 12/2011, of 27 May 2011 also sets forth that the holders of nuclear power plant operating permits not fulfilling the requisites established in the amendment must comply therewith within 12 months as from 27 May 2012.

4.2. Latin America

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

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

Generation

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

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

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

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

In Chile, the transfer price between generators and distributors reflects the result of the tenders they carry out as part of a regulated process. Distributors must avail of permanent stocks covering their entire projected three-year demand through long-term public tenders.

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

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

contracts are signed as a result, whereby all distributors involved in the process purchase on a pro rata basis from the generators offering energy.

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

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

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

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

Distribution

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

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

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

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

In Argentina, tariffs were frozen after the crisis in 2002. The Record of Settlement on the Renegotiation of the Concession Contract entered into effect in 2007. Since that year, one-off and partial adjustments have been made to tariffs because the Comprehensive Tariff Review (hereinafter "CTR") for the concession contract of Empresa Distribuidora Sur, S.A. (hereinafter "Edesur") set forth in the Record of Settlement on the Renegotiation of the Concession Contract is still pending. This inhibits the company from offsetting the cost reviews deriving from the high rate of inflation in Argentina against its revenues, which is having a negative impact on the company's financial position. The Group has therefore made appropriate provisions to cover practically the entire economic risk to ENDESA deriving from the electricity distribution business in Argentina.

Argentina-Brazil interconnection line

On 5 April 2011, the Ministerial Directives 210/2011 and 211/2011 were published in the State Gazette, which adapt Compañía de Interconexión Energética, S.A. (hereinafter "Cien") for connection to a regulated interconnection line, subject to payment of a regulated toll. The annual remuneration figure (hereinafter "RAP") totalled Brazilian real 248 million (equivalent to Euros 107 million) and will be adjusted in line with the Brazilian consumer price index (hereinafter "IPCA") in June each year and is subject to tariff reviews every four years. The concession period runs until June 2020 for Line 1 and until July 2022 for Line 2, with compensation fixed for any investments that are not depreciated.

Unregulated customers market

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

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

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

Integration and concentration limits

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

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

that all players have sufficient access. In Argentina and Colombia there are specific restrictions on generators or distributors being majority shareholders of transmission companies.

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

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

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

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

System access

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

5. Property, plant and equipment

Details of property, plant and equipment at 31 December 2011 and 2010 and movements in the years then ended are as follows:

Property, plant and equipment in use and under construction

Millions of Euros

	31 December 2011			Total property, plant and equipment
	Cost	Accumulated depreciation	Impairment losses	
Land and buildings	1,121	(526)	(6)	589
Electricity generating facilities	34,495	(19,427)	(162)	14,906
Hydroelectric power plants	10,792	(5,692)	(15)	5,085
Coal-fired/fuel-oil power plants	8,991	(6,123)	(7)	2,861
Nuclear power plants	9,181	(6,292)	—	2,889
Combined cycle plants	5,361	(1,301)	(140)	3,920
Renewable energy plants	170	(19)	—	151
Transmission and distribution facilities	24,484	(10,278)	(166)	14,040
High-voltage	1,891	(793)	(8)	1,090
Low- and medium-voltage, measuring and remote control equipment and other installations	22,593	(9,485)	(158)	12,950
Other property, plant and equipment	1,049	(764)	(7)	278
Property, plant and equipment under construction	3,091	—	—	3,091
Total	64,240	(30,995)	(341)	32,904

Property, plant and equipment in use and under construction

Millions of Euros

	31 December 2010			Total property, plant and equipment
	Cost	Accumulated depreciation	Impairment losses	
Land and buildings	1,110	(582)	(1)	527
Electricity generating facilities	34,478	(19,133)	(160)	15,185
Hydroelectric power plants	10,936	(5,704)	—	5,232
Coal-fired/fuel-oil power plants	9,080	(6,240)	(7)	2,833
Nuclear power plants	9,077	(6,107)	—	2,970
Combined cycle plants	5,198	(1,071)	(148)	3,979
Renewable energy plants	187	(11)	(5)	171
Transmission and distribution facilities	23,414	(9,871)	—	13,543
High-voltage	1,472	(670)	—	802
Low- and medium-voltage, measuring and remote control equipment and other installations	21,942	(9,201)	—	12,741
Other property, plant and equipment	1,129	(817)	—	312
Property, plant and equipment under construction	3,329	—	—	3,329
Total	63,460	(30,403)	(161)	32,896

Property, plant and equipment in use and under construction*Millions of Euros*

	Balance at 31/12/2010	Inclusion/excl, of companies	Investments (Note 5.1)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2011
Land and buildings	1,110	—	8	(3)	12	(6)	1,121
Electricity generating facilities	34,478	—	148	(415)	514	(230)	34,495
Hydroelectric power plants	10,936	—	—	(11)	29	(162)	10,792
Coal-fired/fuel-oil power plants	9,080	—	44	(370)	242	(5)	8,991
Nuclear power plants	9,077	—	54	(36)	86	—	9,181
Combined cycle plants	5,198	—	50	2	163	(52)	5,361
Renewable energy plants	187	—	—	—	(6)	(11)	170
Transmission and distribution facilities	23,414	—	2	(315)	1,411	(28)	24,484
High-voltage	1,472	—	—	(37)	472	(16)	1,891
Low- and medium-voltage, measuring and remote control equipment and other installations	21,942	—	2	(278)	939	(12)	22,593
Other property, plant and equipment	1,129	—	21	(197)	148	(52)	1,049
Property, plant and equipment under construction	3,329	—	1,973	(33)	(2,115)	(63)	3,091
Total	63,460	—	2,152	(963)	(30)	(379)	64,240

Accumulated depreciation and impairment losses*Millions of Euros*

	Balance at 31/12/2010	Inclusion/excl, of companies	Charges (*) (Note 29)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2011
Land and buildings	(583)	—	(30)	2	74	5	(532)
Electricity generating facilities	(19,293)	—	(964)	426	92	150	(19,589)
Hydroelectric power plants	(5,704)	—	(208)	22	63	120	(5,707)
Coal-fired/fuel-oil power plants	(6,247)	—	(273)	367	—	23	(6,130)
Nuclear power plants	(6,107)	—	(243)	36	22	—	(6,292)
Combined cycle plants	(1,219)	—	(232)	1	3	6	(1,441)
Renewable energy plants	(16)	—	(8)	—	4	1	(19)
Transmission and distribution facilities	(9,871)	—	(892)	269	46	4	(10,444)
High-voltage	(670)	—	(38)	36	(122)	(7)	(801)
Low- and medium-voltage, measuring and remote control equipment and other installations	(9,201)	—	(854)	233	168	11	(9,643)
Other property, plant and equipment	(817)	—	(63)	171	(73)	11	(771)
Total	(30,564)	—	(1,949)	868	139	170	(31,336)

(*) Includes impairment losses of Euros 165 million relating mainly to distribution assets in Argentina (see Note 4.2).

Property, plant and equipment in use and under construction

Millions of Euros

	Balance at 31/12/2009	Inclusion/ excl. of companies	Investments (Note 5.1)	Disposals	Transfers to assets held for sale (Note 33)	Transfers and other	Translation differences	Balance at 31/12/2010
Land and buildings	1,056	(4)	2	(12)	(16)	37	47	1,110
Electricity generating facilities	32,293	(899)	427	(78)	(144)	1,559	1,320	34,478
Hydroelectric power plants	9,988	—	8	(15)	—	(53)	1,008	10,936
Coal-fired/fuel-oil power plants	8,894	—	51	(51)	(144)	235	95	9,080
Nuclear power plants	8,838	—	46	(8)	—	201	—	9,077
Combined cycle plants	3,552	—	322	(4)	—	1,137	191	5,198
Renewable energy plants	1,021	(899)	—	—	—	39	26	187
Transmission and distribution facilities	23,005	(611)	11	(136)	(676)	1,185	636	23,414
High-voltage	2,267	—	3	(18)	(769)	(173)	162	1,472
Low- and medium-voltage, measuring and remote control equipment and other installations	20,738	(611)	8	(118)	93	1,358	474	21,942
Other property, plant and equipment	1,106	(7)	19	(11)	(15)	(6)	43	1,129
Property, plant and equipment under construction	4,162	(225)	2,022	(223)	(125)	(2,428)	146	3,329
Total	61,622	(1,746)	2,481	(460)	(976)	347	2,192	63,460

Accumulated depreciation and impairment losses

Millions of Euros

	Balance at 31/12/2009	Inclusion/ excl. of companies	Charges (*) (Note 29)	Disposals	Transfers to assets held for sale (Note 33)	Transfers and other	Translation differences	Balance at 31/12/2010
Land and buildings	(543)	—	(33)	10	2	(10)	(9)	(583)
Electricity generating facilities	(17,959)	243	(961)	129	30	(181)	(594)	(19,293)
Hydroelectric power plants	(5,074)	—	(212)	15	—	32	(465)	(5,704)
Coal-fired/fuel-oil power plants	(5,963)	—	(283)	50	30	(29)	(52)	(6,247)
Nuclear power plants	(5,910)	—	(204)	8	—	(1)	—	(6,107)
Combined cycle plants	(825)	—	(243)	56	—	(130)	(77)	(1,219)
Renewable energy plants	(187)	243	(19)	—	—	(53)	—	(16)
Transmission and distribution facilities	(9,383)	196	(734)	134	208	(26)	(266)	(9,871)
High-voltage	(849)	—	(90)	17	244	79	(71)	(670)
Low- and medium-voltage, measuring and remote control equipment and other installations	(8,534)	196	(644)	117	(36)	(105)	(195)	(9,201)
Other property, plant and equipment	(824)	3	(53)	6	21	59	(29)	(817)
Total	(28,709)	442	(1,781)	279	261	(158)	(898)	(30,564)

(*) Includes impairment losses of Euros 54 million.

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

Millions of Euros

	% ownership	31 December 2011	31 December 2010
Central nuclear Vandellós II, CC.BB.	72	992	1,023
Central nuclear Ascó II, CC.BB.	85	727	729
Central nuclear de Almaraz I, CC.BB.	36.02	186	188
Central nuclear de Almaraz II, CC.BB.	36.02	210	207
Central térmica de Anllares, CC.BB.	33.33	—	1
Central hidroeléctrica de Salime, CC.BB.	50	20	21

5.1. Additional information on property, plant and equipment

Main investments

Details of investments in property, plant and equipment in 2011 and 2010, excluding those in investment property, in the different geographical areas and businesses in which the Group operates are as follows: (table 2)

In Spain and Portugal, property, plant and equipment investments include completion of investments in the Besós 5, Ca's Tresorer 2, and Granadilla 2 combined cycles, and the increase in capacity of the Almaraz plant, and in Latin America the construction of the Bocamina II coal-fired plant in Chile and the El Quimbo hydroelectric plant in Colombia. Investments in distribution relate to network extensions and expenditure aimed at optimising the network for greater efficiency and quality of service. Investment was also made in Spain in the mass installation of remote smart meters and related operating systems.

Finance leases

At 31 December 2011 and 2010, property, plant and equipment included Euros 662 million and Euros 449 million, respectively, reflecting the carrying amount of assets held under finance leases.

At 31 December 2011, estimated future lease payments and the present value of lease payments are as follows:

Year	Millions of Euros	
	Present value	Future payments
2012	20	58
2013-2014	62	98
2015 and subsequent years	387	569

At 31 December 2010, estimated future lease payments and the present value of lease payments are as follows:

Year	Millions of Euros	
	Present value	Future payments
2011	24	58
2012-2013	77	207
2015 and subsequent years	343	681

In general, the amount of leases with purchase options coincides with the amount of the last instalment.

Assets under finance leases derive primarily from the following:

- ENDESA Generación: a 25-year tolling contract with Elecgas, S.A. (a proportionately consolidated company in which ENDESA Generación holds a 50% interest) whereby Elecgas, S.A. makes the entire production capacity of its plant available to ENDESA Generación and undertakes to transform the gas supplied into electricity in exchange for a charge that accrues interest at 9.62%. The Group considers 50% of the plant to be a finance lease, in light of the part of the tolling contract pertaining to the shareholder of Elecgas, S.A. which is not associated with the ENDESA Group, while the other 50% is an asset owned by the Group through the consolidation of 50% of Elecgas, S.A.
- Empresa Nacional de Electricidad, S.A. (hereinafter "ENDESA Chile"): a contract entered into by the company and Abengoa Chile S.A. for electricity transmission lines and facilities (Ralco-Charrúa 2X220 kV). This contract is for a period of 20 years and accrues annual interest at a rate of 6.5%.

Table 2

	2011				2010			
	Generation	Distribution and transmission	Other	Total	Generation	Distribution and transmission	Other	Total
Spain and Portugal and other	474	806	1	1,281	939	866	36	1,841
Latin America	508	360	3	871	279	321	40	640
Total	982	1,166	4	2,152	1,218	1,187	76	2,481

- Edegel, S.A.A. (hereinafter "Edegel"): contracts entered into by the company with Banco de Crédito del Perú and BBVA - Banco Continental to finance a project to convert a thermal power plant into a combined cycle plant. These contracts are for a period of eight years and accrue annual interest at a rate of Libor+2.5% and Libor+2.0% at 31 December 2011 and 31 December 2010, respectively. The company also has a contract with Scotiabank, which financed construction of a new open cycle plant at the Santa Rosa plant. The contract is for 9 years and accrues annual interest at a rate of Libor+1.75%.

Operating leases

The consolidated income statements for 2011 and 2010 include Euros 76 million and Euros 92 million, respectively, of payments accrued in those years for property, plant and equipment in use under operating leases (see Note 28).

The Group leases its headquarters. The lease is for 10 years with an option for renewal at maturity in February 2013 for 5 years. The Group is also lessee of a building where a number of offices are located. The leases generally mature within 1 and 11 years, with renewal subject to negotiation at the end of the current leases.

In addition, the Group leases certain technical equipment (e.g. lines and electricity generator). The leases have a duration of approximately 2 years, with renewal negotiated at maturity of the lease.

Future lease payments on these leases at 31 December 2011 are as follows:

<i>Millions of Euros</i>	
Year	Amount
2012	50
2013-2014	60
2015 and subsequent years	211

Future lease payments on these leases at 31 December 2010 are as follows:

<i>Millions of Euros</i>	
Year	Amount
2011	40
2012-2013	63
2014 and subsequent years	173

Environment

In 2011, the Group's investment in environmental activities totalled Euros 41 million (2010: Euros 20 million), with accumulated investment at the 2011 year end equivalent to Euros 1,270 million (2010: Euros 1,227 million).

Environmental expenses in 2011 amounted to Euros 138 million (2010: Euros 38 million), of which Euros 61 million comprise amortisation and depreciation charges in relation to the aforementioned investments (2010: Euros 17 million).

Other information

The detail of property, plant and equipment from the main geographical areas where the Group operates is as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Spain	21,742	21,757
Chile	4,420	4,594
Colombia	3,251	3,054
Peru	1,822	1,660
Argentina	719	781
Brazil	713	804
Other	237	246
Total	32,904	32,896

At 31 December 2011 and 2010, the Group had property, plant and equipment purchase commitments amounting to Euros 1,017 million and Euros 730 million, respectively, of which Euros 4 million and Euros 12 million, respectively, related to jointly-controlled entities.

Fully depreciated property, plant and equipment in use at 31 December 2011 and 2010 are not significant.

At 31 December 2011 and 2010, property, plant and equipment pledged to secure third-party financing amounted to Euros 586 million and Euros 526 million, respectively (see Notes 18.5 and 36.1).

ENDESA and its subsidiaries have taken out insurance policies to cover the risk of damage to their property, plant and equipment and any claims that could be filed against them in their business activities. The company considers the coverage of these policies to be sufficient. The possible loss of profits that could result from outages at the plants is also covered. In 2011, pay-outs from insurance companies for accidents totalling Euros 99 million (2010: Euros 63 million) were recognised in other operating income in the consolidated income statement.

6. Investment property

Details of investment property and movement in 2011 and 2010 are as follows: (tables 3 and 4)

Table 3

Millions of Euros

	Balance at 31/12/2010	Investments	Transfers of properties	Disposals due to sale	Translation differences	Other (*)	Balance at 31/12/2011
Investment property in Spain and Portugal and other	13	3	—	—	—	1	17
Investment property in Latin America	56	4	—	(2)	(4)	3	57
Total	69	7	—	(2)	(4)	4	74

(*) Includes the reversal of a Euros 4 million impairment loss.

Table 4

Millions of Euros

	Balance at 31/12/2009	Investments	Transfers of properties	Disposals due to sale	Translation differences	Other (*)	Balance at 31/12/2010
Investment property in Spain and Portugal and other	15	—	—	—	—	(2)	13
Investment property in Latin America	43	7	—	(6)	4	8	56
Total	58	7	—	(6)	4	6	69

(*) Includes the reversal of a Euros 5 million impairment loss.

The detail of investment properties from the main geographical areas where the Group operates is as follows:

	Millions of Euros	
	31 December 2011	31 December 2010
Chile	57	56
Spain	17	13
Total	74	69

The market value of investment properties at 31 December 2011 was Euros 200 million (Euros 243 million at 31 December 2010).

At 31 December 2011 and 2010, none of the investment properties were fully depreciated and there were no restrictions on their sale.

Direct expenses recognised in the consolidated income statements for 2011 and 2010 in relation to investment property are not material.

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

7. Intangible assets

Details of intangible assets at 31 December 2011 and 2010 are as follows (tables 5 and 6):

Details of intangible assets and movement in 2011 and 2010 are as follows (tables 7 and 8).

On the basis of the estimates and projections available to the Group's directors, the forecast cash flows attributable to intangible assets will make it possible to recover the carrying amount of these assets recognised at 31 December 2011.

Table 5

Millions of Euros

	31 December 2011			
	Cost	Accumulated amortisation	Impairment losses	Value
CO ₂ emission allowances and CERs	501	—	(132)	369
Software	1,194	(784)	—	410
Concessions	3,358	(1,204)	(15)	2,139
Other	164	(69)	—	95
Total	5,217	(2,057)	(147)	3,013

Table 6

Millions of Euros

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

Table 7

Millions of Euros

	Balance at 31/12/2010	Inclusion/excl. of companies	Investments	Amortisation and impairment losses (*)	Disposals	Transfers and other	Translation differences	Balance at 31/12/2011
CO ₂ emission allowances and CERs	427	—	1,197	(122)	(1,133)	—	—	369
Software	402	—	120	(88)	(15)	(5)	(4)	410
Concessions	2,316	—	260	(136)	(84)	(37)	(180)	2,139
Other	22	—	24	(9)	(1)	58	1	95
Total	3,167	—	1,601	(355)	(1,233)	16	(183)	3,013

(*) Includes a charge for impairment losses of Euros 122 million.

Table 8

Millions of Euros

	Balance at 31/12/2009	Inclusion/excl. of companies	Investments	Amortisation and impairment losses (*)	Disposals	Transfers to assets held for sale (Note 33)	Transfers and other	Translation differences	Balance at 31/12/2010
CO ₂ emission allowances and CERs	428	(4)	1,048	6	(1,089)	(22)	60	—	427
Software	366	(5)	125	(105)	—	(6)	35	(8)	402
Concessions	1,965	(3)	362	(153)	(53)	—	(68)	266	2,316
Other	84	(43)	9	(6)	(1)	5	(23)	(3)	22
Total	2,843	(55)	1,544	(258)	(1,143)	(23)	4	255	3,167

(*) Includes the reversal of a Euros 6 million impairment loss,

7.1. CO₂ emission allowances and CERs

At 31 December 2011, the amount recognised for CO₂ emission allowances and certified emission reductions (hereinafter "CERs") generated on Clean Development Mechanisms (hereinafter "MDL") includes Euros 376 million (Euros 294 million at 31 December 2010) of free emission rights allocated under the National Allocation Plans of each European country in which the Group operates.

Details of the emission rights allocated to the Group free of charge in 2011 and 2010 are as follows:

	<i>Millions of tonnes</i>	
	2011	2010
Spain	23.7	24.5
Portugal	1.7	2.7
Ireland	1.4	1.4
Total	26.8	28.6

Emission rights used by the ENDESA Group in 2011 and 2010 amounted to Euros 36.4 million and Euros 25.4 million, respectively.

At 31 December 2011, the provision for allowances to be delivered to cover these emissions under liabilities in the consolidated statement of financial position amounted to Euros 239 million (Euros 293 million at 31 December 2010) (see Note 24).

7.2. Additional information on intangible assets

Main investments

Details of investments in intangible assets in 2011 and 2010, excluding CO₂ emission allowances and "CERs" in the different geographical areas and businesses in which the Group operates, are as follows (table 9).

Table 9

	<i>Millions of Euros</i>							
	2011				2010			
	Generation	Distribution and transmission	Other	Total	Generation	Distribution and transmission	Other	Total
Spain and Portugal and other	2	42	71	115	46	46	47	139
Latin America	6	278	—	284	10	384	—	394
Total	8	320	71	399	56	430	47	533

Other information

The detail of intangible assets from the main geographical areas where the Group operates is as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Brazil	2,047	2,178
Spain	749	771
Colombia	66	65
Chile	60	69
Argentina	5	5
Peru	5	5
Other	81	74
Total	3,013	3,167

At 31 December 2011 and 2010, future purchase commitments for CO₂ emission rights and CERs amounted to Euros 616 million and Euros 633 million, respectively, if all the projects are completed successfully.

On 30 June 2011, ENDESA signed an agreement with Gas Natural SDG, S.A. to acquire a portfolio of approximately 245,000 gas customers and other related contracts in Madrid for Euros 38 million. After receiving approval by regulators and anti-trust authorities, this agreement is expected to be carried out. The contracts will be transferred to ENDESA Energía and ENDESA Energía XXI in 2012.

At 31 December 2011 and 2010, there were no commitments to purchase intangible assets other than those described in the preceding paragraphs.

None of the aforementioned intangible asset commitments relate to jointly-controlled entities.

The amount of fully amortised intangible assets in use at 31 December 2011 and 2010 is not significant.

8. Goodwill

Details of goodwill by the different cash-generating units or groups of CGUs to which it is allocated and movement during 2011 and 2010 are as follows (tables 10 and 11)

No goodwill arose in 2011 and 2010 from obtaining control of companies.

The Group has tested the cash-generating units or groups of CGUs to which goodwill is allocated for impairment through value in use calculations using the assumptions explained in Note 3e.

The Group performed a sensitivity analysis of the results of the impairment test to changes in the following assumptions:

- Growth of demand
- Fluctuations in Brent prices
- Fluctuations in coal prices

The results of the sensitivity analysis indicate that neither an adverse movement for the Group of 5% of the values considered for each variable individually nor an increase in the discount rates used of 50 basis points would indicate any impairment of assets.

On the basis of the estimates and projections available to the Group's directors, the forecast cash flows attributable to CGUs or groups of CGUs to which goodwill is allocated will make it possible to recover the carrying amount of each of the items of goodwill recognised at 31 December 2011 and 2010.

Table 10

Millions of Euros

	Balance at 31/12/2010	Additions	Disposals	Impairment losses (Note 29)	Transfers and other	Translation differences	Balance at 31/12/2011
Subsidiaries in Chile (Chile)	2,242	—	—	—	—	(150)	2,092
Companhia Energética do Ceará, S.A. (Brazil)	193	—	—	—	—	(16)	177
Ampla Energia e Serviços, S.A. (Brazil)	138	—	—	—	—	(14)	124
Edegel, S.A.A. (Peru)	102	—	—	—	—	8	110
Empresa de Distribución Eléctrica de Lima Norte, S.A.A. (Peru)	50	—	—	—	—	4	54
Hidroeléctrica El Chocón, S.A. (Argentina)	17	—	—	—	—	(1)	16
ENDESA Carbono, S.L. (Spain)	14	—	—	—	—	—	14
Empresa de Energía de Cundinamarca, S.A. E.S.P. (Colombia)	11	—	—	—	—	—	11
ENDESA Costanera, S.A. (Argentina)	8	—	—	(8)	—	—	—
Other	22	—	—	—	—	(3)	19
Total (*)	2,797	—	—	(8)	—	(172)	2,617

(*) Includes Euros 65 million of cumulative impairment losses.

Table 11

Millions of Euros

	Balance at 31/12/2009	Additions	Disposals	Impairment losses (Note 29)	Transfers to assets held for sale (Note 33)	Transfers and other	Translation differences	Balance at 31/12/2010
Subsidiaries in Chile (Chile)	1,952	—	—	—	—	—	290	2,242
ENDESA Ireland Limited (Ireland)	315	—	—	(115)	(200)	—	—	—
Companhia Energética do Ceará, S.A. (Brazil)	171	—	—	—	—	—	22	193
Ampla Energia e Serviços, S.A. (Brazil)	122	—	—	—	—	—	16	138
Edegel, S.A.A. (Peru)	92	—	—	—	—	—	10	102
Empresa de Distribución Eléctrica de Lima Norte, S.A.A. (Peru)	45	—	—	—	—	—	5	50
Hidroeléctrica El Chocón, S.A. (Argentina)	16	—	—	—	—	—	1	17
ENDESA Carbono, S.L. (Spain)	14	—	—	—	—	—	—	14
Empresa de Energía de Cundinamarca, S.A. E.S.P. (Colombia)	10	—	—	—	—	—	1	11
ENDESA Costanera, S.A. (Argentina)	8	—	—	—	—	—	—	8
Other	70	—	—	—	(50)	—	2	22
Total (*)	2,815	—	—	(115)	(250)	—	347	2,797

(*) Includes Euros 57 million of cumulative impairment losses.

9. Investments accounted for using the equity method and jointly-controlled entities

Additions in 2010 of the investments in the cogeneration and renewable energies business of EGP España and in the distribution and transmission business of ENDESA Gas reflect the Group's assets disposals whereby it lost control of the businesses in 2010 (see Notes 31 and 33).

9.1. Investments accounted for using the equity method

Details of the main Group investees accounted for using the equity method and movement in 2011 and 2010 are as follows (tables 12 and 13).

Table 12

Millions of Euros

	Balance at 31/12/2010	Inclusion/ exclusion of companies	Investments or increases	Disposals or reductions	Share of profit/ (loss) of equity- accounted investees	Dividends	Translation differences	Transfers and other	Balance at 31/12/2011
ENEL Green Power España, S.L. (*)	772	—	—	—	12	—	—	(2)	782
ENDESA Gas T&D, S.L.	30	—	—	—	1	(1)	—	—	30
GNL Quintero, S.A.	6	—	—	(12)	6	—	(1)	1	—
Electrogas, S.A.	13	—	—	—	6	(6)	1	—	14
Elcogas, S.A.	—	—	—	—	2	—	—	—	2
Tecnatom, S.A.	22	—	—	—	3	—	—	—	25
Sadiel Tecnologías de la Información, S.A.	10	(4)	—	—	—	(1)	—	—	5
Other	46	(3)	—	—	—	(1)	—	(3)	39
Total	899	(7)	—	(12)	30	(9)	—	(4)	897

(*) The share of profit/(loss) of equity-accounted investees relates to 40% of EGP España's profit or loss after deducting the capital gains recognised for this company in 2011, which were included in the unrealised gains considered in the measurement of this investment (see Note 31).

Table 13

Millions of Euros

	Balance at 31/12/2009	Inclusion/ exclusion of companies	Investments or increases	Disposals or reductions	Share of profit/ (loss) of equity- accounted investees	Dividends	Translation differences	Transfers and other	Balance at 31/12/2010
ENEL Green Power España, S.L.	—	761	—	—	10	—	—	1	772
ENDESA Gas T&D, S.L.	—	30	—	—	—	—	—	—	30
GNL Quintero, S.A.	15	—	—	—	(4)	—	1	(6)	6
Electrogas, S.A.	11	—	—	—	5	—	(3)	—	13
Elcogas, S.A.	24	—	—	—	(27)	—	—	3	—
Tecnatom, S.A.	19	—	—	—	2	—	—	1	22
Sadiel Tecnologías de la Información, S.A.	9	—	—	—	1	(1)	—	1	10
Other	215	(175)	4	—	14	(3)	(2)	(7)	46
Total	293	616	4	—	1	(4)	(4)	(7)	899

The following information (**tables 14 and 15**) at 31 December 2011 and 2010 is taken from the financial statements of the main companies over which the Group has significant influence.

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

The full list of investees over which the Group has significant influence is provided in Appendix II. These companies do not have publicly listed share prices.

The Company did not have any significant contingent liabilities related to associates at 31 December 2011 or 2010.

9.2. Jointly-controlled entities

The following information at 31 December 2011 and 2010, which was used in the consolidated process, is taken from the financial statements of the main entities over which the Group has joint control (**tables 16 and 17**).

The financial indicators of the other companies over which the ENDESA Group has joint control are not significant.

Table 14

Millions of Euros

	31 December 2011								
	% ownership	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses	Profit/(loss) for the year
ENEL Green Power España, S.L.	40	3,360	332	1,441	1,601	650	636	433	203
ENDESA Gas T&D, S.L.	20	1,128	96	148	963	113	111	127	(16)
GNL Quintero, S.A.	20	893	167	—	948	112	155	122	33
Electrogas, S.A.	42.5	67	3	34	22	14	28	12	16
Elcogas, S.A.	41	120	103	2	7	214	148	143	5
Tecnatom, S.A.	45	57	61	56	33	29	102	97	5
Sadiel Tecnologías de la Información, S.A.	22	7	50	25	3	29	84	85	(1)

Table 15

Millions of Euros

	31 December 2010								
	% ownership	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses	Profit/(loss) for the year
ENEL Green Power España, S.L.	40	2,224	285	1,369	544	596	181	147	34
ENDESA Gas T&D, S.L. (*)	20	919	122	210	372	459	5	1	4
GNL Quintero, S.A.	20	877	69	23	898	25	69	87	(18)
Electrogas, S.A.	42.5	60	10	31	26	13	22	10	12
Elcogas, S.A.	41	132	179	5	3	303	73	120	(47)
Tecnatom, S.A.	45	56	44	48	26	26	82	77	5
Sadiel Tecnologías de la Información, S.A.	37.50	7	58	26	3	36	98	95	3

(*) Separate financial statements for the company.

Table 16

Millions of Euros

	31 December 2011						
	% ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Ordinary expenses
Nuclenor, S.A.	50	139	156	126	41	184	171
Tejo Energia, Produção e Distribuição de Energia Eléctrica, S.A.	38.89	555	142	453	81	211	195
Pegop-Energía Eléctrica, S.A.	50	—	9	—	4	24	19
Carbopego-Abastecimientos de Combustíveis, S.A.	50	—	7	—	—	65	65
GasAtacama, S.A.	50	611	181	—	150	510	441
Asociación Nuclear Ascó-Vandellós II, A.I.E.	85.41	60	163	70	144	255	331
Energie Electrique de Tahaddart, S.A.	32	169	38	93	28	47	32
Centrales Hidroeléctricas de Aysén, S.A.	51	225	20	2	14	—	12
Transmisora Eléctrica de Quillota Ltda.	50	20	3	2	1	5	3
Distribuidora Eléctrica de Cundinamarca, S.A. E.S.P.	49	217	37	68	42	135	122
ENEL.Re, N.V.	50	118	214	119	59	552	514

Table 17

Millions of Euros

	31 De diciembre de 2010					
	% ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue
Nuclenor, S.A.	50	162	123	124	37	145
Tejo Energia, Produção e Distribuição de Energia Elétrica, S.A.	38.89	591	150	502	72	162
Pegop-Energía Eléctrica, S.A.	50	—	7	—	3	7
Carbopego-Abastecimientos de Combustíveis, S.A.	50	—	10	—	2	52
GasAtacama, S.A.	50	446	178	48	220	514
Asociación Nuclear Ascó-Vandellós II, A.I.E.	85.41	64	210	143	127	291
Energie Electrique de Tahaddart, S.A.	32	180	40	108	25	52
Centrales Hidroeléctricas de Aysén, S.A.	51	159	12	1	12	—
Transmisora Eléctrica de Quillota Ltda.	50	15	5	2	3	3
Sistemas Sec, S.A.	49	10	8	6	6	8
Distribuidora Eléctrica de Cundinamarca, S.A. E.S.P.	49	152	36	50	39	112
						Ordinary expenses
						163
						136
						—
						51
						455
						244
						26
						10
						2
						7
						98

The detail of cash flows generated by jointly-controlled entities in the years ended 31 December 2011 and 2010 is as follows:

	Millions of Euros	
	2011	2010
Net cash flows from operating activities	118	28
Net cash flows from investing activities	(40)	(21)
Net cash flows from financing activities	(56)	(59)
Effect of exchange rate changes on cash and cash equivalents	1	5
Net increase/(decrease) in cash and cash equivalents	23	(47)

As at 31 December 2011 and 2010, the Group had not incurred any material contingent liability other than those indicated in Note 17.3 regarding its interests in jointly-controlled entities.

The full list of companies over which the Group has joint control is provided in Appendix I.

10. Non-current financial assets

Details of non-current financial assets in the consolidated statement of financial position and movement in 2011 and 2010 are as follows: (tables 18 and 19).

Due to regulatory changes in 2010 relating to the securitisation of the deficit in the electricity system (see Note 4.1), in 2011 the Group also transferred balances for collection rights derived from financing the shortfall in revenue from regulated activities and compensation for stranded costs in non-mainland generation to current financial assets in the consolidated statement of financial position as it expects to recover these amounts through the electricity system deficit securitisation fund within a year (see Note 13).

Table 18

Millions of Euros

	Balance at 31/12/2010	Additions or charges	Disposals or reductions	Valuation adjustments			Balance at 31/12/2011
				recognised in equity (1)	Translation differences	Transfers and other	
Loans and other receivables	1,501	431	(289)	37	(44)	15	1,651
Available-for-sale financial investments	133	7	(20)	—	—	11	131
Derivative financial instruments	76	22	(3)	(30)	10	(4)	71
Impairment losses	(69)	—	14	—	—	23	(32)
Total	1,641	460	(298)	7	(34)	45	1,821

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

Table 19

Millions of Euros

	Balance at 31/12/2009	Additions or charges	Disposals or reductions	Valuation adjustments			Balance at 31/12/2010
				recognised in equity (2)	Translation differences	Transfers and other	
Loans and other receivables	7,491	1,385	(212)	(14)	—	(7,149)	1,501
Available-for-sale financial investments	125	6	—	—	5	(3)	133
Derivative financial instruments	26	38	—	12	1	(1)	76
Impairment losses	(39)	(25)	36	—	—	(41)	(69)
Total	7,603	1,404	(176)	(2)	6	(7,194)	1,641

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

The detail of non-current financial assets by maturity is as follows:

	<i>Millions of Euros</i>	
	Balance at 31 December 2011	Balance at 31 December 2010
Between 1 and 3 years	300	351
Between 3 and 5 years	103	115
More than 5 years	1,418	1,175
Total	1,821	1,641

10.1. Loans and other receivables

Details of loans and other receivables at 31 December 2011 and 2010 are as follows:

	Balance at 31 December 2011	Balance at 31 December 2010
Guarantee deposits	593	551
Financial assets IFRIC 12 (Note 3d.1)	317	196
Loans to the Argentine wholesale electricity market	220	229
Loans to associates and jointly-controlled entities (Note 35.2)	163	87
Loans to employees	42	32
Other	316	406
Total	1,651	1,501

Guarantee deposits mainly include guarantees and deposits received from customers in Spain upon signing contracts in guarantee of electricity supply and are also recognised in other non-current liabilities in the consolidated statement of financial position (see Note 21) as they have been deposited with the pertinent public administrations in accordance with prevailing standards in Spain. Also included are deposits given as guarantee in respect of certain legal proceedings in Latin America.

The amounts owed to electricity generation companies for the Argentine wholesale electricity market (hereinafter "MEM") are deposited with the national wholesale electricity market investment fund (hereinafter "Foninvenmen") and have been used to build three combined-cycle plants, two of which were completed in 2010, whose returns will allow the MEM to reimburse the amounts within 120 months from the date the plants are commissioned. These credits earn interest at an annual rate of Libor+1%.

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

Details by maturity of non-current and current loans to associates and jointly-controlled entities at 31 December 2011 and 2010 are as follows: (tables 20 and 21).

These loans earn interest at an average annual rate of 4.5% in 2011 and 2010.

Table 20

Millions of Euros

	Balance at 31/12/2011 (Note 35.2)	Current maturity 2012 (Note 13)	Non-current maturities					Subsequent years	Total
			2013	2014	2015	2016			
Euros	179	16	17	32	18	83	13	163	
Foreign currency	15	15	—	—	—	—	—	—	
Total	194	31	17	32	18	83	13	163	

Table 21

Millions of Euros

	Balance at 31/12/2010 (Note 35.2)	Current maturity 2011 (Note 13)	Non-current maturities					Subsequent years	Total
			2012	2013	2014	2015			
Euros	111	27	—	—	4	10	70	84	
Foreign currency	33	30	3	—	—	—	—	3	
Total	144	57	3	—	4	10	70	87	

10.2. Available-for-sale financial investments

Details of available-for-sale financial investments at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Euskaltel, S.A.	46	46
Other	85	87
Total	131	133

10.3. Classification of financial assets by nature and category

The classification of non-current and current financial assets in the consolidated statement of financial position by nature and category, excluding trade and other receivables, at 31 December 2011 and 2010 is as follows: (tables 22 and 23).

Table 22

Millions of Euros

	31 December 2011						
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Total
Equity instruments	—	—	114	—	—	—	114
Debt securities	—	—	—	—	—	—	—
Derivatives	6	—	—	—	—	65	71
Other financial assets	—	—	—	1,459	—	—	1,459
Non-current	6	—	114	1,459	—	65	1,644
Equity instruments	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other financial assets	—	—	—	5,652	—	—	5,652
Current	—	—	—	5,652	—	—	5,652
Total	6	—	114	7,111	—	65	7,296

Table 23

Millions of Euros

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

10.4. Net gains and losses on financial assets by category

The net gains on the financial assets in the preceding table by category are as follows:

Millions of Euros

	2011						Total
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	
Net gains in the income statement	17	—	9	105	—	129	260
Net gains in other comprehensive income	—	—	—	—	—	34	34
Total	17	—	9	105	—	163	294

Millions of Euros

	2010						Total
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	
Net gains in the income statement	7	—	—	93	—	77	177
Net gains in other comprehensive income	—	—	—	—	—	46	46
Total	7	—	—	93	—	123	223

10.5. Financial investment commitments

At 31 December 2011 and 2010, the Group had not entered into any agreements that included commitments to make financial investments of significant amounts except for the obligation to finance the revenue shortfall on regulated activities in Spain (see Note 4.1).

At 31 December 2011 and 2010, the Group had not pledged material amounts of inventories to secure the repayment of debts.

At 31 December 2011, fuel stock purchase commitments amounted to Euros 26,324 million (Euros 26,811 million at 31 December 2010), of which Euros 23 million (zero at 31 December 2010) related to entities jointly controlled by the Group. Part of these commitments relate to agreements with "take or pay" clauses.

11. Inventories

Details of inventories at 31 December 2011 and 2010 are as follows:

	Millions of Euros	
	31 December 2011	31 December 2010
Fuel stocks	954	916
Coal	384	437
Fuel	136	104
Nuclear fuel	307	304
Gas	127	71
Other inventories	315	224
Valuation adjustments	(16)	(11)
Total	1,253	1,129

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

The Group has taken out insurance policies to cover the risk of damage to its inventories. It considers that coverage provided by these policies is sufficient.

12. Trade and other receivables

Details of trade and other receivables at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Trade receivables	4,715	4,346
Tax assets	511	967
Current income tax	408	676
VAT receivable	96	227
Other taxes	7	64
Non-financial derivatives (Note 20)	454	570
Other receivables	416	795
Valuation adjustments	(626)	(569)
Total	5,470	6,109

Balances included under this caption do not generally earn interest.

The average collection period for trade receivables was 37 days in 2011 and 38 days in 2010. Therefore, fair value does not differ significantly from carrying amount.

Factoring transactions were carried out in 2011 and 2010. The undue balances at 31 December 2011 and 2010 amounted to Euros 390 million and Euros 449 million, respectively.

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

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

Details of past-due unimpaired trade receivables at 31 December 2011 and 2010 are as follows:

Past-due unimpaired trade receivables	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Less than three months	391	472
Three to six months	104	129
Six to twelve months	74	87
Over twelve months	140	112
Total (1)	709	800

(1) Includes Euros 194 million receivable from Spanish public administrations (Euros 197 million at 31 December 2010).

The movement in valuation adjustments in 2011 and 2010 is as follows:

Valuation adjustments	<i>Millions of Euros</i>	
	2011	2010
Opening balance	569	411
Charges (Note 29)	103	293
Amounts used	(51)	(126)
Transfers and other	5	(9)
Closing balance	626	569

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

13. Current financial assets

Details of current financial assets at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Financing of the revenue shortfall from regulated activities in Spain (Notes 4.1. and 10)	3,281	6,340
Compensation for stranded costs in non-mainland generation (Notes 4.1. and 10)	2,099	2,846
Loans to associates and jointly-controlled entities (Notes 10.1 and 35.2)	31	57
Loans to employees	26	21
Derivative financial instruments (Note 20)	—	1
Other current loans	215	169
Total	5,652	9,434

Due to regulatory changes in 2010 relating to the securitisation of the deficit in the electricity system (see Note 4.1), in 2010 the Group also transferred balances for collection rights derived from financing the shortfall in revenue from regulated activities and compensation for stranded costs in non-mainland generation to current financial assets in the consolidated statement of financial position as it expects to recover these amounts through the FADE within a year.

In July 2010, ENDESA notified the FADE of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities up to the end of 2010 and compensation for stranded costs in non-mainland generation for the 2001-2008 period. Pursuant to Royal Decree 437/2010, of 9 April 2010, these should be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed since the notification, the initial holders would be able to waive the commitment to transfer any collection rights that have not been securitised by the fund.

As all the committed collection rights had not been transferred to the FADE before 7 July 2011, the Interministerial Commission issued a ruling in which it stated that exceptional market conditions prevailed that had prohibited the FADE from acquiring the collection rights within the agreed timeframe. ENDESA decided not to waive the commitment to transfer any collection rights, extending it for another year, i.e. until 7 July 2012.

During 2011, ENDESA transferred tariff deficit collection rights to the FADE totalling Euros 5,115 million (see Notes 4.1 and 39).

The market value of these assets does not differ substantially from their carrying amount. Most of these assets earned interest in 2011 at a rate of between 1.06% and 2.00%.

14. Cash and cash equivalents

Details of cash and cash equivalents at 31 December 2011 and 2010 are as follows:

<i>Millions of Euros</i>		
	31 December 2011	31 December 2010
Cash in hand and at banks	1,053	513
Cash equivalents	1,735	1,315
Total	2,788	1,828

Details at 31 December 2011 and 2010 by currency are as follows:

<i>Millions of Euros</i>		
Currency	31 December 2011	31 December 2010
Euro	897	232
Chilean peso	749	600
Brazilian real	415	466
Colombian peso	399	242
US dollar	177	100
Peruvian new sol	83	94
Other currencies	68	94
Total	2,788	1,828

In general, short-term cash investments mature within three months from acquisition date and earn interest at market interest rates for this type of deposits. There are no restrictions for material amounts on the availability of cash.

Non-current assets held for sale and discontinued operations at 31 December 2010 included Euros 15 million of cash and cash equivalents (see Note 33).

The detail of funds invested in sovereign debt included under cash equivalents at 31 December 2011 is as follows:

<i>Millions of Euros</i>	
Country	31 December 2011
Chile	352
Brazil	245
Total	597

15. Equity

Details of equity at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Equity of the Parent	19,291	17,776
Share capital	1,271	1,271
Share premium	1,376	1,376
Legal reserve	285	285
Revaluation reserve	1,714	1,714
Mining depletion reserve	40	40
Canary Islands investment reserve	24	24
Restricted reserves	106	106
Translation differences	646	896
Valuation adjustments	(86)	5
Retained earnings	13,915	12,588
Interim dividend	—	(529)
Equity of non-controlling interests	5,388	5,388
Total equity	24,679	23,164

15.1. Equity of the Parent

15.1.1. Share capital

At 31 December 2010, ENDESA had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euros 1.2 each, subscribed and fully paid and all admitted to trading on the Spanish Stock Exchanges. There were no changes in share capital in 2011 and 2010. The shares of ENDESA, S.A. are also traded on the Santiago de Chile Offshore Stock Exchange.

At 31 December 2010 and 2011, the ENEL Group, through EEE, held 92.063% of ENDESA's share capital, giving it control of the ENDESA Group. This has not changed over the last two years.

15.1.2. Share premium

The Consolidated text of the Corporate Enterprises Act expressly permits the use of the share premium to increase

capital and does not establish any specific restrictions as to its use.

15.1.3. Legal reserve

In accordance with the Consolidated text of the Corporate Enterprises Act, an amount equal to ten per cent of the profit for the year shall be earmarked for the legal reserve until such reserve represents at least twenty per cent of the capital.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, the legal reserve may not be used to offset losses unless it exceeds twenty per cent of the capital and no other sufficient reserves are available for such purpose.

The Group's Parent company has appropriated to this reserve the full amount.

15.1.4. Revaluation reserve

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

This balance can be used, tax-free, to offset future accounting and to increase share capital. It can also be transferred to unrestricted reserves provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.

15.1.5. Mining depletion reserve

The mining depletion reserve is subject to Royal Decree Law 4/2004 of 5 March 2004, which approves the Income Tax Law. This reserve is taxable if used for any purpose other than those foreseen in the pertinent regulatory standards. At 31 December 2011, the balance of this reserve is Euros 40 million (Euros 27 million at 31 December 2010), all of which is freely distributable.

15.1.6. Canary Islands investment reserve

The Canary Islands investment reserve is subject to the regime established in article 27 of Law 19/1994 of 6 July 1994, amending the Canary Islands tax regime, which was modified by Royal Decree Law 12/2006 of 29 December 2006. The Euros 24 million balance of this reserve at 31 December 2011 and 2010 derives from the merger of ENDESA and Unión Eléctrica de Canarias, S.A. in 1998 and was freely distributable at both dates.

15.1.7. Unrealised valuation adjustments

Details of changes in this reserve arising from valuation adjustments to available-for-sale financial assets, derivatives and financing transactions designated as cash flow hedges and of the amounts allocated to income are as follows: (tables 24 and 25).

15.1.8. Translation differences

Details of translation differences in the consolidated statement of financial position after tax by company at 31 December 2011 and 2010 are as follows: (table 26).

15.1.9. Dividends

The 2010 interim dividend authorised by the board of directors of ENDESA, S.A. on 20 December 2010 was a gross Euros 0.5 per share, representing a total payment of Euros 529 million, deducted from the Parent's equity at 31 December 2010. At the General Meeting of Shareholders held on 9 May 2011, approval was given to pay a total dividend out of 2010 profit of a gross Euros 1.017 per share, for a total amount of Euros 1.076 million. Considering the interim dividend already paid on 3 January 2011, the final dividend for 2010 was Euros 0.517 gross per share, representing a total amount of Euros 547 million. This amount was paid on 1 July 2011.

Table 24

Millions of Euros

	31 December 2010	Change in market value	Amount taken to income	31 December 2011
Cash flow hedges	1	(199)	105	(93)
Companies accounted for using the equity method	(2)	(5)	(2)	(9)
Tax effect	6	42	(32)	16
Total	5	(162)	71	(86)

Table 25

Millions of Euros

	31 December 2009	Change in market value	Amount taken to income	31 December 2010
Available-for-sale financial assets	37	8	(45)	—
Cash flow hedges	(54)	(46)	101	1
Companies accounted for using the equity method	—	(2)	—	(2)
Tax effect	17	2	(13)	6
Total	—	(38)	43	5

Table 26

Millions of Euros

	31 December 2011	31 December 2010
Codensa, S.A. E.S.P.	122	114
Emgesa, S.A. E.S.P.	119	109
Ampla Energia e Serviços, S.A.	77	117
Investluz, S.A. / Companhia Energética do Ceará, S.A.	75	107
Chilectra, S.A.	66	104
Central Geradora Termelétrica Fortaleza, S.A.	46	59
Compañía de Interconexión Energética, S.A.	41	49
Centrais Elétricas Cachoeira Dourada, S.A.	37	55
Empresa Eléctrica Pehuenche, S.A.	10	18
Empresa Nacional de Electricidad, S.A.	(8)	27
Empresa Distribuidora Sur, S.A.	(50)	(41)
Enersis, S.A.	(119)	(165)
Other subsidiaries in Chile	177	302
Other	53	41
Total	646	896

As at 31 December 2011, approval had not been given to pay any interim dividend out of 2011 profit.

15.1.10. Capital management

The Group's capital management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to ensure the continuity of the business over the long term. This policy of financial prudence makes it possible to create shareholder value while ensuring liquidity and the Group's solvency.

The Group's directors consider that an indicator of its ongoing financial position is its consolidated leverage ratio, which is taken to be the result of dividing net financial debt by equity. Details of this ratio at 31 December 2011 and 2010 are as follows:

Leverage ratio			<i>Millions of Euros</i>
	31 December 2011	31 December 2010	
Net financial debt	11,002	15,336	
Non-current interest-bearing loans and borrowings (Note 18.1)	12,791	16,256	
Current interest-bearing loans and borrowings (Note 18.1)	1,070	985	
Cash and cash equivalents (Note 14)	(2,788)	(1,828)	
Derivatives recognised under financial assets (see Notes 10, 13 and 20)	(71)	(77)	
Equity (Note 15)	24,679	23,164	
Parent company	19,291	17,776	
Non-controlling interests	5,388	5,388	
Leverage ratio (%) (*)	44.6	66.2	

(*) Net financial debt / equity.

The Group's directors believe the rating assigned by the credit rating agencies not only reflects the Group's financial position, but also the rating of ENEL as it controls ENDESA. Accordingly, ENDESA's rating cannot be higher than ENEL's even if its financial structure warranted.

At any rate, the Company's directors consider that the rating assigned by the credit rating agencies would enable the Company to tap the financial markets on reasonable terms if need be.

ENDESA's long-term credit ratings at 31 December 2011 and 2010, reflecting investment grade levels, are as follows:

Long-term rating

	31 December 2011	31 December 2010
Fitch	A (*)	A
Moody's	A3	A3 (*)
Standard & Poor's	A-	A- (*)

(*) Under review for a possible downgrade.

15.1.11. Restrictions on the availability of funds and pledges of shares of subsidiaries

The financing agreements of certain Group companies contain clauses that must be complied with before profits can be distributed to shareholders. At 31 December 2011 and 2010, outstanding debts subject to such restrictions amounted to Euros 694 million and Euros 784 million, respectively.

At 31 December 2011, there were pledges on the shares of some Group companies amounting to Euros 162 million in guarantee of fulfilment of obligations (Euros 152 million at 31 December 2010).

15.1.12. Other information

Certain members of senior management of ENDESA coming from ENEL benefit from ENEL remuneration schemes based on ENEL share prices. The cost of these schemes is assumed by ENEL, with no amounts passed on to ENDESA. The main characteristics of the schemes, with respect to members of senior management of ENDESA, are as follows:

2008 share option scheme

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

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

Depending on the achievement of these targets, the number of options that may be exercised by each beneficiary is determined based on a profit scale drawn up by the Board of Directors of ENEL, which could increase or decrease by 0% to 120%. After compliance with corporate targets has been verified, the options may be exercised from the third to the sixth year after the year in which they were granted.

The scheme is summarised in the following table:

Number of options	2008 scheme
Options granted at 31 December 2008	567,182
Options exercised at 31 December 2008	—
Options expired at 31 December 2008	—
Options pending at 31 December 2008	567,182
Options expired in 2009	—
Options pending at 31 December 2009	567,182
Options expired in 2010	—
Options pending at 31 December 2010	567,182
Options expired in 2011	—
Options pending at 31 December 2011	680,618
Fair value at the grant date (Euros)	0.165
Volatility	21%
Options expiry date	December 2014

2008 restricted shares scheme

This scheme is aimed at ENEL Group management. Beneficiaries are divided into tranches and the basic number of shares granted to each beneficiary is determined in line with the gross annual salary of each tranche and the listed price of ENEL shares at the start of the period encompassed by the scheme (2 January 2008).

The right to exercise the shares is conditional upon the directors continuing as employees of the Group, albeit with certain exceptions.

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

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

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

- (i) For the first 50% of the basic number of shares granted, by comparing the performance of ordinary shares of ENEL on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2009.
- (ii) For the remaining 50% of shares granted, by comparing the performance of ordinary shares of ENEL on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2010.

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

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

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

The scheme is summarised in the following table:

Number of restricted shares	2008 restricted shares
Restricted shares outstanding at 31 December 2008	60,659
Restricted shares expired in 2009	—
Restricted shares outstanding and exercisable at 31 December 2009	60,659
Restricted shares expired in 2010	—
Restricted shares exercised in 2010	16,880
Restricted shares outstanding and exercisable at 31 December 2010	43,779
Restricted shares outstanding and exercisable at 1 January 2011, revalued at 120%	52,535
Restricted shares exercised in 2011	38,015
Restricted shares outstanding and exercisable at 31 December 2011	14,520
Fair value at the grant date (Euros)	3.16
Fair value at 31 December 2011 (Euros)	3.69
Restricted shares expiry date	December 2014

The expense for the ENEL share option schemes recognised under personnel expenses was Euros 0.02 million and Euros 0.4 million in 2011 and 2010, respectively.

15.2. Equity of non-controlling interests

In October 2011, ENDESA, through ENDESA Latinoamérica and EDP Energías de Portugal, S.A. (hereinafter "EDP"), entered into agreement whereby ENDESA Latinoamérica acquired EDP's 7.70% stakes in ENDESA's subsidiaries in Brazil, Ampla Energia e Serviços S.A. (holder of the electricity distribution services concession in the state of Rio de Janeiro) and Ampla Investimentos e Serviços S.A. (which in turns has an interest in Coelce, concessionaire of electricity distribution services in Ceará and also controlled by ENDESA) for Euros 76 million and Euros 9 million, respectively. As a result, the ENDESA Group's ownership interests in both companies, whose shares are listed on the Sao Paulo stock exchange, increased to 99.64%.

In addition, to comply with Brazilian stock market regulations, in November 2011 ENDESA launched tender offers for the shares representing the 0.36% stakes it did not own and held by non-controlling interests in the companies under the terms laid out in the regulations. These offers are expected to be completed during the first half of 2012.

16. Deferred income

Movements in this item of the accompanying consolidated statement of financial position in 2011 and 2010 are as follows:

	Millions of Euros			
	Grants related to assets	Facilities ceded to customers	Emission allowances (Notes 7, 24) and 25.2)	Total
Balance at 1 January 2010	421	3,173	42	3,636
Incorporación/reducción de sociedades	(23)	(12)	(3)	(38)
Additions	5	454	318	777
Amount taken to income	(23)	(95)	(236)	(354)
Other	(26)	(22)	(37)	(85)
Balance at 31 December 2010	354	3,498	84	3,936
Additions	24	376	148	548
Amount taken to income	(14)	(108)	(217)	(339)
Other	—	(16)	—	(16)
Balance at 31 December 2011	364	3,750	15	4,129

Grants related assets include grants received under the partnership agreements entered into to improve the quality of supply in the electricity distribution network with the Ministry for Industry, Energy and Tourism (hereinafter "Mine-tur"), regional governments and other official bodies.

Facilities ceded to customers include mainly revenue received for extension rights, including hook-ups and grid connections by the necessary installations to allow for new supply, as regulated up to 2000 by Royal Decree 2949/1982, of 15 October 1982, and since 2001 by Royal Decree 1955/2000, of 1 December 2000, stating that such revenue relates to financing of assets eligible for inclusion in non-current assets.

17. Non-current provisions

Details of non-current provisions in the accompanying consolidated statement of financial position at 31 December 2011 and 2010 are as follows:

	Millions of Euros	
	31 December 2011	31 December 2010
Provisions for pensions and similar obligations	1,040	1,257
Workforce restructuring costs	1,044	1,479
Other provisions	2,084	1,978
Total	4,168	4,714

17.1. Provisions for pensions and similar obligations

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

However, there are two large groups of employees, whose numbers are limited (i.e. no new employees can be included) and who are not included the general scheme described above. These groups are:

- **Electricity employees of the former ENDESA:** Defined benefit pension scheme for retirement, permanent disability and death, for both current and former employees. The predetermined nature of the retirement benefits and their full coverage eliminate any related risk. The other benefits are also guaranteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this scheme does not differ significantly from that required for the mixed schemes described above.
- **Fecsa/Enher/HidroEmpordá employees:** Defined-benefit pension scheme with annual salary increases in line with the Consumer Price Index (hereinafter "CPI"). This scheme is treated in exactly the same way as a defined benefit scheme. A single-premium insurance policy was taken out in 2011 to cover the entire amount of benefits payable, thereby eliminating any future obligation to this group.

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

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

The assumptions used when calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2011 and 2010 were as follows:

The increase in the interest rate used to discount the pension obligations in Spain was mainly due to the increase in market margins in 2011. In Chile, the 2.78% range low in 2010 corresponds to the interest rate applicable to benefits in Euros of expat employees who in 2011 were included under Spain.

Details of actuarial liabilities relating to defined benefit obligations at 31 December 2011 and 2010 and movement in those years are as follows:

	Millions of Euros	
	2011	2010
Opening actuarial liability	2,929	2,587
Finance costs (Note 30)	141	144
Current service costs	28	35
Benefits paid in the period	(149)	(151)
Other movements	16	2
Actuarial (gains) losses	(326)	213
Insurance for benefits payable	(418)	—
Translation differences	(64)	103
Changes in consolidated group	—	(4)
Closing actuarial liability	2,157	2,929

The amount recognised under insurance for benefits payable in 2011, of Euros 418 million, relates to the payment of premiums on the insurance policies taken out to cover the defined benefit obligations in the year in a move to eliminate all the risks assumed by ENDESA in relation to the obligations insured. The amounts paid led to a reduction in the same amount of plan assets.

Experience adjustments to liabilities in 2011 amounted to Euros 62 million.

Of the total closing actuarial liability at 31 December 2011, 57% related to defined benefit obligations in Spain (68% at 31 December 2010), 34% to obligations in Brazil (25% at 31 December 2010) and the remaining 9% to obligations in other countries (7% at 31 December 2010).

	Spain		Chile		Brazil		Colombia		Argentina (*)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest rate	4.66%	3.37%	6.50%	2.78%-6.50%	10.50%	10.50%	8.50%	9.52%	5.50%	5.50%
Mortality tables	PERM/F 2000	PERM/F 2000	RV-2004	RV-2004	AT 2000	AT 83	RV 08	ISS1980-89	RV 2004	CSO 1980
Expected return on plan assets	5.21%	2.87%-3.87%	N/A	N/A	11.10%	12.09%	N/A	N/A	N/A	N/A
Salary increase	2.30%	2.30%	3.00%	3.00%	6.59%	7.60%	3.50%	4.51%	—	—

(*) Actual data.

Changes in the market value of plan assets in 2011 and 2010 were as follows:

	<i>Millions of Euros</i>	
	2011	2010
Opening market value	1,691	1,581
Expected return	93	104
Contributions for the period	95	89
Payments	(149)	(151)
Actuarial (losses) gains	(83)	4
Insurance for benefits payable	(418)	—
Translation differences	(49)	65
Other movements	—	(1)
Closing market value	1,180	1,691

Of the total market value of plan assets at 31 December 2011, 55% related to assets in Spain (65% at 31 December 2010) and 45% to assets in Brazil (35% at 31 December 2010). The main categories of defined benefit plan assets, as a percentage of total assets, in 2011 and 2010 were as follows:

	<i>Percentage (%)</i>	
	2011	2010
Shares	22	25
Fixed-income assets	70	69
Investment property and other	8	6
Total	100	100

The defined benefit plan at 31 December 2011 includes shares and bonds of ENDESA Group companies amounting to Euros 17 million (Euros 10 million at 31 December 2010), transferrable accounts receivable from the Group arising from rebalancing plans amounting to Euros 23 million (Eu-

ros 38 million at 31 December 2010) and properties used by the Group's subsidiaries in Brazil amounting to Euros 15 million (Euros 6 million at 31 December 2010).

The expected return on plan assets was estimated taking into account forecasts for the main fixed income and equity markets and assuming that the various asset classes would have similar weights to those of the preceding year. The actual return in 2011 was 1.34% in Spain and 13.47% in other countries (2010: 0.4% in Spain and -1.9% in other countries).

At 31 December, the value of defined benefit plan assets placed in sovereign debt instruments is as follows:

<i>Country</i>	<i>Millions of Euros</i>	
	31 December 2011	
Brazil	471	
Spain	154	
Italy	24	
France	12	
Germany	6	
Belgium	5	
Holland	4	
Austria	2	
Greece	1	
Finland	1	
Total	680	

Details of the balance included in the accompanying consolidated statement of financial position as a result of the difference between the actuarial liability relating to defined benefit obligations and the market value of plan assets are as follows: (table 27).

Table 27

	<i>Millions of Euros</i>				
	2011	2010	2009	2008	2007
Actuarial liability	2,157	2,929	2,587	1,909	2,039
Plan assets	(1,180)	(1,691)	(1,581)	(1,176)	(1,399)
Difference	977	1,238	1,006	733	640
Limit to surplus due to adoption of IFRIC 14 and paragraph 58 (b) of IAS 19	27	24	14	—	—
Shortfall recognised in respect of actuarial liability	1,004	1,262	1,020	733	640

The amounts recognised in the accompanying consolidated statement of financial position at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	2011	2010
Non-current provisions for pensions and similar obligations	1,040	1,257
Current provisions for pensions and similar obligations (Note 24)	—	5
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations (Note 33)	—	5
Non-current loans and receivables	(36)	(5)
Shortfall recognised in respect of actuarial liability	1,004	1,262

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

	<i>Millions of Euros</i>	
	2011	2010
Current cost (Note 27)	(16)	(26)
Finance costs (Note 30)	(141)	(144)
Expected return on plan assets (Note 30)	93	104
Total	(64)	(66)

The current cost allocated to the consolidated income statement does not include Euros 12 million in 2011 and Euros 9 million in 2010 (see Note 27) of the current cost relating to employees who opted to take early retirement, which had been recognised previously under provisions for workforce restructuring costs and transferred during the year to pension obligations.

Based on the best estimate available, forecast contributions to defined benefit plans in 2012 amount to approximately Euros 92 million.

At 31 December 2011, the sensitivity of the value of the actuarial liability for pensions to interest rate fluctuations of 50 basis points results in a decrease of Euros 132 million (Euros 222 million in 2010) in the event of an increase in interest rates and an increase of Euros 147 million (Euros 251 million in 2010) in the event of a decrease in interest rates.

Contributions to defined contribution plans are recognised under employee benefits expense in the accompanying consolidated income statement. Euros 58 million and Euros 61 million were recognised in this connection in 2011 and 2010, respectively (see Note 27). In addition, Euros 28 million and Euros 53 million were contributed in 2011 and 2010, respectively, which had been previously included under provisions for workforce restructuring costs.

17.2. Provisions for workforce restructuring costs

Provisions for the various workforce restructuring plans included in the consolidated statement of financial position are the result of collective or individual agreements with the Group's employees, whereby the Company undertakes to supplement state benefits in the event of termination of employment by agreement between the parties.

The movements in other non-current provisions for workforce restructuring costs on the liability side of the accompanying consolidated statement of financial income in 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	2011	2010
Opening balance	1,479	1,617
Amounts charged to the income statement	(35)	177
Personnel expenses (Note 27)	(53)	132
Finance income	18	45
Transfers to current and other	(400)	(315)
Closing balance	1,044	1,479

Provisions recognised against employee benefits expense in 2010 include Euros 132 million related to the cost of early departures for certain groups covered under this plan, whereas the negative impact on the same item in 2011 is due mainly to delays in the departures of certain employees included in the workforce restructuring.

Current provisions in the accompanying consolidated statement of financial position at 31 December 2011 also include Euros 430 million of provisions for workforce restructuring costs which will foreseeably be paid in 2012 (Euros 393 million at 31 December 2010) (see Note 24).

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

At 31 December 2011, there were mainly three types of plans in force:

- **Personnel restructuring plans approved by the former companies before the corporate restructuring in 1999.** The deadline for employees to avail of these restructuring plans has passed and the obligation therefore relates almost entirely to employees who have left the Company. A total of 2,050 employees were considered in the valuation of this scheme (2,417 employees at 31 December 2010).

- **Voluntary redundancy scheme approved in 2000.** The scheme applies to employees with at least ten years of service in the group of companies concerned at 31 December 2005.

Employees aged 50 or over at 31 December 2005 are entitled to early retirement at the age of 60. They may sign up to the scheme between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.

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

Employees under the age of 50 who have signed up to the voluntary redundancy scheme approved in 2000 receive a termination benefit of 45 days' salary per year of service plus an additional amount of one or two annual salary payments depending on the age of the employee in question at 31 December 2005.

A total of 3,232 employees were considered in the valuation of this scheme of which 2,524 have taken early retirement (3,599 and 2,374 employees, respectively, at 31 December 2010).

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

A total of 895 employees were considered in the valuation of this scheme, of which 690 have taken early retirement (903 and 543 employees, respectively, at 31 December 2010).

The economic conditions applicable to the employees who have signed up to these early retirement schemes are basically as follows:

- The Company will pay the employee from the date of termination of their contract until the first date on which retirement can be taken after unemployment benefit contributions have ceased and, at most, until the employee's right is vested on reaching retirement age, a termination benefit based on their last annual salary and subject to review in line with the CPI.
- Any unemployment benefits and any other official early retirement benefits received prior to the retirement date will be deducted from the resulting amounts.

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

	2011	2010
Interest rate	2.74%	2.49%
CPI	2.3%	2.3%
Mortality tables	PERM/F 2000	PERM/F 2000

At 31 December 2011, the sensitivity of the value of the actuarial liability for workforce restructuring plans to interest rate fluctuations of 50 basis points results in a decrease of Euros 38 million (Euros 61 million in 2010) in the event of an increase in interest rates and an increase of Euros 41 million (Euros 67 million in 2010) in the event of a decrease in interest rates.

17.3. Other provisions

Details of other provisions in the accompanying consolidated statement of financial position in 2011 and 2010 and movement in the years are as follows:

Millions of Euros

	Provisions for litigation, termination benefits and other legal or contractual obligations	Provisions for decommissioning costs	Total
Balance at 31 December 2010	1,383	595	1,978
Net provisions charged to profit for the year	53	17	70
Provisions charged to property, plant and equipment	4	54	58
Payments	(44)	(19)	(63)
Translation differences	(26)	—	(26)
Transfers and other	28	39	67
Balance at 31 December 2011	1,398	686	2,084

Millions of Euros

	Provisions for litigation, termination benefits and other legal or contractual obligations	Provisions for decommissioning costs	Total
Balance at 31 December 2009	1,268	548	1,816
Net provisions charged to profit for the year	216	10	226
Provisions charged to property, plant and equipment	—	83	83
Payments	(56)	(17)	(73)
Translation differences	41	3	44
Transfers to liabilities directly associated with non-current assets classified as held for sale (Note 33)	(75)	(27)	(102)
Transfers and other	(11)	(5)	(16)
Balance at 31 December 2010	1,383	595	1,978

The detail of provisions for decommissioning costs by type of plant are as follows:

Millions of Euros

	31 December 2011	31 December 2010
Nuclear power plants (Note 3a)	434	401
Other plants	83	51
Dismantling of meters	116	89
Decommissioning of mines	53	54
Total	686	595

Litigation and arbitration

At the date of authorisation for issue of these consolidated financial statements, the main litigation and arbitration proceedings involving Group companies were as follows:

- Three distinct legal actions are underway against EDE in respect of forest fires in Catalonia. It is probable that these actions will give rise to an obligation to settle miscellaneous claims for damages of a combined value exceeding Euros 5 million. The Generalitat (Regional Government) of Catalonia imposed a penalty of Euros 10 million as a result of infringement proceedings brought against EDE in response to the blackouts of 23 July 2007 in Barcelona. The penalty was contested, with an attached motion to stay execution. The motion to stay was granted on 2 April 2009 by the Tribunal Superior de Justicia de Cataluña (High Court of Catalonia). The hearing was held on 23 November 2010; the case is now pending a decision.
- On 8 May 2008, the Tribunal Supremo (Supreme Court) handed down a decision on ENDESA's appeal against the judgment of the Audiencia Nacional (Spanish High Court) striking out the Order of 29 October 2002, on competition transition costs for 2001, in response to the original application for judicial review under case number 825/2002 lodged by Iberdrola, S.A. The Supreme Court dismissed ENDESA's motion to quash the judgment of the Spanish High Court. The execution of this decision is not expected to have any material economic effect for the Group.
- In January 2009, the company Josel, S.L. sued EDE to set aside the sale of certain properties whose planning status had changed. The claimant sought the restitution of Euros 85 million plus interest. On 9 May 2011, the court of first instance set aside the contract of sale, with the concomitant restitution of the consideration paid. EDE was ordered to refund the sale price, plus interest, costs and taxes. On 20 May 2011, EDE lodged an appeal with the Audiencia Provincial de Palma de Mallorca (Provincial Appeal Court). The appeal was allowed on 13 February 2012. The respondent is expected to appeal in its turn.
- By its decision of 2 April 2009, the Comisión Nacional de Competencia (Spain's Competition Commission, hereinafter "CNC") fined EDE in the amount of Euros 15 million for a breach of article 6 of the Competition Act (*Ley de Defensa de la Competencia*) and article 82

of the Treaty establishing the European Community, on the ground that EDE had abused its dominant position by hindering access by the distributor Céntrica Energía, S.L. (hereinafter "Céntrica") to the Point of Supply Information System (hereinafter and in Spanish "SIPS") created by Royal Decree 1535/2002, and disclosing Céntrica's customer data to a distribution company within EDE's own Group, ENDESA Energía. On 26 May 2011, the Spanish High Court entered a judgment upholding the decision of the CNC. On 17 June 2011, an appeal against that judgment was lodged with the Supreme Court. On 20 January 2010, Céntrica sued EDE in connection with the decisions of the CNC of April 2009. In its complaint, Céntrica stated the value which it believed it would have obtained if it had had access to the information when it requested mass access on 9 October 2006. The value of the claim is Euros 5 million. On 20 January 2011, Barcelona Commercial Court No 2 awarded Céntrica reduced damages of Euros 3 million. ENDESA has appealed.

- On 11 May 2009, Spain's Ministry of Industry, Energy and Tourism (hereinafter "Minetur") issued an order imposing four distinct fines, to a combined value of Euros 15 million, on ENDESA Generación, as the operator of the nuclear plant Ascó I, in connection with a radioactive particle leak in December 2007, on the basis that the company had committed four serious violations contrary to the Nuclear Energy Act 1964 (*Ley 25/1964*). An application for judicial review was filed with the Spanish High Court. In addition, the Director General of Energy Policy and Mines imposed two fines of a combined value of Euros 90 thousand for minor infringements relating to the same incident. These fines were contested in administrative proceedings, and later in judicial review. On 1 December 2009, granting a motion by ENDESA, the Spanish High Court stayed execution of the decision under challenge. ENDESA paid into court a bank guarantee covering the value of the fine, Euros 15 million. The principal issue under appeal is pending a decision. Since 14 September 2010, the court has been in the process of reaching conclusions and entering a judgment. On 6 April 2011, the Spanish High Court stayed the appeal proceedings for as long as the decision on the prior issue is pending.
- On 19 May 2009, the municipality of Granadilla de Abona (Tenerife) issued a decree imposing on ENDESA a penalty of Euros 72 million, for unlicensed construction of a combined heat and power plant. On 2 June

2009, the Regional Government of the Canary Islands suspended the effect of its town planning programme so that a building licence could be granted. Unelco filed an application for judicial review of the penalty decree. The court partly allowed ENDESA's application, and finally reduced the penalty to the statutory floor of Euros 6,000. An application for judicial review was filed with the Regional Appeal Court of the Canary Islands, arguing that the licence was implied by "administrative silence".

- On 24 June 2009, the inquiries unit of the Competition Commission, or CNC, opened proceedings against a number of power distribution companies, including ENDESA, for an alleged violation of article 1 of the Competition Act 2007 (*Ley 15 / 2007*) and article 81 of the Treaty establishing the European Community. According to the CNC, the alleged violation consists of collusion to obstruct, restrict or distort competition in the domestic power market. The infringement proceedings instituted by the CNC were directed to ascertain whether or not an unlawful arrangement was made among distribution companies to slow down the process by which users can switch suppliers. The proceedings were later widened in scope, in terms of parties (joining the power industry association Asociación Española de Industria Eléctrica Unesa) and charges (including collusion to attract large customers). By a decision of the Board of the CNC of 13 May 2011, ENDESA was fined Euros 27 million. An application for judicial review was filed with the Spanish High Court, which, granting ENDESA's motion for interim measures, stayed execution of the fine by an order dated 15 September 2011.
- The Minetur order of 3 July 2009 determined that the Santa María de Garoña nuclear plant, operated by Nuclenor S.A., a jointly controlled entity held in 50:50 stakes by ENDESA Generación and Iberdrola Generación, S.A., must be decommissioned by 6 July 2013. In response to a request to extend the existing licences for a further ten years, Minetur granted a four-year extension instead. On 14 September 2009, an application for judicial review was filed with the Spanish High Court. On 14 July 2011, a decision was handed down dismissing the application, and Minetur's order to close the plant was confirmed. On 27 December 2011, a fresh appeal was lodged with the Supreme Court.

- On 2 March 2010, EDE was ordered to pay Euros 6 million for a "very serious energy violation" in connection with the Majorca-Minorca subsystem blackouts of 13 November 2008, which gave rise to infringement proceedings against EDE on 2 July 2009. An application for judicial review was filed with the Regional Appeal Court of the Balearic Islands, with an attached motion to stay execution of the order. This motion was denied. The principal application is pending a decision.
- On 29 March 2010, the Regional Government of the Canary Islands fined EDE for a very serious violation – in its threshold degree – in the amount of Euros 6 million, in connection with the Tenerife blackout of 26 March 2009. In response to this incident, proceedings were brought against EDE for an alleged breach of article 60.a.12 of the Power Industry Act (*Ley del Sector Eléctrico*). An application for judicial review was filed with the Regional Appeal Court of the Canary Islands. The attached motion to stay execution of the order was denied.
- In May 2010, the CNC launched infringement proceedings against EDE and other power utilities in response to a complaint filed by the Spanish Federation of Power Facility Entrepreneurs (hereinafter "FENIE"), alleging that the distribution companies were in breach of competition law. Separate proceedings were instituted against EDE, on similar grounds, in November 2011, for the geographical area of Majorca alone. On 22 February 2012, the CNC notified EDE of its decision to impose a combined penalty of Euros 23 million for unlawful conduct in the electricity facility market, citing the practice of tendering offers for non-reserved facilities while informing the supply applicant of the technical and economic terms of its application, and for failure to comply with the rules of Royal Decree 222/2008, on grid connections, in 2008 and 2009. The infringement proceedings relating to Majorca are pending a decision. EDE regards the penalty as unlawful and intends to apply to the Spanish High Court for judicial review.
- On 14 June 2010, the Regional Government of the Canary Islands ordered that infringement proceedings be opened against Unelco as the entity ultimately liable for a very serious violation: the blackout of 23 September 2009 in La Palma. The associated penalty could be as high as Euros 6 million. Unelco filed its reply and its requests for the taking of evidence on 8 July 2010. On 19 May 2011, notice was served of Order 101/2011, whereby the Board of the Regional Government of the Canary Islands resolved to impose a fine of EUR 6 million on Unelco for a very serious administrative violation. An application for judicial review was filed with the Regional Appeal Court of the Canary Islands, with an attached motion to stay execution of the order.
- On 4 November 2010, the CNC opened infringement proceedings against the distribution company ENDESA Energía XXI for an alleged breach of article 3 of the Competition Act, namely, applying to customers not entitled to the tariff of last resort contractual terms other than those required under Royal Decree 485/2009. The CNC issued a statement of facts and draft decision confirming its view that article 3 had been violated. The matter is pending determination by the CNC Board.
- In December 2010, the Canary Islands regional councillor for employment, industry and trade launched four distinct infringement proceedings for violations qualifying as very serious under the Power Industry Act. Two of these proceedings were instituted against EDE for blackouts in Tenerife on 18 February and 1 March 2010. The other two proceedings were brought against Unelco for blackouts in Tenerife on 18 February and La Palma on 16 April 2010. Finally, EDE was fined Euros 3 million for the 18 February 2010 blackout and Euros 6 million for the 1 March 2010 blackout; Unelco was fined Euros 0.6 million for the 18 February 2010 blackout and Euros 3 million for the La Palma blackout. Applications for judicial review were filed respectively, with attached motions to stay execution of the orders.
- On 6 May 2011, Badajoz Commercial Court No 1 served notice of a suit filed by the company Gesolpac, S.L. against EDE for liability in tort in respect of EDE's activities in Badajoz. The claimant quantifies the damages at Euros 118 million. The preliminary hearing was held on 19 July 2011. The final hearing will be held on 29 February 2012.
- Throughout 2011, the Spanish High Court issued four decisions, two on 9 June, one on 18 July and a fourth on 26 September, partly allowing the applications filed by ENDESA with respect to income tax payable by the ENDESA Tax Group from 1998 to 2001. The assessments to income tax to be recorded pursuant to the criteria established by the Spanish High Court imply the recognition of interest payable to the ENDESA Tax Group of

Euros 63 million. The tax authority has dropped its appeal against these decisions.

- On 21 September 2011, Nueva Marina Real Estate, S.L., an investee 60% owned by ENDESA, filed an application for judicial review seeking to set aside a town planning agreement it entered into in August 2008 for the urban development of lots known collectively as "La Térmica" in Malaga, and seeking a release from the related obligation to pay Euros 41 million by way of "monetization". The agreement made provision for a total payment Euros 58 million after adoption of a General Town Planning Scheme (hereinafter and in Spanish "PGOU"), reflecting the agreed planning specifications. However, the agreement also provided for automatic termination if, for reasons beyond the control of Malaga City Council, its purpose was frustrated. The PGOU was published in the central government gazette (*Boletín Oficial del Estado*, hereinafter and in Spanish "BOE") on 30 August 2011. However, the urban development under the scheme has been rendered impracticable by subsequent maritime boundary proceedings that reduce the area of the La Térmica lots by around 20,000 m².
- Companhia Brasileira de Antibióticos is seeking to recover damages from Ampla for loss of goods and raw materials and breakage of machinery, inter alia, allegedly caused by defective services rendered by Ampla from 1987 to May 1994, in addition to an indemnity for moral damage. The claim is valued at approximately Euros 45 million. The suit was joined with another six actions arising from blackout incidents. The litigation is at the pleading and evidentiary stage. The expert evidence was partly adverse to Ampla; therefore, in March 2011, Ampla moved to have the expert evidence struck out, and fresh expert evidence to be taken.
- The tax authorities of Peru (hereinafter "Sunat") take the view that the company Edegel wrongly deducted depreciation charges arising from applying a rate of 15% to the value of assets remeasured in 1996 as regards the portion relating to borrowing costs incurred during construction, on the basis that the taxpayer has not satisfactorily shown that financing was necessary. Edegel, however, argues that Sunat has incorrectly construed the decision of the tax tribunal, which ordered Sunat merely to check whether the surveyed value was greater than the fair value of the entity's assets in 1996; it was no part of Sunat's remit to ascertain the proportion of borrowings capitalized as an increase in the carrying amount of the assets. The dispute is now under appeal before the tax tribunal. The value of the dispute is Euros 24 million.
- In 1998, Cien entered into a contract with Tractebel Energía, S.A. (hereinafter "Tractebel") to supply power and capacity for importing 300 MW sourced from Argentina over the Argentina-Brazil interconnection owned by Cien. As a result of the Argentine crisis, Cien was prevented from supplying Tractebel, which sought to terminate the contract and recover liquidated damages under its terms. In November 2009, Tractebel sued for damages of BRL 118 million (approximately Euros 51 million) and miscellaneous other amounts (liquidated damages for unavailability of final capacity and associated power, interest accrued and legal fees). The claimant asked the court to determine these amounts as part of the decision disposing of the case. In its defence, Cien mainly argued force majeure, citing the Argentine crisis. Court proceedings are at first instance and await the commencement of the evidentiary stage. In May 2010, Tractebel notified Cien out of court of its intention to exercise its right to take possession of 30% of Línea I, the interconnection line owned by Cien.
- In parallel with the facts giving rise to the litigation referred to above, in 1998 Cien entered into a contract with the Brazilian state-controlled corporation Eletrobras Furnas (hereinafter "Furnas") to supply 700 MW of power imported from Argentina over the Argentina-Brazil interconnection owned by Cien. However, the Argentine crisis prevented Cien from supplying Furnas. On 15 June 2010, Cien was served with a suit brought by Furnas for breach of contract. The claimant seeks to have the contract rescinded and to be awarded title to 70% of the interconnection line. On this basis, Furnas seeks to recover Euros 227 million and as yet unquantified further damages. The evidentiary stage has been completed and the suit is pending a decision at first instance.
- Meridional was a party to a contract for services in respect of certain assets. The counterparty, CELF, a corporation controlled by the State of Rio de Janeiro, terminated the contract. In response to a transfer of assets from CELF to Ampla, the construction firm Meridional argued that the transfer was in breach of its

individual rights and in fraud of its right to collect the outstanding amounts. It sued Ampla in 1998. In March 2009, the courts found for the claimant. Ampla and the State of Rio de Janeiro appealed respectively. On 15 December 2009, the Tribunal de Justicia Estadual (State Appeal Court) allowed Ampla's appeal and overturned the decision in favour of Meridional. The Brazilian construction firm appealed in its turn, but was not given leave to proceed. There is now underway a protracted series of appeals in various forums, and the affair has not yet been finally resolved. The amount claimed is Euros 329 million.

- In 2001, the subsidiary Emgesa and the Corporación Autónoma Regional were sued by the residents of Sibaté, Cundinamarca. The claimants sought to fix the defendants with joint and several liability for damages arising from pollution of the El Muña reservoir by Emgesa's pumping of polluted water from the river Bogotá. Emgesa argued in its defence, inter alia, that the water is already polluted when it reaches Emgesa, which is therefore not liable. The claimants initially sought to recover COP 3,000,000 million (approximately Euros 1,158 million). Emgesa applied for approximately 80 public and private entities to be joined as defendants by reason of their discharging effluent into the river Bogotá or being in some way accountable for the environmental management of the river basin. For this reason, the case was referred to the Consejo de Estado (Council of State), which on 5 April 2011 confirmed the decision of the Administrative Tribunal of Cundinamarca, which determined that the defendants are the legal persons listed in the decision, and include the applicant. In addition, the Council of State ordered that the proceedings be removed to the administrative tribunals of the Bogotá circuit, which were to continue to hear the case. In June 2011 the proceedings were removed to Bogotá Administrative Tribunal No 5, which in turn returned the case to the Council of State for a decision on an appeal, which is still pending.
- In December 2001, the Federal Constitution of Brazil was amended to clarify the application of Cofins (Brazilian income tax) to energy sales by power utilities. The Constitution prescribes that legislative changes come into force 90 days after publication. Therefore, Ampla started to pay Cofins tax as from April 2002. However, the Receita Federal (tax authority) argues that the constitutional waiting period relates only to

parliamentary statutes, not to constitutional provisions themselves, any amendment of which comes into force immediately. The amount at issue in the courts is Euros 71 million.

- In 2002, EdF International, S.A. (hereinafter "EdF") launched arbitration proceedings in the International Court of Arbitration of the International Chamber of Commerce against ENDESA Internacional, S.A. (now "ENDESA Latinoamérica"), Repsol YPF, S.A. (hereinafter "Repsol") and YPF, S.A. (hereinafter "YPF"), seeking damages of USD 256 million plus interest from ENDESA, and USD 69 million plus interest from the Repsol YPF Group. The claim was contested by ENDESA Latinoamérica, Repsol and YPF, which, in addition, brought a counterclaim to the effect that EdF should pay ENDESA Latinoamérica USD 58 million, and YPF USD 14 million. The dispute arises from the sale to the French EdF Group of the stakes formerly held by YPF and ENDESA Latinoamérica in the Argentine companies Electricidad Argentina S.A. (hereinafter "Easa") and Empresa Distribuidora Norte, S.A. (hereinafter "Edenor"). On 22 October 2007, the arbitration court issued its award. In summary, the award partly allowed both claim and counterclaim. As a result, ENDESA Latinoamérica was ordered to pay EdF USD 100 million by way of net debt, plus interest, but neither party was ordered to pay arbitration costs. All parties – claimant and co-defendants – moved to have the award partly set aside. In April 2008, ENDESA Latinoamérica and YPF obtained in the ordinary Argentine courts (Cámara Nacional de Apelaciones en lo Comercial, National Court of Commercial Appeals) respective decisions staying execution of the arbitral award until the appeal was resolved, thus barring EdF's enforcement of the award. On 9 December 2009, the Buenos Aires National Court of Commercial Appeals held that the arbitral award of 22 October 2007 was void and "without legal effect". Therefore, ENDESA's purported obligation specified in the arbitral award to pay USD 100 million, excluding interest, was without effect. This decision of 9 December 2009 was challenged by EdF in February 2010 in the form of a "federal extraordinary appeal". The appeal was dismissed on 9 March 2010. EdF filed a fresh appeal before the Corte Suprema (Supreme Court) against the decision dismissing its earlier appeal. In July 2010, the Argentine Supreme Court denied EdF's last possible remedy, so ENDESA is not faced with any contingent obligation. The arbitration proceedings are at an end, although EdF has moved to

enforce the award in several jurisdictions – including unsuccessful attempts in Spain, the United States and Chile – and a decision in Brazil is pending.

- In 2002, the State of Rio de Janeiro established that ICMS (equivalent to value added tax, VAT) must be determined and paid on the 10th, 20th and 30th day of the month of accrual. However, Ampla continued to pay the tax according to the previous system (i.e., up until the 5th day of the month following accrual). Notwithstanding an informal agreement with the State of Rio de Janeiro and two tax amnesty laws, however, in October 2004 the State of Rio de Janeiro issued a tax assessment against Ampla to collect a fine in respect of amounts paid past due. The assessment was challenged by Ampla. In February 2007, Ampla was given notice of the administrative decision at first instance, which confirmed the assessment issued by the State of Rio de Janeiro. On 23 March, Ampla challenged the decision before the Taxpayer Council of the State of Rio de Janeiro. The Council likewise confirmed the assessment in its decision of 26 August 2010. Ampla filed a fresh challenge with the Plenary Council of Taxpayers of the State of Rio de Janeiro, and now awaits a decision. The amount in dispute is Euros 68 million.
- The Currency Exchange Reform Act of 2002 (*Ley 25.561*), passed by the Argentine authorities on 6 January 2002, rendered ineffective a number of clauses of the concession contract awarded to the subsidiary Edesur. In addition, the statute required that public service concessions be renegotiated within a reasonable time to bring them into alignment with the new state of affairs. However, when the concession contract with Edesur failed to be renegotiated, in 2003 Enersis, S.A. (hereinafter “Enersis”), Chilectra, S.A. (hereinafter “Chilectra”), ENDESA Chile and Elesur, S.A. (now “Chilectra, S.A.”) filed an application for arbitration under the Chilean-Argentine Treaty for the Promotion and Protection of Investments, to be conducted under the auspices of the International Centre for Settlement of Investment Disputes (hereinafter “ICSID” or “CIADI” in Spanish). The chief motion under the claim was that the investment be formally expropriated in return for a total indemnity of USD 1,307 million (approximately Euros 1,017 million). As a motion in the alternative, the claimants sought damages for absence of fair and just treatment, in the amount of USD 319 million (approximately Euros 247 million). Either award, if granted, was to carry compound annual interest of 6.9%. In addition, the claimants moved to recover damages arising as from 1 July 2004. Finally, an indemnity of USD 102 million (approximately Euros 79 million) was sought for Elesur S.A. (now Chilectra S.A.) as redress for the decrease in the proceeds of selling its shares. On 15 June 2005, the Argentine authorities and Edesur signed the documents constituting the *Acta Acuerdo* (“Record of Settlement”). The Record of Settlement stipulated terms and conditions that modified and supplemented the concession contract, with modifications to the tariff, first for a transitional period and later by means of a comprehensive tariff review setting the terms for an ordinary tariff period of five years. After various requests, the arbitration proceedings were halted in March 2006 in compliance with the requirements of the Record of Settlement.
- In 2005, Ampla challenged a tax assessment issued to it by the Brazilian tax authority. The tax authority takes the view that the special tax regime which exempts from Brazilian tax any interest received by holders of fixed rate notes issued by Ampla in 1998 is inapplicable. On 6 December 2007, Ampla successfully challenged this determination in an administrative appeal. However, the Brazilian tax authority filed a special appeal with the Higher Court of Fiscal Appeals. The amount at issue is Euros 325 million.
- In 2008, 2009 and 2011, five distinct actions were brought against Empresa Eléctrica Pangue, S.A. (hereinafter “Pangue”) for flood damage that the claimants argue was caused by the Pangue hydropower plant: specifically, by discharge in July 2006. Pangue contests the claims on the basis that it was compliant with prevailing regulations in its operation of the plant and acted with due diligence and care; moreover, there was no causal relationship between the floods and the discharge from the plant during the period in issue. With respect to two of the claims, Pangue’s case prevailed. The claimants appealed; one of these appeals is pending a decision in the Concepción Court of Appeal, while the other succeeded in reaching the Supreme Court but was dismissed on the merits on 26 May 2011. The three remaining claims are at the evidentiary stage or pending a decision. The combined value of the five claims, which are still outstanding, comes to CLP 17,718 million (approximately Euros 28 million). The proceedings are covered by insurance, so there is no economic risk to Pangue.

- On 19 March 2009, the arbitration court set up by the Arbitration Chamber of the Fundación Getúlio Vargas in Rio de Janeiro in 2005 at the behest of Enertrade Comercializadora de Energía, S.A. (hereinafter "Enertrade") to hear arbitration proceedings against Ampla, the Brazilian subsidiary of ENDESA Latinoamérica, arising from a dispute surrounding a power supply contract, issued an award ordering that Ampla pay the amount sought by the claimant, plus late payment interest, and that the existing supply contract be set aside. The financial impact of the decision is an estimated BRL 99 million (approximately Euros 40 million). Ampla lodged an appeal in May 2009 to have the arbitral award set aside, and filed a motion to stay execution of the award until the appeal was disposed of. This interim measure was granted. The proceedings are now pending a decision on whether or not the arbitral award is void.
- On 18 January 2011, an arbitration court was set up in the framework of the dispute between ENDESA Chile and CMPC Celulosa S.A. (hereinafter "CMPC"), at the behest of ENDESA Chile, to determine the amount of damages awarded to ENDESA Chile in a separate arbitration procedure between the parties on 27 March 2009 in respect of excess usage under the power supply and capacity contract dated 31 May 2003. After enforcement of the arbitral award in 2010, on 15 April 2011 ENDESA Chile brought fresh arbitration proceedings to determine the amount of damages recognized under the arbitral award of 2009. The amount at issue in these proceedings is USD 81 million (approximately

Euros 63 million). On 6 June 2011, CMPC contested the application. The parties halted proceedings to negotiate, but to no avail. On 6 October 2011, ENDESA Chile answered the respondent's defence. The pleading stage is accordingly at an end; the arbitration court must now set a date for a settlement hearing.

Payments made to settle litigation in 2011 and 2010 came to Euros 44 million and Euros 56 million, respectively.

The Directors of ENDESA consider that the provisions recognised in the consolidated financial statements adequately cover the risks relating to litigation, arbitration and other matters referred to in this Note, and do not expect these issues to give rise to any liability not already provided for.

Given the nature of the risks covered by these provisions, it is impracticable to determine a reasonable timetable of payment dates, if and when they arise.

18. Interest-bearing loans and borrowings

18.1. Non-current and current interest bearing loans and borrowings

Details of interest-bearing loans and borrowings at 31 December 2011 and 2010 are as follows: (table 28).

Table 28

Millions of Euros

	31 December 2011		31 December 2010	
	Current	Non-current	Current	Non-current
Bonds and other marketable securities	275	7,326	393	8,131
Bank borrowings	419	3,923	288	5,074
Preference shares	—	180	—	1,474
Other borrowings (*)	203	979	297	896
Total interest-bearing loans and borrowings excluding derivatives	897	12,408	978	15,575
Derivative financial instruments (Note 20)	173	383	7	681
Total	1,070	12,791	985	16,256

(*) Includes finance leases amounting to Euros 472 million at 31 December 2011 (Euros 452 million classified as non-current and Euros 20 million as current) and Euros 449 million at 31 December 2010 (Euros 433 million classified as non-current and Euros 16 million as current).

The detail of interest-bearing loans and borrowings by maturity is as follows:

Millions of Euros

	Carrying amount 31 December 2011	Current	Non- Current	Maturity					Subsequent years
				2013	2014	2015	2016		
Bonds and other marketable securities									
Fixed rate	3,131	58	3,073	1,094	455	245	353	926	
Floating rate	4,470	217	4,253	88	268	177	2,508	1,212	
Total	7,601	275	7,326	1,182	723	422	2,861	2,138	
Bank borrowings									
Fixed rate	245	92	153	33	12	11	10	87	
Floating rate	4,097	327	3,770	286	359	196	2,560	369	
Total	4,342	419	3,923	319	371	207	2,570	456	
Preference shares (*)									
Fixed rate	—	—	—	—	—	—	—	—	
Floating rate	180	—	180	180	—	—	—	—	
Total	180	—	180	180	—	—	—	—	
Other borrowings									
Fixed rate	681	85	596	67	68	15	72	374	
Floating rate	501	118	383	123	56	65	98	41	
Total	1,182	203	979	190	124	80	170	415	
Total	13,305	897	12,408	1,871	1,218	709	5,601	3,009	

(*) Assumes the issuer will exercise early redemption in the tenth year.

Millions of Euros

	Carrying amount 31 December 2010	Current	Non- Current	Maturity				Subsequent years
				2012	2013	2014	2015	
Bonds and other marketable securities								
Fixed rate	3,477	59	3,418	715	1,063	440	235	965
Floating rate	5,047	334	4,713	2,283	134	201	133	1,962
Total	8,524	393	8,131	2,998	1,197	641	368	2,927
Bank borrowings								
Fixed rate	234	49	185	56	57	11	11	50
Floating rate	5,128	239	4,889	2,776	429	369	224	1,091
Total	5,362	288	5,074	2,832	486	380	235	1,141
Preference shares (*)								
Fixed rate	—	—	—	—	—	—	—	—
Floating rate	1,474	—	1,474	—	1,474	—	—	—
Total	1,474	—	1,474	—	1,474	—	—	—
Other borrowings								
Fixed rate	662	95	567	76	52	51	29	359
Floating rate	531	202	329	134	70	40	43	42
Total	1,193	297	896	210	122	91	72	401
Total	16,553	978	15,575	6,040	3,279	1,112	675	4,469

(*) Assumes the issuer will exercise early redemption in the tenth year.

The breakdown of the Group's interest-bearing loans and borrowings by currency is as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Euro	7,010	10,387
US dollar	2,722	2,756
Colombian peso	1,298	1,183
Brazilian real	1,102	1,157
Chilean peso	678	734
Peruvian new sol	355	369
Other	696	655
Total	13,861	17,241

Details of these payables by currency considering the impact of derivatives on the classification are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Euro	7,994	11,392
US dollar	1,923	1,724
Colombian peso	1,298	1,184
Brazilian real	1,124	1,200
Chilean peso	991	1,219
Peruvian new sol	343	351
Other	188	171
Total	13,861	17,241

The notional amount of current and non-current interest-bearing loans and borrowings at 31 December 2011 and 2010 is equal to Euros 13,297 million and Euros 16,586 million, respectively.

The movement in the notional amount of non-current interest-bearing loans and borrowings excluding derivatives in 2011 is as follows: (table 29).

The average interest on interest-bearing loans and borrowings in 2011 and 2010 was 6.0% and 4.5%, respectively.

18.2. Preference shares

In March 2003, ENDESA Capital Finance L.L.C. (hereinafter "ENDESA Capital Finance") issued Euros 1,500 million of preference shares with the following features:

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

In 2011, a partial early redemption of this issue of preference shares amounting to Euros 1,319 million was carried out, leaving an outstanding balance at 31 December 2011 of Euros 181 million.

18.3. Classification of financial liabilities by nature and category

The classification of financial liabilities in the consolidated statement of financial position by nature and category, excluding trade and other payables, at 31 December 2011 and 2010 is as follows: (tables 30 and 31).

Table 29

Millions of Euros

	Notional amount at 31 December 2010	Repayments and redemptions	Changes in consolidation scope	New borrowings	Transfers	Translation and foreign currency differences	Notional amount at 31 December 2011
Bonds and other marketable securities	8,146	(17)	—	606	(1,434)	17	7,318
Bank borrowings	5,078	(1,322)	—	421	(251)	(4)	3,922
Preference shares	1,500	(1,319)	—	—	—	—	181
Other borrowings	884	—	38	227	(146)	(24)	979
Total	15,608	(2,658)	38	1,254	(1,831)	(11)	12,400

Table 30

Millions of Euros

31 December 2011					
	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss (1)	Debts and payables	Hedging derivatives	Total
Bank borrowings	—	43	3,880	—	3,923
Bonds and other marketable securities	—	555	6,951	—	7,506
Derivatives	—	—	—	383	383
Other financial liabilities	—	—	979	—	979
Non-current financial liabilities	—	598	11,810	383	12,791
Bank borrowings	—	6	413	—	419
Bonds and other marketable securities	—	—	275	—	275
Derivatives	—	—	—	173	173
Other financial liabilities	—	6	197	—	203
Current financial liabilities	—	12	885	173	1,070
Total	—	610	12,695	556	13,861
Fair value	—	610	13,672	556	14,838

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

Table 31

Millions of Euros

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

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

18.4. Net gains and losses on financial liabilities by category

The net losses on the financial liabilities in the preceding table by category are as follows: (tables 32 and 33).

18.5. Other matters

At 31 December 2011 and 2010, Group companies had undrawn credit facilities totalling Euros 8,905 million and Euros 6,754 million, respectively. These credit facilities secure the refinancing of current debt presented in non-current interest-bearing loans and borrowings in the accompanying consolidated statement of financial position (see Note 3o). The amount of these credit facilities, together with the current assets, provide sufficient coverage of the Group's short-term payment obligations.

The main transactions in 2011 were as follows:

- Arrangement and renegotiation of long-term bilateral loan arrangements for Euros 3,242 million maturing in 2016.
- Early repayment of a number of bank finance transactions for Euros 700 million.
- Partial early redemption of preference shares issued in 2003 by ENDESA Capital Finance, redeeming Euros 1,319 million of the Euros 1,500 million issued originally.

- Early repayment of a Euros 1,410 million syndicated credit facility originally maturing in January 2012.
- Arrangement of a credit facility for up to Euros 3,500 million with ENEL Finance International N.V. (hereinafter "EFI"), of which no amounts had been drawn down as at 31 December 2011.
- Arrangement of a long-term loan for Euros 150 million with the European Investment Bank, which was pending payment at 31 December 2011.
- In Brazil, Ampla and Coelce issued long-term bonds in the local market for a total equivalent amount of USD 405 million. Ampla also entered into a long-term financing agreement with Brazil's national development bank, Banco Nacional de Desenvolvimento Econômico e Social (hereinafter "BNDES"), for an equivalent amount of USD 140 million.
- In Colombia, Emgesa held a long-term Colombian peso-denominated international bond issue to cover the financing requirement of the El Quimbo investment project for a total equivalent amount of USD 405 million.

The main transactions in 2010 were as follows:

- Early repayment in April 2010 of a Euros 2,000 million loan arranged in May 2009 with a term of two years.

Table 32

Millions of Euros

	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	2011		Total
			Debts and payables	Hedging derivatives	
Net losses in the income statement	16	23	782	144	965
Net losses in other comprehensive income	—	—	—	31	31
Total	16	23	782	175	996

Table 33

Millions of Euros

	Financial liabilities held for trading	Other financial liabilities at fair value through profit or loss	2010		Total
			Debts and payables	Hedging derivatives	
Net losses in the income statement	17	64	778	129	988
Net losses in other comprehensive income	—	—	—	101	101
Total	17	64	778	230	1,089

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

The fair value of the Group's gross interest-bearing loans and borrowings at 31 December 2011 and 2010 was Euros 14,838 million and Euros 18,073 million, respectively.

The estimated interest on outstanding borrowings at 31 December 2011, assuming that the interest rates prevailing at that date are maintained over the term of each transaction, is as follows: (table 34).

The estimated interest on outstanding borrowings at 31 December 2010, assuming that the interest rates prevailing at that date are maintained over the term of each transaction, is as follows: (table 35).

At 31 December 2011 and 2010, no issues were convertible into Company shares or grant holders privileges or rights that could, in certain cases, make the issues convertible into shares.

Certain Group companies' loans and borrowings contain the usual covenants in this type of agreement.

The financing agreements of ENDESA, S.A., International ENDESA B.V. (hereinafter "IEBV") and ENDESA Capital, S.A.U. (hereinafter "ENDESA Capital"), which carry out most the Group's financing activity in Spain, contain no obligations whereby failure to maintain certain financial ratios would lead to breach of contract and early termination.

Commitments relating to bonds issued by ENDESA Capital and IEBV under their Global Medium Term Notes programmes are as follows:

- Cross-default clauses, whereby debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of ENDESA, S.A. as guarantor, or of the issuers.
- Negative pledge clauses, whereby neither the issuer nor ENDESA, S.A. may issue mortgages, liens or other encumbrances on their assets to secure certain types of bonds, unless similar guarantees are issued on the bonds in question.

Table 34

Millions of Euros

Instrument	Total interest	2012	2013	2014	2015	2016	Subsequent years
Bonds and other marketable securities	3,584	444	349	276	222	214	2,079
Bank borrowings	467	108	62	41	31	26	199
Preference shares (*)	9	7	2	—	—	—	—
Other borrowings	202	50	38	28	21	17	48
Total	4,262	609	451	345	274	257	2,326

(*) Assumes the issuer will exercise early redemption in the tenth year.

Table 35

Millions of Euros

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

(*) Assumes the issuer will exercise early redemption in the tenth year.

- *Pari passu* clauses, whereby the bonds and guarantees have at least the same status as any other existing or future unsecured or non-subordinated bonds issued by ENDESA, S.A. as guarantor, or by the issuer.

Debt issued by ENDESA, S.A., IEBV and ENDESA Capital do not contain any cross-default clauses in relation to the Enersis Group's debt.

As regards clauses relating to credit ratings, at 31 December 2011 ENDESA, S.A. had entered into financial transactions amounting to Euros 300 million that could require additional guarantees or renegotiation if its credit rating were downgraded. At 31 December 2010, this amount was Euros 450 million.

The contracts governing the debt of certain ENDESA Generación and Latin American subsidiaries to third parties include standard project finance clauses used at international level in this type of contract. These contracts also require that all the assets assigned to the projects be pledged to the creditors. The outstanding balance of the debt to third parties that includes clauses of this nature amounted to Euros 586 million at 31 December 2011 (Euros 526 million at 31 December 2010) (see Notes 5.1 and 36.1).

A smaller portion of the financial debt of Enersis and ENDESA Chile is subject to cross-default clauses whereby early repayment of their debt would be triggered if, under certain circumstances, one of their Chilean subsidiaries were to default on payments or other obligations individually amounting to USD 30 million or USD 50 million (depending on the loan).

At 31 December 2011 and 2010, neither ENDESA nor any of its major subsidiaries were in breach of their financial obligations or any other covenants that could require early repayment of their liabilities.

The Group's directors consider that these clauses will not change the current/non-current classification in the accompanying consolidated statement of financial position.

19. Risk management policy

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

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

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

- The businesses, corporate areas, lines of business and companies establish the risk management controls required to ensure that transactions are performed in the markets in accordance with ENDESA policies, principles and procedures.

19.1. Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited consolidated income statement volatility. Depending on the ENDESA Group's estimates and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

Details of the interest rate risk structure, distinguishing between risk tied to fixed and protected interest rates and risk

tied to floating interest rates and taking into account the derivatives arranged, are as follows:

	Millions of Euros	
	Net position	
	31 December 2011	31 December 2010
Fixed interest rate	7,254	7,517
Protected interest rate (*)	180	1,574
Floating interest rate	3,568	6,245
Total	11,002	15,336

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

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

The breakdown of the notional amounts and fair values of interest-rate derivatives at 31 December 2011 and 2010 by designation is as follows: (table 36).

Table 36. Interest rate derivatives

Millions of Euros

	Notional		Fair value		Notional, financial assets		Assets, fair value		Notional, financial liabilities		Liabilities, fair value	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Cash flow hedging derivatives												
Interest rate swaps	3,689	3,799	(85)	(118)	224	397	6	4	3,465	3,402	(91)	(122)
Interest rate options	—	1,600	—	(1)	—	1,500	—	—	—	100	—	(1)
Fair value hedging derivatives												
Interest rate swaps	83	98	14	9	83	98	14	9	—	—	—	—
Interest rate options	—	—	—	—	—	—	—	—	—	—	—	—
Trading derivatives												
Interest rate swaps	146	195	6	4	75	75	6	8	71	120	—	(4)
Interest rate options	—	—	—	—	—	—	—	—	—	—	—	—
Total interest rate swaps	3,918	4,092	(65)	(105)	382	570	26	21	3,536	3,522	(91)	(126)
Total interest rate options	—	1,600	—	(1)	—	1,500	—	—	—	100	—	(1)
Total swaptions	—	—	—	—	—	—	—	—	—	—	—	—
Total interest rate derivatives	3,918	5,692	(65)	(106)	382	2,070	26	21	3,536	3,622	(91)	(127)

Cash flows projected for the coming years in relation to these derivatives are as follows: **(tables 37 and 38)**.

Considering effective cash flow hedges, 73% of net debt is protected from interest rate risk at 31 December 2011 (63% at 31 December 2010). In addition, taking fair value hedges in consideration, this percentage was 68% at 31 December 2011 (59% at 31 December 2010).

19.2. Currency risk

Currency risk essentially affects the following transactions:

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

The net assets relating to net investments in foreign operations whose functional currency is not the euro are exposed

to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign operations on consolidation.

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

The breakdown of exchange rate derivatives by notional amount and fair value at 31 December 2011 and 2010 is as follows: **(table 39)**.

Cash flows projected for the coming years in relation to these derivatives are as follows: **(tables 40 and 41)**.

Taking into account exchange rate hedges and the portion of debt denominated in the same currency as the economic inflows from the businesses in the countries where Group companies operate, over 98% of the notional amount of the debt is protected against exchange rate risk at 31 December 2011 (more than 98% at 31 December 2010).

Table 37. Present value (net of accumulated interest)

Millions of Euros

	Expected cash flows						
	31 December 2011	2012	2013	2014	2015	2016	Subsequent years
Cash flow hedging derivatives							
Positive fair value	6	(6)	(8)	5	—	—	—
Negative fair value	(91)	(54)	(16)	(9)	(7)	(5)	(37)
Fair value hedging derivatives							
Positive fair value	14	2	2	1	1	1	3
Negative fair value	—	—	—	—	—	—	—
Interest rate trading derivatives							
Positive fair value	6	3	2	1	—	—	—
Negative fair value	—	(1)	—	—	—	—	—

Table 38. Present value (net of accumulated interest)

Millions of Euros

	Expected cash flows						
	31 December 2010	2011	2012	2013	2014	2015	Subsequent years
Cash flow hedging derivatives							
Positive fair value	4	(1)	—	—	4	—	—
Negative fair value	(123)	(70)	(54)	(19)	(5)	(3)	(15)
Fair value hedging derivatives							
Positive fair value	9	3	2	2	1	1	4
Negative fair value	—	—	—	—	—	—	—
Interest rate trading derivatives							
Positive fair value	8	3	3	2	1	1	—
Negative fair value	(4)	(3)	(1)	—	—	—	—

Table 39. Exchange rate derivatives

Millions of Euros

	Notional		Fair value		Notional, financial assets		Assets, fair value		Notional, financial liabilities		Liabilities, fair value	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Cash flow hedging derivatives												
Futures	861	676	53	16	846	436	53	22	15	240	—	(6)
Options	—	—	—	—	—	—	—	—	—	—	—	—
Cross-currency swaps	1,527	1,696	(438)	(498)	313	310	15	41	1,214	1,386	(453)	(539)
Fair value hedging derivatives												
Futures	—	—	—	—	—	—	—	—	—	—	—	—
Options	—	—	—	—	—	—	—	—	—	—	—	—
Cross-currency swaps	457	516	18	(6)	262	265	30	15	195	251	(12)	(21)
Derivados trading												
Futures	1,410	1,457	4	2	715	790	51	25	695	667	(47)	(23)
Options	—	—	—	—	—	—	—	—	—	—	—	—
Cross-currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
Total futures	2,271	2,133	57	18	1,561	1,226	104	47	710	907	(47)	(29)
Total options	—	—	—	—	—	—	—	—	—	—	—	—
Total cross-currency swaps	1,984	2,212	(420)	(504)	575	575	45	56	1,409	1,637	(465)	(560)
Total exchange rate derivatives	4,255	4,345	(363)	(486)	2,136	1,801	149	103	2,119	2,544	(512)	(589)

Table 40. Present value (net of accumulated interest)

Millions of Euros

	Expected cash flows						
	31 December 2011	2012	2013	2014	2015	2016	Subsequent years
Exchange rate derivatives - cash flow hedges							
Positive fair value	68	50	(2)	20	—	—	—
Negative fair value	(453)	(170)	(14)	(151)	(5)	(114)	—
Exchange rate derivatives - fair value hedges							
Positive fair value	30	8	7	(1)	13	(7)	(4)
Negative fair value	(12)	(9)	1	1	1	1	1
Exchange rate derivatives - trading							
Positive fair value	51	48	3	—	—	—	—
Negative fair value	(47)	(46)	(1)	—	—	—	—

Table 41. Present value (net of accumulated interest)

Millions of Euros

	Expected cash flows						
	31 December 2010	2011	2012	2013	2014	2015	Subsequent years
Exchange rate derivatives - cash flow hedges							
Positive fair value	63	20	(2)	(2)	47	—	—
Negative fair value	(545)	(27)	(185)	(17)	(184)	(7)	(137)
Exchange rate derivatives - fair value hedges							
Positive fair value	15	8	8	6	(3)	11	(13)
Negative fair value	(21)	(2)	(16)	(2)	(1)	—	—
Exchange rate derivatives - trading							
Positive fair value	25	22	3	2	—	—	—
Negative fair value	(23)	(24)	(1)	(1)	—	—	—

19.3. Commodity price risk

The ENDESA Group is exposed to the risk of fluctuations in commodity prices, including CO₂ emission allowances, mainly through the following:

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

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

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

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

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

The breakdown of commodity derivatives by notional amount and fair value at 31 December 2011 and 2010 is as follows: (tables 42 and 43).

Details of the fair value broken down for the coming years in relation to these derivatives are as follows: (tables 44 and 45).

Table 42

Millions of Euros

	31 December 2011			
	Notional amount	Fair value	Assets, fair value	Liabilities, fair value
Cash flow hedging derivatives	807	(8)	24	(32)
Liquid fuel and gas swaps	188	—	5	(5)
Coal derivatives	291	(17)	1	(18)
Electricity swaps	293	(9)	—	(9)
Other commodity price derivatives	35	18	18	—
Other electricity derivatives	—	—	—	—
Derivatives not designated as hedging instruments	6,143	4	355	(351)
Liquid fuel and gas swaps	1,539	19	58	(39)
Liquid fuel and gas options	—	—	—	—
Other liquid fuel and gas derivatives	—	—	—	—
Electricity swaps	3,113	(102)	73	(175)
Electricity options	36	73	74	(1)
Other electricity derivatives	147	1	11	(10)
Coal swaps	631	(12)	21	(33)
Coal options	—	—	—	—
Other coal derivatives	286	(2)	2	(4)
Other commodity price derivatives	391	27	116	(89)
Total	6,950	(4)	379	(383)

Table 43

Millions of Euros

	31 December 2010			
	Notional amount	Fair value	Assets, fair value	Liabilities, fair value
Cash flow hedging derivatives	1,126	71	83	(12)
Liquid fuel and gas swaps	97	12	12	—
Coal derivatives	179	34	37	(3)
Electricity swaps	850	25	34	(9)
Other electricity derivatives	—	—	—	—
Derivatives not designated as hedging instruments	6,939	(31)	507	(538)
Liquid fuel and gas swaps	1,139	14	71	(57)
Liquid fuel and gas options	18	1	1	—
Other liquid fuel and gas derivatives	892	2	5	(3)
Electricity swaps	1,551	(143)	51	(194)
Electricity options	64	96	96	—
Other electricity derivatives	1,485	(3)	82	(85)
Coal swaps	990	(36)	133	(169)
Coal options	—	—	—	—
Other coal derivatives	285	20	27	(7)
Other commodity price derivatives	515	18	41	(23)
Total	8,065	40	590	(550)

Table 44. Fair value

Millions of Euros

	Fair value						
	31 December 2011	2012	2013	2014	2015	2016	Subsequent years
Cash flow hedging derivatives							
Electricity derivatives	(9)	(9)	—	—	—	—	—
Coal derivatives	(17)	(17)	—	—	—	—	—
Liquid fuel and gas derivatives	—	—	—	—	—	—	—
Other commodity price derivatives	18	18	—	—	—	—	—
Derivatives not designated as hedging instruments							
Electricity derivatives	(28)	(28)	—	—	—	—	—
Derivados de carbón	(14)	(14)	—	—	—	—	—
Liquid fuel and gas derivatives	19	17	2	—	—	—	—
Other commodity price derivatives	27	31	(4)	—	—	—	—
Total	(4)	(2)	(2)	—	—	—	—

Table 45. Fair value

Millions of Euros

	Fair value						
	31 December 2010	2011	2012	2013	2014	2015	Subsequent years
Cash flow hedging derivatives							
Electricity derivatives	25	27	(2)	—	—	—	—
Coal derivatives	34	34	—	—	—	—	—
Liquid fuel and gas derivatives	12	12	—	—	—	—	—
Derivatives not designated as hedging instruments							
Electricity derivatives	(50)	(50)	—	—	—	—	—
Coal derivatives	(16)	(15)	(1)	—	—	—	—
Liquid fuel and gas derivatives	17	15	2	—	—	—	—
Other commodity price derivatives	18	6	12	—	—	—	—
Total	40	29	11	—	—	—	—

Details of the impact on the value of existing commodities derivatives at 31 December 2011 and 2010 of a 10% variation in raw commodity prices are as follows: (tables 46, 47, 48 and 49).

19.4. Liquidity risk

The Group's liquidity policy consists of arranging committed long-term credit facilities with both banking entities and ENEL group companies and financial investments in an amount sufficient to cover projected needs over a given period based on the status and expectations of the debt and capital markets.

These needs include maturity of net financial debt; i.e. after financial derivatives. Further details of the characteristics and conditions of borrowings and financial derivatives are provided in Notes 18 and 20.

At 31 December 2011, the Group had liquidity of Euros 11,693 million (Euros 8,582 million at 31 December 2010),

comprising Euros 2,788 million in cash and cash equivalents (Euros 1,828 million at 31 December 2010) and Euros 8,905 million in unconditional undrawn credit facilities (Euros 6,754 million at 31 December 2010).

19.5. Credit risk

Given the current economic climate, the Group monitors credit risk very closely.

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

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

- The Group and its subsidiaries place their cash surpluses in accordance with the Group's risk management policy,

Table 46. Cash flow hedging derivatives

Millions of Euros

	31 December 2011		
	-10%	Initial scenario	+10%
Electricity derivatives	(37)	(9)	20
Coal derivatives	(45)	(17)	10
Liquid fuel and gas derivatives	(19)	—	18
Other commodity price derivatives	20	18	17

Table 47. Derivatives not designated as hedging instruments

Millions of Euros

	31 December 2011		
	-10%	Initial scenario	+10%
Electricity derivatives	5	(28)	(62)
Coal derivatives	(55)	(14)	28
Liquid fuel and gas derivatives	(7)	19	46
Other commodity price derivatives	27	27	27

Table 48. Cash flow hedging derivatives

Millions of Euros

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

Table 49. Derivatives not designated as hedging instruments

Millions of Euros

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

which dictates that counterparties must be leading entities in the markets in which they operate.

- Interest-rate and exchange-rate derivatives are arranged with highly solvent entities and 88% of positive exposures relate to transactions with entities with a credit rating of A- or higher.
- The credit risk associated with commodities included within the scope of IAS 39 is also limited. At the end of 2011, taking market values as a basis, more than 77% of transactions are with entities with a credit rating of A- or higher, or an equivalent internal rating calculated in accordance with market best practices.
- Considering interest rate and exchange rate derivatives, as well as commodity derivatives, no one counterparty represented more than 18% of the total credit risk relating to financial instruments.

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

- Analysis of counterparty risk where there is no external credit agency rating.
- Request of collateral where required.
- Request of guarantees for transactions with new customers.
- Exhaustive monitoring of trade receivables.

19.6. Risk measurement

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

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

- Debt and financial derivatives
- Energy derivatives

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

- Euribor interest rate
- US dollar Libor interest rate
- In the case of borrowings in Latin American currencies, the local indexes customarily used in the banking industry.
- The exchange rates of the various currencies included in the calculation
- Commodity prices (electricity, fuel, CO₂).

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

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

Taking into account these assumptions, the value at risk of the positions described above by business and type of position is as follows: **(table 50)**.

Table 50

Millions of Euros

	31 December 2011			31 December 2010		
	Spain and Portugal and other	LatAm	Total	Spain and Portugal and other	LatAm	Total
Financial positions	8	66	71	4	59	61
Foreign currency	14	62	75	14	62	83
Interest rate	7	5	10	15	1	14
Energy derivatives	13	—	13	7	—	7
Total	21	66	84	11	59	68

The value at risk positions changed in 2011 and 2010 on the basis of the maturity/ arrangement of transactions as the years progressed.

20. Derivative financial instruments

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

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

Details of the valuation of derivative financial instruments at 31 December 2011 and 2010 are as follows: (tables 51 and 52)

Details by maturity of the notional or contractual amounts of derivatives contracted by the Group, and their fair value at 31 December 2011 and 2010, are as follows: (tables 53 and 54).

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the

Table 51

Millions of Euros

	31 December 2011			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Debt derivatives	—	71	173	383
Interest rate hedges	—	20	14	77
Cash flow hedges	—	6	14	77
Fair value hedges	—	14	—	—
Foreign currency hedges	—	45	159	306
Cash flow hedges	—	15	153	300
Fair value hedges	—	30	6	6
Derivatives not designated as hedging instruments	—	6	—	—
Commodity price derivatives	453	28	399	29
Foreign currency hedges	51	—	—	—
Cash flow hedges	51	—	—	—
Price hedges	24	—	32	—
Cash flow hedges	24	—	32	—
Derivatives not designated as hedging instruments	378	28	367	29
Other hedges	1	1	2	—
Total	454	100	574	412

Table 52

Millions of Euros

	31 December 2010			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Debt derivatives	1	76	7	681
Interest rate hedges	1	12	2	121
Cash flow hedges	1	3	2	121
Fair value hedges	—	9	—	—
Foreign currency hedges	—	56	3	558
Cash flow hedges	—	41	1	539
Fair value hedges	—	15	2	19
Derivatives not designated as hedging instruments	—	8	2	2
Commodity price derivatives	570	67	524	54
Foreign currency hedges	22	—	5	—
Cash flow hedges	22	—	5	—
Price hedges	83	—	9	3
Cash flow hedges	83	—	9	3
Derivatives not designated as hedging instruments	465	67	510	51
Total	571	143	531	735

Table 53

Millions of Euros

Derivatives	31 December 2011							
	Fair value	Notional amount					Subsequent years	Total
		2012	2013	2014	2015	2016		
FINANCIAL DERIVATIVES	(485)	3,105	928	1,011	124	468	266	5,902
Interest rate hedges								
Cash flow hedges	(85)	2,371	925	192	16	13	172	3,689
Swaps	(85)	2,371	925	192	16	13	172	3,689
Options	—	—	—	—	—	—	—	—
Fair value hedges	14	—	—	—	—	36	47	83
Swaps	14	—	—	—	—	36	47	83
Foreign currency hedges								
Cash flow hedges	(438)	477	—	735	—	315	—	1,527
Swaps	(438)	477	—	735	—	315	—	1,527
Futures	—	—	—	—	—	—	—	—
Fair value hedges	18	186	3	84	33	104	47	457
Swaps	18	186	3	84	33	104	47	457
Derivatives not designated as hedging instruments								
Swaps	6	71	—	—	75	—	—	146
PHYSICAL DERIVATIVES	53	8,746	468	7	—	—	—	9,221
Foreign currency								
Designated as hedges	53	832	24	5	—	—	—	861
Futures	53	832	24	5	—	—	—	861
Not designated as hedges	4	1,368	42	—	—	—	—	1,410
Futures	4	1,368	42	—	—	—	—	1,410
Commodity price derivatives								
Designated as hedges	(8)	807	—	—	—	—	—	807
Swaps	(26)	772	—	—	—	—	—	772
Other	18	35	—	—	—	—	—	35
Not designated as fuel hedges	32	2,562	283	2	—	—	—	2,847
Swaps	7	1,899	269	2	—	—	—	2,170
Other	25	663	14	—	—	—	—	677
Not designated as electricity hedges	(28)	3,177	119	—	—	—	—	3,296
Swaps	(102)	3,002	111	—	—	—	—	3,113
Other	74	175	8	—	—	—	—	183
Total	(432)	11,851	1,396	1,018	124	468	266	15,123

Table 54

Millions of Euros

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

Group, since these amounts only constitute the basis on which the derivative settlement calculations were made.

The ineffective portion of cash flow hedges recognised in the consolidated income statement amounted to a gain of Euros 1 million in 2011 and a loss of Euros 2 million in 2010.

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

	Millions of Euros			
	2011		2010	
	Income	Expenses	Income	Expenses
Hedged items (Note 30)	6	29	2	66
Derivatives (Note 30) (*)	21	1	77	8
Total	27	30	79	74

(*) Without settlement.

In 2011, certain derivatives initially designated as cash flow hedges were discontinued, with a negative impact on the accompanying consolidated income statement of Euros 38 million (negative impact of Euros 23 million 2010).

20.1. Classification of financial instruments under IFRS 7

A breakdown of financial assets measured at fair value at 31 December 2011 and 2010 in accordance with IFRS 7 is as follows: (tables 55 and 56).

A breakdown of financial liabilities measured at fair value at 31 December 2011 and 2010 in accordance with IFRS 7 is as follows: (tables 57 and 58).

Table 55

Millions of Euros

	31 December 2011			
	Fair value	Level 1	Level 2	Level 3
Debt securities	—	—	—	—
Cash flow hedging derivatives	22	—	22	—
Fair value hedging derivatives	44	—	44	—
Derivatives not designated as hedging instruments	34	—	34	—
Other financial assets	—	—	—	—
Total non-current assets	100	—	100	—
Debt securities	—	—	—	—
Cash flow hedging derivatives	76	—	76	—
Fair value hedging derivatives	—	—	—	—
Derivatives not designated as hedging instruments	378	41	337	—
Other financial assets	—	—	—	—
Total current assets	454	41	413	—

Table 56

Millions of Euros

	31 December 2010			
	Fair value	Level 1	Level 2	Level 3
Debt securities	—	—	—	—
Cash flow hedging derivatives	44	—	44	—
Fair value hedging derivatives	24	—	24	—
Derivatives not designated as hedging instruments	75	15	60	—
Other financial assets	—	—	—	—
Total non-current assets	143	15	128	—
Debt securities	—	—	—	—
Cash flow hedging derivatives	106	15	91	—
Fair value hedging derivatives	—	—	—	—
Derivatives not designated as hedging instruments	465	100	365	—
Other financial assets	—	—	—	—
Total current assets	571	115	456	—

Table 57

Millions of Euros

	31 December 2011			
	Fair value	Level 1	Level 2	Level 3
Bank borrowings	43	—	43	—
Bonds and other marketable securities	555	—	555	—
Cash flow hedging derivatives	377	—	377	—
Fair value hedging derivatives	6	—	6	—
Derivatives not designated as hedging instruments	29	—	29	—
Other financial liabilities	—	—	—	—
Total non-current liabilities	1,010	—	1,010	—
Bank borrowings	6	—	—	6
Bonds and other marketable securities	—	—	—	—
Cash flow hedging derivatives	199	4	195	—
Fair value hedging derivatives	6	—	6	—
Derivatives not designated as hedging instruments	369	21	348	—
Other financial liabilities	6	—	6	—
Total current liabilities	586	25	555	6

Table 58

Millions of Euros

	31 December 2010			
	Fair value	Level 1	Level 2	Level 3
Bank borrowings	57	—	37	20
Bonds and other marketable securities	789	—	789	—
Cash flow hedging derivatives	663	—	663	—
Fair value hedging derivatives	19	—	19	—
Derivatives not designated as hedging instruments	53	3	50	—
Other financial liabilities	—	—	—	—
Total non-current liabilities	1,581	3	1,558	20
Bank borrowings	—	—	—	—
Bonds and other marketable securities	—	—	—	—
Cash flow hedging derivatives	17	5	12	—
Fair value hedging derivatives	2	—	2	—
Derivatives not designated as hedging instruments	512	74	438	—
Other financial liabilities	—	—	—	—
Total current liabilities	531	79	452	—

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

	Millions of Euros
Balance at 31 December 2009	16
Losses recognised in net financial result	1
Translation differences	3
Balance at 31 December 2010	20
Losses recognised in net financial result	(13)
Translation differences	(1)
Balance at 31 December 2011	6

Level 3 fair value was determined by applying a traditional discounted cash flow method. Projections of these cash flow use internally developed assumptions, mainly in relation to estimates of prices, firm power output and capacity levels, and operation and maintenance expenses of some plants.

None of the possible scenarios foreseen in these assumptions would result in a significant change in the fair value of the financial instruments included in this level.

21. Other non-current liabilities

Details of other non-current liabilities at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Guarantee deposits (Note 10.1)	471	349
Non-financial derivatives (Note 20)	29	54
Other payables	154	199
Total	654	602

22. Deferred tax assets and liabilities

At 31 December 2011 and 2010, deferred taxes arose as a result of the following:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Deferred tax assets		
Depreciation and amortisation charge	51	109
Provisions for pension funds and workforce reduction plans	870	1,078
Other provisions	478	421
Loss carryforwards	35	54
Unused tax credits	25	1
Other	384	423
Total	1,843	2,086

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Deferred tax liabilities		
Accelerated depreciation and amortisation of assets for tax purposes	1,198	1,089
Other	795	786
Total	1,993	1,875

Movement in deferred tax assets and deferred tax liabilities in 2011 and 2010 in the accompanying consolidated statement of financial position is as follows: (tables 59, 60, 61 and 62).

In 2011, deferred tax assets amounting to Euros 65 million recognised at some Group companies in Argentina whose recovery was uncertain given the regulatory situation facing them (see Note 4.2) were reversed, with a charge to income tax expense in the consolidated income statement.

The movement in transfers and others includes mainly the transfer to non-current assets held for sale and discontinued operations and liabilities directly associated with non-current assets classified as held for sale and discontinued operations of deferred tax assets and liabilities, respectively, which at 31 December were associated with assets held for sales and liabilities related to those assets (see Notes 3j and 33).

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

Details of prior year's tax loss carryforwards available for offset against future profits at 31 December 2011 and 2010 and the final year of reversal are as follows:

	<i>Millions of Euros</i>
Year	31 December 2011
2012	2
2013	2
2014	10
2015	3
2016	3
No time limit	195

	<i>Millions of Euros</i>
Year	31 December 2010
2011	3
2012	4
2013	1
2014	13
2015	6
No time limit	293

Details of unused tax credits available for use against future profits at 31 December 2011 and 2010 and the final year they may be utilised are as follows:

	<i>Millions of Euros</i>
Year	31 December 2011
2016	20
2021	5

At 31 December 2010, there was Euros 1 million of unused tax credits.

The ENDESA Group has not recognised deferred tax liabilities relating to undistributed profits of subsidiaries over

Table 59

Millions of Euros

	Balance at 31/12/2010	Inclusion/ (exclusion) of companies	Debit / (Credit) Profit and loss	Debit / (Credit) Equity	Translation differences	Transfers and other	Balance at 31/12/2011
Deferred tax assets							
Depreciation and amortisation charge	109	—	(2)	—	1	(57)	51
Provisions for pension funds and workforce reduction plans	1,078	—	(147)	(48)	—	(13)	870
Other provisions	421	—	50	—	(1)	8	478
Loss carryforwards	54	—	(18)	—	—	(1)	35
Unused tax credits	1	—	25	—	—	(1)	25
Other	423	—	(17)	14	(35)	(1)	384
Total	2,086	—	(109)	(34)	(35)	(65)	1,843

Table 60

Millions of Euros

	Balance at 31/12/2009	Inclusion/ (exclusion) of companies	Debit / (Credit) Profit and loss	Debit / (Credit) Equity	Translation differences	Transfers and other	Balance at 31/12/2010
Deferred tax assets							
Depreciation and amortisation charge	117	(3)	(16)	—	11	—	109
Provisions for pension funds and workforce reduction plans	1,121	(3)	(96)	54	—	2	1,078
Other provisions	359	—	(7)	8	25	36	421
Loss carryforwards	85	—	(50)	—	10	9	54
Unused tax credits	2	(1)	—	—	—	—	1
Other	360	(12)	40	(2)	39	(2)	423
Total	2,044	(19)	(129)	60	85	45	2,086

Table 61

Millions of Euros

	Balance at 31/12/2010	Inclusion/ (exclusion) of companies	Debit / (Credit) Profit and loss	Debit / (Credit) Equity	Translation differences	Transfers and other	Balance at 31/12/2011
Deferred tax liabilities							
Accelerated depreciation and amortisation of assets for tax purposes	1,089	—	162	—	2	(55)	1,198
Other	786	(12)	44	6	(13)	(16)	795
Total	1,875	(12)	206	6	(11)	(71)	1,993

Table 62

Millions of Euros

	Balance at 31/12/2009	Inclusion/ (exclusion) of companies	Debit / (Credit) Profit and loss	Debit / (Credit) Equity	Translation differences	Transfers and other	Balance at 31/12/2010
Deferred tax liabilities							
Accelerated depreciation and amortisation of assets for tax purposes	977	4	28	—	81	(1)	1,089
Other	591	(54)	186	23	23	17	786
Total	1,568	(50)	214	23	104	16	1,875

which its control enables it to manage the reversal of the deferred tax liabilities and these are not expected to reverse in the near future. At 31 December 2011 and 2010, unrecognised deferred tax liabilities amounted to Euros 111 million and Euros 137 million, respectively.

At 31 December 2011 and 2010, the ENDESA Group companies had not recognised deferred taxes and assets on tax losses amounting to Euros 22 million and Euros 23 million, respectively.

23. Trade payables and other current liabilities

Details at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Trade payables	5,275	5,481
Tax liabilities	943	1,346
Income tax	465	905
VAT payable	144	122
Other taxes	334	319
Non-financial derivatives (Note 20)	401	524
Dividend payable	240	895
Other payables	1,360	1,578
Total	8,219	9,824

The average payment period to suppliers was 61 days in 2011 and 68 days in 2010. Therefore, fair value does not differ significantly from carrying amount.

23.1. Information on deferred payments to suppliers. Third additional provision. "Duty of disclosure" of Law 15/2010, of 5 July 2010.

Since the passage of Law 15/2010, of 5 July 2010, the Group has adapted its payment systems in order to comply with the statutory limits set out in this law. The work was completed in 2011. The following are details of the degree of compliance with the statutory limits in this law by the Group's Spanish companies in 2011:

Payments made and outstanding	<i>Millions of Euros</i>	
	Importe	%
Within the statutory payment limit	18,699	96
Other	798	4
Total payments for the year	19,497	100
Weighted average late payment days	16	
Deferred payments that exceed the statutory payment limit at year end	11	

At 31 December 2010, trade payables and other current liabilities in the consolidated statement of financial position relating to Spanish Group companies included payables of

Euros 56 million which, at that date, exceeded the statutory limit stipulated in Law 15/2010, of 5 July 2010.

24. Current provisions

Details of current provisions in the accompanying consolidated statement of financial position at 31 December 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Pensions and similar obligations (Note 17.1)	—	5
Workforce restructuring plans (Note 17.2)	430	393
CO ₂ emission allowance (Notes 7.1 and 16)	239	293
Other current provisions	266	329
Total	935	1,020

25. Income

25.1. Sales

The detail of sales in the accompanying consolidated income statement for the year ended 31 December 2011 and 2010 is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Power sales	27,032	25,589
Sales to last resort sellers	4,973	5,242
Other sales of electricity to customers	15,859	14,500
Electricity sales to wholesale market	2,287	1,668
Electricity sales under special regime	—	29
Electricity trading	626	1,136
Gas trading	1,525	1,277
Compensation for stranded costs in non-mainland generation	1,762	1,737
Regulated revenue from distribution	2,241	2,445
Regulated revenue from electricity distribution	2,241	2,385
Regulated revenue from gas distribution	—	60
Other sales and rendering of services	1,554	1,524
Total	30,827	29,558

Sales from external customers in the main geographical areas where the Group operates are as follows:

	<i>Millions of Euros</i>	
	2011	2010
Spain	19,115	18,203
Chile	3,081	3,016
Brazil	2,930	2,892
Colombia	1,608	1,682
Argentina	1,236	1,158
Peru	738	624
Other	2,119	1,983
Total	30,827	29,558

25.2. Other operating income

Details of other operating income in 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	2011	2010
Changes in fuel stock derivatives	616	445
Income from improvements to infrastructure (IFRIC 12) (Note 3d)	266	374
CO ₂ emission allowances (Note 16)	217	236
Services rendered at plants	173	34
Grants released to income	152	133
Other	435	397
Total	1,859	1,619

26. Other variable procurements and services

The detail of this item in the accompanying consolidated income statement for the year ended 31 December 2011 and 2010 is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Changes in fuel stock derivatives	590	513
Sales taxes	488	497
Expenses for improvements infrastructure (IFRIC 12) (Note 3d)	266	374
CO ₂ emission allowances	239	331
Street lighting / works licences	204	190
Treatment of radioactive waste	161	193
Environmental fees and taxes	44	53
Other variable costs	552	967
Total	2,544	3,118

27. Personnel expenses

The detail of employee benefits expense in 2011 and 2010 is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Wages and salaries	1,220	1,261
Contributions to pension schemes (Note 17.1)	86	96
Provisions for workforce restructuring costs (Note 17.2)	(53)	132
Other personnel expenses/employee benefits expense	372	363
Total	1,625	1,852

28. Other fixed operating expenses

The detail of this item in the consolidated income statement is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Repairs and maintenance	669	486
Taxes other than income tax	190	312
Disciplinary proceedings, termination benefits and fines	108	165
Independent professional services and external services	104	450
Leases and royalties (Note 5.1)	96	112
Insurance premiums	72	68
Travel expenses	51	52
Other operating expenses	1,028	703
Total	2,318	2,348

29. Depreciation and amortisation, and impairment losses

Details for 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	2011	2010
Depreciation of property, plant and equipment (Note 5)	1,784	1,727
Impairment of property, plant and equipment and investment property (Notes 5 and 6)	161	49
Amortisation of intangible assets (Note 7)	233	264
Impairment of intangible assets (Note 7)	226	(6)
Impairment of goodwill (Notes 8 and 33)	103	115
Provisions for bad debts and other (Notes 12 and 33)	105	294
Total	2,612	2,443

Impairment of intangible assets at 31 December 2011 includes losses on onerous contracts for the deferred purchase of emission allowances for Euros 104 million.

30. Net finance expense

A breakdown of the net finance costs in the consolidated income statement for 2011 and 2010 is as follows:

	Millions of Euros	
	2011	2010
Finance income	633	377
Cash and cash equivalents	113	117
Other financial assets	105	93
Expected return on defined benefit plan assets (Note 17.1)	93	104
Other finance income	322	63
Finance costs	(1,172)	(1,146)
Debt	(782)	(778)
Provisions	(154)	(119)
Capitalised borrowing costs (Notes 3a and 3i)	66	73
Post-employment obligations (Note 17.1)	(141)	(144)
Other finance costs	(161)	(178)
Gains/(losses) on derivative financial instruments	(101)	(126)
Cash flow hedges	(117)	(122)
Derivatives at fair value through profit or loss	4	(10)
Fair value hedges (Note 20)	35	70
Measurement of financial instruments at Fair value (Note 20)	(23)	(64)
Exchange differences	18	12
Gains	345	261
Losses	(327)	(249)
Net finance cost	(622)	(883)

31. Gains/(losses) on disposal of assets

The gross gain on asset disposals in 2011 was Euros 113 million. The main transactions carried out in the year were as follows:

- On 24 February 2011, Enersis sold to Graña y Montero S.A.A. the assets integrated in the group led by Chil-

ean company CAM. The agreed selling price was Euros 14 million (USD 20 million), which due to a price adjustment decreased to Euros 10 million (USD 14 million), generating a gross gain of Euros 8 million.

- On 1 March 2011, Enersis sold to Riverwood Capital L.P. the assets integrated in the group led by Chilean company Synapsis. The transaction was carried out at a price of Euros 37 million (USD 52 million), generating a gross gain of Euros 5 million.
- On 30 March 2011, ENDESA entered into an agreement with its controlling shareholder EEE whereby it transferred its systems and telecommunications operations for Euros 250 million. Under the terms of the agreement, the assets and liabilities included in this activity amounted to Euros 100 million and Euros 26 million, respectively. The sale was completed in July 2011, generating a gross gain of Euros 176 million.
- A number of factoring transactions were carried out during the year, for a cost of Euros 39 million.
- Other losses arising from price adjustments made to disposals in prior years amounted to Euros 51 million.

A breakdown of gains/(losses) on disposals of assets in the accompanying consolidated income statement for 2010 is as follows:

	Millions of Euros	
	2011	2010
Loss of control of EGP España		1,043
Electricity transmission network (Note 33)		748
Gas distribution and transmission network (Note 33)		489
Other		81
Total		2,361

In March 2010, the ENEL Group integrated the renewable energies activities of ENDESA and EGP in Spain and Portugal into a single EGP consolidated company, fully controlled by ENEL. Prior to this integration, EGP España paid a dividend of Euros 366 million and reduced capital by Euros 128 million. Subsequently, ENDESA sold 30% of its subsidiary EGP España to EGP for Euros 326 million, generating a gross capital gain of Euros 313 million, and EGP subscribed a capital increase carried out by EGP España, which increased EGP's interest to 60% of that company and reduced ENDESA's interest to 40%. This capital in-

crease was subscribed by EGP through a cash contribution of Euros 534 million and shares representing 50% of ENEL Unión Fenosa Renovables, S.A. (hereinafter "Eufer"), valued at Euros 280 million. As a result of this transaction, ENDESA lost control of EGP España. Therefore, according to prevailing accounting standards, ENDESA measured its 40% interest in EGP España at fair value, recognising a pre-tax gain of Euros 730 million under gains/(losses) on disposals of assets in the consolidated income statement.

32. Income tax

A breakdown of the income tax expense is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Current income tax for the year	901	1,171
Deferred income tax for the year (Note 22)	315	343
Adjustment of prior years	37	(113)
Income tax provisions	(94)	(3)
Total	1,159	1,398

A reconciliation of the income tax resulting from applying the standard tax rate in Spain to profit before tax to the income tax expense recognised in the accompanying consolidated income statement and the reconciliation of this expense to net income tax payable for 2011 and 2010 is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Profit before tax	4,180	6,516
Profit before tax from discontinued operations	—	—
Permanent differences	481	(30)
Adjusted profit	4,661	6,486
Tax rate (%)	30.0	30.0
Adjusted profit multiplied by tax rate	1,398	1,946
Effect of applying different tax rates	(42)	(58)
Tax credits taken to profit and loss	(140)	(374)
Income tax expense in the consolidated income statement	1,216	1,514
Tax recognised directly in equity in the year	24	(47)
Total income tax expense	1,240	1,467
Changes in deferred taxes in the year	(370)	(460)
Net income tax payable	870	1,007

33. Non-current assets held for sale and discontinued operations

The main transactions involving assets classified as held for sale in 2011 and 2010 are as follows:

Sale of the gas distribution and transmission network

In early 2010, the Group embarked on an active programme to sell 80% of ENDESA's gas distribution and transmission assets in Spain, classifying them from that time as non-current assets held for sale.

On 17 December 2010, an 80% interest in Nubia 2000, S.L. (currently ENDESA Gas), the company holding most of ENDESA's gas transmission and distribution assets, was sold to two infrastructure funds managed by Goldman Sachs. ENDESA retained a purchase option on the interest sold, which it can exercise from five to seven years after the sale at the market value of the interest at the exercise date, which could be adjusted to obtain a previously agreed return on the funds.

On the same date, a shareholders agreement was entered into between the infrastructure funds managed by Goldman Sachs and ENDESA whereby ENDESA would have seats on the Board of Directors and protective veto rights on certain decisions by the Board of Directors and at the General Meeting of Shareholders in proportion to its (20%) interest, not giving the ENDESA Group the power to control the financial and operating policies of Nubia 2000, S.L. ("ENDESA Gas") alone or jointly with other shareholders.

Sale of the electricity transmission network

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

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

On 13 December 2010, EDE and REE completed the transfer of practically all the assets in the sale and purchase agreement entered into by the two parties on 1 July 2010 in relation to electricity transmission assets, thereby complying with the legal obligation. The assets were sold for Euros 1,412 million.

Other transactions

In 2009, ENDESA started negotiations for the sale of its 50.01% interest in ENDESA Hellas, whose assets and liabilities were classified as held for sale in the consolidated statement of financial position at 31 December 2009. On 1 July 2010, this interest was sold to the Mytilineos Group for Euros 140 million. No gain or loss was recognised in the 2010 consolidated income statement as the value of the assets had been written off for an amount of Euros 87 million with a charge to depreciation and amortisation, and impairment losses in the 2009 consolidated income statement.

In addition, towards the end of 2009, the sale of the 1% interest in Red Eléctrica Corporación, S.A. (hereinafter "REC") began. This sale was completed in early 2010 for Euros 51 million, with a pre-tax gain of Euros 36 million recognised in the 2010 consolidated income statement in addition to the Euros 5 million recognised in 2009.

In 2009, ENDESA began taking steps to sell its 100% interest in CAM Group. On 20 December 2010, the directors of Enersis accepted a bid from Peruvian company Graña y Montero S.A.A. to acquire this company for USD 20 million. As a result, the CAM Group's assets and liabilities were still classified as held for sale in the accompanying consolidated statement of financial position at 31 December 2010. As a result of different assessments of sales prices during the process, the assets were written down by Euros 30 million

with a charge to depreciation and amortisation, and impairment losses in the accompanying consolidated income statement for 2010 and Euros 30 million in the same line item in the consolidated income statement for 2009. On 24 February 2011, the sale was completed for Euros 10 million (USD 14 million) (see Note 31).

In 2010, ENDESA moved to sell its 100% interest in the Synapsis Group. On 20 December 2010, the directors of Enersis accepted the bid of USD 52 million (Euros 37 million) by Riverwood Capital L.P. for Synapsis and on 1 March 2011, the sale was completed (see Note 31).

At the end of 2010, ENDESA moved to sell its 100% interest in ENDESA Ireland Limited (hereinafter "ENDESA Ireland"). In 2011, active steps were taken to carry out the sale, which were hampered by the global economic situation and particularly the situation of the Irish economy. Nonetheless, the Group's directors expect the disposal to take place in the early part of 2012. Therefore, the assets and liabilities of ENDESA Ireland were still classified as held for sale in the consolidated statement of financial position at 31 December 2011.

The Group recognised an impairment loss on ENDESA Ireland's assets of Euros 115 million in 2010 and an additional impairment loss of Euros 95 million in 2011 (see Note 29). In both cases, the impairment loss was recognised to adjust the estimated sale price of the assets.

None of the aforementioned assets or the non-current assets held for sale and discontinued operations in the accompanying consolidated statement of financial position at 31 December 2010 represent a major geographical area or line of business. Consequently, the consolidated income statements for 2011 and 2010 do not include profits from discontinued operations.

Details of non-current assets held for sale and discontinued operations and liabilities directly associated with non-current assets classified as held for sale and discontinued operations at 31 December 2011 and 2010, by nature and segments, are as follows:

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

Millions of Euros

	31 December 2011			31 December 2010		
	Spain and Portugal and other	LatAm	Total	Spain and Portugal and other	LatAm	Total
ASSETS						
NON-CURRENT ASSETS	368	—	368	385	41	426
Property, plant and equipment	245	—	245	166	26	192
Investment property	—	—	—	—	—	—
Intangible assets	21	—	21	23	4	27
Goodwill	101	—	101	196	—	196
Investments accounted for using the equity method	—	—	—	—	—	—
Non-current financial assets	—	—	—	—	2	2
Deferred tax assets	1	—	1	—	9	9
CURRENT ASSETS	21	—	21	24	83	107
Inventories	21	—	21	14	12	26
Trade and other receivables	—	—	—	10	55	65
Current financial assets	—	—	—	—	1	1
Cash and cash equivalents	—	—	—	—	15	15
Total assets	389	—	389	409	124	533
NON-CURRENT LIABILITIES	80	—	80	74	14	88
Deferred income	29	—	29	29	—	29
Non-current provisions	30	—	30	31	5	36
Non-current interest-bearing loans and borrowings	2	—	2	—	1	1
Other non-current liabilities	—	—	—	—	—	—
Deferred tax liabilities	19	—	19	14	8	22
CURRENT LIABILITIES	3	—	3	19	105	124
Current interest-bearing loans and borrowings	1	—	1	—	10	10
Current provisions	—	—	—	—	—	—
Trade payables and other current liabilities	2	—	2	19	95	114
Total liabilities	83	—	83	93	119	212

34. Segment information

34.1. Basis of segmentation

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

- Spain and Portugal and Other ("Spain and Portugal")
- Latin America ("LatAm")

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

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

The corporate activities and adjustments columns in the segment consolidated statement of financial position show the inter-segment balances and consolidation adjustments, respectively, at the end of each reporting period.

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

External customers did not represent 10% or more of the revenues of any Group segment in the years ended 31 December 2011 and 2010.

34.2. Segment information

Segment information for 2011 and 2010 is as follows:

Segment information: income statements for 2011 and 2010

Millions of Euros

	2011			2010		
	Spain and Portugal	LatAm	Total	Spain and Portugal	LatAm	Total
INCOME	22,650	10,036	32,686	21,191	9,986	31,177
Sales	21,234	9,593	30,827	20,186	9,372	29,558
Other operating income	1,416	443	1,859	1,005	614	1,619
PROCUREMENTS AND SERVICES	(16,192)	(5,490)	(21,682)	(14,380)	(5,388)	(19,768)
Power purchases	(6,321)	(2,605)	(8,926)	(5,125)	(2,284)	(7,409)
Cost of fuel consumed	(2,647)	(1,314)	(3,961)	(1,929)	(1,225)	(3,154)
Transmission costs	(5,659)	(592)	(6,251)	(5,517)	(570)	(6,087)
Other variable procurements and services	(1,565)	(979)	(2,544)	(1,809)	(1,309)	(3,118)
CONTRIBUTION MARGIN	6,458	4,546	11,004	6,811	4,598	11,409
Self-constructed assets	129	75	204	199	66	265
Personnel expenses	(1,050)	(575)	(1,625)	(1,279)	(573)	(1,852)
Other fixed operating expenses	(1,513)	(805)	(2,318)	(1,652)	(696)	(2,348)
GROSS PROFIT FROM OPERATIONS	4,024	3,241	7,265	4,079	3,395	7,474
Depreciation and amortisation, and impairment losses (*)	(1,780)	(832)	(2,612)	(1,596)	(847)	(2,443)
PROFIT FROM OPERATIONS	2,244	2,409	4,653	2,483	2,548	5,031
NET FINANCE COST	(295)	(327)	(622)	(460)	(423)	(883)
Finance income	297	420	717	121	256	377
Finance expenses	(584)	(773)	(1,357)	(586)	(686)	(1,272)
Net exchange differences	(8)	26	18	5	7	12
Net profit of companies accounted for using the equity method	17	13	30	(1)	2	1
Gains/(losses) from other investments	4	2	6	6	—	6
Gains/(losses) on disposal of assets	93	20	113	2,346	15	2,361
PROFIT BEFORE TAX	2,063	2,117	4,180	4,374	2,142	6,516
Income tax expense	(470)	(689)	(1,159)	(869)	(529)	(1,398)
PROFIT AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS	1,593	1,428	3,021	3,505	1,613	5,118
PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS	—	—	—	—	—	—
PROFIT FOR THE YEAR	1,593	1,428	3,021	3,505	1,613	5,118
Parent company	1,593	619	2,212	3,498	631	4,129
Non-controlling interests	—	809	809	7	982	989

(*) Net impairment losses were recognised in 2011 and 2010 amounting to Euros 595 million and Euros 452 million, respectively.

Segment information: statement of financial position at 31 December 2011 and 2010

Millions of Euros

	31 December 2011			31 December 2010		
	Spain and Portugal	LatAm	Total	Spain and Portugal	LatAm	Total
ASSETS						
Non-current assets	25,848	17,321	43,169	25,960	17,595	43,555
Property, plant and equipment	21,978	10,926	32,904	22,001	10,895	32,896
Investment property	17	57	74	13	56	69
Intangible assets	829	2,184	3,013	845	2,322	3,167
Goodwill	14	2,603	2,617	18	2,779	2,797
Investments accounted for using the equity method	881	16	897	881	18	899
Non-current financial assets	884	937	1,821	835	806	1,641
Deferred tax assets	1,245	598	1,843	1,367	719	2,086
Current assets	11,629	3,923	15,552	14,819	4,214	19,033
Inventories	1,136	117	1,253	1,028	101	1,129
Trade and other receivables	3,678	1,792	5,470	3,765	2,344	6,109
Current financial assets	5,519	133	5,652	9,377	57	9,434
Cash and cash equivalents	907	1,881	2,788	240	1,588	1,828
Non-current assets held for sale and discontinued operations	389	—	389	409	124	533
Total assets	37,477	21,244	58,721	40,779	21,809	62,588
EQUITY AND LIABILITIES						
Equity	14,431	10,248	24,679	12,798	10,366	23,164
Of the Parent	14,416	4,875	19,291	12,800	4,976	17,776
Non-controlling interests	15	5,373	5,388	(2)	5,390	5,388
Non-current liabilities	16,699	7,036	23,735	20,123	7,260	27,383
Deferred income	4,121	8	4,129	3,930	6	3,936
Non-current provisions	3,424	744	4,168	3,967	747	4,714
Non-current borrowings	7,629	5,162	12,791	10,952	5,304	16,256
Other non-current liabilities	481	173	654	490	112	602
Deferred tax liabilities	1,044	949	1,993	784	1,091	1,875
Current liabilities	6,347	3,960	10,307	7,858	4,183	12,041
Current borrowings	172	898	1,070	5	980	985
Current provisions	783	152	935	838	182	1,020
Trade payables and other liabilities	5,309	2,910	8,219	6,922	2,902	9,824
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations	83	—	83	93	119	212
Total equity and liabilities	37,477	21,244	58,721	40,779	21,809	62,588

Segment information: statement of cash flows 2011 and 2010

Millions of Euros

	2011			2010		
	Spain and Portugal	LatAm	Total	Spain and Portugal	LatAm	Total
Profit before tax and non-controlling interests	2,063	2,117	4,180	4,374	2,142	6,516
Adjustments for:	1,534	1,093	2,627	(131)	1,221	1,090
Depreciation and amortisation, and impairment losses	1,780	832	2,612	1,596	847	2,443
Other adjustments (net)	(246)	261	15	(1,727)	374	(1,353)
Changes in operating assets and liabilities	696	8	704	315	(238)	77
Other cash flows from operating activities	(886)	(787)	(1,673)	(1,026)	(752)	(1,778)
Interest received	255	389	644	53	256	309
Dividends received	3	1	4	11	1	12
Interest paid	(401)	(559)	(960)	(327)	(342)	(669)
Income tax paid	(318)	(487)	(805)	(316)	(559)	(875)
Other receipts from and payments for operating activities	(425)	(131)	(556)	(447)	(108)	(555)
Net cash flows from operating activities	3,407	2,431	5,838	3,532	2,373	5,905
Acquisitions of property, plant and equipment and intangible assets	(1,691)	(1,123)	(2,814)	(1,516)	(1,077)	(2,593)
Proceeds from sale of property, plant and equipment and intangible assets	254	27	281	1,441	88	1,529
Purchase of investments in group companies	(8)	(94)	(102)	—	(30)	(30)
Proceeds from sale of investments in group companies	9	63	72	1,532	—	1,532
Purchase of other investments	(2,012)	(213)	(2,225)	(2,147)	(74)	(2,221)
Proceeds from sale of other investments	4,711	168	4,879	763	116	879
Cash flows from changes in consolidated group	22	(29)	(7)	(87)	—	(87)
Grants and other deferred income	209	3	212	233	—	233
Net cash flows from/(used in) investing activities	1,494	(1,198)	296	219	(977)	(758)
Proceeds from borrowings, non-current	430	824	1,254	931	243	1,174
Repayment of borrowings, non-current	(2,439)	(219)	(2,658)	(856)	(345)	(1,201)
Net cash flows used in current borrowings	(1,149)	(875)	(2,024)	(3,056)	(614)	(3,670)
Dividends of the Parent paid	(1,076)	—	(1,076)	(798)	(290)	(1,088)
Payments to non-controlling interests	—	(617)	(617)	—	(570)	(570)
Net cash flows used in financing activities	(4,234)	(887)	(5,121)	(3,779)	(1,576)	(5,355)
Total net cash flows	667	346	1,013	(28)	(180)	(208)
Effect of exchange rate changes on cash and cash equivalents	—	(68)	(68)	—	191	191
Net increase/(decrease) in cash and cash equivalents	667	278	945	(28)	11	(17)
Cash and cash equivalents at 1 january	240	1,603	1,843	268	1,592	1,860
Cash in hand and at banks	237	291	528	89	1,173	1,262
Cash equivalents	3	1,312	1,315	179	419	598
Cash and cash equivalents at 31 december	907	1,881	2,788	240	1,603	1,843
Cash in hand and at banks	666	387	1,053	237	291	528
Cash equivalents	241	1,494	1,735	3	1,312	1,315

Segment information: income statements for 2011 and 2010

Millions of Euros

	Electricity business in Spain and Portugal									
	2011					2010				
	Generation	Distribution	Corporate activities	Adjustments	Total	Generation	Distribution	Corporate activities	Adjustments	Total
INCOME	20,057	2,759	714	(880)	22,650	18,833	2,853	332	(827)	21,191
Sales	18,906	2,461	332	(465)	21,234	17,755	2,735	281	(585)	20,186
Other operating income	1,151	298	382	(415)	1,416	1,078	118	51	(242)	1,005
PROCUREMENTS AND SERVICES	(16,203)	(135)	(388)	534	(16,192)	(14,614)	(131)	(24)	389	(14,380)
Power purchases	(6,323)	—	—	2	(6,321)	(5,320)	—	—	195	(5,125)
Cost of fuel consumed	(2,647)	—	—	—	(2,647)	(1,949)	—	—	20	(1,929)
Transmission costs	(5,654)	—	—	(5)	(5,659)	(5,517)	—	—	—	(5,517)
Other variable procurements and services	(1,579)	(135)	(388)	537	(1,565)	(1,828)	(131)	(24)	174	(1,809)
CONTRIBUTION MARGIN	3,854	2,624	326	(346)	6,458	4,219	2,722	308	(438)	6,811
Self-constructed assets	(2)	97	34	—	129	24	96	2	77	199
Personnel expenses	(536)	(313)	(201)	—	(1,050)	(639)	(360)	(293)	13	(1,279)
Other fixed operating expenses	(1,185)	(592)	(79)	343	(1,513)	(1,295)	(558)	(120)	321	(1,652)
GROSS PROFIT FROM OPERATIONS	2,131	1,816	80	(3)	4,024	2,309	1,900	(104)	(26)	4,079
Depreciation and amortisation, and impairment losses (*)	(1,154)	(599)	(50)	23	(1,780)	(982)	(577)	(58)	21	(1,596)
PROFIT FROM OPERATIONS	977	1,217	30	20	2,244	1,327	1,323	(162)	(5)	2,483
NET FINANCE COST	(233)	(24)	(33)	(5)	(295)	(266)	(105)	(135)	46	(460)
Finance income	116	60	917	(796)	297	82	34	745	(740)	121
Finance expenses	(337)	(84)	(954)	791	(584)	(331)	(139)	(878)	762	(586)
Net exchange gains	(12)	—	4	—	(8)	(17)	—	(2)	24	5
Net profit of companies accounted for using the equity method	17	(1)	—	1	17	(7)	5	3	(2)	(1)
Gains/(losses) from other investments	—	2	755	(753)	4	6	(1)	1,230	(1,229)	6
Gains/(losses) on disposal of assets	(32)	(51)	179	(3)	93	1,052	1,239	57	(2)	2,346
PROFIT BEFORE TAX	729	1,143	931	(740)	2,063	2,112	2,461	993	(1,192)	4,374
Income tax expense	(153)	(275)	(47)	5	(470)	(394)	(511)	47	(11)	(869)
PROFIT AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS	576	868	884	(735)	1,593	1,718	1,950	1,040	(1,203)	3,505
PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS	—	—	—	—	—	—	—	—	—	—
PROFIT FOR THE YEAR	576	868	884	(735)	1,593	1,718	1,950	1,040	(1,203)	3,505
Parent company	576	868	884	(735)	1,593	1,716	1,945	1,040	(1,203)	3,498
Non-controlling interests	—	—	—	—	—	2	5	—	—	7

(*) Net impairment losses were recognised in 2011 and 2010 amounting to Euros 406 million and Euros 274 million, respectively.

Segment information: statement of financial position at 31 December 2011 and 2010

Millions of Euros

	Electricity business in Spain and Portugal									
	31 December 2011					31 December 2010				
	Generation	Distribution	Corporate activities	Adjustments	Total	Generation	Distribution	Corporate activities	Adjustments	Total
ASSETS										
Non-current assets	12,699	13,377	34,308	(34,536)	25,848	12,951	13,129	40,038	(40,158)	25,960
Property, plant and equipment	10,001	11,587	8	382	21,978	10,221	11,309	6	465	22,001
Investment property	—	4	74	(61)	17	—	3	85	(75)	13
Intangible assets	529	197	125	(22)	829	582	187	94	(18)	845
Goodwill	—	—	19	(5)	14	20	1	—	(3)	18
Investments accounted for using the equity method	784	64	6	27	881	825	69	—	(13)	881
Non-current financial assets	737	1,109	33,826	(34,788)	884	660	1,006	39,671	(40,502)	835
Deferred tax assets	648	416	250	(69)	1,245	643	554	182	(12)	1,367
Current assets	7,257	570	7,765	(3,963)	11,629	8,991	609	9,460	(4,241)	14,819
Inventories	1,085	42	(2)	11	1,136	951	80	—	(3)	1,028
Trade and other receivables	3,327	515	1,232	(1,396)	3,678	4,379	479	277	(1,370)	3,765
Financial assets	2,190	11	5,893	(2,575)	5,519	2,990	29	9,148	(2,790)	9,377
Cash and cash equivalents	264	2	642	(1)	907	209	2	31	(2)	240
Non-current assets held for sale and discontinued operations	391	—	—	(2)	389	462	19	4	(76)	409
Total assets	19,956	13,947	42,073	(38,499)	37,477	21,942	13,738	49,498	(44,399)	40,779
EQUITY AND LIABILITIES										
Equity	6,737	5,573	20,423	(18,302)	14,431	5,849	4,683	20,117	(17,851)	12,798
Of the Parent	6,732	5,573	20,423	(18,312)	14,416	5,849	4,683	20,117	(17,849)	12,800
Non-controlling interests	5	—	—	10	15	—	—	—	(2)	(2)
Non-current liabilities	8,555	6,576	13,077	(11,509)	16,699	9,830	6,983	23,047	(19,737)	20,123
Deferred income	68	4,147	—	(94)	4,121	141	3,924	—	(135)	3,930
Non-current provisions	1,773	1,266	289	96	3,424	1,932	1,488	348	199	3,967
Non-current interest-bearing loans and borrowings	6,195	379	12,593	(11,538)	7,629	7,260	942	22,617	(19,867)	10,952
Other non-current liabilities	37	422	36	(14)	481	76	426	6	(18)	490
Deferred tax liabilities	482	362	159	41	1,044	421	203	76	84	784
Current liabilities	4,664	1,798	8,573	(8,688)	6,347	6,263	2,072	6,334	(6,811)	7,858
Current interest-bearing loans and borrowings	56	5	7,441	(7,330)	172	45	27	4,799	(4,866)	5
Current provisions	522	183	78	—	783	915	255	29	(361)	838
Trade payables and other current liabilities	3,988	1,610	1,054	(1,343)	5,309	5,210	1,789	1,507	(1,584)	6,922
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations	98	—	—	(15)	83	93	1	(1)	—	93
Total equity and liabilities	19,956	13,947	42,073	(38,499)	37,477	21,942	13,738	49,498	(44,399)	40,779

Segment information: income statements for 2011 and 2010

Millions of Euros

	Electricity business in Latin America									
	2011					2010				
	Generation	Distribution	Corporate activities	Adjustments	Total	Generation	Distribution	Corporate activities	Adjustments	Total
INCOME	4,372	6,625	127	(1,088)	10,036	4,382	6,499	357	(1,252)	9,986
Sales	4,339	6,220	116	(1,082)	9,593	4,303	5,996	306	(1,233)	9,372
Other operating income	33	405	11	(6)	443	79	503	51	(19)	614
PROCUREMENTS AND SERVICES	(2,123)	(4,323)	(37)	993	(5,490)	(2,130)	(4,241)	(185)	1,168	(5,388)
Power purchases	(409)	(3,122)	—	926	(2,605)	(394)	(2,944)	—	1054	(2,284)
Cost of fuel consumed	(1,314)	—	—	—	(1,314)	(1,225)	—	—	—	(1,225)
Transmission costs	(323)	(339)	—	70	(592)	(314)	(324)	—	68	(570)
Other variable procurements and services	(77)	(862)	(37)	(3)	(979)	(197)	(973)	(185)	46	(1,309)
CONTRIBUTION MARGIN	2,249	2,302	90	(95)	4,546	2,252	2,258	172	(84)	4,598
Self-constructed assets	10	58	—	7	75	15	51	—	—	66
Personnel expenses	(145)	(377)	(53)	—	(575)	(118)	(320)	(135)	—	(573)
Other fixed operating expenses	(239)	(581)	(56)	71	(805)	(170)	(541)	(90)	105	(696)
GROSS PROFIT FROM OPERATIONS	1,875	1,402	(19)	(17)	3,241	1,979	1,448	(53)	21	3,395
Depreciation and amortisation, and impairment losses (*)	(326)	(509)	(27)	30	(832)	(377)	(430)	(24)	(16)	(847)
PROFIT FROM OPERATIONS	1,549	893	(46)	13	2,409	1,602	1,018	(77)	5	2,548
NET FINANCE COST	(158)	(181)	(3)	15	(327)	(218)	(124)	(67)	(14)	(423)
Finance income	155	193	106	(34)	420	43	197	55	(39)	256
Finance expense	(319)	(376)	(115)	37	(773)	(287)	(342)	(91)	34	(686)
Net exchange differences	6	2	6	12	26	26	21	(31)	(9)	7
Net profit of companies accounted for using the equity method	13	—	—	—	13	2	—	—	—	2
Gains/(losses) from other investments	—	(1)	1	2	2	—	—	—	—	—
Gains/(losses) on disposal of assets	2	—	13	5	20	2	2	11	—	15
PROFIT BEFORE TAX	1,406	711	(35)	35	2,117	1,388	896	(133)	(9)	2,142
Income tax expense	(401)	(298)	(52)	62	(689)	(321)	(220)	(59)	71	(529)
PROFIT AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS	1,005	413	(87)	97	1,428	1,067	676	(192)	62	1,613
PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS	—	—	—	—	—	—	—	—	—	—
PROFIT FOR THE YEAR	1,005	413	(87)	97	1,428	1,067	676	(192)	62	1,613
Parent company	791	382	(87)	(467)	619	829	561	(192)	(567)	631
Non-controlling interests	214	31	—	564	809	238	115	—	629	982

(*) Net impairment losses were recognised in 2011 and 2010 amounting to Euros 189 million and Euros 178 million, respectively.

Segment information: statement of financial position at 31 December 2011 and 2010

Millions of Euros

	Electricity business in Latin America									
	31 December 2011					31 December 2010				
	Generation	Distribution	Corporate activities	Adjustments	Total	Generation	Distribution	Corporate activities	Adjustments	Total
ASSETS										
Non-current assets	8,647	6,393	10,983	(8,702)	17,321	8,639	6,689	12,631	(10,364)	17,595
Property, plant and equipment	7,699	3,245	35	(53)	10,926	7,697	3,208	38	(48)	10,895
Investment property	—	—	59	(2)	57	—	—	63	(7)	56
Intangible assets	53	2,110	21	—	2,184	50	2,247	26	(1)	2,322
Goodwill	287	226	2,090	—	2,603	296	433	2,050	—	2,779
Investments in companies accounted for using the equity method	15	—	1	—	16	17	—	1	—	18
Non-current financial assets	374	521	8,695	(8,653)	937	350	399	10,362	(10,305)	806
Deferred tax assets	219	291	82	6	598	229	402	91	(3)	719
Current assets	1,979	1,515	1,130	(701)	3,923	1,957	1,971	1,099	(813)	4,214
Inventories	84	24	8	1	117	68	25	8	—	101
Trade and other receivables	944	1,023	437	(612)	1,792	1,160	1,392	308	(516)	2,344
Current financial assets	63	20	140	(90)	133	52	71	231	(297)	57
Cash and cash equivalents	888	448	545	—	1,881	677	483	428	—	1,588
Non-current assets held for sale and discontinued operations	—	—	—	—	—	—	—	124	—	124
Total assets	10,626	7,908	12,113	(9,403)	21,244	10,596	8,660	13,730	(11,177)	21,809
EQUITY AND LIABILITIES										
Equity	5,221	3,481	10,292	(8,746)	10,248	4,882	3,711	11,617	(9,844)	10,366
Of the Parent	3,892	3,031	10,292	(12,340)	4,875	3,823	2,834	11,617	(13,298)	4,976
Non-controlling interests	1,329	450	—	3,594	5,373	1,059	877	—	3,454	5,390
Non-current liabilities	3,416	2,339	1,133	148	7,036	3,469	2,722	1,424	(355)	7,260
Deferred income	—	8	—	—	8	1	5	—	—	6
Non-current provisions	92	620	32	—	744	161	544	27	15	747
Non-current interest-bearing loans and borrowings	2,680	1,418	1,062	2	5,162	2,662	1,803	1,329	(490)	5,304
Other non-current liabilities	121	51	—	1	173	70	36	19	(13)	112
Deferred tax liabilities	523	242	39	145	949	575	334	49	133	1,091
Current liabilities	1,989	2,088	688	(805)	3,960	2,245	2,227	689	(978)	4,183
Current interest-bearing loans and borrowings	528	406	42	(78)	898	627	452	257	(356)	980
Current provisions	55	64	30	3	152	68	78	44	(8)	182
Trade payables and other current liabilities	1,406	1,618	616	(730)	2,910	1,550	1,697	269	(614)	2,902
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations	—	—	—	—	—	—	—	119	—	119
Total equity and liabilities	10,626	7,908	12,113	(9,403)	21,244	10,596	8,660	13,730	(11,177)	21,809

35. Related-party balances and transactions

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

For informational purposes, all companies comprising the ENEL Group and not included in the ENDESA Group's con-

solidated financial statements were considered significant shareholders in 2011 and 2010.

All transactions with related parties are at arm's length.

35.1. Expenses, income and other transactions

Noteworthy balances and transactions carried out with related parties in 2011 and 2010, all of which were on an arm's length basis, are as follows:

35.1.1. Expenses and income

Thousands of Euros

	2011				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Finance costs	4,367	—	—	—	4,367
Management or cooperation agreements	55,269	—	—	—	55,269
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	80,061	—	—	—	80,061
Purchase of finished goods and work in progress	71,430	—	—	—	71,430
Valuation adjustments for uncollectible or doubtful debts	—	—	—	—	—
Losses on derecognition or disposal of assets	—	—	—	—	—
Other expenses	878,382	—	—	—	878,382
Expenses	1,089,509	—	—	—	1,089,509
Finance income	1,121	20	—	—	1,141
Management or cooperation agreements	5,160	—	—	—	5,160
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Rendering of services	9,179	—	—	—	9,177
Sale of finished goods and work in progress	15,810	—	—	—	15,810
Gains on derecognition or disposal of assets	176,210	—	—	—	176,210
Other income	821,540	—	—	—	821,563
Income	1,029,020	20	—	—	1,029,040

Thousands of Euros

	2010				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Finance costs	1,137	—	—	—	1,137
Management or cooperation agreements	51,383	1,066	—	—	52,449
R&D transfers and licensing agreements	—	—	—	—	—
Leases	—	—	—	—	—
Services received	50	—	—	—	50
Purchase of finished goods and work in progress	11,669	—	—	—	11,669
Valuation adjustments for uncollectible or doubtful debts	—	—	—	—	—
Losses on derecognition or disposal of assets	—	—	—	—	—
Other expenses	159,016	—	—	—	159,016
Expenses	223,255	1,066	—	—	224,321
Finance income	3,700	34	—	—	3,734
Management or cooperation agreements	5,225	—	—	—	5,225
R&D transfers and licensing agreements	—	—	—	—	—
Leases	43	—	—	—	43
Rendering of services	3,786	—	—	—	3,786
Sale of finished goods and work in progress	35,968	—	—	—	35,968
Gains on derecognition or disposal of assets	1,042,981	—	—	—	1,042,981
Other income	115,085	—	—	—	115,085
Income	1,206,788	34	—	—	1,026,822

35.1.2. Other transactions

Thousands of Euros

	2011				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets or other assets	87,373	—	—	—	87,373
Financing agreements (lender)	9,530	—	—	—	9,530
Financial leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	250,000	—	—	—	250,000
Financing agreements (borrower)	—	1,820	—	—	1,820
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	51	—	—	51
Guarantees provided	—	—	—	—	—
Guarantees received	—	11,331	—	—	11,331
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other distributions	991,288	5	—	—	991,293
Other transactions	18,290	—	—	—	18,290

Thousands of Euros

	2010				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets or other assets	6,727	—	—	—	6,727
Financing agreements (lender)	—	—	—	—	—
Financial leases (lessor)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessor)	—	—	—	—	—
Sale of property, plant and equipment, intangible assets or other assets	343,421	—	—	—	343,421
Financing agreements (borrower)	—	1,871	—	—	1,871
Finance leases (lessee)	—	—	—	—	—
Repayment or cancellation of loans and leases (lessee)	—	56	—	—	56
Guarantees provided	—	—	—	—	—
Guarantees received	—	12,450	—	—	12,450
Commitments acquired	—	—	—	—	—
Commitments/guarantees cancelled	—	—	—	—	—
Dividends and other distributions	1,002,010	10	—	—	1,002,020
Other transactions	1,211	—	—	—	1,211

The main transactions with related parties included under other expenses in 2011 relate to energy purchases amounting to Euros 259 million (Euros 45 million in 2010), purchases of CO₂ emission allowances for Euros 382 million and decreases in the fair value of derivative financial instruments on electricity and other energy products for Euros 237 million (Euros 114 million in 2010).

The main transactions with related parties under other income in 2011 include increases in the fair value of derivative financial instruments for electricity and other energy products amounting to Euros 404 million (Euros 103 million 2010), sales of CO₂ emission allowances for Euros 246 million, other income from energy sales for Euros 160 million (Euros 2 million 2010) and the contribution to profit of Euros 12 million from EGP España in which the ENDESA Group has a 40% interest recognised in ENDESA's consolidated financial statements using the equity method (Euros 10 million 2010).

35.1.3. Other information

Balances at 31 December 2011 and 2010 with significant shareholders are as follows:

Millions of Euros

	31 December 2011	31 December 2010
Non-current financial assets	35	23
Trade and other receivables	685	328
Current income tax assets	176	190
ASSETS	896	541
Interest-bearing loans and borrowings	33	9
Other non-current payables	27	14
Suppliers and other payables	1,063	933
Current income tax liabilities	284	445
LIABILITIES	1,407	1,401

35.2. Associates and jointly-controlled entities

Transactions with associates and jointly controlled entities are mainly loans granted totalling Euros 194 million at 31 December 2011 and Euros 144 million at 31 December 2010 (see Notes 10.1 and 13) and guarantees provided amounting to Euros 222 million and Euros 265 million, respectively, at those dates (see Note 36.1).

At 31 December 2011, the main loans are to ENDESA Gas (Euros 72 million), ENEL.Re Limited (Euros 56 million), Elcogas, S.A. (Euros 4 million) and Medgaz, S.A. (Euros 12 million). The main guarantees provided at that date relate to Elcogas, S.A. (Euros 71 million) and Medgaz, S.A. (Euros 92 million).

Transactions carried out in 2011 with associates and jointly-controlled entities not eliminated in consolidation relate to expenses amounting to Euros 35 million and income amounting to Euros 39 million.

At 31 December 2010, the main loans are to ENDESA Gas (Euros 72 million), Inversiones GasAtacama Holding Ltda. (Euros 28 million), Elcogas, S.A. (Euros 12 million) and Medgaz, S.A. (Euros 11 million). The main guarantees provided at that date relate to Elcogas, S.A. (Euros 111 million) and Medgaz, S.A. (Euros 94 million).

Transactions carried out in 2010 with associates and jointly-controlled entities not eliminated in consolidation relate to expenses amounting to Euros 40 million and income amounting to Euros 22 million.

35.3. Pension schemes

At 31 December 2011 and 2010, the amounts payable to the ENDESA Group pension plans for the Rebalancing Plans approved totalled Euros 23 million and Euros 60 million, respectively.

These amounts are recognised under interest-bearing loans and borrowings in the accompanying consolidated statement of financial position.

35.4. Directors and senior management personnel

35.4.1. Remuneration of directors

Article 41 of the corporate bylaws states that *"The remuneration of the Directors will comprise the following items: fixed monthly allotment and profit-sharing. The overall annual remuneration of the entire Board and for the foregoing items will be one thousandth of the profits of the consolidated group, as approved by the General Shareholders' Meeting, although the Board of Directors may reduce this percentage in the fiscal years it deems appropriate. The foregoing is without prejudice to the provisions of paragraph three of this article in relation to per diem allowances.*

It will be for the Board of Directors to set the distribution of the mentioned amount among the previous items and among the Directors when, as and how it freely determines.

The members of the Board of Directors will also receive per diems for attendance at each meeting of the company's management bodies and their committees. The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within this limit, establish the amount of the per diems.

The remuneration contemplated in the preceding sections, deriving from membership on the Board of Directors, shall be compatible with other professional or labour earnings pertaining to the Directors for any other executive or advisory duties which, as the case may be, they perform for the company other than those of collegiate supervision and decision-making characteristic of their status as Directors, which shall be subject to the appropriate applicable legal scheme.

In accordance with the provisions of Section 218 of the Spanish Corporate Enterprises Act, the Directors may only receive remuneration for profit-sharing may only be received by directors after the legal and statutory reserves and allocations have been covered and after the shareholders have been recognized a minimum dividend of 4%."

The members of the Board of Directors of ENDESA, S.A. therefore received remuneration in their capacity as Company directors and for their membership, in certain cases,

of boards of directors of subsidiaries, and those members of the Board of Directors who also perform executive duties received their remuneration for this item.

In 2011, the fixed monthly allotment for each director was Euros 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee and Audit and Compliance Committee amounted to Euros 2,003.37 gross each.

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

Fixed remuneration

	Euros			
	Fixed remuneration			
	2011		2010	
	Fixed allotment	Remuneration	Fixed allotment	Remuneration
Borja Prado Eulate	48,081	812,000	48,081	812,000
Fulvio Conti (1)	48,081	—	48,081	—
Andrea Brentan	—	710,500	—	714,952
Luigi Ferraris (1)	48,081	—	48,081	—
Claudio Machetti (1)	48,081	—	48,081	—
Gianluca Comin (1)	48,081	—	48,081	—
Luis de Guindos Jurado (6)	48,081	—	48,081	—
Miquel Roca Junyent	48,081	—	48,081	—
Alejandro Echevarría Busquet	48,081	—	48,081	—
José Manuel Entrecanales Domecq (2)	—	—	—	—
Rafael Miranda Robredo (3)	—	—	—	—
Carmen Becerril Martínez (4)	—	—	—	—
Valentín Montoya Moya (4)	—	—	—	—
Esteban Morrás Andrés (4)	—	—	—	—
Fernando d'Ornellas Silva (5)	—	—	—	—
Jorge Vega-Penichet López (4)	—	—	—	—
Suma	384,648	1,522,500	384,648	1,526,952
Total		1,907,148		1,911,600

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

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

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

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

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

(6) Gave notice on 21 December 2011 as a result of being appointed as Minister of Economy and Competitiveness.

Variable remuneration

	Euros			
	Variable remuneration			
	2011		2010	
	Profit	Remuneration	Profit	Remuneration
Borja Prado Eulate	224,665	812,000	195,698	477,691
Fulvio Conti (1) (3)	224,665	—	97,849	—
Andrea Brentan	—	551,490	97,849	368,200
Luigi Ferraris (1)	224,665	—	195,698	—
Claudio Machetti (1)	224,665	—	195,698	—
Gianluca Comin (1) (2)	224,665	—	65,233	—
Luis de Guindos Jurado (3) (8)	224,665	—	97,849	—
Miquel Roca Junyent (3)	224,665	—	97,849	—
Alejandro Echevarría Busquet (3)	224,665	—	97,849	—
José Manuel Entrecanales Domecq (4)	—	—	48,924	—
Rafael Miranda Robredo (5)	—	—	97,849	—
Carmen Becerril Martínez (6)	—	—	97,849	—
Valentín Montoya Moya (6)	—	—	97,849	—
Esteban Morrás Andrés (6)	—	—	97,849	—
Fernando d'Ornellas Silva (7)	—	—	114,157	—
Jorge Vega-Penichet López (6)	—	—	48,924	—
Suma	1,797,320	1,363,490	1,744,973	845,891
Total		3,160,810		2,590,864

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

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

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

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

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

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

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

(8) Gave notice on 21 December 2011 as a result of being appointed as Minister of Economy and Competitiveness.

Attendance fees

	Euros			
	Attendance fees			
	2011		2010	
	ENDESA	Other companies	ENDESA	Other companies
Borja Prado Eulate	42,071	—	38,064	6,236
Fulvio Conti (1) (3)	22,037	—	22,037	—
Andrea Brentan	—	—	—	—
Luigi Ferraris (1)	54,091	—	42,071	—
Claudio Machetti (1)	38,064	—	40,067	—
Gianluca Comin (1)(2)	22,037	—	22,037	—
Luis de Guindos Jurado (3) (8)	38,064	57,603	42,071	34,636
Miquel Roca Junyent (3)	52,088	—	58,098	—
Alejandro Echevarría Busquet (3)	42,071	—	32,054	—
José Manuel Entrecanales Domecq (4)	—	—	—	—
Rafael Miranda Robredo (5)	—	—	—	—
Carmen Becerril Martínez (6)	—	—	—	—
Valentín Montoya Moya (6)	—	—	—	—
Esteban Morrás Andrés (6)	—	—	—	—
Fernando d'Ornellas Silva (7)	—	—	—	—
Jorge Vega-Penichet López (6)	—	—	—	—
Total	310,523	57,603	296,499	40,872

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

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

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

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

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

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

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

(8) Gave notice on 21 December 2011 as a result of being appointed as Minister of Economy and Competitiveness

Other remuneration

Board member	Euros	
	2011	2010
Borja Prado Eulate	8,072	7,375
Andrea Brentan	181,028	8,872
Total	189,100	16,247

Advances and loans

In 2011 and 2010, the Company did not extend any advances and/or loans to the directors and no balances were receivable from or payable to these parties.

Pension funds and schemes: contributions

Board member	Euros	
	2011	2010
Borja Prado Eulate	208,709	163,815
Andrea Brentan	193,389	140,883

Life insurance premiums

Board member	Euros	
	2011	2010
Borja Prado Eulate	198,322	62,100
Andrea Brentan	212,622	88,362

35.4.2. Remuneration of senior management personnel

Remuneration of senior executives in 2011 and 2010

Details of senior executives who are not executive directors, and total remuneration earned by them in the year, are as follows:

Senior executives in 2011

Name	Position
Francisco Borja Acha Besga	General Manager - Legal Counsel
Ignacio Antoñanzas Alvear	General Manager for Latin America / General Manager for Chile
Alfonso Arias Cañete	General Manager - Nuclear Power
Francisco Arteaga Alarcón	Regional General Manager for Andalusia and Extremadura
José Damián Bogas Gálvez	General Manager for Spain and Portugal
Paolo Bondi	General Manager - Economic and Financial
Francesco Buresti	General Manager - Purchasing
Pablo Casado Rebóiro	Regional General Manager for the Canary Islands
Antón Costas Comesaña (1)	Chairman of the Advisory Board of Fecsa-ENDESA Cataluña
Enrique Durand Baquerizo	General Manager - Audit
Amado Franco Lahoz	Chairman of the Advisory Board of Erz-ENDESA Aragón
Joaquín Galindo Vélez	General Manager for Latin America Generation / General Manager for Chile
Jaime Gros Bañeres	Regional General Manager for Aragón
Rafael López Rueda	General Manager - Systems and Telecommunications
Alfonso López Sanchez	General Manager - Communications
Héctor López Vilaseco	General Manager - Strategy and Development
José Luis Marín López Otero	General Manager - ENDESA Red
Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
Manuel Morán Casero	General Manager - Generation
José Luis Puche Castillejo	General Manager - Organisation and Human Resources
Álvaro Quiralte Abelló	General Manager - Energy Management
Jorge Rosemblut Ratino	Chairman of ENDESA Chile
Andreu Rotger Amengual (1)	Regional General Manager for the Balearic Islands
José María Rovira Vilanova	General Manager - Fecsa-ENDESA Cataluña
Máximo Tambosco	General Manager - Strategy, Regulation and Projects / Coordination of Corporate Areas
Javier Uriarte Monereo	General Manager - Supply
Jaime Ybarra Llorent (1)	Chairman of the Advisory Board of Sevillana-ENDESA for Andalusia and Extremadura
Pablo Yrarrázabal Valdés	Chairman of Enersis

(1) Left the Company in 2011.

Details of the remuneration of each senior executive are as follows:

Euros

	Remuneration			
	In the Company		For membership of boards of directors of Group companies	
	2011	2010	2011	2010
Fixed remuneration	10,541,325	10,645,178	—	—
Variable remuneration	7,936,852	6,569,542	—	—
Attendance fees	—	—	233,699	148,042
Bylaw-stipulated directors' emoluments	—	—	—	—
Options on shares and other financial instruments	—	—	—	—
Other	890,665	788,029	—	—
Total	19,368,842	18,002,749	233,699	148,042

Euros

Other benefits

	In the Company		For membership of boards of directors of Group companies	
	2011	2010	2011	2010
Advances	895,953	905,711	—	—
Loans	924,108	965,449	—	—
Pension funds and schemes: contributions	1,593,509	1,528,871	—	—
Pension funds and schemes: obligations assumed	—	—	—	—
Life insurance premiums	1,066,667	662,463	—	—

Guarantees provided by the Company to senior executives

As regards remuneration, the Company has provided guarantees on behalf of eligible senior executives amounting to Euros 11,330,586 in 2011 (Euros 12,450,318 in 2010) to cover the same early retirement entitlements as for other personnel of the same age and length of service.

35.4.3. Guarantee clauses: Board of Directors and senior executives

Guarantee clauses for dismissal or changes of control

These clauses are the same in all the contracts of the executive directors and senior executives of the Company and of its Group and, as can be observed from the reports requested by the Company, they are in line with standard practice in the market (*). They were approved by the Board of Directors following the report from the Appointments

and Remuneration Committee and provide for termination benefits in the event of termination of employment and a post-contractual non-competition clause.

The regime for these clauses is as follows:

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

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

tive in discharging his duties: no entitlement to termination benefit.

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

- Post-contractual non-competition clause:
 - In the vast majority of the related contracts, senior executives are required not to engage in a business activity in competition with ENDESA for a period of two years; as consideration, the executive is entitled to an amount equal to 1.25 times the annual fixed remuneration payment.

At 31 December 2011, ENDESA had 23 executive directors and senior executives with guarantee clauses in their employment contracts. At 31 December 2010, it had 24.

35.4.4. Other disclosures concerning the Board of Directors

To increase the transparency of listed companies, the members of the Board of Directors have disclosed, to the best of their knowledge, the direct or indirect stakes they and their affiliates as defined in article 231 of the Corporate Enterprises Act hold in companies with the same, analogous or similar corporate purpose as that of ENDESA, S.A., and the positions or duties they perform therein:

At 31 December 2011

Director	Personal or company tax ID	Company	% ownership	Position
Borja Prado Eulate	B85721025	ENEL Energy Europe, S.L.U.	—	Director
Borja Prado Eulate	N9022122G	ENEL Green Power, S.p.A.	0.00065	—
Fulvio Conti	00811720580	ENEL, S.p.A.	0.00609	Managing Director and General Manager
Fulvio Conti	B85721025	ENEL Energy Europe, S.L.U.	—	Chairman
Fulvio Conti	N9022122G	ENEL Green Power, S.p.A.	0.003138	—
Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-Chairman
Andrea Brentan	B85721025	ENEL Energy Europe, S.L.U.	—	Managing Director
Andrea Brentan	N9022122G	ENEL Green Power, S.p.A.	—	Director
Andrea Brentan	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Luigi Ferraris	00811720580	ENEL, S.p.A.	0.00031	CFO
Luigi Ferraris	N9022122G	ENEL Green Power, S.p.A.	0.00080	Chairman
Luigi Ferraris	06152631005	ENEL Factor S.p.A.	—	Chairman
Luigi Ferraris	06377691008	ENEL Servizi S.r.l.	—	Chairman
Luigi Ferraris	05779711000	ENEL Distribuzione S.p.A.	—	Director
Luigi Ferraris	05617841001	ENEL Produzione S.p.A.	—	Director
Luigi Ferraris	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Claudio Machetti	00811720580	ENEL, S.p.A.	—	Director of Group Risk Management
Claudio Machetti	6347168E	ENEL.Re Limited	—	Chairman
Claudio Machetti	08036221003	ENEL New Hydro Srl	—	Chairman
Claudio Machetti	05779711000	ENEL Distribuzione S.p.A.	—	Director
Claudio Machetti	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Claudio Machetti	05617841001	ENEL Produzione S.p.A.	—	Director
Claudio Machetti	05918271007	ENEL Trade S.p.A.	—	Director
Gianluca Comin	00811720580	ENEL, S.p.A.	0.00015	Director of External Relations
Gianluca Comin	N9022122G	ENEL Green Power, S.p.A.	0.00040	—

At 31 December 2010

Director	Personal or company tax ID	Company	% ownership	Position
Borja Prado Eulate	B85721025	ENEL Energy Europe, S.L.U.	—	Director
Borja Prado Eulate	N9022122G	ENEL Green Power, S.p.A.	0.00064	—
Fulvio Conti	00811720580	ENEL, S.p.A.	0.00563	Managing Director and General Manager
Fulvio Conti	B85721025	ENEL Energy Europe, S.L.U.	—	Chairman
Fulvio Conti	N9022122G	ENEL Green Power, S.p.A.	0.00248	—
Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-Chairman
Andrea Brentan	B85721025	ENEL Energy Europe, S.L.U.	—	Managing Director
Andrea Brentan	N9022122G	ENEL Green Power, S.p.A.	—	Director
Andrea Brentan	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Luigi Ferraris	00811720580	ENEL, S.p.A.	0.00031	CFO
Luigi Ferraris	N9022122G	ENEL Green Power, S.p.A.	0.00080	Chairman
Luigi Ferraris	6671156423	ENEL OGK-5 OJSC	—	Director
Luigi Ferraris	06152631005	ENEL Factor S.p.A.	—	Chairman
Luigi Ferraris	06377691008	ENEL Servizi S.r.l.	—	Chairman
Luigi Ferraris	05779711000	ENEL Distribuzione S.p.A.	—	Director
Luigi Ferraris	05617841001	ENEL Produzione S.p.A.	—	Director
Luigi Ferraris	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Luigi Ferraris	10426731005	ENEL Ingegneria e Innovazione S.p.A.	—	Director
Luis de Guindos Jurado	91.081.000-6	Empresa Nacional de Electricidad, S.A.	—	Director
Luis de Guindos Jurado	N9022122G	ENEL Green Power, S.p.A.	0.00008	—
Claudio Machetti	00811720580	ENEL, S.p.A.	—	Director of Group Risk Management
Claudio Machetti	6347168E	ENEL Re Limited	—	Chairman
Claudio Machetti	08036221003	ENEL New Hydro S.R.L.	—	Chairman
Claudio Machetti	05779711000	ENEL Distribuzione S.p.A.	—	Director
Claudio Machetti	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Claudio Machetti	05617841001	ENEL Produzione S.p.A.	—	Director
Claudio Machetti	05918271007	ENEL Trade S.p.A.	—	Director
Claudio Machetti	05779661007	Terna, S.p.A.	—	Director
Gianluca Comin	00811720580	ENEL, S.p.A.	0.00015	Director of External Relations
Gianluca Comin	N9022122G	ENEL Green Power, S.p.A.	0.00040	—

In 2011 and 2010, there were cases of conflict of interests involving the directors. The directors affected by the conflict of interests did not attend the related board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of ENDESA by its Board of Directors.

Distribution by gender: at 31 December 2011, the Board of Directors of ENDESA, S.A. was made up of eight men and no women. There were also no women on the Board of Directors at 31 December 2010.

35.4.5. Share-based payment schemes tied to ENDESA share price

To date, ENDESA has not established any share-based payment or share option schemes and, accordingly, neither the

members of the Board of Directors nor the senior executives have received any remuneration for this item.

35.4.6. Long-term employee benefits

In 2010, ENDESA set up a long-term employee benefit system known as the loyalty scheme, aimed at strengthening the commitment of senior staff to achieving the Group's strategic targets. This scheme comprises successive three-year programmes commencing each year as from 1 January 2010. To date, the programmes corresponding to the periods 2010-2012 and 2011-2013 are in force. The scheme entitles employees to a long-term incentive based on the extent to which the Company's financial targets are met (gross operating profit (EBITDA) of ENDESA and ENEL and the consolidated profit for the year of the Parent company of ENDESA and ENEL).

36. Guarantees to third parties, other contingent assets and liabilities and other commitments

36.1. Direct and indirect guarantees

At 31 December 2011, the ENDESA Group had provided guarantees to third parties in connection with its business activities totalling Euros 222 million (Euros 265 million at 31 December 2010 (see Note 35.2), of which no amounts relate to entities jointly controlled by the Group. The guarantees cover periods up to 2025.

The ENDESA Group considers that any additional liabilities arising from guarantees given at 31 December 2011 and 2010 would not be material.

At 31 December 2011 and 2010, the Group's liquid financial assets pledged as security for liabilities or contingent liabilities amounted to Euros 82 million and Euros 101 million, respectively. The pledged liquid financial assets cover periods up to 2016.

At 31 December 2011, future collections amounting to Euros 380 million had been pledged (Euros 300 million at 31 December 2010). The future collections cover periods up to 2024.

At 31 December 2011 and 2010, items of property, plant and equipment amounting to Euros 586 million and Euros 526 million, respectively, had been pledged to secure fulfilment of the Group's obligations (see Notes 5.1 and 18.5).

36.2. Other commitments

At 31 December 2011, the Group had future electricity purchase commitments amounting to Euros 43,670 million (Euros 41,771 million at 31 December 2010), with details as follows:

Future electricity purchase commitments		Millions of Euros
2012-2016		10,566
2017-2021		11,692
2022-2026		7,321
2027-Other		14,091
Total (*)		43,670

(*) Attributable to jointly-controlled entities: Euros 25 million.

36.3. Other information

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

37. Audit fees

Details of fees for the services provided in 2011 and 2010 by the auditors of the annual financial statements of the various Group companies are as follows:

Table 63

Thousands of Euros

	2011		2010	
	Principal auditor	Other auditors of subsidiaries	Principal auditor	Other auditors of subsidiaries
Audit of the financial statements	4,089	1,494	6,942	2,772
Audits other than of the financial statements and other audit-related services	170	808	853	1,245
Other non-audit services	406	807	—	2,580
Total	4,665	3,109	7,795	6,597

38. Personnel

Details of the year-end and average headcount of the ENDESA Group in 2011 and 2010, by business, professional category and gender, are as follows:

Number of employees. Year-end headcount

	31 December 2011			31 December 2010		
	Male	Female	Total	Male	Female	Total
Electricity business in Spain and Portugal and Other	9,349	2,436	11,785	9,878	2,392	12,270
Electricity business in Latin America	8,778	2,314	11,092	9,800	2,662	12,462
Total	18,127	4,750	22,877	19,678	5,054	24,732

Number of employees. Year-end headcount

	31 December 2011			31 December 2010		
	Male	Female	Total	Male	Female	Total
Management	527	79	606	569	71	640
Graduates	5,457	2,040	7,497	6,071	2,165	8,236
Middle management	10,773	2,179	12,952	11,384	2,367	13,751
Manual workers	1,370	452	1,822	1,654	451	2,105
Total	18,127	4,750	22,877	19,678	5,054	24,732

Number of employees. Average headcount

	31 December 2011			31 December 2010		
	Male	Female	Total	Male	Female	Total
Electricity business in Spain and Portugal and Other	9,674	2,451	12,125	10,568	2,549	13,117
Electricity business in Latin America	8,509	2,731	11,240	9,800	2,662	12,462
Total	18,183	5,182	23,365	20,368	5,211	25,579

Number of employees. Average headcount

	31 December 2011			31 December 2010		
	Male	Female	Total	Male	Female	Total
Management	537	83	620	617	77	694
Graduates	5,302	2,268	7,570	6,121	2,182	8,303
Middle management	10,854	2,358	13,212	11,791	2,449	14,240
Manual workers	1,490	473	1,963	1,839	503	2,342
Total	18,183	5,182	23,365	20,368	5,211	25,579

The average number of employees in jointly-controlled entities in 2011 and 2010 was 1,340 and 1,319, respectively.

39. Subsequent events

Between 1 January 2012 and the date of authorisation for issue of the accompanying consolidated financial statements, ENDESA transferred additional tariff deficit collection rights to the FADE totalling Euros 1,705 million.

No other significant events took place between 31 December 2011 and the date of authorisation for issue the accompanying consolidated financial statements.

40. Explanation added for translation to English

These Consolidated Financial Statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I: ENDESA Group companies

Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010			Registered offices	Activity	Auditor
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method			
AGUAS SANTIAGO PONIENTE, S.A.	78.88	33.35	IG	78.88	33.35	FC	SANTIAGO (CHILE)	WATER SERVICES	ERNST & YOUNG
AMPLA ENERGIA E SERVIÇOS, S.A.	99.64	64.12	IG	91.93	55.15	FC	RIO DE JANEIRO (Brazil)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
AMPLA INVESTIMENTOS E SERVIÇOS, S.A.	99.64	64.12	IG	91.93	55.15	FC	RIO DE JANEIRO (Brazil)	ELECTRICITY PRODUCTION, TRANSMISSION, DISTRIBUTION AND TRADING	ERNST & YOUNG
ANDORRA DESARROLLO, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	TERUEL (Spain)	REGIONAL DEVELOPMENT	UNAUDITED
APAMEA 2000, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	ELECTRICITY-RELATED ACTIVITIES	UNAUDITED
AQUILAE SOLAR, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
ARAGONESA DE ACTIVIDADES ENERGÉTICAS, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	TERUEL (Spain)	ELECTRICITY PRODUCTION	UNAUDITED
ASIN CARBONO USA, INC.	100.00	82.50	IG	100.00	82.50	FC	DELAWARE (USA)	OPERATIONS IN CARBON DIOXIDE (CO2) MARKETS	UNAUDITED
ASOCIACIÓN NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	85.41	85.41	IP	85.41	85.41	PC	TARRAGONA (Spain)	MANAGEMENT, OPERATION AND ADMINISTRATION OF NUCLEAR PLANTS	ERNST & YOUNG
ATACAMA FINANCE CO.	100.00	18.18	IP	100.00	18.18	PC	GRAND CAYMAN (CAIMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
AYSÉN ENERGÍA, S.A.	99.51	18.55	IP	99.51	18.55	PC	SANTIAGO (CHILE)	ELECTRICITY PRODUCTION AND TRANSMISSION	KPMG AUDITORES
AYSÉN TRANSMISIÓN, S.A.	99.51	18.55	IP	99.51	18.55	PC	SANTIAGO (CHILE)	DEVELOPMENT OF ELECTRICITY TRANSMISSION SYSTEMS	KPMG AUDITORES
BOLONIA REAL ESTATE, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	REAL ESTATE ASSET MANAGEMENT AND DEVELOPMENT	ERNST & YOUNG
CARBOEX, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	FUEL SUPPLY	ERNST & YOUNG
CARBONES DE BERGA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	EXTRACTION AND STORAGE OF HARD COAL	UNAUDITED
CARBOPEGO-ABASTECIMIENTOS DE COMBUSTIVEIS, S.A.	50.00	50.00	IP	50.00	50.00	PC	LISBON (PORTUGAL)	FUEL SUPPLY	KPMG AUDITORES
CEFEIDAS DESARROLLO SOLAR, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA, S.A.	99.61	62.20	IG	99.61	59.51	FC	RIO DE JANEIRO (Brazil)	ELECTRICITY PRODUCTION AND RETAILING	ERNST & YOUNG
CENTRAL DOCK SUD, S.A.	69.99	39.99	IG	69.99	39.99	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
CENTRAL EÓLICA CANELA S.A.	75.00	27.27	IG	75.00	27.27	FC	SANTIAGO (CHILE)	PROMOTION AND DEVELOPMENT OF RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
CENTRAL GERADORA TERMELÉTRICA FORTALEZA, S.A.	100.00	62.45	IG	100.00	59.74	FC	FORTALEZA (Brazil)	DEVELOPMENT OF A THERMOELECTRIC GENERATION PROJECT	ERNST & YOUNG
CENTRAL VUELTA DE OBLIGADO, S.A.	40.90	10.78	IP	—	—	—	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND IMPLEMENTATION OF A COMBINED CYCLE PLANT	ERNST & YOUNG
CENTRALES HIDROELÉCTRICAS DE AYSÉN, S.A.	51.00	18.55	IP	51.00	18.55	PC	SANTIAGO (CHILE)	DESIGN AND IMPLEMENTATION OF A HYDROELECTRIC PROJECT	KPMG AUDITORES
CEPHEI DESARROLLO SOLAR, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CHILECTRA INVERSUD, S.A.	100.00	60.07	IG	100.00	60.07	FC	SANTIAGO (CHILE)	HOLDING COMPANY	PKF

FC: Full consolidation; PC: Proportionate consolidation.

Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010			Registered offices	Activity	Auditor
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method			
CHILECTRA, S.A.	99.09	60.07	IG	99.09	60.07	FC	SANTIAGO (CHILE)	DISTRIBUTION AND SALE OF ELECTRICITY AND HOLDING COMPANY	PKF
CHINANGO, S.A.C.	80.00	18.17	IG	80.00	18.17	FC	LIMA (Peru)	ELECTRICITY PRODUCTION, RETAILING AND TRANSMISSION	KPMG AUDITORES
CODENSA, S.A. E.S.P.	48.48	39.84	IG	48.48	39.84	FC	BOGOTÁ D.C. (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	ERNST & YOUNG
COMERCIALIZADORA ELÉCTRICA DE CÁDIZ, S.A. (SOCIEDAD UNIPERSONAL)	100.00	33.50	IP	100.00	33.50	PC	CÁDIZ (Spain)	ELECTRICITY RETAILING	DELOITTE
COMPANHIA ENERGÉTICA DO CEARÁ, S.A.	58.87	37.11	IG	58.87	34.22	FC	FORTALEZA (Brazil)	COMPLETE ELECTRICITY CYCLE	ERNST & YOUNG
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA, S.A.	100.00	62.45	IG	100.00	59.74	FC	RIO DE JANEIRO (Brazil)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR, S.A.	100.00	62.45	IG	100.00	59.74	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
COMPAÑÍA ELÉCTRICA SAN ISIDRO, S.A.	100.00	36.36	IG	100.00	36.36	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPAÑÍA ELÉCTRICA TARAPACÁ, S.A.	100.00	36.36	IG	100.00	36.36	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
COMPOSTILLA RE. S.A.	50.00	50.00	IP	100.00	100.00	FC	LUXEMBOURG (LUXEMBOURG)	REINSURANCE	ERNST & YOUNG
CONSORCIO ARA-INGENDESA LTDA.	50.00	18.18	IP	50.00	18.18	PC	SANTIAGO (CHILE)	PROJECT ENGINEERING CONSULTANCY SERVICES	KPMG AUDITORES
CONSTRUCCIONES Y PROYECTOS LOS MAITENES, S.A.	55.00	33.34	IG	55.00	33.34	FC	SANTIAGO (CHILE)	CONSTRUCTION AND INSTALLATION WORK	ERNST & YOUNG
CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A.- ENDESA INGENIERÍA, S.L.U. 2, U.T.E.	50.00	50.00	IP	50.00	50.00	PC	SANTANDER (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A.- ENDESA INGENIERÍA, S.L.U. 3, U.T.E.	50.00	50.00	IP	50.00	50.00	PC	SANTANDER (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
CONSTRUCCIONES, REHABILITACIONES Y ACABADOS, S.A.- ENDESA INGENIERÍA, S.L.U., U.T.E.	50.00	50.00	IP	50.00	50.00	PC	SANTANDER (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
DESALADORA DE CARBONERAS, U.T.E.	75.00	75.00	IG	75.00	75.00	FC	ALMERÍA (Spain)	CONSTRUCTION AND MANAGEMENT OF A DESALINATION PLANT	KPMG AUDITORES
DESARROLLO PHOTOSOLAR, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
DISTRIBUCIÓN Y COMERCIALIZACIÓN DE GAS EXTREMADURA, S.A.	47.00	47.00	IP	47.00	47.00	PC	BADAJOS (Spain)	GAS DISTRIBUTION	ERNST & YOUNG
DISTRIBUIDORA DE ENERGÍA ELÉCTRICA DEL BAGES, S.A.	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	ELECTRICITY DISTRIBUTION AND RETAILING	UNAUDITED
DISTRIBUIDORA ELÉCTRICA DE CUNDINAMARCA, S.A. E.S.P.	49.00	19.52	IP	49.00	19.52	PC	BOGOTÁ D.C. (COLOMBIA)	ELECTRICITY DISTRIBUTION AND RETAILING	ERNST & YOUNG
DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	SANTA CRUZ DE TENERIFE (Spain)	PURCHASE, TRANSMISSION, DISTRIBUTION AND RETAILING OF ELECTRICITY	ERNST & YOUNG
DISTRILEC INVERSORA, S.A.	51.50	30.88	IG	51.50	30.88	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	ERNST & YOUNG
EDEGEL, S.A.A.	83.60	22.71	IG	83.60	22.71	FC	LIMA (Peru)	ELECTRICITY PRODUCTION, RETAILING AND DISTRIBUTION	KPMG AUDITORES
ELECGAS, S.A.	50.00	49.70	IP	50.00	49.70	PC	SANTAREM (PORTUGAL)	COMBINED-CYCLE ELECTRICITY PRODUCTION	KPMG AUDITORES
ELÉCTRICA CABO BLANCO, S.A.C.	100.00	100.00	IG	80.00	80.00	FC	LIMA (Peru)	HOLDING COMPANY	ERNST & YOUNG

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Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010			Registered offices	Activity	Auditor
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method			
ELÉCTRICA DE LIJAR, S.L.	50.00	50.00	IP	50.00	50.00	PC	CÁDIZ (Spain)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	AVANTER AUDITORES
ELECTRICIDAD DE PUERTO REAL, S.A. (SOCIEDAD UNIPERSONAL)	50.00	50.00	IP	50.00	50.00	PC	CÁDIZ (Spain)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
EMGESA, S.A. E.S.P.	48.48	31.38	IG	48.48	31.38	FC	BOGOTÁ D.C. (COLOMBIA)	ELECTRICITY PRODUCTION AND RETAILING	ERNST & YOUNG
EMPRESA CARBONÍFERA DEL SUR, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	EXPLOITATION OF COAL FIELDS	ERNST & YOUNG
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	75.68	52.88	IG	75.68	52.88	FC	LIMA (Peru)	ELECTRICITY DISTRIBUTION AND RETAILING	ERNST & YOUNG
EMPRESA DE ENERGÍA DE CUNDINAMARCA, S.A. E.S.P.	82.34	16.07	IP	82.34	16.07	PC	BOGOTÁ D.C. (COLOMBIA)	ELECTRICITY PRODUCTION, TRANSMISSION, DISTRIBUTION AND RETAILING	ERNST & YOUNG
EMPRESA DE INGENIERÍA INGENDESA, S.A.	100.00	36.36	IG	100.00	36.36	FC	SANTIAGO (CHILE)	PROVISION OF ENGINEERING SERVICES	KPMG AUDITORES
EMPRESA DISTRIBUIDORA SUR, S.A.	99.45	45.86	IG	99.45	45.86	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY DISTRIBUTION AND RETAILING	ERNST & YOUNG
EMPRESA ELÉCTRICA DE COLINA LTDA.	100.00	60.07	IG	100.00	60.07	FC	SANTIAGO (CHILE)	COMPLETE ENERGY AND SIMILAR MATERIALS CYCLE	PKF
EMPRESA ELÉCTRICA DE PIURA, S.A.	96.50	96.50	IG	96.50	84.50	FC	LIMA (Peru)	ELECTRICITY PRODUCTION	ERNST & YOUNG
EMPRESA ELÉCTRICA PANGUE, S.A.	99.99	39.55	IG	99.99	39.55	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA ELÉCTRICA PEHUENCHE, S.A.	92.65	33.69	IG	92.65	33.69	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	59.98	36.36	IG	59.98	36.36	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE	KPMG AUDITORES
EN-BRASIL COMERCIO E SERVIÇOS, S.A.	100.00	62.45	IG	99.99	59.74	FC	RIO DE JANEIRO (Brazil)	RETAILING OF PRODUCTS AND SERVICES	ERNST & YOUNG
ENDESA ARGENTINA, S.A.	100.00	36.36	IG	100.00	36.36	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	ERNST & YOUNG
ENDESA BRASIL, S.A.	100.00	62.45	IG	100.00	62.45	FC	RIO DE JANEIRO (Brazil)	HOLDING COMPANY	ERNST & YOUNG
ENDESA CAPITAL FINANCE, L.L.C.	100.00	100.00	IG	100.00	100.00	FC	DELAWARE (USA)	ISSUANCE OF PREFERENCE SHARES	ERNST & YOUNG
ENDESA CAPITAL, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	ISSUANCE OF DEBT INSTRUMENTS	ERNST & YOUNG
ENDESA CARBONO USA, L.L.C.	100.00	82.50	IG	100.00	82.50	FC	VIRGINIA (USA)	OPERATIONS IN CARBON DIOXIDE (CO2) MARKETS	UNAUDITED
ENDESA CARBONO, S.L.	82.50	82.50	IG	82.50	82.50	FC	MADRID (Spain)	CONSULTANCY AND PURCHASE AND SALE OF EMISSION RIGHTS	ERNST & YOUNG
ENDESA CEMSA, S.A.	100.00	71.36	IG	100.00	71.36	FC	BUENOS AIRES (ARGENTINA)	WHOLESALE PURCHASE AND SALE OF ELECTRICITY	ERNST & YOUNG
ENDESA COMERCIALIZAÇÃO DE ENERGIA, S.A.	100.00	100.00	IG	100.00	100.00	FC	PORTO (PORTUGAL)	MARKETING OF ENERGY PRODUCTS	ERNST & YOUNG
ENDESA COSTANERA, S.A.	69.76	25.37	IG	69.76	25.37	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	ERNST & YOUNG
ENDESA DESARROLLO, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	PURCHASE AND SALE, HOLDING, ADMINISTRATION AND MANAGEMENT OF SECURITIES	ERNST & YOUNG
ENDESA DISTRIBUCIÓN ELÉCTRICA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	ELECTRICITY DISTRIBUTION	ERNST & YOUNG
ENDESA ECO, S.A.	100.00	36.36	IG	100.00	36.36	FC	SANTIAGO (CHILE)	RENEWABLE ENERGY PROJECTS	KPMG AUDITORES
ENDESA ENERGÍA XXI, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	SERVICES ASSOCIATED WITH THE MARKETING OF ENERGY PRODUCTS	ERNST & YOUNG
ENDESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	MARKETING OF ENERGY PRODUCTS	ERNST & YOUNG
ENDESA FINANCIACIÓN FILIALES, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	FINANCING OF THE SUBSIDIARIES OF ENDESA, S.A.	ERNST & YOUNG

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	% ownership at 31 December 2011			% ownership at 31 December 2010					
			Consolidation			Consolidation			
Company (in alphabetical order)	Control	Ownership	method	Control	Ownership	method	Registered offices	Activity	Auditor
ENDESA GAS, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	ZARAGOZA (Spain)	COMPLETE GAS CYCLE	ERNST & YOUNG
ENDESA GENERACIÓN II, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	SEVILLE (Spain)	ELECTRICITY PRODUCTION	UNAUDITED
ENDESA GENERACIÓN PORTUGAL, S.A.	99.40	99.40	IG	99.40	99.40	FC	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND RELATED ACTIVITIES	ERNST & YOUNG
ENDESA GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	SEVILLE (Spain)	ELECTRICITY PRODUCTION AND RETAILING	ERNST & YOUNG
ENDESA INGENIERÍA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	SEVILLE (Spain)	CONSULTANCY AND CIVIL ENGINEERING SERVICES	ERNST & YOUNG
ENDESA INGENIERÍA, S.L.U.-COBRA INSTALACIONES Y SERVICIOS, S.A., U.T.E.	50.00	50.00	IP	—	—	—	SEVILLE (Spain)	ELECTRIC VEHICLE TECHNOLOGY AND ENGINEERING AND PROJECT CONSULTANCY	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. II	50.00	50.00	IP	50.00	50.00	PC	SEVILLE (Spain)	LED TECHNOLOGY SERVICES	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. III	50.00	50.00	IP	—	—	—	SEVILLE (Spain)	LED TECHNOLOGY SERVICES	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. IV	50.00	50.00	IP	—	—	—	SEVILLE (Spain)	LED TECHNOLOGY SERVICES	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. V	50.00	50.00	IP	—	—	—	SEVILLE (Spain)	LED TECHNOLOGY SERVICES	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. VI	50.00	50.00	IP	—	—	—	SEVILLE (Spain)	LED TECHNOLOGY SERVICES	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-ETIME SEGURIDAD, S.A., U.T.E.	50.00	50.00	IP	50.00	50.00	PC	MADRID (Spain)	SUPPLY AND INSTALLATION OF SECURITY SYSTEMS	UNAUDITED
ENDESA INGENIERÍA, S.L.U.-INDRA SISTEMAS, S.A., U.T.E.	51.00	51.00	IG	51.00	51.00	FC	SEVILLE (Spain)	WEB IT SERVICES	UNAUDITED
ENDESA INVERSIONES GENERALES, S.A.	100.00	36.35	IG	100.00	36.35	FC	SANTIAGO (CHILE)	HOLDING COMPANY	KPMG AUDITORES
ENDESA IRELAND LTD.	100.00	100.00	IG	100.00	100.00	FC	DUBLIN (IRELAND)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
ENDESA LATINOAMÉRICA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	ENDESA, S.A.'s INTERNATIONAL BUSINESS	ERNST & YOUNG
ENDESA NORTH AMÉRICA, INC. (EN LIQUIDACIÓN)	100.00	100.00	IG	100.00	100.00	FC	NEW YORK (USA)	TRADING OPERATIONS	UNAUDITED
ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	PROVISION OF SERVICES TO ENDESA DISTRIBUCIÓN ELÉCTRICA AND TO ENDESA ENERGÍA	ERNST & YOUNG
ENDESA POWER TRADING LTD.	100.00	100.00	IG	100.00	100.00	FC	LONDON (UK)	TRADING OPERATIONS	ERNST & YOUNG
ENDESA RED, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	DISTRIBUTION ACTIVITIES	ERNST & YOUNG
ENDESA SERVICIOS, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	SERVICES	ERNST & YOUNG
ENDESA TRADING, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	TRADING OPERATIONS	ERNST & YOUNG
ENEL.RE LIMITED	50.00	50.00	IP	—	—	—	DUBLIN (IRELAND)	REINSURANCE	ERNST & YOUNG
ENEL.RE, N.V.	50.00	50.00	IP	—	—	—	AMSTERDAM (HOLLAND)	REINSURANCE	ERNST & YOUNG
ENERGEX CO.	100.00	18.18	IP	100.00	18.18	PC	GRAND CAYMAN (CAIMAN ISLANDS)	HOLDING COMPANY	ERNST & YOUNG
ENERGÍAS DE ARAGÓN I, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	ZARAGOZA (Spain)	TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICITY UNDER THE TARIFF SYSTEM	ERNST & YOUNG
ENERGIE ELECTRIQUE DE TAHADDART, S.A.	32.00	32.00	IP	32.00	32.00	PC	TANGIERS (MOROCCO)	COMBINED CYCLE PLANT	DELOITTE
ENERSIS, S.A.	60.62	60.62	IG	60.62	60.62	FC	SANTIAGO (CHILE)	ELECTRICITY PRODUCTION AND DISTRIBUTION AND HOLDING COMPANY	ERNST & YOUNG

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	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method			
EÓLICA FAZENDA NOVA-GERAÇÃO E COMERCIALIZAÇÃO DE ENERGIA, S.A.	99.95	62.42	IG	99.95	59.71	FC	RIO GRANDE DO NORTE (Brazil)	WIND FARM PROJECTS	UNAUDITED
EPRESA ENERGÍA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	50.00	IP	100.00	50.00	PC	CÁDIZ (Spain)	ELECTRICITY RETAILING	DELOITTE
FOTOVOLTAICA INSULAR, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
GAS EXTREMADURA TRANSPORTISTA, S.L.	40.00	40.00	IP	40.00	40.00	PC	BADAJOS (Spain)	TRANSMISSION AND STORAGE OF GAS	ERNST & YOUNG
GAS Y ELECTRICIDAD GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	PALMA DE MALLORCA (Spain)	ELECTRICITY PRODUCTION	ERNST & YOUNG
GASATACAMA CHILE, S.A.	99.95	18.18	IP	99.95	18.18	PC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE	ERNST & YOUNG
GASATACAMA, S.A.	100.00	18.18	IP	100.00	18.18	PC	SANTIAGO (CHILE)	COMPANY ADMINISTRATION AND MANAGEMENT	ERNST & YOUNG
GASIFICADORA REGIONAL CANARIA, S.A.	72.00	72.00	IG	72.00	72.00	FC	LAS PALMAS DE GRAN CANARIA (Spain)	DISTRIBUTION OF PIPED GAS	ERNST & YOUNG
GASODUCTO ATACAMA ARGENTINA, S.A.	99.97	18.18	IP	99.97	18.18	PC	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GASODUCTO TALTAL, S.A.	100.00	18.18	IP	100.00	18.18	PC	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
GENERALIMA, S.A.C.	100.00	100.00	IG	100.00	100.00	FC	LIMA (Peru)	HOLDING COMPANY	ERNST & YOUNG
GENERANDES Peru, S.A.	61.00	22.18	IG	61.00	22.18	FC	LIMA (Peru)	HOLDING COMPANY	KPMG AUDITORES
GUADARRANQUE SOLAR 4, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	SEVILLE (Spain)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	UNAUDITED
HIDROELÉCTRICA DE CATALUNYA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
HIDROELÉCTRICA EL CHOCÓN, S.A.	67.67	23.77	IG	67.67	23.77	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND RETAILING	ERNST & YOUNG
HIDROFLAMICELL, S.L.	75.00	75.00	IG	75.00	75.00	FC	BARCELONA (Spain)	ELECTRICITY DISTRIBUTION AND SALE	UNAUDITED
HIDROINVEST, S.A.	96.09	34.94	IG	96.09	34.94	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	ERNST & YOUNG
HIDROMONDEGO- HIDROELÉCTRICA DO MONDEGO, LDA	100.00	99.94	IG	—	—	—	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND RETAILING	UNAUDITED
HOSPITAL JUAN RAMÓN JIMÉNEZ, U.T.E.	50.00	50.00	IP	50.00	50.00	PC	MADRID (Spain)	SOLAR POWER GENERATION	UNAUDITED
ICT SERVICIOS INFORMÁTICOS LTDA.	100.00	60.62	IG	100.00	60.62	FC	SANTIAGO (CHILE)	IT, TELECOMMUNICATIONS AND DATA TRANSMISSION SERVICES	ERNST & YOUNG
INGENDESA DO BRASIL LTDA. (EN LIQUIDACIÓN)	100.00	36.36	IG	100.00	36.36	FC	RIO DE JANEIRO (Brazil)	PROJECT ENGINEERING CONSULTANCY SERVICES	KPMG AUDITORES
INMOBILIARIA MANSO DE VELASCO LTDA.	100.00	60.62	IG	100.00	60.62	FC	SANTIAGO (CHILE)	CONSTRUCTION WORK	ERNST & YOUNG
INSTALACIONES INABENSA, S.A.- ENDESA INGENIERÍA, S.L.U., U.T.E.	50.00	50.00	IP	50.00	50.00	PC	SEVILLE (Spain)	CONSTRUCTION OF ELECTRICAL INSTALLATIONS	UNAUDITED
INTERNATIONAL ENDESA B.V.	100.00	100.00	IG	100.00	100.00	FC	AMSTERDAM (HOLLAND)	INTERNATIONAL FINANCIAL TRANSACTIONS	ERNST & YOUNG
INVERSIONES DISTRILIMA, S.A.C.	100.00	74.17	IG	100.00	74.17	FC	LIMA (Peru)	HOLDING COMPANY	ERNST & YOUNG
INVERSIONES ENDESA NORTE, S.A.	100.00	36.36	IG	100.00	36.36	FC	SANTIAGO (CHILE)	INVESTMENT IN ENERGY PROJECTS IN NORTHERN CHILE	ERNST & YOUNG
INVERSIONES GASATACAMA HOLDING LTDA.	50.00	18.18	IP	50.00	18.18	PC	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION	ERNST & YOUNG
INVERSORA CODENSA S.A.S.	100.00	39.84	IG	100.00	39.84	FC	BOGOTÁ D.C. (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES	ERNST & YOUNG
INVERSORA DOCK SUD, S.A.	57.14	57.14	IG	57.14	57.14	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	ERNST & YOUNG

FC: Full consolidation; PC: Proportionate consolidation.

	% ownership at 31 December 2011			% ownership at 31 December 2010					
	Consolidation			Consolidation					
Company (in alphabetical order)	Control	Ownership	method	Control	Ownership	method	Registered offices	Activity	Auditor
INVESTLUZ, S.A.	100.00	63.06	IG	100.00	58.07	FC	FORTALEZA (Brazil)	HOLDING COMPANY	ERNST & YOUNG
LA PEREDA CO2, A.I.E.	33.33	33.33	IP	33.33	33.33	PC	ASTURIAS (Spain)	ELECTRICITY PRODUCTION	UNAUDITED
LUZ ANDES LTDA.	100.00	60.07	IG	100.00	60.07	FC	SANTIAGO (CHILE)	TRANSPORT, DISTRIBUTION AND SALE OF ENERGY AND FUELS	PKF
MEDIDAS AMBIENTALES, S.L.	50.00	25.00	IP	50.00	25.00	PC	BURGOS (Spain)	ENVIRONMENTAL STUDIES AND REPORTS	UNAUDITED
MINAS DE ESTERCUEL, S.A.	99.65	99.56	IG	99.65	99.56	FC	MADRID (Spain)	MINERAL DEPOSITS	UNAUDITED
MINAS GARGALLO, S.L.	99.91	99.91	IG	99.91	99.91	FC	MADRID (Spain)	MINERAL DEPOSITS	UNAUDITED
MINAS Y FERROCARRIL DE UTRILLAS, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	BARCELONA (Spain)	MINERAL DEPOSITS	ERNST & YOUNG
NUCLENOR, S.A.	50.00	50.00	IP	50.00	50.00	PC	BURGOS (Spain)	NUCLEAR POWER PRODUCTION	ERNST & YOUNG
NUEVA COMPAÑÍA DE DISTRIBUCIÓN ELÉCTRICA 4, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	MADRID (Spain)	ELECTRICITY DISTRIBUTION	UNAUDITED
NUEVA MARINA REAL ESTATE, S.L.	60.00	60.00	IG	60.00	60.00	FC	MADRID (Spain)	ADMINISTRATION, DEVELOPMENT AND CONSTRUCTION OF ALL MANNER OF PUBLIC OR PRIVATE WORKS	ERNST & YOUNG
PARQUE FOTOVOLTAICO ARICOUTE I, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PARQUE FOTOVOLTAICO EL GUANCHE I, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PARQUE FOTOVOLTAICO LLANO DELGADO I, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PARQUE FOTOVOLTAICO TABLERO I, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
PEGOP-ENERGÍA ELÉCTRICA, S.A.	50.00	50.00	IP	50.00	50.00	PC	SANTAREM (PORTUGAL)	OPERATION OF THE PEGO POWER PLANT	KPMG AUDITORES
PEREDA POWER, S.L.	70.00	70.00	IG	70.00	70.00	FC	ASTURIAS (Spain)	ELECTRICITY PRODUCTION	UNAUDITED
PROGAS, S.A.	100.00	18.18	IP	100.00	18.18	PC	SANTIAGO (CHILE)	GAS DISTRIBUTION	ERNST & YOUNG
SACME, S.A.	50.00	22.93	IP	50.00	22.93	PC	BUENOS AIRES (ARGENTINA)	ELECTRICITY SYSTEM OVERSIGHT AND CONTROL	ESTUDIO ALONSO HIDALGO Y ASOCIADOS
SAT 357-05 ACEVEDO REID S. AGRARIA DE TRANSFORMACIÓN- ENDESA INGENIERÍA, S.L.U., U.T.E.	50.00	50.00	IP	50.00	50.00	PC	SANTA CRUZ DE TENERIFE (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
SOCIEDAD AGRÍCOLA DE CAMEROS LTDA.	57.50	34.86	IG	57.50	34.86	FC	SANTIAGO (CHILE)	INVESTMENTS	ERNST & YOUNG
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN, S.A.	100.00	36.36	IG	100.00	36.36	FC	SANTIAGO (CHILE)	DESIGN, CONSTRUCTION AND OPERATION OF THE EL MELÓN TUNNEL	KPMG AUDITORES
SOCIEDAD PORTUARIA CENTRAL CARTAGENA, S.A.	99.85	31.75	IG	99.85	31.75	FC	BOGOTÁ D.C. (COLOMBIA)	PORT-RELATED SERVICES	ERNST & YOUNG
SODESA-COMERCIALIZAÇÃO DE ENERGIA ELÉCTRICA, S.A. (EN LIQUIDACIÓN)	50.00	50.00	IP	50.00	50.00	PC	PORTO (PORTUGAL)	RETAILING OF ELECTRICITY AND SERVICES	DELOITTE
SOL DE MEDIA NOCHE FOTOVOLTAICA, S.L.	50.00	50.00	IP	50.00	50.00	PC	LAS PALMAS DE GRAN CANARIA (Spain)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
SOUTHERN CONE POWER ARGENTINA, S.A.	100.00	36.36	IG	100.00	36.36	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY	ERNST & YOUNG
SPARK IBÉRICA, S.A.-ENDESA ENERGÍA, S.A.U., U.T.E.	50.00	50.00	IP	50.00	50.00	PC	BARCELONA (Spain)	CONSTRUCTION OF ELECTRICAL INSTALLATIONS	UNAUDITED

FC: Full consolidation; PC: Proportionate consolidation.

Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010			Registered offices	Activity	Auditor
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method			
SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A.	33.50	33.50	IP	33.50	33.50	PC	CÁDIZ (Spain)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
SUMINISTRO DE LUZ Y FUERZA, S.L.	60.00	60.00	IG	60.00	60.00	FC	GIRONA (Spain)	ELECTRICITY DISTRIBUTION AND RETAILING	ERNST & YOUNG
TEJO ENERGIA-PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELÉCTRICA, S.A.	38.89	38.89	IP	38.89	38.89	PC	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA.	50.00	18.18	IP	50.00	18.18	PC	SANTIAGO (CHILE)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	DELOITTE
TRANSPORTADORA DE ENERGÍA, S.A.	100.00	62.45	IG	100.00	59.74	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
TRANSPORTES Y DISTRIBUCIONES ELÉCTRICAS, S.A.	73.33	73.33	IG	73.33	73.33	FC	GIRONA (Spain)	ELECTRICITY TRANSMISSION	UNAUDITED
UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	IG	100.00	100.00	FC	LAS PALMAS DE GRAN CANARIA (Spain)	ELECTRICITY PRODUCTION	ERNST & YOUNG

FC: Full consolidation; PC: Proportionate consolidation.

Appendix II: Associates

Company (in alphabetical order)	% ownership at 31 December 2011		% ownership at 31 December 2010		Registered offices	Activity	Auditor
	Control	Ownership	Control	Ownership			
CENTRAL TÉRMICA DE ANLLARES, A.I.E.	33.33	33.33	33.33	33.33	MADRID (SPAIN)	MANAGEMENT OF THE ANLLARES FOSSIL FUEL PLANT	UNAUDITED
CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E.	24.26	23.92	24.26	23.92	MADRID (SPAIN)	MANAGEMENT OF THE ALMARAZ AND TRILLO NUCLEAR PLANTS	ERNST & YOUNG
COMPañía TRANSPORTISTA DE GAS CANARIAS, S.A.	47.18	47.18	47.18	47.18	LAS PALMAS DE GRAN CANARIA (SPAIN)	NATURAL GAS OPERATIONS IN THE CANARY ISLANDS	ERNST & YOUNG
ELCOGAS, S.A.	40.99	40.99	40.99	40.99	CIUDAD REAL (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
ELÉCTRICA DE JAFRE, S.A.	47.46	47.46	47.46	47.46	GIRONA (SPAIN)	ELECTRICITY DISTRIBUTION AND RE-TAILING	RCM AUDITORES
ELECTROGAS, S.A.	42.50	15.45	42.50	15.45	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION	KPMG AUDITORES
ENDESA GAS T&D, S.L. (1)	20.00	20.00	20.00	20.00	ZARAGOZA (SPAIN)	ELECTRICITY PRODUCTION	KPMG AUDITORES
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. I	38.00	38.00	38.00	38.00	SEVILLE (SPAIN)	LED TECHNOLOGY SERVICES	UNAUDITED
ENEL GREEN POWER MODELO I EÓLICA, S.A.	40.00	24.98	—	—	RIO DE JANEIRO (BRAZIL)	RENEWABLE ENERGY	UNAUDITED
ENEL GREEN POWER MODELO II EÓLICA, S.A.	40.00	24.98	—	—	RIO DE JANEIRO (BRAZIL)	RENEWABLE ENERGY	UNAUDITED
ENEL GREEN POWER ESPAÑA, S.L.	40.00	40.00	40.00	40.00	MADRID (SPAIN)	COMBINED HEAT AND POWER AND RENEWABLE ENERGIES	ERNST & YOUNG
ENERGÍA SOLAR ONDA, U.T.E.	25.00	25.00	25.00	25.00	CASTELLÓN (SPAIN)	DEVELOPMENT AND CONSTRUCTION OF SOLAR PV INSTALLATIONS	UNAUDITED
ENSATECA HOLDING EMPRESARIAL, S.L. (EN LIQUIDACIÓN)	32.43	32.43	32.43	32.43	BARCELONA (SPAIN)	TELECOMMUNICATIONS SERVICES	UNAUDITED
ETRA CATALUNYA, S.A.-MONCOBRA, S.A.-ENDESA INGENIERÍA, S.L.U., U.T.E.	20.00	20.00	—	—	BARCELONA (SPAIN)	ELECTRIC VEHICLE TECHNOLOGY AND ENGINEERING AND PROJECT CONSULTANCY	UNAUDITED
GNL CHILE, S.A.	33.33	12.12	33.33	12.12	SANTIAGO (CHILE)	PROMOTION OF PROJECT TO SUPPLY LIQUEFIED GAS	ERNST & YOUNG
GNL QUINTERO, S.A.	20.00	7.27	20.00	7.27	SANTIAGO (CHILE)	DESIGN, DEVELOPMENT AND SUPPLY OF A LIQUEFIED NATURAL GAS REGASIFICATION TERMINAL	ERNST & YOUNG
GORONA DEL VIENTO EL HIERRO, S.A.	30.00	30.00	30.00	30.00	SANTA CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND MAINTENANCE OF THE EL HIERRO POWER PLANT	UNIONAUDIT J.Y.E. S.L.
KROMSCHROEDER, S.A.	27.93	27.93	27.93	27.93	BARCELONA (SPAIN)	METER-READING EQUIPMENT	MAZARS
OFICINA DE CAMBIOS DE SUMINISTRADOR, S.A.	20.00	20.00	20.00	20.00	MADRID (SPAIN)	SALE OF ENERGY SERVICES	UNAUDITED
PROYECTO ALMERÍA MEDITERRÁNEO, S.A. (EN LIQUIDACIÓN)	45.00	45.00	45.00	45.00	MADRID (SPAIN)	INSTALLATION OF SEAWATER DESALINATION PLANT	UNAUDITED
SADIEL TECNOLOGÍAS DE LA INFORMACIÓN, S.A.	22.00	22.00	37.50	37.50	SEVILLE (SPAIN)	TECHNOLOGIES, INFORMATION, ENGINEERING AND TRAINING	DELOITTE
TECNATOM, S.A.	45.00	45.00	45.00	45.00	MADRID (SPAIN)	SERVICES TO ELECTRICITY PRODUCTION FACILITIES	ERNST & YOUNG
TERMOELÉCTRICA JOSÉ DE SAN MARTÍN, S.A.	25.60	6.40	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	ERNST & YOUNG
TERMOELÉCTRICA MANUEL BELGRANO, S.A.	25.60	6.40	26.18	7.17	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT	KPMG AUDITORES
YACYLEC, S.A.	22.22	22.22	22.22	22.22	BUENOS AIRES (ARGENTINA)	ELECTRICITY TRANSMISSION	ERNST & YOUNG

(1) In 2011, Nubia 2000, S.L. changed its name to ENDESA Gas T&D, S.L.

Appendix III: Changes in the consolidated group

Companies consolidated for the first time in 2011

Company (in alphabetical order)	Date of Consolidation	% ownership at 31 December 2011			% ownership at 31 December 2010		
		Control	Ownership	Consolidation method	Control	Ownership	Consolidation method
CENTRAL VUELTA DE OBLIGADO, S.A.	11/05/2011	40.90	10.78	PC	—	—	—
ENDESA INGENIERÍA, S.L.U.-COBRA INSTALACIONES Y SERVICIOS, S.A., U.T.E.	27/10/2011	50.00	50.00	PC	—	—	—
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. III	21/01/2011	50.00	50.00	PC	—	—	—
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. IV	02/03/2011	50.00	50.00	PC	—	—	—
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. V	27/05/2011	50.00	50.00	PC	—	—	—
ENDESA INGENIERÍA, S.L.U.-ENEL SOLE, S.R.L., U.T.E. VI	18/10/2011	50.00	50.00	PC	—	—	—
ENEL RE LIMITED	26/10/2011	50.00	50.00	PC	—	—	—
ENEL RE, N.V.	26/10/2011	50.00	50.00	PC	—	—	—
HIDROMONDEGO-HIDROELÉCTRICA DO MONDEGO, LDA	28/07/2011	100.00	99.94	FC	—	—	—

FC: Full consolidation; PC: Proportionate consolidation.

Companies no longer consolidated in 2011

Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010		
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method
AGRÍCOLA E INMOBILIARIA PASTOS VERDES LTDA.	—	—	—	55.00	33.34	FC
COMPAÑÍA AMERICANA DE MULTISERVICIOS LTDA.	—	—	—	100.00	60.62	FC
COMPAÑÍA AMERICANA DE MULTISERVICIOS, LTDA. (BRASIL)	—	—	—	100.00	60.62	FC
COMPAÑÍA AMERICANA DE MULTISERVICIOS, LTDA. (COLOMBIA)	—	—	—	100.00	60.62	FC
COMPAÑÍA AMERICANA DE MULTISERVICIOS, LTDA. (ARGENTINA)	—	—	—	100.00	60.62	FC
COMPAÑÍA AMERICANA DE MULTISERVICIOS DEL Peru, S.R.L.	—	—	—	100.00	60.62	FC
ENDESA INGENIERÍA, S.L.U.-LAXTRON ENERGÍAS RENOVABLES, S.L., U.T.E.	—	—	—	50.00	50.00	PC
ENDESA MARKETPLACE, S.A.	—	—	—	78.00	72.09	FC
SISTEMAS SEC, S.A.	—	—	—	49.00	29.71	PC
SOCIEDAD CONSORCIO INGENDESA ARA LTDA.	—	—	—	50.00	18.18	PC
SYPNASIS ARGENTINA, S.R.L.	—	—	—	100.00	60.62	FC
SYPNASIS BRASIL, LTDA.	—	—	—	100.00	60.62	FC
SYPNASIS COLOMBIA, LTDA.	—	—	—	100.00	60.62	FC
SYPNASIS Peru, S.R.L.	—	—	—	100.00	60.62	FC
SYPNASIS SOLUCIONES Y SERVICIOS IT LTDA.	—	—	—	100.00	60.62	FC

FC: Full consolidation; PC: Proportionate consolidation.

Changes in the percentage of ownership in 2011

Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010		
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method
AMPLA ENERGIA E SERVIÇOS, S.A.	99.64	64.12	FC	91.93	55.15	IG
AMPLA INVESTIMENTOS E SERVIÇOS, S.A.	99.64	64.12	FC	91.93	55.15	IG
COMPOSTILLA RE. S.A.	50.00	50.00	PC	100.00	100.00	IG
ELÉCTRICA CABO BLANCO, S.A.C.	100.00	100.00	FC	80.00	80.00	IG
EN-BRASIL COMERCIO E SERVIÇOS, S.A.	100.00	62.45	FC	99.99	59.74	IG

FC: Full consolidation; PC: Proportionate consolidation.

Associates: Companies included, excluded and changes in 2011

Company (in alphabetical order)	% ownership at 31 December 2011			% ownership at 31 December 2010		
	Control	Ownership	Consolidation method	Control	Ownership	Consolidation method
Companies included:						
ENEL GREEN POWER MODELO I EÓLICA S.A.	40.00	24.98	EM	—	—	—
ENEL GREEN POWER MODELO II EÓLICA S.A.	40.00	24.98	EM	—	—	—
ETRA CATALUNYA, S.A.-MONCOBRA, S.A.-ENDESA INGENIERÍA, S.L.U., U.T.E.	20.00	20.00	EM	—	—	—
Companies excluded:						
CONSORCIO ARA INGENDESA SENER LTDA.	—	—	—	33.33	12.12	EM
KONECTA CHILE, S.A.	—	—	—	26.20	15.88	EM
Changes:						
SADIEL TECNOLOGÍAS DE LA INFORMACIÓN, S.A.	22.00	22.00	EM	37.50	37.50	EM
TERMOELÉCTRICA JOSÉ DE SAN MARTÍN, S.A.	25.60	6.40	EM	26.18	7.17	EM
TERMOELÉCTRICA MANUEL BELGRANO, S.A.	25.60	6.40	EM	26.18	7.17	EM

EM: Accounted for using the equity method.

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Consolidated Management Report

for the period ended 31 December 2011

Translation from the original issued in Spanish.

In the event of discrepancy, the Spanish-language version prevails

1. Analysis of 2011

1.1. Consolidated results

ENDESA reports 2011 net income of Euros 2,212 million

ENDESA reported net income of Euros 2,212 million in 2011, Euros 1,917 million less than in 2010.

The decline is explained by the fact that 2010 net income included Euros 1,975 million net of taxes and minorities generated by the disposals carried out in 2010.

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. (hereinafter "EEE"). This generated a net gain of Euros 123 million.

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

The table below shows the breakdown of net income by business and the year-on-year change:

ENDESA net income, Fiscal Year 2011

	Millions of Euros	% change 2010	% of total net income
Spain and Portugal and Other	1,593	(54.5)	72.0
Latin America	619	(1.9)	28.0
Total	2,212	(46.4)	100.0

Electricity generation and sales

ENDESA's generation in 2011 totalled 138,714 GWh, up 6.3% on 2010.

Power output and sales, Fiscal Year 2011

	Output		Sales (1)	
	GWh	% change 2010	GWh	% change 2010
Spain and Portugal and Other	75,947	11.6	106,148	(1.7)
Latin America	62,767	0.6	69,553	3.4
Total	138,714	6.3	175,701	0.3

(1) Spain and Portugal and Other includes sales totalling 907 GWh. Latin America includes tolls and unbilled consumption totalling 12,458 GWh in 2011. Stripping out tolls and unbilled consumption, sales would have totalled 57,095 GWh (+2.7%).

Electricity sales climbed 0.3% to 175,701 GWh.

EBITDA: Euros 7,265 million

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

The Euros 209 million reduction in EBITDA and Euros 378 million drop in EBIT are the result of several factors, including the following:

- Recognition of a Euros 109 million expense in 2011 for the Colombian subsidiaries relating to the accrual of wealth tax at 1 January, which will be paid during the period 2011-2014.
- The Euros 154 million decline in EBITDA in the generation business in Chile is primarily due to the extreme drought in 2011 which led to a 5.6% decrease in hydro power output at ENDESA's subsidiaries in the country.
- The sale of assets in 2010 which generated EBITDA of Euros 248 million.
- The write-down of the group's assets in Ireland and Argentina (due to the economic situation in both countries) also caused EBIT to fall by Euros 261 million, although EBITDA was not affected.

In 2011, revenues grew 4.8% to Euros 32,686 million, primarily due to higher sales prices. Variable costs rose by 9.7% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro and nuclear output, thereby hiking up fuel costs. The cost of energy acquired for re-sale also increased.

Fixed costs however fell by 6.1% (Euros 257 million), thanks to the implementation of the Synergy and Efficiency Plan.

The table below (table 1) shows the breakdown of EBITDA and EBIT by region and the year-on-year change:

Net financial results improved by 29.6% to Euros 622 million

ENDESA reported a net financial loss of Euros 622 million in 2010, an improvement of Euros 261 million year-on-year.

Net finance expense totalled Euros 640 million, down 28.5%, while net exchange gains were Euros 18 million, compared to Euros 12 million in 2010.

In addition to the effect of the reduction in net financial debt which was partially offset by the higher average cost of debt, the following factors should be taken into account in the comparison between both years:

- The net financial result for 2010 included the Euros 77 million negative impact of adjusting interest relating to financing the revenue deficit for regulated activities in Spain pursuant to Royal Decree Law 6/2010 of 9 April.
- The net financial result for 2011 includes a positive impact of Euros 63 million relating to interest recognised as a result of the two rulings handed down by the Spanish High Court partially recognising the appeals filed by ENDESA in relation to Corporate Income tax for the ENDESA Group in 1998 and 1999. Of this amount, Euros 27 million corresponded to the business in Spain and Portugal and Other, while Euros 36 million related to the business in Latin America.

Cash flow from operating activities: Euros 5,838 million

Cash flow from operating activities amounted to Euros 5,838 million, compared to Euros 5,905 million in 2010, representing a decline of 1.1%.

Investment: Euros 2,826 million

Investments stood at Euros 2,826 million in 2011. Of this amount, Euros 2,558 million was capex and investment in intangible assets. The remaining Euros 268 million related to financial investments.

Investment

	Millions of Euros			
	Capex and intangible assets	Financial investments	Total	% change
Spain and Portugal and Other	1,399	96	1,495	(32.4)
Latin America	1,159	172	1,331	11.2
Total (*)	2,558	268	2,826	(17.1)

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euros 101 million.

Financial position

ENDESA had net financial debt of Euros 11,002 million at 31 December 2011, a reduction of Euros 4,334 million compared to 31 December 2010.

Table 1

	Revenues		EBITDA		EBIT	
	Millions of Euros	% change 2010	Millions of Euros	% change 2010	Millions of Euros	% change 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)
Total	32,686	4.8	7,265	(2.8)	4,653	(7.5)

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

	Millions of Euros			
	31 December 2011	31 December 2010	Difference	% change
Business in Spain and Portugal and Other	6,841	10,684	(3,843)	(36.0)
Business in Latin America	4,161	4,652	(491)	(10.6)
Enersis Group	3,883	4,188	(305)	(7.3)
Other	278	464	(186)	(40.1)
Total	11,002	15,336	(4,334)	(28.3)

(*) Net financial debt = Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under assets.

The average cost of ENDESA's total debt was 6.0% in 2011, while the cost of the debt corresponding to the Enersis Group was an average of 9.5%. Excluding Enersis Group debt, the average cost of ENDESA's debt was 4.0% in the period.

When assessing the debt level, it must be remembered that at 31 December 2011, ENDESA had the recognised right to collect Euros 5,380 million in connection with several Spanish regulatory matters: Euros 3,281 million for financing the revenue shortfall from regulated activities and Euros 2,099 million in compensation for stranded costs in non-mainland generation. Stripping out these regulatory items, ENDESA's net debt was Euros 5,622 million, Euros 528 million less than in 2010.

At the beginning of July 2010, ENDESA informed the Deficit Securitisation Fund for the Electricity System (hereinafter "FADE") of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities up to the end of 2010 and compensation for stranded costs in non-mainland generation from 2001 to 2008. Pursuant to Royal Decree 437/2010, of 9 April 2010, these collection rights had to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. As all the committed rights had not been transferred to the FADE before 7 July 2011 the Interministerial Commission issued a ruling in which it stated that exceptional market conditions prevailed that had prohibited the FADE from acquiring the collection rights within the agreed timeframe. ENDESA decided not to waive the commitment to transfer any collection rights, extending it for another year, i.e. until 7 July 2012.

In 2011, the ENDESA Group ceded deficit collection rights to the FADE for a total amount of Euros 5,115 million up to 31 December 2011.

Between 1 January 2012 and the date of authorisation for issue of this Consolidated Management Report, the ENDESA Group ceded additional tariff collection rights to the FADE totalling Euros 1,705 million, Euros 1,266 million of which was collected by ENDESA in February, with the remaining Euros 439 million to be made in March.

Additionally, in 2011 ENDESA received Euros 513 million of the compensation for stranded costs in non-mainland generation directly from the Spanish government's budgets via the official recovery mechanism pursuant to Royal Decree Law 6/2009, of 30 April.

Moreover, the General Shareholders' Meeting on 9 May agreed to pay out a gross dividend against 2010 results of Euros 1.017 per share, equivalent to a payment of Euros 1,076 million. Of this amount, Euros 529 million was paid via an interim dividend on 3 January, while a final dividend was paid out on 1 July for a total sum of Euros 547 million.

The table below (**table 2**) shows the structure of the Group's net financial debt at 31 December 2011:

ENDESA had liquidity of Euros 9,246 million in Spain at 31 December 2011, sufficient to meet the group's total debt repayments over the next 50 months. Euros 8,273 million of this amount was in undrawn, unconditional credit lines, of which Euros 3,500 million correspond to a credit line signed in November 2011 with ENEL Finance International, N.V. (hereinafter "EFI"), which had not been drawn down at 31 December 2011.

Meanwhile, the Enersis Group held cash and cash equivalents totalling Euros 1,815 million and Euros 632 million in undrawn, unconditional credit lines, covering debt maturities for the next 29 months.

Table 2. Structure of ENDESA'S net financial debt at 31 December 2011

	ENDESA and direct subsidiaries		Enersis Group		Total ENDESA Group	
	Millions of Euros	% of total	Millions of Euros	% of total	Millions of Euros	% of total
Euro	7,040	99	—	—	7,040	64
US dollar	76	1	1,670	43	1,746	16
Chilean Peso / Unidades de Fomento	—	—	228	6	228	2
Brazilian real	—	—	709	18	709	6
Other currency	3	—	1,276	33	1,279	12
Total	7,119	100	3,883	100	11,002	100
Fixed rate	4,942	69	2,312	60	7,254	66
Hedged rate	180	3	—	—	180	2
Variable rate	1,997	28	1,571	40	3,568	32
Total	7,119	100	3,883	100	11,002	100
Avg. life (years)		3.4		5.5		4.3

As of the date of release of these Fiscal Year 2011 earnings, ENDESA's long-term debt ratings are: Standard & Poor's: A-, under review for a possible downgrade; Moody's: A3 with a negative outlook, and Fitch: A-, with a stable outlook.

Financial leverage

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

Assets held for sale

At the end of 2010, ENDESA started proceedings for the sale of its 100% stake in ENDESA Ireland Limited (hereinafter "ENDESA Ireland").

During 2011 the group actively sought potential purchasers. Despite the uncertain economic backdrop which is delaying this process, this disposal is expected to be finalised in the first few months of 2012.

Gains from asset disposals

Gains from asset disposals in 2011 totalled Euros 113 million. Of this amount, Euros 93 million corresponded to the business in Spain and Portugal and Other and Euros 20 million to the business in Latin America.

The main divestments during 2011 were as follows:

Systems and telecommunications line of activity

On 30 March 2011, ENDESA entered into an agreement with its controlling shareholder EEE to transfer ENDESA's systems and telecommunications line of activity to EEE for Euros 250 million. This transaction is intended to ensure all telecommunications and systems services are jointly managed for both the ENDESA Group and the ENEL Group, as part of the global business strategy aimed at generating synergies.

The sale was completed in July, generating a gross gain of Euros 176 million.

Compañía Americana de Multiservicios Ltda.

On 24 February 2011, Enersis, S.A. (hereinafter "Enersis") sold to Graña y Montero S.A.A. the assets of the group headed by the Chilean company, Compañía Americana de

Multiservicios Ltda. (hereinafter "CAM"). The sale price was Euros 10 million, generating capital gross gain of Euros 8 million.

Synapsis Soluciones y Servicios IT Ltda.

On 1 March 2011, Enersis sold to Riverwood Capital L.P. the assets of the group headed by the Chilean company, Synapsis Soluciones y Servicios IT Ltda. (hereinafter "Synapsis"). This sale was completed for Euros 37 million, generating capital gross gain of Euros 5 million.

1.2. Results by business line

1.2.1. Business in Spain and Portugal and Other

Net income – Spain and Portugal and Other: Euros 1,593 million

Net income from ENDESA's business in Spain and Portugal was Euros 1,593 million, Euros 1,905 million lower year-on-year, contributing 72% 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 Euros 4,024 million, down 1.3% year-on-year, and EBIT totalled Euros 2,244 million, down 9.6%.

The decline in EBITDA is primarily due to the following factors:

- The sale of assets in 2010, which generated EBITDA of Euros 236 million.
- The less favourable power generation mix due to the drop in hydro and nuclear output and the increase in conventional thermal generation, leading to higher fuel costs.

- The higher average price on the electricity wholesale market during 2011 compared to 2010. This price hike has bumped up the cost of procuring electricity required to cover the gap between sales and output, thereby leading to a shrinking of the margin on these sales.

Highlights

Mainland electricity demand shrank by 1.2% in 2011 (–2.1% without correcting for working days and temperature).

Additionally, wholesale electricity prices continued to rise, climbing 34.0% compared to 2010.

During this period, ENDESA obtained a market share in ordinary regime generation of 34.5%, a 42.9% share in distribution and a 34.6% share in sales to customers in deregulated market.

From a regulatory perspective, Ministerial Order ITC/3353/2010, of 28 December 2010, established that access tariffs shall remain unchanged from 1 January 2011, while capacity payments payable by consumers have increased 72%.

Resolution of 28 December 2010, establishing the Last Resort Tariff (hereinafter "LRT") to be applied in the first quarter of 2011, stipulated an average increase of 9.8% in this tariff.

Ministerial Order ITC/688/2011, of 30 March 2011, established the access tariffs and LRT applicable from 1 April 2011. The LRT remained unchanged while access tariffs increased by 10.8%, equivalent to the reduction in energy prices. For the remaining low-voltage tariffs, access tariffs have gone up 7%, while medium- and high-voltage tariffs have increased 2%.

Additionally, the Resolution of 30 June 2011 set the LRT for the third quarter of 2011. LRTs increased by 1.5% on average as a result of the increase in energy costs following the CESUR (Contratos de Energía para el Suministro de Último Recurso) auction. However, access tariffs remained unchanged.

Ministerial Order ITC/2585/2011, of 29 September 2011, established the access tariffs applicable from 1 October 2011, while Resolution of 29 September 2011 set the LRT also from that date. The LRT remained unchanged while access tariffs increased by 12%, equivalent to the increase in energy costs following the CESUR (Contratos de Energía para el Suministro de Último Recurso) auction. For the remaining low-voltage tariffs, access tariffs remained unchanged. A new access tariff and super off peak LRT with time restraints for the fourth quarter of 2011 were also set. We would note that on 20 December 2011 the Supreme Court issued an Injunction concerning articles 1.2 and 5 of Ministerial Order ITC/2585/2011, of 29 September 2011, suspending the effectiveness of the toll reductions established therein.

Pursuant to this, Ministerial Order IET/3586/2011, of 30 December 2011, establishing the access tolls applicable as of 1 January 2012, established the prices for access tolls 2.0A and 2.0 DHA which must be applied in order to be billed for the period between 23 December (when the court order was passed) and 31 December, inclusive. While the Resolution of 31 December 2011, establishing the LRT for the first quarter of 2012, established the LRT for the period 23-31 December 2011, taking into consideration the prevailing access tolls in place from 1 April 2011, and the LRT production cost for the fourth quarter of 2011.

The shortfall between the access tariffs collected during 2011 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euros 3,446 million for the sector as a whole. Of this amount, ENDESA must finance 44.16%.

Royal Decree 1544/2011, of 31 October 2011, implemented Royal Decree Law 14/2010, of 23 December 2010, established an access tariff payable by all generation facilities, both Ordinary Regime and CHP/renewable, at Euros 0.5/MWh.

Ministerial Order ITC/3127/2011, of 17 November 2011, applicable from 15 December 2011, established an availability service to be provided by certain facilities, specifically, coal-fired, combined cycle and fuel-oil plants as well as pure pumped, mixed pump and reservoir hydroelectric plants. The consideration for the service provided is set at a single amount of Euros 5,150/MW for all technologies. However, the calculation of the

amount to be received for this service will affect the previous value given the different availability factors for each technology.

Ministerial Order ITC/3127/2011, of 17 November 2011 also amends the current investment incentive for facilities built after 1998. This has increased from Euros 20,000 to Euros 26,000/MW a year for facilities with a useful life of less than 10 years. It also establishes an investment incentive (Euros 8,750/MW) for those installations which have invested in substantially reducing sulphur oxide emissions.

In relation to the mechanism to promote Spanish coal production (Royal Decree 134/2010, of 12 February 2010, amended by Royal Decree 1221/2010, of 1 October 2010), on 10 February 2011 a resolution was passed establishing the amounts of coal to be consumed in 2011, the maximum output covered by this mechanism, and the energy prices to be applied in this process. This mechanism was first applied at the end of February 2011.

Order ITC/2452/2011, of 13 September 2011 was enacted on 16 September, revising certain CHP/renewable tariffs and facility premiums. Among other aspects it stipulates the rental price for meters which can be used for remote management.

Finally, Royal Decree Law 20/2011, of 30 December 2011 amended the percentage of stranded costs for non-mainland generation for 2011 covered in Spanish government budgets. This has been reduced from 51% to 17%.

Other operations during the period

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 authorisations 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.

Revenues: Euros 22,650 million (+6.9%)

In 2011, ENDESA reported revenues of Euros 22,650 million from its Spain and Portugal and Other business in 2011,

an increase of 6.9%. Of this amount, revenues from sales accounted for Euros 21,234 million, 5.2% higher than in 2010, as shown below: (table 3)

Electricity Sales

ENDESA's electricity output in the Spain and Portugal and Other business stood at 75,947 GWh (+11.6%) in 2011. Of this amount, 74,249 GWh corresponded to Spain (+12.0%), 883 GWh to Portugal (+17.7%) and 815 GWh to the rest of the segment (-20.1%).

Mainland electricity output totalled 60,287 GWh in 2011, 15.8% more than in 2010. Nuclear and hydro energy accounted for 52.0% of ENDESA's mainland generation mix under the ordinary regime (71.4% in 2010), compared with 45.3% for the rest of the sector (46.4% in 2010).

ENDESA's output from non-mainland facilities was 13,962 GWh, a decrease of 2.1% compared to 2010.

Supply to deregulated customers

ENDESA had 2,326,865 customers in the deregulated market at the end of 2011: 2,253,663 in the Spanish mainland market and 73,202 in European deregulated markets other than Spain.

ENDESA sold a total of 76,422 GWh to these customers in 2011, an increase of 7.7%.

Sales in the Spanish deregulated market totalled Euros 7,172 million, up 7.2% on 2010. Revenues from sales to deregulated European markets other than Spain rose 56.9% to Euros 626 million.

Last resort supplier sales

ENDESA sold 28,819 GWh through its last resort supplier company in 2011, 19.8% lower than the previous year as a result of the transfer of LRT customers to the deregulated market.

These sales generated revenues of Euros 4,973 million, down 5.1% on 2010.

Electricity distribution

ENDESA distributed 115,727 GWh in the Spanish market in 2011, 1.7% lower than the previous year.

Following the sale of power transmission assets in 2010, regulated revenue from distribution activities amounted to Euros 2,241 million, 6.0% less than in 2010.

Gas supply

ENDESA sold 54,759 GWh of natural gas to customers in the deregulated market in Spain in 2011, which represents a 34.4% increase on the 2010 figure.

Revenues from gas sales in the deregulated market rose 19.4% to Euros 1,525 million.

Table 3. Sales in the Business in Spain and Portugal and Other

	Millions of Euros			% change
	2011	2010	Difference	
Electricity sales	16,666	16,098	568	3.5
Sales to the deregulated market	7,172	6,690	482	7.2
Sales to Suppliers of Last Resort	4,973	5,242	(269)	(5.1)
Wholesale market sales	1,333	660	673	102.0
CHP/renewable sales	—	29	(29)	Na
Supply to customers in deregulated markets outside Spain	626	399	227	56.9
Non-mainland compensation	1,762	1,737	25	1.4
Power trading	626	1,136	(510)	(44.9)
Other sales	174	205	(31)	(15.1)
Regulated revenue from electricity distribution	2,241	2,385	(144)	(6.0)
Gas supply	1,525	1,277	248	19.4
Other sales and services rendered	802	426	376	88.3
Total	21,234	20,186	1,048	5.2

Operating expenses

The breakdown of operating expenses in the Spain and Portugal and Other business in 2011 is provided below: (table 4)

Procurements and services (variable costs)

Power purchases stood at Euros 6,321 million, an increase of 23.3% on 2010. This rise was mainly due to the higher unit cost of these purchases.

Fuel consumption totalled Euros 2,647 million in 2011, a year-on-year increase of 37.2%, due to higher thermal output during the period.

Personnel and other fixed operating expenses

Fixed costs in 2011 were Euros 2,563 million, Euros 368 million lower (–12.6%) than in 2010 largely thanks to the implementation of the Synergy and Efficiency Plan.

This change is due to a Euros 229 million reduction in “Personnel expenses” to Euros 1,050 million, and a Euros 139 million decline (–8.4%) in “Other operating expenses” to Euros 1,513 million.

Comparing the two years, it should be noted that in 2010 provisions of Euros 132 million were allocated under personnel expenses after the early retirement dates for several employees adhering to the workforce reduction programme approved in 2000 were brought forward. These employees were part of groups affected by the on-going restructuring plans. Strip-

ping out this one-off provision, personnel expenses would have been 8.5% lower.

At 31 December 2010 ENDESA provisioned Euros 233 million corresponding to the contributions that ENDESA Generación, S.A.U. is obliged to make in 2011-2013 for financing the Energy Savings and Efficiency Plans approved by the government, in compliance with the obligation established in Royal Decree Law 14/2010, of 23 December 2010.

Financial results: Euros 295 million (–35.9%)

The net financial loss reported for 2011 was Euros 295 million in 2010, Euros 165 million less than in 2010.

This was due to a Euros 178 million decline in net financial expenses and a Euros 13 million reduction in net exchange differences, which moved from a gain of Euros 5 million in 2010 to loss of Euros 8 million in 2011.

In addition to the effect of the reduction in net debt which was partially offset by the higher average cost of debt, the following factors should be taken into account in the comparison between both years:

- In 2010, the net financial expense included the negative impact of the restatement of Euros 77 million of finance revenues recorded in previous years resulting from the accrual of interest on the shortfall between the effective contribution date and the start of the following year, in accordance with the provisions of Royal Decree Law 6/2010, of 9 April 2010.

Table 4. Operating expenses – Business in Spain and Portugal and Other

	Millions of Euros			% change
	2011	2010	Difference	
Procurements and services	16,192	14,380	1,812	12.6
Power purchased	6,321	5,125	1,196	23.3
Fuel consumption	2,647	1,929	718	37.2
Transmission expenses	5,659	5,517	142	2.6
Other supplies and services	1,565	1,809	(244)	(13.5)
Personnel expenses	1,050	1,279	(229)	(17.9)
Other operating expenses	1,513	1,652	(139)	(8.4)
Depreciation & amortisation charges and impairment losses	1,780	1,596	184	11.5
Total	20,535	18,907	1,628	8.6

- In 2011, financial revenues of Euros 27 million were recorded for this business, corresponding to interest associated with the rulings handed down by the Spanish High Court on companies belonging to the ENDESA tax group in 1998 and 1999.

Net financial debt in the Spain and Portugal and Other business at 31 December 2011 stood at Euros 6,841 million vs. Euros 10,684 million at year-end 2010.

Of this amount, Euros 5,380 million was incurred to finance regulatory receivables: Euros 3,281 million to finance the revenue shortfall from regulated activities and Euros 2,099 million to fund the non-mainland generation compensations.

Cash flow from operating activities: Euros 3,407 million

Cash flow from operating activities in the business in Spain and Portugal and Other totalled Euros 3,407 million in 2011 compared to Euros 3,532 million in 2010, representing a decline of 3.5%.

Investment: Euros 1,495 million

Investment in the Spain and Portugal and Other business in 2011 totalled Euros 1,495 million, as detailed in the following table:

Total investment Business in Spain and Portugal and Other

	Millions of Euros		% var.
	2011	2010	
Capex	1,284	1,841	(30.3)
Intangible	115	139	(17.3)
Financial investments	96	231	(58.4)
Total (*)	1,495	2,211	(32.4)

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euros 101 million.

Capex Business in Spain and Portugal and Other

	Millions of Euros		% var.
	2011	2010	
Generation	474	939	(49.5)
Distribution	806	866	(6.9)
Other	4	36	(88.9)
Total	1,284	1,841	(30.3)

In the Spain and 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 investment to expand and optimise the network, in order to improve efficiency and service quality. It also includes investment for the widespread installation of smart meters and their associated operating systems.

1.2.2. Business in Latin America

Net income in Latin America: Euros 619 million

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

Nonetheless, the impact of the wealth tax in Colombia should be considered when analysing net income in the Latin American business. In 2009, Law 1370 was passed in Colombia, resulting in the establishment of a 4.8% wealth tax on liquid assets held at 1 January 2011, payable in eight instalments between 2011 and 2014. Furthermore, Decree Law 4825 was enacted on 29 December 2010 establishing a 25% surcharge on the wealth tax calculated in accordance with Law 1370. This tax amounts to Euros 109 million for ENDESA Group subsidiaries with registered offices in Colombia as a whole, and was accrued in full at 1 January 2011. It was therefore recognised in full in 2011.

Stripping out the impact of the Colombian wealth tax, net income in Latin America would have risen 4.1%.

As a result, EBITDA stood at Euros 3,241 million, down 4.5% (–1.3% excluding the impact of the wealth tax in Colombia), while EBIT stood at Euros 2,409 million, a decline of 5.5% in comparison to 2010 (–1.2% excluding the impact of the wealth tax in Colombia).

Highlights

The economic environment in ENDESA's Latin American operating markets was positive. Energy demand advanced in all countries during 2011, with especially noteworthy increases in Peru (+7.5%), Chile (SIC +6.7% and SING 3.5%), Argentina (+5.1%) and Brazil (+3.4%).

In this context, distribution sales by ENDESA companies, including tolls and unbilled consumption, totalled 69,553 GWh, an increase of 3.4% on 2010, with rises recorded in all countries: Peru (+7.3%), Chile (+4.6%), Argentina (+2.8%), Colombia (+2.7%) and Brazil (+2.2%).

Output in ENDESA's generation business grew 0.6% to 62,767 GWh. Increases in output were especially significant in Peru (+7.7%) and Colombia (+7.2%), offsetting the decreases in Brazil (–18.4%), Argentina (–0.2%) and Chile (–0.9%).

Electricity generation and sales Business in Latin America

	Generation (GWh)		Distribution (GWh) (1)	
	2011	% change 2010	2011	% change 2010
Chile	20,722	(0.9)	13,697	4.6
Argentina	15,960	(0.2)	17,233	2.8
Peru	9,840	7.7	6,572	7.3
Colombia	12,090	7.2	12,857	2.7
Brazil	4,155	(18.4)	19,194	2.2
Total	62,767	0.6	69,553	3.4

(1) Includes tolls and unbilled consumption totalling 12,458 GWh. Stripping out tolls and unbilled consumption, sales would have totalled 57,095 GWh (+2.7%).

Unit margins

The unit margin in the generation business declined by 4.4% to Euros 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 in 2011 was Euros 33.1/MWh, a decrease of 1.9% compared to 2010. This was mainly due to the better unit margins in Chile (+1.4%), which failed to offset the falls in Argentina (12%), Peru (1.5%), Brazil (1.0%) and Colombia (0.7%).

New capacity development

Construction continued in 2011 on the Bocamina II coal-fired plant in Chile (370 MW), with assembly of the boiler and turbine. The plant is due to be commissioned in 2012.

Work on the El Quimbo hydro plant in Colombia (400 MW) currently entails moving earth and lining the tunnel ready to redirect the River Magdalena. The plant is slated to come on stream in fourth quarter 2014.

Finally, equipment for the Talara thermal plant in Peru (183 MW) is currently being manufactured and subjected to quality control prior to being shipped to the plant during the first half of 2012 for assembly in June. This dual open-cycle plant (diesel/natural gas) is due to come into operation in the first half of 2013.

Regulatory update

Chile

On 17 February 2011, and in light of the prevailing drought, Chile's National Energy Commission (the "NEC") issued a Rationing Decree setting out a series of measures aimed at guaranteeing supply. This Rationing Decree, which has been extended until 30 April 2012, includes operational measures such as reducing voltage and maintaining hydro reserves, etc.

On 18 January 2011, Supreme Decree 13/2011 establishing emissions regulations for power plants was signed and subsequently published on 23 June. Highlights of the new text include the need for emissions convergence between new and existing plants by 2020, the recognition of plants under construction in existing assets and the extension of the timeframe for adjustments to be made at existing facilities.

On 16 November 2011, the advisory committee for electricity development (CADE) published its report on proposed regulatory reform for various aspects of the country's electricity sector. Among other issues, the report proposes the development of an electricity highway; recommends that 15% of total output come from non-conventional renewable energy sources by 2024; endorses hydro projects in the south of the country to aid development there; and recommends amendments to the tender process to increase competition. Based on this report the Chilean government will draw up an energy policy document to help develop the country over the coming years.

Brazil

On 15 March 2011 the annual Tariff Adjustment (IRT) for Ampla Energia e Serviços, S.A. (hereinafter "Ampla") was completed, establishing a 10.04% increase for Parcel B (DAV).

On 5 April 2011 the Ministerial Directives 210/2011 and 211/2011 were published in the State Gazette, which adapt Compañía de Interconexión Energética, S.A. (hereinafter "Cien") for connection to a regulated interconnection line, subject to payment of a regulated toll. The annual remuneration figure (RAP) totals Brazilian real 248 million (equivalent to Euros 107 million) and will be adjusted in line with the Brazilian consumer price index (IPCA) in June each year and is subject to tariff reviews every four years. The concession period runs until June 2020 for Line 1 and until July 2022 for Line 2, with compensation fixed for any investments that are not depreciated.

On 8 July the Government published Decree 7.520 rolling out a new "Power for All" programme for the 2011-

2014 period. New operations manuals have been published outlining the rules and general framework under which this new scheme will be carried out. It is estimated that through this programme Companhia Energética do Ceará, S.A. (hereinafter "Coelce") and Ampla could attract 15,000 and 2,000 new customers respectively over the next three years.

In this regard, Decree 7.583, regulating the application of the electricity social rate was approved on 13 October.

On 22 November 2011, the National Electrical Energy Agency (hereinafter "ANEEL"), approved the final methodology for calculating the Third Cycle of Tariff Reviews for distribution companies. This had been under discussion since 2010. This methodology will be applied to Coelce from 2011 and Ampla from March 2014. The companies have filed appeals concerning two of the items, namely "Other revenue" (additional services provided by the distribution company) and the capture of tax benefits for companies in the northeast and north of Brazil (hereinafter "SUDENE").

Peru

On 20 March 2011, the Ministry of Energy and Mines issued Supreme Decree 008-2011, which includes some amendments to previous Supreme Decree 003-2011, whereby the participation of private distribution companies in auctions is optional rather than mandatory.

Also, on 22 March 2011, Supreme Decree 012-2011 was approved, passing new regulation for power generation using renewable energies. The new regulation basically amends the rules for renewable energy auctions to improve its operations given the results seen in 2010. Based on this regulation, on 28 April 2011 a new auction to assign approximately 2,000 GWh of renewable energy power was held.

On 11 June 2011 Supreme Decree 027-2011-EM was enacted, passing the regulation for the short-term power market. This regulation, which will come into force on 1 January 2014, outlines the rules for the short-term market and marginal power sales as well as the requirements and guarantees generation, distribution and large-cus-

tomer companies need to meet to be able to participate in the market.

Colombia

On 13 April 2011, the country's Electricity and Gas Regulatory Commission (hereinafter "CREG") published its definitive model for quantifying the investment needed to reduce losses on the distribution grid. The CREG also passed various regulations relating to amendments and/or improvements to reliability remuneration.

Argentina

In accordance with the generation agreement signed between the government and ENDESA, Sadesa and Duke, the generation companies submitted a joint project for the 800 MW "Vuelta de Obligado" combined cycle plant (hereinafter "VOSA"). On 16 May 2011, the generation companies set up a financial trust including all the resources necessary for future investment, in accordance with the agreement.

In 2011, Empresa Distribuidora Sur, S.A. (hereinafter "Edesur") requested the Ente Regulador de Electricidad (hereinafter "ENRE") the six-monthly tariff adjustment for the period November 2010 to April 2011, estimated at 6.34% and 7.69% for the period May to October 2011. These increases have not been passed onto customer tariffs and are pending ENRE approval.

The break-even level of Edesur (the Group's distribution company in Argentina) has been strongly affected by the government's delay in complying with certain points contained in the agreement signed between both parties, particularly the half-yearly recognition of tariff adjustments via the Cost Monitoring Mechanism (the MMC) and the Integral Tariff Review. At 31 December 2011, Enersis recognised impairment losses for property, plant and equipment at Edesur amounting to Euros 158 million to cover all of the asset risk that this company represents within the Group.

On 7 November 2011 the government passed a ruling to reduce electricity tariff subsidies. To date this has been

applied to sectors and companies able to assume this reduction, such as banks, financial and insurance entities, gaming companies, mobile phone operators, airports and ports and hydrocarbon and mining companies, among others. This reduction will not cause generation and/or distribution margins to increase and, although the amount is reduced, is a step in the right direction in restructuring the sector.

Other operations during the period

At the beginning of October 2011, ENDESA Latinoamérica, S.A. (a wholly owned subsidiary of ENDESA, S.A. and hereinafter "ENDESA Latinoamérica") and EDP Energias de Portugal, S.A. (hereinafter "EDP") entered into an agreement for ENDESA Latinoamérica to acquire EDP's 7.70% stakes in ENDESA's Brazilian subsidiaries Ampla Energia e Serviços S.A. (electricity distribution services concessionaire in the state of Rio de Janeiro) and Ampla Investimentos e Serviços S.A. (which owns a stake in Companhia Energetica do Ceara S.A., Coelce, the concession holder for electricity distribution services in the State of Ceará and also controlled by ENDESA) for Euros 76 million and Euros 9 million, respectively. Following these acquisitions, the ENDESA Group controls 99.64% of the share capital of both companies, which are listed on the Sao Paulo stock exchange.

Also, and in compliance with securities market regulations in Brazil, in November ENDESA launched tender offers, under the terms stipulated, for the remaining 0.36% stake held by the minority shareholders of both companies. These public tenders are due to take place during the first half of 2012.

EBITDA: Euros 3,241 million

In 2011 EBITDA stood at Euros 3,241 million, down 4.5% (–1.3% excluding the impact of the wealth tax in Colombia). Meanwhile, fourth-quarter EBITDA was Euros 34 million lower year-on-year due to exchange rate trends between the Euros and local currencies in the countries where the Group operates.

EBITDA and EBIT Business in Latin America

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	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)	Na	(33)	(72)	Na
Total	3,241	3,395	(4.5)	2,409	2,548	(5.5)

EBIT stood at Euros 2,409 million, a decline of 5.5% in comparison with 2010 (–1.2% excluding the effect the wealth tax in Colombia).

The breakdown of these results by country is shown below: (tables 5 and 6)

Generation and transmission**Chile**

During 2011 Chile suffered one of the worst droughts in its history. This caused a huge reduction in hydroelectric output that was partially replaced by thermal power, which has a much lower margin. Overall, ENDESA's generation in Chile shrank 0.9%, with unit margins declining 15.1%.

Colombia

In Colombia, EBITDA (–1.8%) and EBIT(–2.6%) were affected by the introduction of the wealth tax.

Stripping out this effect, EBITDA and EBIT in 2011 would have risen by 12.9% and 14.2%, respectively, primarily because of improved output during the period (+7.2%) thanks to favourable hydro resources caused by "La Niña" climate phenomenon, lower energy purchase prices to cover commercial commitments, and the positive impact of the higher revenues from frequency regulation services.

Table 5. EBITDA and EBIT Business in Latin America – Generation and Transmission

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	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	(14.0)
Total generation	1,748	1,865	(6.3)	1,445	1,566	(7.7)
Brazil-Argentina interconnection	127	114	11.4	104	36	188.9
Total generation and transmission	1,875	1,979	(5.3)	1,549	1,602	(3.3)

Table 6. EBITDA and EBIT Business in Latin America – Distribution

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	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	7.0	104	96	8.3
Argentina	(23)	30	Na	(204)	6	Na
Total distribution	1,402	1,448	(3.2)	893	1,018	(12.3)

Brazil

ENDESA's investees in Brazil generated a total of 4,155 GWh to 31 December, down 18.4% year-on-year, with decreases at the Fortaleza (thermal) plant primarily due to lack of demand by the system and the Cachoeira (hydro) plant as a result of lower rainfall levels.

Despite the fall in generation, the margin on sales covered by spot purchases made to cover contracted demand led to a slight improvement in EBITDA (+0.9 %) and EBIT (+3.5%) to Euros 224 million and Euros 207 million, respectively.

Peru

ENDESA's investees in Peru generated total output in 2011 of 9,840 GWh, 7.7% more than the previous year.

Higher spot prices coming from the activation of new tender contracts to distribution companies and increased sales to regulated customers, triggered a 27.6% rise in EBITDA, to Euros 245 million while EBIT climbed 44.2% to Euros 186 million.

Argentina

In 2011, even though output was similar to the previous year (−0.2%), the change in the generation mix with increased thermal and lower hydro output, combined with the exchange rate effect due to the peso's devaluation against the euro, triggered a 7.8% contraction in EBITDA vs. 2010 to Euros 118 million.

Also, the Euros 8 million write-down of ENDESA Costanera, S.A.'s goodwill triggered an even higher decrease in EBIT (−14.0%) to Euros 80 million.

Argentina - Brazil interconnection

As mention above, from April 2011 the two interconnections lines linking Brazil and Argentina began to receive regulated remuneration, putting Cien's EBITDA at 31 December 2011 at Euros 127 million, up 11.4% on 2010.

This, combined with the recovery of receivables from Argentina, for which provisions had previously been made, put EBIT at Euros 104 million for the period.

Distribution

Chile

The 4.6% rise in sales volumes, thanks to increased demand and higher prices due to improved indexing factors, pushed up EBITDA and EBIT in the Chilean distribution business by 14.8% and 18.2%, respectively, to Euros 233 million and Euros 188 million.

Colombia

EBITDA and EBIT in the Colombian distribution business declined by 7.7% and 10.1%, respectively, to Euros 371 million and Euros 276 million.

Stripping out the effect of the wealth tax, both indicators improved (+3.2% and 4.2% respectively) due to higher demand and prices.

Brazil

EBITDA and EBIT for 2011 amounted to Euros 684 million (−0.1%) and Euros 529 million (+17.6%), respectively compared to 2010.

The decline in EBITDA was largely due to the lower electricity margin at Ampla caused by the price effect but which was partially offset by higher physical sales (+2.2%). The improvement to EBIT in 2011 (+17.6%) is mainly due to the impairment allocation of its customer portfolio in 2010.

Peru

Financial indicators in the Peruvian distribution business performed well during the period on the back of a 7.3% rise in sales volumes.

EBITDA climbed 7.0% year-on-year, to Euros 137 million, while EBIT was 8.3% higher at Euros 104 million.

Argentina

EBITDA for the distribution business in Argentina was a negative Euros 23 million in 2011 compared to a positive Euros 30 million the previous year. This decline was due to the company's higher fixed costs triggered by Argentina's rising inflation which it has not been possible to pass on to customers through tariffs.

EBIT meanwhile, amounted to a negative Euros 204 million, Euros 201 million less than in 2010 due to the fall in EBITDA and the provisions for Edesur's assets mentioned in the "Regulatory Update" section above.

Financial results: Euros 327 million (–22.7%)

ENDESA's Latin American business generated a net financial expense of Euros 327 million in 2011, a reduction of 22.7% compared to 2010. Net exchange gains of Euros 26 million were recorded for 2011, compared to Euros 7 million for 2010.

Net finance expense for the year was Euros 353 million, down Euros 77 million or 17.9%. Of this amount, Euros 36 million corresponds to the positive effect on this business of the Spanish High Court's rulings on Corporate Income Tax for the ENDESA Group.

Net debt at ENDESA's Latin American business stood at Euros 4,161 million at 31 December 2011, a reduction of Euros 491 million since year-end 2010.

Cash flow from operating activities: Euros 2,431 million

ENDESA's business in Latin America generated cash flow of Euros 2,431 million in 2011, 2.4% higher than in 2010.

Investment: Euros 1,331 million

Investment in this business unit stood at Euros 1,331 million in 2011, Euros 172 million of this amount corresponded to financial investments and Euros 1,159 million to capex and investments in intangible assets, as shown in the table below:

Capex and investment in intangible assets Business in Latin America

	Millions of Euros		% change
	2011	2010	
Generation	508	279	82.1
Distribution and Transmission	360	321	12.1
Other	7	47	(85.1)
Total capex	875	647	35.2
Intangible assets (*)	284	394	(27.9)
Total capex and investment in intangible assets	1,159	1,041	11.3

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

1.3. Statistical appendix

Key figures

Electricity Generation Output

	GWh		% change
	2011	2010	
Business in Spain and Portugal and Other	75,947	68,069	11.6
Business in Latin America	62,767	62,416	0.6
Total	138,714	130,485	6.3

Electricity Generation Output in Spain and Portugal and Other

	GWh		% change
	2011	2010	
Mainland	60,287	52,042	15.8
Nuclear	25,177	27,619	(8.8)
Coal	23,080	10,786	114.0
Hydroelectric	6,179	9,208	(32.9)
Combined cycle (CCGT)	5,851	3,915	49.5
Fuel oil	—	55	Na
CHP/renewable	—	459	Na
Non-mainland	13,962	14,257	(2.1)
Portugal	883	750	17.7
Other	815	1,020	(20.1)
Total	75,947	68,069	11.6

Electricity Generation Output in Latin America

	GWh		% change
	2011	2010	
Chile	20,722	20,914	(0.9)
Argentina	15,960	15,991	(0.2)
Peru	9,840	9,133	7.7
Colombia	12,090	11,283	7.2
Brazil	4,155	5,095	(18.4)
Total	62,767	62,416	0.6

Electricity sales

	GWh		% change
	2011	2010	
Business in Spain and Portugal and Other	106,148	107,942	(1.7)
LRS	28,819	35,941	(19.8)
Deregulated market	76,422	70,953	7.7
Rest of the sector (1)	907	1,048	(13.5)
Business in Latin America (2)	69,553	67,275	3.4
Chile	13,697	13,098	4.6
Argentina	17,233	16,759	2.8
Peru	6,572	6,126	7.3
Colombia	12,857	12,515	2.7
Brazil	19,194	18,777	2.2
Total	175,701	175,217	0.3

(1) Generation sales.

(2) Includes tolls and unbilled consumption totalling 12,458 GWh in 2011 and 11,703 GWh in 2010. Stripping out tolls and unbilled consumption, sales would have totalled 57,095 GWh and 55,572 GWh, respectively (+2.7%).

Gas sales

	GWh		% change
	2011	2010	
Regulated market	—	130	Na
Deregulated market (*)	54,759	40,742	34.4
Total	54,759	40,872	34.0

(*) Excluding own generation consumption.

Period-end headcount

	Number of employees		% change
	31 December 2011	31 December 2010	
Business in Spain and Portugal and Other	11,785	12,270	(4.0)
Business in Latin America	11,092	12,462	(11.0)
Total	22,877	24,732	(7.5)

Financial data**Key figures**

	Euros		% change
	2011	2010	
EPS (1)	2.1	3.9	(46.4)
BVPS (2) (3)	18.2	16.8	8.5

(1) Parent company's Fiscal Year profit / No. shares.

(2) Parent company's net equity / No. shares.

(3) At 31 December 2011.

Net financial debt

	Millions of Euros		% change
	31 December 2011	31 December 2010	
Business in Spain and Portugal and Other	6,841	10,684	(36.0)
Business in Latin America	4,161	4,652	(10.6)
Total	11,002	15,336	(28.3)
Financial leverage (%) (1)	44.6	66.2	Na

(1) Net finance debt / Net equity.

Ratings (27 February 2012)

	Long-term	Short-term	Outlook
Standard & Poor's	A-	A2	Negative (*)
Moody's	A3	P2	Negative
Fitch	A-	F2	Stable

(*) Under review for a possible downgrade.

ENDESA's main fixed-income issues

	Spread over IRS (bp)	
	31 December 2011	31 December 2010
0.5 Y GBP 400 M 6.125% Mat. June 2012	145	128
1.1 Y EUR 700 M 5.375% Mat. February 2013	157	80

Stock market data

	31 December 2011	31 December 2010	% change
Market cap (Millions of Euros)	16,781	20,429	(17.9)
Number of shares outstanding	1,058,752,117	1,058,752,117	—
Nominal share value (Euros)	1.2	1.2	—

Stock market data

	Shares		% change
	2011	2010	
Trading volume			
Madrid stock exchange	160,274,194	154,589,510	3.7
Average daily trading volume			
Madrid stock exchange	623,635	603,865	3.3

Share price

	2011 high	2011 low	31 December 2011	31 December 2010
Madrid stock exchange	24.050	15.115	15.850	19.295

Dividends against 2011 earnings

	Euro/share
Final dividend (*)	0.606
Total DPS	0.606
Pay-out (%)	29.0
Dividend yield (%)	3.8

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

2. Events after the reporting period

Information concerning events after the reporting period is included in Note 39 to the Financial Statements.

3. Outlook

The outlook for ENDESA's business over the coming years is based on its solid market position in both Spain and Portugal as well as in the five Latin American countries where it operates.

In recent years ENDESA has carefully managed its asset portfolio, retaining its leading position in many of the countries where it is present. This has enabled it to attain a solid

financial position and high liquidity level despite the challenging macroeconomic and financial backdrop.

Despite the general uncertainty caused by the global economic crisis, it is worth noting that there are significant differences in the macroeconomic situation in the various markets where ENDESA operates.

On the one hand, the economic outlook in Spain is complex, with policies being adopted to help meet public deficit targets. Stagnant economic growth has given rise to uncertainty, with slow recovery being held back by the worsening international backdrop. With global growth slowing, the European Union's sovereign debt crisis has intensified. This in turn has had a negative impact on activity, financing conditions and forecasts.

In Latin America the electricity market and economic situation is very different. GDP growth estimates for the countries where ENDESA are present are very positive, with an annual average of close to 5%. The majority of these countries also boast investment grade credit ratings and have a much lower risk level than the average for the region. Regulatory frameworks here are stable and predictable and favour expansion.

Over the coming years ENDESA plans to earmark the necessary investment to maintain its business position. Particular emphasis will be placed on Latin America. Here forecast growth and regulatory stability in the majority of the countries where ENDESA operate will allow the group to obtain a sound return on its investments with limited risk.

Also, one of the keys to the group's future performance is its capacity to meet its synergy and efficiency targets, which will generate recurrent annual cost savings of at least Euros 1,066 million from 2012. This is one of the most ambitious plans ever adopted in the electricity sector.

Of this amount, Euros 827 million will come from ENDESA's Synergy and Efficiency Plan, an ambitious programme rolled out in 2007 and aimed at identifying cost efficiencies and possible synergies in the group's main businesses, both in Spain and Latin America. These are in addition to the cost efficiencies outlined in its Strategic Plan.

The first Synergy and Efficiency Plan set an ambitious target of Euros 680 million a year as of 2012. However, this

amount has gradually been raised to Euros 827 million a year due to the synergies obtained following ENDESA's integration into the ENEL Group.

The remaining Euros 239 million correspond to savings identified within the framework of the Zenith Plan rolled out by ENDESA in June 2009. One of the objectives of the Zenith Plan, which is based on methodology developed by ENEL, is to consolidate the synergy savings contained in the Synergy and Efficiency Plan and identify new cost efficiencies and additional synergies in other business lines.

By region, 75% of these (Euros 804 million) are expected in Spain and Portugal and the remaining 25% (Euros 262 million) in Latin America.

These plans are achieving very good results and annual targets are being beaten. Savings achieved in 2010 and 2011 stood at 124% of the target set for each year.

4. Main risks affecting the ENDESA Group's activity

The ENDESA Group's activities are carried out against a backdrop where outside factors may affect its operations and financial results.

The main risks which may affect ENDESA's operations are as follows:

4.1. Risks associated to the activity and the sector

The ENDESA Group's activities are subject to a number of regulations and changes which could negatively affect its activities, financial situation and the results of its operations

The ENDESA Group's activities are subject to a number of regulations and changes which could negatively affect its activities, financial situation and the results of its operations.

The ENDESA Group's subsidiaries are subject to various regulations concerning tariffs and other aspects of their activi-

ties in Spain and all of the countries where they operate. Even though ENDESA fully complies with all prevailing laws and regulations, the ENDESA Group is subject to a complex framework of laws and regulations which the various public and private bodies endeavour to apply. The introduction of new laws and regulations or amendments to prevailing laws and regulations could negatively affect the Group's activities, economic situation and the results of its operations.

These new laws or regulations sometimes modify certain regulatory aspects which could affect existing rights which, if applicable, could adversely affect the ENDESA Group's future financial statements.

In recent years the Spanish electricity system has been operating with a revenue shortfall, giving rise to a deficit. Pursuant to Royal Decree Law 5/2005, of 11 March 2005 and subsequent legislation, some companies, ENDESA included, are obliged to finance this deficit. The ENDESA Group is also waiting to receive significant compensation for stranded costs in non-mainland generation in Spain after 2001.

Royal Decree Law 6/2009, of 30 April 2009 (which was subsequently amended by Royal Decree Law 6/2010, of 9 April 2010), establishes the possibility of collecting accumulated deficits, including stranded costs in non-mainland generation generated up to 2008, by placing the collection rights of companies which have funded this deficit into a securitisation fund. The same regulation establishes the upper limit for the deficit for 2009-2012 (subsequently amended by Royal Decree Law 14/2010, of 23 December 2010), and states that the deficit must cease to exist by 2013. Likewise, Royal Decree Law 6/2009, of 30 April 2009, allows for hedging of stranded costs for non-mainland generation from 2013 in Spanish government budgets. These stranded costs will be gradually assimilated for the 2009-2012 period to include all stranded costs for the electricity system.

At the beginning of July 2010, ENDESA informed the FADE of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities up to the end of 2010 and compensation for stranded costs in non-mainland generation from 2001 to 2008. Pursuant to Royal Decree 437/2010, of 9 April 2010, these collection rights had to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. As all the committed rights had not been transferred to the

FADE before 7 July 2011 the Interministerial Commission issued a ruling in which it stated that exceptional market conditions prevailed that had prohibited the FADE from acquiring the collection rights within the agreed timeframe. ENDESA decided not to waive the commitment to transfer any collection rights, extending it for another year, i.e. until 7 July 2012.

In 2011, the ENDESA Group ceded deficit collection rights to the FADE for a total amount of Euros 5,115 million up to 31 December 2011. Between 1 January 2012 and the date of authorisation for issue of this Consolidated Management Report, the ENDESA Group ceded additional tariff collection rights to the FADE totalling Euros 1,705 million, Euros 1,266 million of which was collected by ENDESA in February, with the remaining Euros 439 million to be made in March.

Taking into account the large volume of collection rights accumulated by ENDESA, the securitisation process due to take place in the coming months should, if successful, entail a significant inflow of cash and help boost the Group's financial situation. That said, the success of this process is largely dependent on the prevailing conditions in the financial markets.

The ENDESA Group's activities are subject to a number of environmental regulations and changes which could negatively affect its activities, financial situation and the results of its operations

ENDESA and its subsidiaries are subject to environmental legislation which, among other issues, demands that environmental impact studies be carried out for future projects. Licences, permits and other authorisation must be obtained in advance and all requirements detailed therein must be adhered to at all times. As in any regulated company, ENDESA cannot guarantee that:

- The public bodies will approve these environmental impact studies;
- Public opposition will not delay or cause the Group to amend a project;
- Laws and regulations will not be amended or interpreted in such a way that the financial outlay required to comply with them may increase. Likewise any opera-

tions, facilities or plans involving ENDESA Group companies may be affected.

Certain legal requirements concerning the environment in the markets where the Group operates have become more rigorous in recent years. Even though ENDESA has carried out the necessary investment to meet these requirements, their application and any future amendments could negatively affect its activities, financial situation and the results of its operations. The results of its operations may also be affected by the prices of CO₂ emission rights or due to a market shortage.

A considerable amount of ENDESA's power is produced in markets which are subject to market forces which may affect prices and the amount of power ENDESA sells

ENDESA is exposed to market price and availability risk for the purchase of the fuel (including fuel-gas, coal and natural gas) used to generate electricity and the sale of part of the power it produces. ENDESA has entered into long-term supply contracts to guarantee a secure supply of fuel for its generation activities in Spain. The Group has various natural gas supply contracts which include take or pay clauses. These contacts have been established based on reasonable assumptions of future requirements. Any major divergences from these assumptions could require higher fuel purchases.

Exposure to this risk is managed long term through the diversification of contracts, management of the procurements portfolio by tying it to indices that perform in a similar or comparable way to end electricity prices (generation) or selling prices (retailing), and through contractual periodic renegotiation clauses, the aim of which is to maintain the economic equilibrium of procurements. Short- and medium-term fluctuations in the prices of procurements are managed through specific hedging transactions, generally using derivatives. Even though ENDESA actively manages these risks, it cannot guarantee that this management will eliminate all the market price risks relating to fuel requirements.

The ENDESA Group's activities could be affected by rainfall and climatic conditions

ENDESA's operations include hydroelectric generation and therefore are dependent on the prevailing rainfall at all times in the regions where the ENDESA Group has hydroelectric facilities. If there is a drought or any other conditions which negatively impact hydro generation, ENDESA's earnings could be adversely affected. Also, the electricity business is affected by climatic conditions such as average temperatures which determine consumption. Margins obtained on the business can vary according to climatic conditions.

The ENDESA Group's financial results could be affected by certain market risks

The ENDESA Group is exposed to different market risks during the normal course of business. These include interest rate risks, commodities risks and currency risks. The Group manages these risks actively to prevent them from affecting its results.

Interest rate risk

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

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

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

Currency risk

Currency risk essentially affects the following transactions:

- Debt denominated in foreign currencies arranged by Group companies and associates.
- Payments to be made in international markets for purchases of fuel stocks.

- Income and expense of Latin American subsidiaries in their functional currency and, in some cases, tied to the performance of the US dollar.

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

In order to mitigate this risk, the ENDESA Group has entered into derivative contracts and dollar-denominated debt to hedge US dollar-denominated income. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency. However, risk management strategies may not be fully efficient in limiting exposure to variability of interest and foreign currency exchange rates, which could have an adverse impact on its financial position and results.

Commodity price risk

The ENDESA Group is exposed to the risk of fluctuations in commodity prices, including CO₂ emission rights and Certified Emissions Reductions (CERs), largely through the following:

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

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

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

Exposure to this risk is managed long term by diversifying contracts, managing the procurements portfolio by reference to indices with a similar or comparable trend to that of the end electricity (generation) or sale (retailing) prices and

through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives hedges.

Liquidity risk

The Group's liquidity policy consists of arranging committed long-term credit facilities with both banking entities and ENEL group companies and financial investments in an amount sufficient to cover projected needs over a given period based on the status and expectations of the debt and capital markets.

However, it is impossible to ensure that a prolonged liquidity crisis, preventing issuers from tapping the capital markets, will not negatively affect the ENDESA Group's liquidity.

Credit risk

Given the current economic situation ENDESA monitors credit risk very strictly.

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

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

- Cash placements are made with top tier entities in the markets where ENDESA operates.
- The arrangement of derivatives and credit risk relating to commodities included within the scope of IAS 39 are carried out with highly solvent entities.

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

- Analysis of counterparty risk where there is no external agency rating.
- Collateral is requested where required.

- Guarantees are requested for transactions with new customers.
- Exhaustive monitoring of trade receivables.

Even though the measures taken by the ENDESA Group considerably reduce its exposure to credit risk, given the current economic climate the Group is unable to guarantee that it will not incur losses due to the non-payment of commercial or financial receivables.

The construction of new facilities could be affected by factors normally associated with these types of projects

The construction of power generation, transmission and distribution facilities is time-consuming and can be complicated.

This means that investment needs to be planned well in advance of the estimated start-up date of the facility. Any changes in the market conditions mean that ENDESA needs to adapt its decisions to the new conditions which may entail additional unplanned costs.

Also, when developing these installations the ENDESA Group must generally obtain government permits and authorisations, acquire land or sign leasing contracts, enter into equipment procurement and construction contracts, operating and maintenance contracts, fuel supply and transport contracts, consumption agreements and also ensure it has sufficient financing and debt in place. The following factors may affect the Group's capacity to build new facilities:

- Delays in obtaining regulatory approval, including environmental permits.
- Shortages or changes in the price of equipment, supplies or labour.
- Opposition from political or ethnic groups.
- Adverse changes in the political and regulatory backdrop in the countries where it operates.

- Adverse meteorological conditions which could delay the completion of the power plants or substations, natural disasters, accidents or other unforeseen incidents.
- The inability to obtain financing at interest rates that are satisfactory to ENDESA.

Any of these factors could delay the commencement or completion of construction projects and could increase the cost of the planned projects. Any costs incurred by ENDESA if it is unable to complete these projects may not be recoverable.

ENDESA could be held liable for environmental, penal or other responsibilities in relation to its operations

ENDESA is exposed to environmental risks which are inherent in its operations, including those relating to the management of waste, spillages and emissions at its electricity production units, particularly nuclear power plants. Therefore ENDESA is liable to claims for environmental or other damages in connection to its electricity generation, transmission and distribution facilities, as well as its coal mining activities.

ENDESA is also subject to risks relating to the operation of its nuclear plants and the storage and handling of low-level radioactive material. According to Spanish legislation and regulation, operators of nuclear power plants have limited responsibility in the event of incidents occurring. Those limits comply with international treaties ratified by Spain. Under Spanish legislation, nuclear plant operators are liable for a maximum of Euros 700 million worth of claims arising in relation to a single nuclear incident. ENDESA has liability insurance of up to Euros 700 million in place to cover any claims in this regard.

ENDESA is also taken out insurance for up to Euros 150 million in relation to claims arising as a result of pollution or other damage to third parties or their goods. If ENDESA were subject to claims for environmental or any other types of damages in connection with its operations (except for nuclear plants) for any amount in excess of its insurance coverage, its activity, financial situation or the results of its operations could be seriously affected.

Also, pursuant to Law 5/2010, of 22 June 2010, which amended Law 10/1995, of 23 November 1995, of the Penal Code, legal entities can be held fully responsible for certain criminal activities committed by their directors, management or employees when carrying out their respective duties. In this regard, ENDESA has a control system in place aimed at preventing criminal activity within the company and, if applicable, averting any consequences.

Deregulation of the electricity sector in the European Union could lead to greater competition and lower prices

The deregulation of the electricity sector in the European Union has led to greater competition due to consolidation and the entry of new players into the area's electricity markets, including Spain. Deregulation of the electricity sector in the European Union has also caused prices to fall in some market segments due to the entry of new competitors and foreign power suppliers. European electricity exchanges have also been established. These factors have led to greater liquidity in electricity markets. Deregulation means that many of ENDESA's business areas now operate in increasingly competitive markets. If ENDESA is unable to adapt to and correctly manage this competitive market, its activity, financial situation or the results of its operations could be seriously affected.

4.2. Risks associated with the countries where the ENDESA Group operates

ENDESA Group companies are exposed to a number of economic and political risks

ENDESA Group activities are exposed to various risks inherent in investing in and carrying out work in the various countries where the ENDESA Group operates, including risks relating to the following:

- Changes in government regulations and administrative policies.
- Application of monetary restrictions or other restrictions on capital movements.
- Changes in the business or political situation.

- Economic crises, political instability or social disturbances which may affect operations.
- Government expropriation of assets.
- Interest and exchange rate fluctuations.

Also, revenue from subsidiaries, their market value and dividends received from these subsidiaries are exposed to risks inherent in the countries where they operate. This may negatively affect demand, consumption and exchange rates.

ENDESA is unable to forecast how any future worsening of the political or economic climate in the countries where it operates, or any other changes to legislation or regulation in those countries, including changes to prevailing legislation or any other regulatory framework, may affect its subsidiaries, activities, financial situation or the results of its operations.

4.3. Operational risks

ENDESA's activity can be affected by technological failures or human error

In all the ENDESA Group's business activities, direct or indirect losses may be caused by inadequate internal processes, technological failures, human error or certain external events. Control and management of these risks, particularly those affecting generation and distribution facilities, are based on adequate training and empowerment of personnel and operating procedures, preventative maintenance plans and specific programmes, backed by quality management systems which minimise their possible occurrence and impact.

ENDESA has insurance cover to mitigate any negative economic impact these types of risks could have on the Group.

These types of risk could affect the reliability of the financial information prepared by the ENDESA Group. In order to correctly monitor these risks, the ENDESA Group has implemented Internal Control over Financial Reporting procedures (hereinafter "ICFR").

The Group's Annual Corporate Governance Report is attached as Appendix I to this report and includes a report on ICFR at the ENDESA Group based on the draft circular drawn up by Spain's securities market regulator, the CNMV. In compliance with this circular, the Group's external auditor has issued a report on its review of the information in the ICFR report in accordance with the pertinent professional conduct guide.

4.4. Other risks

The Group is party to legal and arbitration proceedings that could affect ENDESA

The ENDESA Group is party to various legal proceedings related with its business, including tax and regulatory disputes. It is also subject to ongoing or possible tax inspections. In general, the ENDESA Group is exposed to third party claims in all legal jurisdictions (criminal, civil, commercial, social and administrative) and national and international arbitration proceedings.

Although ENDESA considers that the appropriate provisions have been made for legal contingencies at 31 December 2011, it cannot be guaranteed that the Group will be successful in all proceedings or that an adverse ruling might not significantly and adversely impact its business operations, financial position or the results of its operations. New claims could also be made that have a major adverse effect.

5. Technology, Innovation and protecting the environment

5.1. Technology and Innovation

In 2011, ENDESA continued to pursue its Innovation Model to guarantee that all its research and development activities generate value. This is based on its model of technology leadership, alignment of its strategy, personnel, processes, structures and incentives, to strengthen the culture of innovation at ENDESA and create sustainable competitive advantages.

In 2011, ENDESA, in coordination with ENEL, intensified its R&D&i activities, managing a strategic portfolio of R&D&i projects in the areas and markets in which they both operate.

ENDESA's R&D&i activities form part of the Company's commitment to sustainability, as demonstrated by the 2008-2012 ENDESA Sustainability Plan (PES), which reflects its aim to become the industry leader in terms of innovation and be recognised as such by the markets, customers, the scientific community and society in general.

In 2011, ENDESA's direct investment in R&D&i activities amounted to Euros 41 million. It also leveraged on investment by third parties in consortia and collaboration projects led by ENDESA. During the year ENDESA applied for six new patents for technological solutions related to priority areas of interest.

All ENDESA's R&D&i initiatives are developed and coordinated through the Corporate research, development and innovation unit working with the various business lines in each of the company's markets under a global innovation model, unifying project selection criteria, management and technological knowledge capture models, and unlocking their value while bearing in mind the differences in regulation and businesses in each country. This unit also centrally manages applications for grants, tax deductions and financial aid for R&D&i initiatives and plans to make the best use of the amounts awarded.

In order to continually improve its Innovation Model, ENDESA uses the most advanced theories and methodologies, such as the crowdsourcing philosophy and predictive markets techniques to garner ideas from its employees to help maximise its innovative potential by taking advantage of the collective intelligence of its employees.

Within ENDESA's innovation strategy resources have been earmarked for two particularly relevant aspects, e-mobility and energy efficiency, as well as setting up an ad-hoc organisation for these areas.

E-mobility

ENDESA is firmly committed to developing e-mobility in its Spanish and Latin American markets and is playing a promi-

nent role in this field with a view to positioning itself as an international leader in the e-mobility sector. Key steps taken in 2011 include the following:

- **Standardisation and certification:** ENDESA is one of the first companies to join international standardisation and regulation groups for e-mobility equipment, systems and solutions.
- **R&D&i projects:** ENDESA has led and participated in R&D&i projects both in Spain and abroad.

In Europe, ENDESA is an active member of the EU's Seventh Framework Programme (FP7) and participates in four key projects (Grid For Vehicles -G4V-, Elvire, eDash and Green eMotion). In 2011, it designed and structured the Zero Emissions Mobility to All project, in conjunction with Japanese and Spanish companies. In Spain, ENDESA is a core partner in the Cenit Verde consortium as well as in collaboration projects for specific e-mobility applications, such as the DER 22@, IREC Microgrid and Charge & Ride projects.

- **Promotion and demonstration initiatives to boost mobility:** In 2011, ENDESA signed major collaboration agreements with electric vehicle manufacturers and distributors and various public authorities. ENDESA is also developing its own quick charge solutions for electric vehicles and is taking part in the Surtidor project consortium for the development of an ultra-fast charging system using intelligent DC current transfer by direct contact with an optional storage system.

Energy efficiency

For ENDESA, energy efficiency means transforming and using energy in the most intelligent and optimum way possible throughout its value chain while maintaining the same quality of services it offers its customers.

2011 highlights include:

- **ENDESA's Energy Efficiency Plan (PGE3):** Spanning five years, the PGE3 sets out certain strategic priorities and actions relating to energy efficiency. Over the past five years, ENDESA has managed to cut CO₂ emissions by 12.5 million tonnes in all its processes.

- **Certification:** In 2011 ENDESA became the first company in Spain to be awarded three certificates for Energy Efficiency (UNE-EN 16.001), Environmental Management Systems (ISO 14.001) and Indoor Air Quality (UNE 171330-3) for its corporate headquarters in Madrid.

Innovation projects

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

Fossil fuel generation

- *CIUDEN Project and the CCS OXY-300 demonstration plant.*
- La Pereda CO₂ capture plant.
- Less CO₂ in Compostilla project.
- Pilot plant to capture CO₂ using microalgae.

Energy efficiency and storage

- Novare Energrid project.
- Store project.
- Smart metering and automated grids and efficient public lighting systems.
- Automation of the medium-voltage grid and Ohmic phase locator.

Smart grids

- Malaga Smartcity project.
- Cidade Inteligente Buzios project.
- Barcelona Smartcity project.
- Integris project.
- Icono project.
- *S2G project.*
- Smartie project.
- Future Grid for Electric Energy Distribution project.
- Orion project.
- Electricity distribution point incorporating an earth connection.

Nuclear energy

ENDESA is involved in various nuclear R&D&i activities through its participation in different programmes.

- EPRI nuclear programme.
- A joint research programme involving sector companies and the Nuclear Safety Council.
- The joint scientific research programme involving electricity companies and Empresa Nacional del Uranio, S.A.

5.2. Protecting the environment

Sustainable development is one of the main pillars of ENDESA's strategy, and environmental protection is one of the company's most important commitments. This commitment clearly distinguishes ENDESA from other companies. It is a positive difference which shapes its behaviour and is expressly included in its corporate values.

Through this commitment, the company aims to minimise the impact of its activities on the environments within which it operates. It encompasses initiatives primarily related to combating climate change, exemplary management of waste, reducing and controlling emissions, spillages and polluted soil and other potentially harmful impacts.

ENDESA's environmental management is aimed at reducing as far as possible its consumption of natural resources and preserving biodiversity in the areas where it operates.

Evaluation of the environmental risks inherent in the company's activities and the environmental accreditations obtained from external agents help ensure excellence in the company's environmental management which is fully integrated into and aligned with its corporate strategy.

ENDESA's commitment to respecting and safeguarding the environment directly influences senior management decision-taking processes. The environment is one of the key strategies of ENDESA's 2008-2012 Sustainability Plan (PES for its initials in Spanish). The PES, which supports ENDESA's traditional commitment to protecting nature, creates a solid front against climate change and seeks excellence

in how the other aforementioned environmental issues are addressed.

Aspects such as comprehensive water management, identifying and monitoring environmental risks and liabilities, efficient environmental management (efficient use of resources and impact reduction), combating climate change and, especially, strengthening the conservation of biodiversity, are the strategic cornerstones on which ENDESA's environmental policy is based.

One of ENDESA's initiatives in relation to biodiversity and the conservation of natural ecosystems has been to widen the scope of its biodiversity conservation programme for 2008-2012. As well as continued progress in remodelling and improving habitats in the areas surrounding its installations, progress has been made in all aspects of the Biodiversity Conservation Plan. Particularly noteworthy, is the company's work with amphibious populations in the Central Pyrenees, the study into the effects of hydropoints in river ecosystems and the effectiveness of weirs and small dams for fish.

The internal training courses on biodiversity, run as a fundamental part of the 2008-2012 PES, were undoubtedly one of the main highlights in 2011, arousing great interest in the businesses involved.

Participation in projects and flexible mechanisms to reduce emissions is a cornerstone of ENDESA's climate change strategy. Clean Development Mechanisms (CDM) form part of the flexible mechanisms of the Kyoto Protocol and enable emission rights to be obtained through participating in projects to reduce greenhouse gas emissions in developing countries. CDMs contribute to sustainable development through technology transfer and offer a triple dividend: social, environmental and economic.

In 2011 the ENDESA Group invested Euros 41 million in environmental management initiatives, putting the total to date at Euros 1,270 million. Environmental expenditure stood at Euros 138 million of which Euros 61 million were provisioned for the depreciation and amortisation of the aforementioned investment.

Spain and Portugal

ENDESA is currently involved in the National Emission Reduction Plan for large combustion plants 2008-2012. Within the framework of this plan, ENDESA has carried out significant initiatives at its facilities to reduce emissions. Investment for these initiatives totalled Euros 648 million and at the end of 2011 sulphur dioxide (SO₂) emissions had been slashed by 89% compared to 2006, nitrogen oxide emissions (NO_x) by 50% and particles by 77% at ENDESA's large facilities included in the Plan.

In 2011, ENDESA continued to roll out and obtain certification for its environmental management systems. Specifically, ISO 14.001 certification was obtained for the Ca's Tressorer CCGT and the management system and subsequent certification for Group 5 at the Besós CCGT extended.

ENDESA also increased the number of facilities registered in the European Eco-management and Audit Scheme (EMAS) to include the Ceuta and Melilla diesel plants and the San Roque CCGT plant.

At year-end 2011, 94.6% of ENDESA Spain and Portugal's installed thermal power capacity and all its hydroelectric and nuclear power stations, ports, mines and distribution facilities were ISO 14.001 certified.

At its distribution business in Spain and Portugal, in accordance with the programme for implementing environmental management schemes included in the company's 2008-2012 PES, in 2011, AENOR, the Spanish association for standardisation and certification, renewed its accreditation for the environmental management system in place at ENDESA Distribución Eléctrica, S.L.U. (hereinafter "EDE") in the Canary Islands and Aragón. This renewal emphasises and strengthens the company's commitment to ensuring certification for EDE in Aragón, Andalusia, the Balearic Islands, the Canary Islands, Catalonia and Extremadura.

In 2011, ENDESA also concluded an audit of environmental risks at its installations as part of the ENEL Group's global environmental risk analysis project. Broadly speaking, these studies identified low environmental risk at the Group's mainland facilities and moderate risk at its facilities in Latin America. Work has begun at those facilities requiring improvement and success will be gauged by studying the risk over the coming years.

Latin America

Throughout 2011, ENDESA rolled out all the programmes contained in its 2009-2012 Environmental Plan for Latin America resulting from the 2008-2012 PES, especially those programmes considered to be critical: water management, environmental risk management, the impact of new emissions regulations and biodiversity.

In the area of water management, the Group studied all its waste water treatment facilities, reservoirs equipped with environmental control parameters and stretches of regulated rivers with environmental flow problems. Water resources at combustion facilities were analysed to classify all the Group's facilities by 2012 and set targets for reducing water consumption.

A total of 22 facilities were audited, nine of these had been inspected the previous year while 13 were new. Action plans have been drawn up for the nine facilities inspected in 2010, outlining initiatives, schedules and responsibilities.

The Group has carried out various studies assessing the impact of applying the new emissions regulation in Chile and has drawn up action plans.

The Biodiversity Committee continued to catalogue ENDESA's natural spaces and projects at its facilities.

All of ENDESA's businesses in Latin America are ISO 14.001 certified, including the new plants brought on stream recently. Similarly, all of its plants hold OSHAS 18000 certification.

An environmental reporting tool, the Monthly Environmental Information System (SIAM for its initials in Spanish), has also been developed to verify the quality of the data at ENDESA's generation facilities on a monthly basis.

As part of the flexible mechanisms of the Kyoto Protocol, the most significant highlight was the registration with the UN of the completion of the combined cycle at the Ventanilla plant in Peru which could issue approximately 400,000 CERs (certified emission reductions) a year.

Work is continuing on the viability of including the new Curibamba project in Peru, El Quimbo in Colombia, Los

Cóndores, Neltume and Renaico in Chile as part of the clean development mechanism.

The Canela II wind farm in Chile is pending registration with the UN, and is scheduled to be included during the first quarter of 2012. The Canela I plant has applied for Gold Standard status in the voluntary market.

6. Human resources

ENDESA's workforce

At 31 December 2011, ENDESA had a total of 22,877 employees, 7.5% less than a year earlier. By geographical area, 52% work in the Business in Spain and Portugal and Other while 48% work in the Business in Latin America.

ENDESA's average workforce in 2011 totalled 23,365 employees with 12,125 working in the Spain and Portugal and Other segment and 11,240 in Latin America.

By gender, at 31 December 2011, 79% of ENDESA's workforce was male while 21% was female.

For more information see Note 38 to the Financial Statements.

Personnel relations

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

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

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

In line with the objectives of its 2008-2012 PES and human resources policy, ENDESA has drawn up and approved

a Global Corporate Social Responsibility Plan in the area of human resources, the “Plan Senda”. This plan is intended to further the development of a culture of social responsibility in staff management.

Diversity, equality and work-life balance

ENDESA is firmly committed to diversity, equal opportunities and ensuring a satisfactory work-life balance for employees, supporting gender equality and non-discrimination.

ENDESA continues to take steps to reinforce a flexible working environment and seeks to enable its employees to strike a balance between personal, family and professional life.

Occupational health and safety

Since ENDESA's incorporation into the ENEL Group it has become essential to group together all occupational health and safety initiatives into a single strategy, the Plan Safety 2011-2015.

This dynamic and flexible plan integrates all past efforts and action lines developed to date to encourage the exchange of best practices and synergies. The ultimate goal of this plan is to achieve “Zero Accidents”. The plan includes projects and strategic programmes which ENDESA will roll out and execute over the next five years.

In 2011, ENDESA took far-reaching measures aimed at occupational risk prevention demonstrating the strategic importance given to the physical, psychological and moral health and integrity of all its employees.

Before defining and disseminating its OHS initiatives, ENDESA carries out a series of awareness campaigns, offers courses and develops a communication plan to promote a culture of occupational health and safety.

It also develops OHS management systems to ensure that all employees working at ENDESA partner companies are equally aware of its policy. The Delfos system comprises an IT platform designed to manage all information published in relation to the occupational health and safety of ENDESA's own personnel and employees of contractors.

ENDESA's commitments to occupational health and safety issues have led to a significant reduction in accidents in recent years.

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. ENDESA's key training programmes include:

- The “from thought to action” programme. Aimed at managers wishing to develop leadership skills, beginning with self-awareness (personal leadership) before moving onto team leading.
- Leadership for Energy Management: A training programme for staff not yet working as managers but who have been identified as having the necessary talent and potential. A joint programme developed with ENEL and the IESE and SDA Bocconi business schools.
- Leadership for Energy Executive: A training programme for ENEL Group staff who have been identified as having the necessary talent and potential. A joint programme with the Harvard Business School.
- Junior ENEL International: This programme is intended for employees who have recently joined the Group, holding degrees or similar qualifications and a maximum of two years' previous professional experience. The programme's objective is to reinforce the development of a multicultural and international outlook in the Group.

The ENDESA Escuela de Energía also offers complementary training aimed at training top-tier professionals, building a network of knowledge and talent to help make ENDESA a leader in technology.

In 2011 various other training programmes took place.

7. Risk management policy and derivative financial instruments

Information regarding ENDESA's risk management policy and derivative financial instruments is included in Notes 19 and 20 to the Financial Statements.

8. Treasury shares

ENDESA did not hold any treasury shares at 31 December 2011 nor did it carry out any transactions involving treasury shares in 2011.

9. Annual Corporate Governance Report as per article 538 of Royal Decree Law 1/2010, of 2 July 2010, approving the revised text of the Corporate Enterprises Act

The 2010 Annual Corporate Governance Report is attached as an appendix and forms an integral part of this report, as required by article 538 of Royal Decree Law 1/2010, of 2 July 2010, approving the revised text of the Corporate Enterprises Act.

10. Proposed distribution of profit

The 2011 profit for the Group's parent company, ENDESA, S.A., of Euros 570,079,277.98, combined with retained earnings of Euros 2,325,398,628.16, gives a total of Euros 2,895,477,906.14.

The Company's Board of Directors will propose to the shareholders at the General Shareholders' Meeting that this amount be used to make a gross dividend payment of Euros 0.606 per share with the rest added to retained earnings.

	<i>Euros</i>
Dividend (maximum amount to be distributed based on Euros 0.6060 per share on a total of 1,058,752,117 outstanding shares)	641,603,782.90
Retained earnings	2,253,874,123.24
Total	2,895,477,906.14

27 February 2012

Appendix I

Annual Corporate Governance Report

An abstract graphic consisting of several overlapping circles and flowing, ribbon-like lines in a light blue color, positioned on the left side of the page.

Endesa, S.A.



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Auditors' Report

Translation from the original issued in Spanish.

In the event of discrepancy, the Spanish-language version prevails

Audit Report

ENDESA, S.A.
Financial Statements and Management Report
for the year ended December 31, 2011

 **ERNST & YOUNG**



Ernst & Young, S.L.
Torre Pícaro
Plaza Pablo Ruiz Pícaro, 1
28020 Madrid
Tel.: 902 365 456
Fax: 915 727 300
www.ey.com/es

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 22)

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of
ENDESA, S.A.

We have audited the financial statements of ENDESA, S.A., which comprise the balance sheet at December 31, 2011, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended. The Company's Directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity in Spain (identified in Note 2 to the accompanying financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2011 financial statements give a true and fair view, in all material respects, of the equity and financial position of ENDESA, S.A. at December 31, 2011, and the results of operations and cash flow for the year then ended, in conformity with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

The accompanying 2011 management report contains such explanations as the Directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2011 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

José Luis Perelli Alonso

February 28, 2012

Escritorio Social: Pl. Pablo Ruiz Pícaro, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12746, Libro 3, Folio 215, Sección 8ª.
Nº de inscripción: 136.413.876

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Financial Statements

for the year ended 31 December 2011

Translation from the original issued in Spanish.

In the event of discrepancy, the Spanish-language version prevails

Statements of Financial Position

at 31 December 2011 and 2010

Millions of Euros

Assets	31 December 2011	31 December 2010
NON-CURRENT ASSETS	19,074	19,933
Intangible assets (Note 5)	116	95
Patents, licences, trademarks and similar	16	—
Software	100	95
Property, plant and equipment (Note 6)	4	6
Land and buildings	1	2
Other property, plant and equipment	3	4
Non-current investments in Group companies and associates (Notes 7 and 18)	18,612	19,475
Equity instruments	18,612	18,615
Loans to companies	—	860
Non-current investments (Note 7)	130	134
Equity instruments	47	48
Loans to third parties	10	5
Derivatives (Note 13)	5	6
Other financial assets	68	75
Deferred tax assets (Note 15)	212	223
Current Assets	4,078	6,770
Trade and other receivables	100	119
Other receivables	16	23
Receivables from Group companies (Note 18)	21	50
Current income tax assets	63	9
Public entities, other	—	37
Current investments in group companies and associates (Notes 7 and 18)	568	248
Loans to companies	128	138
Derivatives (Note 13)	42	28
Other financial assets	398	82
Current investments (Note 7)	3,388	6,387
Loans to companies	3,284	6,343
Derivatives (Note 13)	99	44
Other financial assets	5	—
Prepayments	1	2
Cash and cash equivalents	21	14
Cash in hand and at banks	21	14
Total Assets	23,152	26,703

The accompanying notes 1 to 22 to the financial statements form an integral part of the statements of financial position at 31 December 2011 and 2010.

Millions of Euros

	31 December 2011	31 December 2010
Equity and Liabilities		
Equity and Reserves	10,800	10,722
Equity (Note 9)	10,818	10,777
Capital	1,271	1,271
Registered capital	1,271	1,271
Share premium	1,376	1,376
Reserves	5,276	5,257
Legal and statutory reserves	285	285
Other reserves	4,991	4,972
Prior years' profit and loss	2,325	2,452
Retained earnings	2,325	2,452
Profit for the year	570	950
(Interim dividend)	—	(529)
Valuation adjustments	(18)	(55)
Hedging transactions	(18)	(55)
Non-current Liabilities	8,077	12,383
Non-current provisions (Note 10)	204	344
Non-current employee benefits	30	44
Restructuring provisions	111	161
Other provisions	63	139
Non-current payables (Note 11)	727	3,752
Interest-bearing loans and borrowings	681	3,631
Derivatives (Note 13)	29	116
Other financial liabilities	17	5
Non-current payables to Group companies and associates (Notes 11 and 18)	7,055	8,218
Group companies and associates	7,053	8,216
Derivatives (Note 13)	2	2
Deferred tax liabilities (Note 15)	91	69
Current Liabilities	4,275	3,598
Current provisions (Note 10)	55	29
Current payables (Note 11)	2,390	326
Interest-bearing loans and borrowings	2,314	242
Derivatives (Note 13)	70	34
Other financial liabilities	6	50
Current payables to Group companies and associates (Notes 11 and 18)	1,599	2,647
Group companies and associates	1,503	2,605
Derivatives (Note 13)	96	42
Trade and other payables	231	596
Suppliers, Group companies and associates (Note 18)	33	37
Other payables	158	531
Personnel (salaries payable)	31	24
Public entities, other	9	4
Total Equity and Liabilities	23,152	26,703

The accompanying notes 1 to 22 to the financial statements form an integral part of the statements of financial position at 31 December 2011 and 2010.

Income Statements

for the years ended 31 December 2011 and 2010

Millions of Euros

	2011	2010
Continuing Operations		
Revenue (Note 16)	1,064	1,609
Rendering of services	328	281
Dividends from Group companies and associates (Note 7a)	736	1,323
Dividends from third parties	—	5
Other operating income	22	21
Non-trading and other administrative income	22	21
Employee benefits expense (Note 16)	(173)	(250)
Wages and salaries	(121)	(205)
Other employee benefits	(37)	(34)
Provisions	(15)	(11)
Other operating expenses	(156)	(238)
External services	(135)	(148)
Other operating expenses	(21)	(90)
Depreciation and amortisation (Notes 5 and 6)	(23)	(23)
Provision surpluses	64	19
Impairment losses in Group companies and associates (Note 7a)	(8)	(17)
Gross Profit from Operations	790	1,121
Finance income	86	56
Other investment income	86	56
Group companies and associates (Note 18)	8	11
Other	78	45
Finance costs	(381)	(367)
Interest on payables to Group companies and associates (Note 18)	(291)	(188)
Interest on payables to third parties	(83)	(172)
Provision adjustments	(7)	(7)
Change in fair value of financial instruments	(58)	(44)
Financial assets held for trading and other	(58)	(86)
Proceeds from available-for-sale financial assets	—	42
Net exchange gains (Note 14)	40	47
Impairment and gains/(losses) on disposal of financial instruments	8	16
Impairment losses	6	1
Gains/(losses) on disposal and other	2	15
Net Finance Cost	(305)	(292)
Profit Before Tax	485	829
Income Tax Expense (Note 15)	85	121
Profit for the year from Continuing Operations	570	950
Profit after Tax for the year from Discontinued Operations	—	—
Discontinued Operations	—	—
Profit for the Year	570	950

The accompanying notes 1 to 22 to the financial statements form an integral part of the income statements for the years ended 31 December 2011 and 2010.

Statements of Changes in Equity

for the years ended 31 December 2011 and 2010

A) Statements of Recognised Income and Expense for the years ended 31 December 2011 and 2010

	<i>Millions of Euros</i>	
	2011	2010
Profit for the year	570	950
Income and Expense recognised Directly in Equity		
From cash flow hedges (Note 13)	(6)	(41)
From actuarial gains and losses and other adjustments (Note 10)	27	(16)
Income tax effect (Note 15)	(6)	17
Total Income and Expense Recognised in Equity	15	(40)
Amounts transferred to income statement		
From measurement of financial instruments	—	(42)
Available-for-sale financial assets	—	(42)
From cash flow hedges (Note 13)	59	75
Income tax effect (Note 15)	(18)	(14)
Total Amounts Transferred to the Income Statement	41	19
Total Recognised Income and Expense	626	929

The accompanying notes 1 to 22 to the financial statements form an integral part of the statements of recognised income and expense for the years ended 31 December 2011 and 2010.

Statements of Changes in Equity

for the years ended 31 December 2011 and 2010

B) Statement of Total Changes in Equity for the year ended 31 December 2011

Millions of Euros

	Capital and reserves								Total equity
	Registered capital	Share premium	Reserves	Prior years' profit and loss		Profit/(loss) for the year	(Interim dividend)	Valuation adjustments	
				Retained earnings	Profit/(loss)				
Balance as at 31 December 2010	1,271	1,376	5,257	2,452	950	—	(529)	(55)	10,722
Total recognised income and expense	—	—	19	—	—	570	—	37	626
Transactions with shareholders or owners	—	—	—	(127)	(950)	—	529	—	(548)
Dividends paid	—	—	—	(127)	(950)	—	529	—	(548)
Balance as at 31 december 2011	1,271	1,376	5,276	2,325	—	570	—	(18)	10,800

Notes 1 to 22 to the financial statements form an integral part of the statement of total changes in equity for the year ended 31 December 2011

B) Statement of total changes in equity for the year ended 31 december 2010

Millions of Euros

	Capital and reserves								Total equity
	Registered capital	Share premium	Reserves	Prior years' profit and loss		Profit/(loss) for the year	(Interim dividend)	Valuation adjustments	
				Retained earnings	Profit/(loss)				
Balance as at 31 December 2009	1,271	1,376	5,226	1,744	1,797	—	(529)	(44)	10,841
Adjustments due to changes in criteria	—	—	41	—	—	—	—	—	41
Adjusted balance at 1 January 2010	1,271	1,376	5,267	1,744	1,797	—	(529)	(44)	10,882
Total recognised income and expense	—	—	(10)	—	—	950	—	(11)	929
Transactions with shareholders or owners	—	—	—	—	(1,089)	—	—	—	(1,089)
Dividends paid	—	—	—	—	(1,089)	—	—	—	(1,089)
Other changes in equity	—	—	—	708	(708)	—	—	—	—
Transfers between equity items	—	—	—	708	(708)	—	—	—	—
Balance as at 31 December 2010	1,271	1,376	5,257	2,452	—	950	(529)	(55)	10,722

Notes 1 to 22 to the financial statements form an integral part of the statement of total changes in equity for the year ended 31 December 2010.

Statements of Cash Flows

for the years ended 31 December 2011 and 2010

Millions of Euros

	2011	2010
Cash flows from operating activities	334	1,047
Profit before tax	485	829
Adjustments for:	(449)	(820)
Depreciation and amortisation (Notes 5 and 6)	23	23
Finance income	(822)	(1,384)
Finance costs	381	367
Other adjustments	(31)	174
Changes in operating assets and liabilities	66	12
Other cash flows from operating activities	232	1,026
Interest paid	(302)	(296)
Dividends received	420	1,242
Interest received	22	10
Income tax received/(paid)	97	88
Other receipts from and payments for operating activities	(5)	(18)
Cash flows from investing activities	3,551	(1,547)
Payments for investments	(1,984)	(2,387)
Group companies, associates and business units (Note 7)	(8)	(271)
Property, plant and equipment and intangible assets	(26)	(20)
Other financial assets	(1,950)	(2,096)
Proceeds from sale of investments	5,535	840
Group companies, associates and business units (Note 7)	860	440
Other financial assets	4,663	386
Other assets	12	14
Cash flows from financing activities	(3,878)	481
Proceeds from and (payments) for equity instruments	—	46
Proceeds from and (payments) for financial instruments	(2,801)	1,524
Issue	1,256	4,555
Redemption and repayment	(4,057)	(3,031)
Dividends and interest on other equity instruments paid	(1,077)	(1,089)
Effect of exchange rate changes	—	—
Net increase/(decrease) in cash and cash equivalents	7	(19)
Cash and cash equivalents at 1 January	14	33
Cash and cash equivalents at 31 December	21	14

The accompanying notes 1 to 22 to the financial statements form an integral part of the statements of cash flows for the years ended 31 December 2011 and 2010.

An abstract graphic consisting of several overlapping circles and flowing, curved lines in a light blue color, centered on the right side of the page.

Notes to the Financial Statements

for the year ended 31 December 2011

Translation from the original issued in Spanish.

In the event of discrepancy, the Spanish-language version prevails

1. Company activity and financial statements

ENDESA, S.A. (hereinafter "ENDESA" or "the Company") was incorporated on 18 November 1944 and its registered offices and headquarters are at Calle Ribera del Loira 60, Madrid. Its corporate purpose is the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or supplementary to the Group's corporate purpose, and the management of the corporate Group, comprising investments in other companies.

The Company carries out its corporate purpose in Spain and abroad directly or through its investments in other companies.

To comply with Electricity Sector Law 54/1997, of 27 November 1997, ENDESA underwent a corporate reorganisation to separate its various electricity activities. Since then, ENDESA's activity is focused primarily on administration and services for its business group, comprising the investments detailed in these financial statements.

The Company's shares are traded on the Spanish Stock Exchanges. The shares of ENDESA, S.A. are also traded on the Santiago de Chile Offshore Stock Exchange.

The 2011 financial statements were prepared by the Board of Directors on 27 February 2012 and are expected to be approved in their present form by shareholders at the General Meeting of Shareholders. The 2010 financial statements were prepared by the Board of Directors on 22 February 2011 and authorised by the shareholders at the General Meeting of Shareholders on 9 May 2011.

The Company holds interests in subsidiaries, associates and jointly-controlled entities. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated financial statements must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies, associates and jointly-controlled entities are included in note 7.

On 27 February 2012, the directors prepared the consolidated financial statements of ENDESA, S.A. and subsidiaries (hereinafter "the ENDESA Group") for 2011, in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS). The ENDESA Group's consolidated financial statements for 2010, which were prepared by the Board of Directors on 22 February 2011 and approved by the shareholders at the General Meeting of Shareholders on 9 May 2011, are filed at the Madrid Companies Register.

The key figures from the ENDESA Group's consolidated financial statements for 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	31 December 2011	31 December 2010
Total assets	58,721	62,588
Equity:	24,679	23,164
Of the parent	19,291	17,776
Non-controlling interests	5,388	5,388
Income	32,686	31,177
Profit for the year:	3,021	5,118
Of the parent	2,212	4,129
Non-controlling interests	809	989

The ENEL Group controls 92.06% of ENDESA through the interest held by ENEL Energy Europe, S.L.U., whereby it controls the Company. The registered offices of the companies ENEL Energy Europe, S.L.U. and ENEL, S.p.A. are located at Calle Ribera del Loira, 60, 28042 Madrid (Spain) and Viale Regina Margherita 137, 00198 Rome (Italy), respectively.

The financial statements of ENEL Energy Europe, S.L.U. for 2010, prepared on 22 February 2011 and approved by the sole shareholder on 9 May 2011, are filed at the Madrid Companies Register. The consolidated financial statements of ENEL, S.p.A. and subsidiaries for 2010, prepared on 14 March 2011 and approved by the shareholders at their General Meeting of Shareholders on 29 April 2011, are filed at the Rome Companies Register.

2. Basis of presentation of the financial statements

a) Fair presentation

The financial statements for 2011 are presented in accordance with Law 16/2007, of 4 July 2007, on the reform and adaptation of accounting legislation for harmonisation with EU law, and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November 2007 and the amendments thereto established by Royal Decree 1159/2010, of 17 September 2010.

The financial statements present fairly the equity and financial position of the Company at 31 December 2011, and the results of its operations, changes in equity and cash flows for the year then ended, and have been prepared on the basis of the Company's accounting records.

b) Accounting principles

The accounting principles and policies applied in preparing these financial statements are those set forth in the Spanish General Chart of Accounts and are summarised in Note 4.

c) Responsibility for information and estimates.

The information included in the financial statements is the responsibility of the Company's directors.

In preparing the financial statements, the directors made estimates to measure certain assets, liabilities, revenues, expenses and commitments included therein.

These estimates were essentially as follows:

- Measurement of the Company's investments in equity instruments of Group companies and associates to determine any impairment losses (see Note 4 c.3).
- Assumptions used in the actuarial calculation of liabilities and obligations to employees and the leaving dates for employees involved in personnel restructuring plans (see Notes 10 a and b).
- Useful lives of property, plant and equipment and intangible assets (see Notes 4 a and b).

- Measurement of assets to determine any impairment losses (see Note 4 c.1).
- Methods used to calculate the fair value of financial instruments (see Note 4 c).
- Calculations of provisions (see Notes 4 g and 10).
- Taxable income (tax losses) of the Company to be declared to the taxation authorities in the future and used as the basis of income tax balances recognised in the accompanying financial statements (see Note 15).
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives, etc., which can be used to estimate the overall settlements in the electricity system and which could affect the shortfall in revenue from regulated activities in Spain.
- Interpretation of existing or new electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of authorisation of these financial statements.

Although these estimates have been based on the best information available at the date of preparation of these financial statements, future events could require the estimates to be increased or decreased in subsequent years. Changes in estimates are made prospectively and the effects recognised in the corresponding financial statements for future years.

d) Functional currency and presentation currency

The financial statements at 31 December 2011 are presented in millions of Euros. The Company's functional and presentation currency is the Euro.

e) Comparative information

The statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2011 include comparative figures for 2010.

3. Distribution of profit

The Company's Board of Directors will propose to the shareholders at the General Meeting of Shareholders that the profit for 2011 be used to make a gross dividend payment of Euros 0.606 per share, and the remainder carried forward as retained earnings.

Basis of distribution 2011		<i>Euros</i>
Profit		570,079,277.98
Retained earnings		2,325,398,628.16
Total		2,895,477,906.14
Distribution		
Dividend (1)		641,603,782.90
To retained earnings		2,253,874,123.24
Total		2,895,477,906.14

(1) Maximum amount to be distributed based on Euros 0.606/share for all shares (1,058,752,117).

In 2010, the shareholders agreed to pay a total gross dividend of Euros 1.017 per share, with the remaining profit carried forward as retained earnings.

Basis of distribution 2010		<i>Euros</i>
Profit		949,599,151.58
Retained earnings		2,452,550,379.57
Total		3,402,149,531.15
Distribution		
Dividend (1)		1,076,750,902.99
To retained earnings		2,325,398,628.16
Total		3,402,149,531.15

(1) Maximum amount to be distributed based on Euros 1.017/share for all shares (1,058,752,117).

Interim dividend

The Company's directors have not resolved to distribute dividends on account of the profit generated in 2011.

On 20 December 2010, ENDESA's Board of Directors authorised an interim dividend of Euros 0.50 per share for 2010.

The provisional liquidity statement shows that the Company has sufficient cash flow to cover payment of this dividend:

Provisional liquidity statement		<i>Millions of Euros</i>
		From 01/11/2010 to 31/10/2011
Opening available balance:		
Cash in hand and at banks		212
Available credit		4,691
Increases in cash:		
Ordinary activities		8,094
Financial transactions		—
Decreases in cash:		
Ordinary activities		(349)
Financial transactions		(536)
Closing available balance		12,112
Proposed interim dividend for 2010		529
Date of authorisation of interim dividend by Company Board of Directors		20 /12/2010

Restrictions on distributing dividends are disclosed in Note 9 to the accompanying financial statements..

4. Main recognition and measurement criteria

The main recognition and measurement criteria used in preparing the accompanying financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful life which, in most cases, has been estimated at five years.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

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

The useful lives of assets for the purposes of calculating depreciation are as follows:

	Estimated years of useful life
Furniture	10
Other property, plant and equipment	5-14

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

c) Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

c.1. Financial assets except hedging derivatives and investments in the equity of Group companies, jointly-controlled entities and associates

1. Classification of financial assets

The Company classifies its current and non-current financial assets into the following different categories, based on the nature of the instruments and management's intentions on initial recognition:

- Loans and receivables are financial assets deriving from services rendered as part of the Company's ordinary business, or non-trade balances of a fixed or determinable amount that are not equity instruments or derivatives and are not traded in an active market.

These financial assets are recognised initially at the fair value of the consideration given plus any directly attributable transaction costs. Loans and receivables are measured at amortised cost, which is the initial fair value, less repayments of the principal, plus the accrued interest receivable calculated using the effective interest method.

Interest accrued is recognised in the income statement applying the effective interest method.

Assets are tested for impairment when there is objective evidence that they may be impaired. When the carrying amount of the asset exceeds the present value of the future cash flows it is expected to generate, discounted at the financial asset's original effective interest rate, an impairment loss is recognised for the difference. For variable income financial assets, the effective interest rate at the statement of financial position date is used, in accordance with the contractual terms.

However, trade receivables which have no contractual interest rate and are recoverable in the short term, and advances and loans to personnel, dividends receivable and capital calls on equity instruments, which are expected to be settled in the short term, are initially and subsequently measured at their nominal amount, when the effect of discounting is immaterial.

Impairment losses and reversals thereof are recognised as an expense or as income, respectively, in the income statement. The loss can only be reversed to the limit of the carrying amount of the asset had the impairment loss not been recognised.

- Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturity traded on an active market and that Company management has the positive intention and ability to hold to maturity.

The measurement criteria applicable to these assets are the same as those applicable to loans and receivables.

The Company did not have any assets of this nature at 31 December 2011 or 2010.

- Financial assets at fair value through profit and loss:
 - Financial assets held for trading are those acquired for resale in the short term or which are included in a portfolio for which there is recent evidence of resale activity, including derivative financial instruments that are not designated as hedging instruments. These assets are initially measured at the fair value of the consideration given. Transaction costs directly attributable to the acquisition are recognised as an expense. After initial recognition, they are recognised at fair value through profit and loss.
 - Other financial assets at fair value through profit and loss include financial assets that are recognised at fair value through profit and loss on initial recognition and are managed and evaluated on a fair value basis. On initial and subsequent recognition, they are recognised at fair value through profit and loss.
- Available-for-sale financial assets include financial assets specifically designated as available-for-sale or those that cannot be classified within any of the previous categories.

Practically all these assets are investments in the capital of companies that are not Group companies, jointly-controlled entities or associates.

These assets are initially measured at the fair value of the consideration given plus any directly attributable transaction costs, and are subsequently measured at fair value, where this can be reliably determined.

Investments in equity instruments for which the fair value cannot be reliably determined are measured at cost less any accumulated impairment losses, where there is evidence of impairment.

Changes in fair value, net of tax, are recognised under valuation adjustments in equity until the investments are sold or become (irreversibly) impaired, when the accumulated gains or losses previously recognised in equity are taken to the income statement. Assets are considered to be irreversibly impaired if their quoted value falls by more than 40% over an 18-month period without recovery.

Were fair value to increase in subsequent years, the previously recognised impairment loss would be reversed in the income statement for that year.

Impairment losses on equity instruments that are measured at cost because their fair value cannot be reliably determined are recognised using the criteria described in note 4 c.3.

2. Interest and dividends received from financial assets

Interest and dividends from financial assets accrued after the acquisition date are recognised as income in the income statement. Interest income is recognised using the effective interest method and dividend income is recognised when the right to receive the payment is established.

To this end, on initial measurement of the financial assets, accrued explicit interest pending maturity at that time and dividends authorised by the competent office prior to the acquisition are recognised separately according to their maturity. Explicit interest is that obtained on applying the contractual interest rate of the financial instrument.

Furthermore, distributed dividends are not recognised as income when they are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investee since acquisition have been distributed. Instead, they are recognised as a reduction in the carrying amount of the investment.

3. Derecognition of financial assets

The Company derecognises financial assets when they expire or when the contractual rights to the cash flows from the financial asset have been transferred and the risks and rewards of ownership have been substantially transferred. For transfers of financial assets in which the risks and rewards of ownership are substantially retained, the Company does not derecognise the financial assets but instead recognises a financial liability for the same amount as the consideration received. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognised income and expense, is recorded as profit.

c.2. Financial liabilities except derivatives

1. Classification of financial liabilities

The Company classifies financial liabilities into the following different categories based on the nature of the liability and management's intentions on initial recognition:

- Debts and payables are the Company's financial and trade balances that are not considered derivative financial instruments.

Financial liabilities for debts and payables are recognised at fair value, reflecting the amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method.

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

However, trade payables which have no contractual interest rate and are payable in the short term, and capital called up by third parties, which is expected to be settled in the short term, are measured at their nominal amount, when the effect of discounting is immaterial.

- Financial liabilities at fair value through profit or loss:
 - Financial liabilities held for trading are those financial liabilities held for the purpose of repurchase in the short term or which form part of a portfolio of liabilities for which there is recent evidence of repurchase activity, including derivative financial instruments that are not designated as hedging instruments.
 - These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs.
 - After initial recognition, they are recognised at fair value through profit and loss.
 - Other financial liabilities at fair value through profit or loss include those financial liabilities which have been designated as such on initial recognition and which are managed and evaluated on a fair value basis.

These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs.

After initial recognition, they are recognised at fair value through profit and loss.

2. Calculation of fair value

To calculate the fair value of the debt, the liabilities have been divided into those bearing interest at a fixed rate (hereinafter "fixed-rate debt") and those bearing interest at floating rates (hereinafter "floating-rate debt"). Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term. Fixed-rate debt is measured by discounting future cash flows using the market interest rate curve associated with the payment currency. Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. Floating-rate debt is measured at the nominal amount of each issue, except where the capitalisation and discount rates differ, in which case the difference is discounted and added to the nominal amount of the transaction.

3. Derecognition of financial liabilities

The Company derecognises financial liabilities when the related obligations are extinguished.

c.3. Investments in equity instruments of Group companies, jointly-controlled entities and associates

Group companies are those over which the Company exercises direct or indirect control. Associates are those over which the Company has significant influence (considered as ownership of at least 20% of another company's voting stock). Jointly-controlled entities include companies run jointly by agreement with one or more shareholders.

Investments in Group companies, jointly-controlled entities and associates are initially measured at cost, reflecting the fair value of the consideration given plus any directly attributable transaction costs.

Subsequently these investments are measured at cost, less any accumulated impairment losses calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of future cash flows from the investment. Where cash flows cannot be determined, the equity of the investee is considered, adjusted for any unrealised gains existing at the measurement date (including goodwill, where applicable).

Impairment losses and, where applicable, their reversal, are recognised as an expense or income, respectively, in the income statement. The reversal is limited to the carrying amount of the asset had no impairment loss been recognised.

c.4. Derivatives and hedge accounting

The derivatives held by the Company are mainly contracts entered into to hedge interest rate and currency risk, with the aim of eliminating or significantly reducing these risks in the underlying hedged transactions.

Derivatives are recognised in the statement of financial position at fair value, as current or non-current investments where the value is positive and as current or non-current payables where the value is negative.

Changes in fair value are recognised as finance income or a finance expense in the income statement, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting have been met; for example, the hedge must be highly effective. In this case, recognition depends on the type of hedge as follows:

- Fair value hedges: the portion of the hedged item for which the risk is hedged and the hedging instrument are measured at fair value through profit and loss as results from financing activities.
- Cash flow hedges: changes in the fair value of derivatives are recognised, for the effective portion of the hedge and net of tax, under valuation adjustments to hedging transactions in equity.
- Accumulated gains or losses are taken to the income statement in relation to the impact thereon of the un-

derlying in relation to the hedged risk. Gains or losses on the ineffective portion of the hedges are recognised directly in the income statement as financial results.

- Hedges of a net investment in a foreign operation: the currency risk components of hedges of net investments in foreign subsidiaries, jointly-controlled entities and associates are recognised as fair value hedges. Hedging instruments that are not, or cease to be, effective hedges are measured and recognised according to their nature.

Accounting hedges are designated and documented as such when they are first expected to prove highly effective.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in the range of between 80% and 125%.

Derivatives embedded in other financial instruments are recognised separately when their characteristics and risks are not closely related to those of the host contract, provided that, as a whole, they are not recognised at fair value through profit and loss.

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting. Any accumulated gains or losses relating to the hedging instrument that have been recognised in equity continue to be recorded in equity until the foreseen transaction is completed. When the hedged transaction is not expected to be carried out, the net profit or loss accumulated in equity is recognised in the net results for the period.

c.5. Financial guarantee contracts

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

Subsequently, financial guarantee contracts are measured as the difference between the liability determined according to the accounting principles for provisions in Note 4 g, and the initially recognised asset, less the portion taken to the income statement on an accruals basis, where applicable.

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

e) Non-current assets held for sale

The Company classifies the assets for which it is actively seeking buyers at the date of the statement of financial position as non-current assets held for sale. These assets are expected to be sold within the twelve months following that date. These assets are measured at the lower of their carrying amount and fair value less costs to sell and cease to be depreciated when classified as non-current assets held for sale.

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

Lines of business that have been sold or disposed of by other means or which qualify for recognition as held for sale, including any assets that are part of a single co-ordinated

plan to dispose of a separate major line of business, are considered as discontinued operations.

The profit or loss after tax of discontinued operations is presented separately in the income statement under profit after tax of discontinued operations.

At 31 December 2011 and 2010, ENDESA had no discontinued operations.

f) Treasury shares

Treasury shares are deducted from equity in the statement of financial position and are measured at cost of acquisition.

The gains or losses obtained by the companies on the disposal of these treasury shares are recognised in the statement of financial position.

The Company did not hold any own shares at 31 December 2011 or 2010 and performed no transactions with own shares in the years then ended.

g) Provisions and contingencies

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

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

Contingent liabilities are not recognised in the financial statements but disclosed in the corresponding notes, when they are not considered to be remote.

The financial effect of provisions is recognised as a finance expense in the income statement. Current provisions, the financial effect of which is immaterial, are not discounted.

If it is no longer probable that an outflow of resources embodying economic resources will be required to settle an obligation, the provision is reversed.

Provisions for long-term employee benefits and for restructuring costs are the result of individual or collective agreements with the Company's employees, whereby the Company undertakes to supplement state benefits in the event of retirement, permanent disability, death or termination of employment by agreement between the parties.

g.1. Provisions for pensions and similar obligations

ENDESA has various pension obligations with its personnel, depending on the company at which they work. These obligations, including both defined benefits and defined contributions, are basically arranged through pension plans or insurance policies, except as regards certain benefits in kind, mainly electricity supply obligations, which due to their nature have not been externalised and are covered by in-house provisions.

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

Defined benefit plan obligations represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets and any unrecognised past service cost. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly against other reserves in equity.

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under current and non-current provisions in the statement of financial position. Any negative difference is recognised as loans to third parties under non-current investments in the statement of financial position, provided

that this negative difference is recoverable by the Company, usually through a reduction in future contributions.

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

Defined benefit plan assets and liabilities are recognised as current or non-current depending on when the associated benefits are realised or fall due.

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

g.2. Provisions for workforce restructuring costs

The Company recognises termination benefits when there is an individual or group agreement with the employees or a genuine expectation that such an agreement will be reached that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for the Company in exchange for a termination benefit.

If a mutual agreement is required, a provision is only recorded in situations in which the Company has decided to give its consent to the termination of employment when this has been requested. In all cases in which these provisions are recognised, the employees have an expectation that these early retirements will proceed.

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

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

g.3. Short-term employee benefit

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

h) Transactions in foreign currency

Transactions in currencies other than the Euro, the Company's functional currency, are translated to Euros at the exchange rates prevailing at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recorded as finance income or finance expenses in the income statement.

Balances receivable or payable in currencies other than the Euro at 31 December each year are translated using the year-end exchange rate. The resulting translation differences are recognised as finance income or finance expenses in the income statement.

i) Current/non-current classification

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

j) Income tax

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

Deferred tax assets and tax credits are only recognised if it is considered probable that the Company will have sufficient future taxable profits against which the related temporary differences can be recovered or the related tax assets can be utilised within a maximum of ten years.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the differences arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

As of 2010, following the approval of Royal Decree 1159/2010, of 17 September 2010 containing certain amendments to the Spanish General Chart of Accounts, deferred taxes are recognised where due to tax-deductible temporary differences associated with investments in subsidiaries, associates and joint ventures over which the Company was able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

Deductions arising from economic events occurring in the year reduce the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until this has occurred.

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

The Company also evaluated any deferred tax assets that were not previously recognised. Based on this evaluation, the Company recognises deferred tax assets not previously recognised provided it is probable that the Company will report taxable profits in the future enabling these assets to be capitalised.

In the accompanying statement of financial position, deferred tax assets and liabilities are classified as non/current assets or liabilities irrespective of the expected date of realisation or settlement.

Since 2010, the Company has formed part of the consolidated tax group headed by ENEL Energy Europe, S.L.U., which has a 92.06% interest in ENDESA.

The accrued income tax expense for the companies forming the consolidated tax group is determined taking into account, in addition to the factors to consider in the case of individual taxation set out previously, the following:

- Temporary and permanent differences arising from the elimination of profits and losses on operations between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits that correspond to each company forming the consolidated tax group; for these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

A reciprocal credit and debit arises between the companies that contribute tax losses to the consolidated Group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other consolidated Group companies, these tax credits for loss carryforwards are recognised as deferred tax assets under respective recognition criteria, considering the tax group as a taxable entity.

The amount of the debt (credit) relating to the parent of the tax group, ENEL Energy Europe, S.L.U., is recognised with a credit (debit) to payables (receivables) with Group companies and associates in the accompanying statement of financial position.

k) Income and expenses

Income and expenses are recognised on an accruals basis.

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

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

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

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

In accordance with ICAC 79/2009, consultation 2, on the classification in the individual financial statements of the income and expenses of a holding company, the corporate purpose of which is the custody of securities, dividend income is recognised under income in the income statement, while an account is included under the operating margin for impairment losses on equity instruments associated with its activity.

l) Termination benefits

Under current Spanish legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

m) Related-party transactions

All the Company's transactions with related parties are at arm's length. Transfer prices are adequately supported and consequently the directors of the Company consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

n) Share-based remuneration schemes

Where Company employees participate in a remuneration scheme tied to ENEL share prices, and the latter company assumes the cost of the scheme, ENDESA recognises the fair value of ENEL's obligation to employees as an expense under employee benefits expense in the income statement, and records an increase in equity for the same amount as an equity holder contribution.

o) Statement of cash flows

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

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

5. Intangible assets

Details of intangible assets and movement in 2011 and 2010 are as follows:

Intangible assets		Millions of Euros	
	Balance at 31/12/2010	Investment and provisions	Balance at 31/12/2011
Intangible assets			
Software	168	24	192
Other intangible assets	—	18	18
Total	168	42	210
Accumulated amortisation			
Software	(73)	(19)	(92)
Other intangible assets	—	(2)	(2)
Total	(73)	(21)	(94)
Net total	95	21	116

Intangible assets		Millions of Euros	
	Balance at 31/12/2009	Investment and provisions	Balance at 31/12/2010
Intangible assets			
Software	143	25	168
Total	143	25	168
Accumulated amortisation			
Software	(52)	(21)	(73)
Total	(52)	(21)	(73)
Net total	91	4	95

Fully amortised intangible assets had a cost of Euros 65 million and Euros 58 million at 31 December 2011 and 2010, respectively.

6. Property, plant and equipment

Details of property, plant and equipment and movement in 2011 and 2010 are as follows:

Property, plant and equipment

Millions of Euros

	Balance at 31/12/2010	Investment and provisions	Transfers	Balance at 31/12/2011
Property, plant and equipment				
Land and buildings	2	—	—	2
Other property, plant and equipment	19	—	—	19
Total	21	—	—	21
Accumulated depreciation				
Land and buildings	—	(1)	—	(1)
Other property, plant and equipment	(15)	(1)	—	(16)
Total	(15)	(2)	—	(17)
Net total	6	(2)	—	4

Property, plant and equipment

Millions of Euros

	Balance at 31/12/2009	Investment and provisions	Transfers	Balance at 31/12/2010
Property, plant and equipment				
Land and buildings	—	—	2	2
Other property, plant and equipment	19	—	—	19
Under construction and advances	2	—	(2)	—
Total	21	—	—	21
Accumulated depreciation				
Otras amortizaciones	(13)	(2)	—	(15)
Total	(13)	(2)	—	(15)
Net total	8	(2)	—	6

The Company has commitments to purchase property, plant and equipment for Euros 1 million at 31 December 2011 and 2010.

The Company has taken out corporate insurance policies that cover the risk of damage to its property, plant and equipment with limits and coverage appropriate to the type of risk. Possible claims against the Company due to the nature of its activity are also covered.

Fully depreciated property, plant and equipment had a cost of Euros 7 million at 31 December 2011 and 2010.

7. Non-current and current financial assets

Details of non-current financial assets and movement in 2011 and 2010 are as follows::

Non-current financial assets

Millions of Euros

	Balance at 31/12/2010	Additions or charges	Disposals or reductions	Transfers and other	Transfers and other
Non-current investments in Group companies and associates (Note 18)	19,475	11	(874)	—	18,612
Equity instruments	18,615	11	(14)	—	18,612
Investments in group companies	18,675	20	(12)	—	18,683
Investments in associates	3	—	(3)	—	—
Impairment losses	(63)	(9)	1	—	(71)
Loans to companies	860	—	(860)	—	—
Non-current investments	134	3	(14)	7	130
Equity instruments	48	—	(1)	—	47
Non-current investment portfolio	48	—	(1)	—	47
Loans to third parties	5	(2)	—	7	10
Loans to companies	16	(2)	(6)	7	15
Impairment losses	(11)	—	6	—	(5)
Derivatives (Note 13)	6	—	(1)	—	5
Other financial assets	75	5	(12)	—	68
Total non-current financial assets	19,609	14	(888)	7	18,742

Non-current financial assets

Millions of Euros

	Balance at 31/12/2009	Additions or charges	Disposals or reductions	Transfers and other	Balance at 31/12/2010
Non-current investments in Group companies and associates (Note 18)	19,667	258	(444)	(6)	19,475
Equity instruments	19,071	(12)	(440)	(4)	18,615
Investments in group companies	19,119	—	(440)	(4)	18,675
Investments in associates	4	—	(1)	—	3
Impairment losses	(52)	(12)	1	—	(63)
Loans to companies	590	270	—	—	860
Derivatives (Note 13)	6	—	(4)	(2)	—
Non-current investments	4,504	16	(20)	(4,366)	134
Equity instruments	43	5	—	—	48
Non-current investment portfolio	43	5	—	—	48
Loans to third parties	4,365	—	(2)	(4,358)	5
Loans to companies	4,367	—	(2)	(4,349)	16
Impairment losses	(2)	—	—	(9)	(11)
Derivatives (Note 13)	12	6	(4)	(8)	6
Other financial assets	84	5	(14)	—	75
Total non-current financial assets	24,171	274	(464)	(4,372)	19,609

The balances of current financial assets at 31 December 2011 and 2010 are as follows:

Current financial assets

Millions of Euros

	31 December 2011	31 December 2010
Current investments in Group companies and associates	568	248
Loans to companies	128	138
Derivatives (Note 13)	42	28
Other financial assets	398	82
Current investments	3,388	6,387
Loans to companies	3,284	6,343
Derivatives (Note 13)	99	44
Other financial assets	5	—
Total current financial assets	3,956	6,635

a) Investments in Group companies and associates**a.1. Equity instruments**

Details of the Company's investments in equity instruments of Group companies and associates at 31 December 2011 and 2010, as well as the most significant information regarding each investment at those dates, are as follows.

Group companies: 2011

Millions of Euros

Company Registered office	Activity	% direct ownership	Profit/(loss) for the year					Carrying amount							
			Capital	Reserves	Interim dividends	Operating	Net	Total capital and reserves	Grants, donations and bequests received	Valuation adjust- ments	Total equity	Cost	Impair- ment in the year	Accumu- lated impair- ment	Dividends received
ENDESA Energía, S.A.U. – Madrid	Sale of all types of energy products	100%	15	421	—	77	32	468	(11)	—	457	34	—	—	—
ENDESA Generación, S.A.U. – Seville	Electricity generation and sales	100%	1,945	2,662	(146)	682	217	4,678	12	14	4,704	3,891	—	—	146
ENDESA Red, S.A.U. – Barcelona	Electricity distribution	100%	715	1,515	(96)	844	831	2,965	—	—	2,965	1,440	—	—	96
International ENDESA, B.V. – Holland	International financing	100%	16	4	—	—	2	22	—	—	22	18	—	—	3
ENDESA Servicios, S.L.U. – Madrid	Services company	100%	90	55	—	196	150	295	—	—	295	143	—	—	—
ENDESA Latinoamérica, S.A.U. – Madrid	ENDESA, S.A. international activity	100%	1,500	1,060	(318)	400	378	2,620	—	—	2,620	3,761	—	—	318
ENDESA Financiación Filiales, S.A.U. – Madrid	ENDESA, S.A. subsidiary financing	100%	4,621	4,659	(172)	275	182	9,290	—	—	9,290	9,242	—	—	173
Bolonia Real Estate, S.L.U. – Madrid	Management and development of property	100%	—	26	—	1	1	27	—	—	27	47	1	(20)	—
ENEL.Re, N.V. – Holland	Reinsurance	50%	—	155	—	(1)	(1)	154	—	—	154	20	—	—	—
Nueva Marina Real Estate, S.L. - Madrid	Administration, development and construction of all types of public or private works	60%	—	50	—	(14)	(15)	35	—	—	35	72	(9)	(51)	—
ENDESA Carbono, S.L. - Madrid	Brokerage	82.5%	—	13	—	(21)	(15)	(2)	—	—	(2)	14	—	—	—
Rest of Group			—	—	—	—	—	—	—	—	—	1	—	—	—
Total												18,683	(8)	(71)	736

Group companies: 2010

Millions of Euros

Company Registered office	Activity	% direct ownership	Profit/(loss) for the year					Carrying amount							
			Capital	Reserves	Interim dividends	Operating	Net	Total capital and reserves	Grants, donations and bequests received	Valuation adjust- ments	Total equity	Cost	Impair- ment in the year	Accumulated impair- ment	Dividends received
ENDESA Energía, S.A.U. – Madrid	Sale of all types of energy products	100%	15	16	(90)	655	491	432	—	—	432	34	—	—	265
ENDESA Generación, S.A.U. – Seville	Electricity generation and sales	100%	1,945	1,792	(82)	—	918	4,573	59	17	4,649	3,891	—	—	567
ENDESA Red, S.A.U. – Barcelona	Electricity distribution	100%	715	705	(6)	18	792	2,206	—	—	2,206	1,440	—	—	6
International ENDESA, B.V. – Holland	International financing	100%	16	4	—	—	3	23	—	—	23	18	—	—	3
ENDESA Servicios, S.L.U. – Madrid	Services company	100%	90	39	—	19	12	141	—	—	141	143	—	—	33
ENDESA Latinoamérica, S.A.U. – Madrid	ENDESA, S.A. international activity	100%	1,500	719	(100)	(19)	388	2,507	—	—	2,507	3,761	—	—	290
ENDESA Desarrollo, S.L.U.- Madrid	Sale, purchase, holding, administration, management and brokerage of securities	100%	—	(81)	—	(5)	(5)	(86)	—	—	(86)	—	—	—	—
ENDESA Financiación Filiales, S.A.U. – Madrid	ENDESA, S.A. subsidiary financing	100%	4,621	4,622	(28)	1	142	9,357	—	—	9,357	9,242	—	—	130
Bolonia Real Estate, S.L.U. – Madrid	Management and development of property	100%	—	25	—	—	1	26	—	—	26	47	(1)	(21)	—
Compostilla Re, S.A. – Luxembourg	Reinsurance	100%	12	—	—	—	—	12	—	—	12	12	—	—	—
Nueva Marina Real Estate, S.L. - Madrid	Administration, development and construction of all types of public or private works	60%	—	69	—	(18)	(19)	50	—	—	50	72	(11)	(42)	—
ENDESA Carbono, S.L. - Madrid	Brokerage	82.5%	—	14	—	1	(1)	13	—	—	13	14	—	—	—
Rest of Group			—	—	—	—	—	—	—	—	—	1	(5)	—	29
Total												18,675	(17)	(63)	1,323

Details of these companies' equity for 2011 and 2010 correspond to information on the individual companies.

At 31 December 2011, ENDESA also held 100% of ENDESA Capital, S.A.U., ENDESA Desarrollo, S.L.U., ENDESA Generación II, S.A.U., Nueva Compañía de Distribución Eléctrica 4, S.L.U., and Apamea 2000, S.L.U. The carrying amount of the stakes in these companies was less than Euros 1 million.

Most significant changes in 2011 and 2010

2011

ENEL.Re, N.V.

As part of the restructuring of the insurance and reinsurance activities of the ENEL Group, in 2011 ENDESA obtained a 50% stake in ENEL.Re, N.V. by contributing its stake in Compostilla, Re, S.A. and cash of Euros 8 million. The other 50% stake in ENEL.Re, N.V. is held by ENEL Investment Holding, B.V. (a solely-owned company of the ENEL Group).

Ensafeca Holding Empresarial, S.L.

In an extraordinary general meeting in October 2011, the equity holders of Ensafeca Holding Empresarial, S.L. resolved to simultaneously dissolve and liquidate the company. In December 2011, ENDESA therefore recognised the disposal of this holding for Euros 3 million, generating a gain of Euros 2 million.

2010

ENDESA Ireland Limited

In October 2010 ENDESA received Euros 440 million from ENDESA Ireland as repayment of the share premium, reducing the cost of its investment by that amount. ENDESA Generación subscribed a Euros 440 million share capital increase in ENDESA Ireland. Following these operations, ENDESA only holds one share of ENDESA Ireland, the carrying amount of which is not significant.

Partial spin-off of ENDESA Red S.A.U.

In December 2010, ENDESA Red, S.A.U. was partially spun off, contributing its interest in ENDESA Operaciones y Servicios Comerciales, S.L.U., valued at Euros 21 million, to ENDESA Energía, S.A.U. As a result, ENDESA Energía, S.A.U. increased its share capital by Euros 2 million with a share premium of Euros 19 million and ENDESA Red, S.A.U. reduced its capital by Euros 15 million and its voluntary reserves by Euros 6 million. ENDESA's investment in ENDESA Red, S.A.U. was reduced by Euros 21 million and its interest in ENDESA Energía, S.A.U. increased by the same amount.

This transaction availed of the special regime of Chapter VIII, Title VII of Royal Decree Law 4/2004, of 5 March 2004.

Desaladora de la Costa del Sol, S.A. (Decosol)

In July 2010, Desaladora de la Costa del Sol, S.A. was dissolved and ENDESA derecognised its Euros 1 million investment in that company. No loss was recognised, as provision had been made.

a.2. Non-current and current loans to Group companies and associates

2011

In 2011, Euros 860 million of non-current loans payable at 2010 year end were repaid, which included the current account in US dollars with ENDESA Financiación Filiales, S.A.U. of Euros 854 million.

Current loans total Euros 128 million, of which Euros 120 million are accounts receivable from ENEL Energy Europe, S.L.U. for consolidated income tax.

Other financial assets includes dividends receivable from subsidiaries at 31 December 2011 and 2010 of Euros 398 million and Euros 82 million, respectively.

The receivable for 2011 income tax is an estimate and therefore interest-free, as it will be settled in 2012 when the income tax return is filed.

2010

At 31 December 2010, non-current loans total Euros 860 million, of which Euros 854 million are a current account in US dollars with ENDESA Financiación Filiales, S.A.U., which falls due in 2013 and earns interest at an average rate of 0.81%. Current loans total Euros 138 million, of which Euros 111 million are accounts receivable from ENEL Energy Europe, S.L. for consolidated income tax.

The receivable for 2010 income tax was interest-free and was settled in 2011.

b) Current and non-current investments**b.1. Equity instruments in 2011 and 2010**

At 31 December 2011 and 2010, this balance essentially comprised the interest in Euskaltel, S.A. valued at Euros 46 million in both years.

b.2. Current and non-current loans to companies in 2011 and 2010

Euros 3,281 million of this balance at 31 December 2011 and Euros 6,340 million at 31 December 2010 are the amounts contributed to finance the shortfall in revenue from regulated activities.

Deficit from regulated activities

Royal Decree Laws 6/2009, of 30 April 2009 and 6/2010 of 9 April 2010 stipulate that as of 2013 any grid access charges established should be sufficient to cover all electricity system costs, with no ex ante deficit. For the 2009-2012 period, Royal Decree Law 6/2009, of 30 April 2009 caps the deficit for each year and the access charges established for those years must be sufficient to prevent those limits being exceeded. Royal Decree Law 14/2010, of 23 December 2010 revised these limits to Euros 5,500 million, Euros 3,000 million and Euros 1,500 million for 2010, 2011 and 2012, respectively.

This legislation also orders that, in the event of any mismatch in the timing of settlements of regulated activities,

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

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

Royal Decree 437/2010, of 9 April 2010 regulates the securitisation of the electricity system deficit. In accordance with this legislation, in July 2010 ENDESA notified the securitisation fund for the deficit in the Spanish electricity system (hereinafter, "FADE") of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities up to the end of 2010. Pursuant to Royal Decree 437/2010, of 9 April 2010, these collection rights are to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. Such events would in any case be subject to a ruling by the Interministerial Commission. After one year has elapsed since the notification, the initial holders would be able to waive the commitment to transfer any collection rights that have not been securitised by the FADE.

As all the committed collection rights had not been transferred to the FADE before 7 July 2011, the Interministerial Commission issued a ruling in which it stated that exceptional market conditions prevailed that had prohibited the FADE from acquiring the collection rights within the agreed timeframe. ENDESA decided not to waive the commitment to transfer any collection rights, extending it for another year, i.e. until 7 July 2012.

Royal Decree 1307/2011, of 26 September 2011 was published on 11 October 2011, amending the aforementioned Royal Decree 437/2010, of 9 April 2010 to bring it into line with the revised deficit limits set forth in Royal Decree Law 14/2010, of 23 December 2010, and establishing the possibility of straightforward security sales (private placements).

During 2011, ENDESA transferred tariff deficit collection rights to the FADE totalling Euros 4,370 million.

On the other hand, the shortfall in access tariffs collected in 2011 to cover the system costs during the same period led to a

shortfall in revenue from regulated activities of Euros 3,446 million for the entire sector over this period. ENDESA must finance 44.16% of this amount.

Euros 3,281 million are pending recovery at 31 December 2011 and Euros 6,340 million at 31 December 2010 for the financing of the shortfall in revenue from regulated activities for the years stated. These amounts are recognised under current investments: loans to companies in the accompanying statements of financial position.

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

b.3. Other non-current financial assets

At 31 December 2011 and 2010, this balance includes Euros 68 million and Euros 75 million, respectively, for the deposit made to guarantee payment for future services from the employees who are members of the ENDESA defined benefit pension scheme.

c) Classification of financial assets by nature and category

Details of financial assets by nature and category, excluding investments in equity instruments of Group companies and associates, at 31 December 2011 and 2010, are as follows: (tables 1 and 2).

Table 1. Financial assets

Millions of Euros

Nature / Category	31 December 2011						Total
	Financial assets held for trading	Other financial assets at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	
Equity instruments	—	—	47	—	—	—	47
Loans to companies	—	—	—	10	—	—	10
Derivatives (Note 13)	3	—	—	—	—	2	5
Other financial assets	—	—	—	68	—	—	68
Long-term / non-current	3	—	47	78	—	2	130
Loans to companies	—	—	—	3,412	—	—	3,412
Derivatives (Note 13)	141	—	—	—	—	—	141
Other financial assets	—	—	—	403	—	—	403
Short-term/current	141	—	—	3,815	—	—	3,956
Total	144	—	47	3,893	—	2	4,086

Table 2. Financial assets

Millions of Euros

Nature / Category	31 December 2010						Total
	Financial assets held for trading	Other financial assets at fair value through profit and loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	
Equity instruments	—	—	48	—	—	—	48
Loans to companies	—	—	—	865	—	—	865
Derivatives (Note 13)	5	—	—	—	—	1	6
Other financial assets	—	—	—	75	—	—	75
Long-term / non-current	5	—	48	940	—	1	994
Loans to companies	—	—	—	6,481	—	—	6,481
Derivatives (Note 13)	72	—	—	—	—	—	72
Other financial assets	—	—	—	82	—	—	82
Short-term/current	72	—	—	6,563	—	—	6,635
Total	77	—	48	7,503	—	1	7,629

Financial assets held for trading, available-for-sale financial assets and hedging derivatives are measured at fair value.

Financial assets held for trading are financial derivatives not designated for accounting purposes as hedging instruments.

The fair value of financial assets is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each month, translated to Euros at the exchange rate prevailing on the last working day of each month. These measurements are made using out-of-house tools, such as Bloomberg and SAP.

d) Items recognised in the income statement and in equity

Movement in the different categories of financial assets recognised in the income statement and directly in equity is as follows: (table 3).

e) Financial investment commitments

At 31 December 2011 and 2010, ENDESA had not significant commitments regarding new financial investments.

8. Non-current assets held for sale

Red Eléctrica de España, S.A.

In 2010, ENDESA sold its entire interest in Red Eléctrica de España, S.A. (0.89%), recognising a gross gain of Euros 42 million in the income statement.

9. Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

a) Share capital

At 31 December 2010, ENDESA had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euros 1.20 each, subscribed and fully paid. These shares are traded on the Spanish Stock Exchanges and the Santiago de Chile Offshore Stock Exchange.

These shares have the same voting and profit-sharing rights.

Through ENEL Energy Europe, S.L.U., the ENEL Group holds 92.06% of the shares of ENDESA, S.A.

Table 3

Millions of Euros

Category	2011		2010	
	Profit and loss	Equity	Profit and loss	Equity
Financial assets held for trading	145	—	79	—
Available-for-sale financial assets	—	—	42	(42)
Loans and receivables	86	—	56	—
Hedging derivatives	3	3	2	4
Investments in equity instruments of Group companies, jointly-controlled entities and associates	728	—	1,323	—
TOTAL	962	3	1,502	(38)

b) Share premium

Article 303 of the Corporate Enterprises Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use. Nonetheless, Euros 275 million of the share premium is restricted to the extent that it is subject to tax assets capitalised in prior years.

c) Reserves

Details of ENDESA's reserves at 31 December 2011 and 2010 are as follows:

Reserves	Millions of Euros	
	31 December 2011	31 December 2010
Legal reserve	285	285
Revaluation reserve	1,714	1,714
Mining depletion reserve	40	40
Redeemed capital reserve	102	102
Reserve for redenomination of capital to Euros	2	2
Reserve for actuarial gains and losses and other adjustments	—	(19)
Canary Islands investment reserve	24	24
Provision accelerated depreciation R.D.L. 2/85	1	1
Merger reserve	2,050	2,050
Unrestricted reserves	1,058	1,058
Total	5,276	5,257

c.1. Legal reserve

In accordance with article 274 of the Corporate Enterprises Act, an amount equal to ten per cent of the profit for the year shall be earmarked for the legal reserve until such reserve represents at least twenty per cent of the capital.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, the legal reserve may not be used to offset losses unless it exceeds twenty per cent of the capital and no other sufficient reserves are available for such purpose.

At 31 December 2011, ENDESA has transferred more than the 20% required by law to this reserve.

c.2. Revaluation reserve

As permitted by Royal Decree Law 7/1996, of 7 June 1996, property, plant and equipment was revalued at 31 December 1996 leading to capital gains of Euros 1,776 million. After tax at 3%, the net balance of Euros 1,722 million was credited to the account called revaluation reserve Royal Decree Law 7/1996, of 7 June 1996.

This balance can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, or to increase share capital. It can also be transferred to unrestricted reserves provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.

This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996, of 7 June 1996.

Until 31 December 2011, in accordance with Royal Decree Law 7/1996, of 7 June 1996, Euros 5 million had been applied to losses on disposals of revalued assets incurred before the revalued balances were inspected. As a result of this tax inspection, the revaluation reserve was also reduced by Euros 3 million.

On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out within the ENDESA Group.

c.3. Mining depletion reserve

The mining depletion reserve is subject to Royal Decree Law 4/2004, of 5 March 2004, which approves the Revised Income Tax Law. This reserve is taxable if used for any purpose other than those foreseen in the pertinent regulatory standards.

At 31 December 2011, the balance of this reserve is Euros 40 million, all of which is freely distributable. At 31 December 2010, the balance of this reserve is Euros 40 million, of which Euros 27 million is freely distributable.

c.4. Redeemed capital reserve

The redeemed capital reserve has been appropriated in compliance with article 335 of the Corporate Enterprises Act, which requires companies to post to this reserve an

amount equal to the par value of the redeemed shares or of the reduction in their par value, when the reduction is charged to unrestricted profits or reserves by redeeming shares acquired free of charge by the Company. The draw-down on this reserve shall be subject to the same requirements as set forth for reducing share capital.

c.5. Reserve for redenomination of capital to Euros

This reserve is not distributable.

c.6. Reserve for actuarial gains and losses and other adjustments

This reserve derives from actuarial gains and losses recognised in equity (see note 4.g.1).

c.7. Canary Islands investment reserve

The Canary Islands investment reserve is subject to the regime established in article 27 of Law 19/1994, of 6 July 1994, amending the Canary Islands tax regime, which was modified by Royal Decree Law 12/2006, of 29 December 2006. The Euros 24 million balance of this reserve at 31 December 2010 and 2009 derives from the merger of ENDESA and Unión Eléctrica de Canarias, S.A. in 1998 and has been freely distributable since 1 January 2009.

c.8. Voluntary reserves

These reserves are freely distributable. Euros 41 million were applied against this reserve in 2010 for deferred taxes on the portfolio of investments in Group companies.

c.9. Merger reserve

This reserve stems from the restructuring of the Company, and its balance at 31 December 2011 amounts to Euros 2,050 million, Euros 754 million of which are undistributable because they are subject to certain tax benefits.

d) Valuation adjustments

Movement in the valuation adjustments reserve in the statement of financial position is shown in the statement of recognised income and expense, which forms part of the financial statements.

e) Other information

Certain members of senior management of ENDESA coming from ENEL benefit from ENEL remuneration schemes based on ENEL share prices.

The cost of these schemes is assumed by ENEL, with no amounts passed on to ENDESA.

The main characteristics of the schemes, with respect to members of senior management of ENDESA, are as follows:

2008 share option scheme

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

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

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

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

The scheme is summarised in the following table:

Number of options	2008 scheme
Options granted at 31 December 2008	567,182
Options exercised at 31 December 2008	—
Options expired at 31 December 2008	—
Options pending at 31 December 2008	567,182
Options expired in 2009	—
Options pending at 31 December 2009	567,182
Options expired in 2010	—
Options pending at 31 December 2010	567,182
Options expired in 2011	—
Options pending at 31 December 2011	680,618
Fair value at the grant date (Euros)	0.165
Volatility	21%
Options expiry date	December 2014

2008 restricted shares scheme

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

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

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

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

- i) For the first 50% of the basic number of shares granted, by comparing the performance of ordinary shares of ENEL on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2009.
- ii) For the remaining 50% of shares granted, by comparing the performance of ordinary shares of ENEL on the Italian stock exchange with the performance of a benchmark index in the period from 1 January 2008 to 31 December 2010.

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

If the minimum target is not achieved in the first two-year period, the first 50% tranche could be recovered if the target is met during the three-year period. Moreover, the valid-

ity of the results recorded in the 2008-2010 period could be extended to the 2008-2009 period.

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

The scheme is summarised in the following table:

Number of restricted shares	2008 restricted shares
Restricted shares outstanding at 31 December 2008	60,659
Restricted shares expired in 2009	—
Restricted shares outstanding and exercisable at 31 December 2009	60,659
Restricted shares expired in 2010	—
Restricted shares exercised in 2010	16,880
Restricted shares outstanding and exercisable at 31 December 2010	43,779
Restricted shares outstanding and exercisable at 1 January 2011, revalued at 120%	52,535
Restricted shares exercised in 2011	38,015
Restricted shares outstanding and exercisable at 31 December 2011	14,520
Fair value at the grant date (Euros)	3.16
Fair value at 31 December 2011 (Euros)	3.69
Restricted shares expiry date	December 2014

The expense for the ENEL share option schemes of Euros 0.02 million and Euros 0.4 million is recognised under employee benefits expense in 2011 and 2010, respectively.

10. Provisions and contingencies

Details of current and non-current provisions and movement in 2011 and 2010 are as follows:

Millions of Euros

	Balance at 31/12/2010	Charges in profit and loss	Financial effect	Applications	Payments	Transfers	Other adjustments	Balance at 31/12/2011
NON-CURRENT PROVISIONS								
Non-current employee benefits:	44	3	1	(2)	4	(14)	(6)	30
Post-employment benefits	32	1	1	(1)	4	(14)	(6)	17
Other employee benefits	12	2	—	(1)	—	—	—	13
Restructuring provisions:	161	—	4	(20)	—	(34)	—	111
Workforce restructuring plan	27	—	1	(5)	—	(6)	—	17
Voluntary redundancy scheme	134	—	3	(15)	—	(28)	—	94
Other provisions	139	—	—	(75)	(1)	—	—	63
Total non-current	344	3	5	(97)	3	(48)	(6)	204
CURRENT PROVISIONS								
Restructuring provisions:	29	—	—	—	(8)	34	—	55
Workforce restructuring plan	10	—	—	—	(3)	5	—	12
Voluntary redundancy scheme	19	—	—	—	(5)	29	—	43
Other provisions	—	—	—	—	—	—	—	—
Total current	29	—	—	—	(8)	34	—	55

Millions of Euros

	Balance at 31/12/2009	Charges in profit and loss	Financial effect	Applications	Payments	Transfers	Other adjustments	Balance at 31/12/2010
NON-CURRENT PROVISIONS								
Non-current employee benefits:	26	2	4	(2)	(2)	—	16	44
Post-employment benefits	14	2	3	(2)	(1)	—	16	32
Other employee benefits	12	—	1	—	(1)	—	—	12
Restructuring provisions:	115	59	3	—	—	(16)	—	161
Workforce restructuring plan	37	(10)	1	—	—	(1)	—	27
Voluntary redundancy scheme	78	69	2	—	—	(15)	—	134
Other provisions	67	86	—	(19)	—	5	—	139
Total non-current	208	147	7	(21)	(2)	(11)	16	344
CURRENT PROVISIONS								
Restructuring provisions:	29	—	—	—	(16)	16	—	29
Workforce restructuring plan	12	—	—	—	(3)	1	—	10
Voluntary redundancy scheme	17	—	—	—	(13)	15	—	19
Other provisions	—	—	—	—	—	—	—	—
Total current	29	—	—	—	(16)	16	—	29

a) Provisions for pensions

The Company's personnel are members of the ENDESA Group pension scheme, divided into three basic groups eligible for different types of benefits:

- Employees who joined the Company in 1997 or later belong to a defined contribution scheme for retirement, defined benefit for permanent disability or death whilst

in service. The relevant insurance policies have been taken out on the scheme.

- Electricity employees from the former ENDESA, who are members of a defined benefit pension scheme for retirement, permanent disability and death, for both current and former employees. The predetermined nature of the retirement benefits and their full coverage eliminate any related risk. The other benefits are also guar-

anteed through insurance contracts. Therefore, except as regards the death of retired employees, the monitoring required for this scheme does not differ significantly from that required for the mixed schemes described above.

- Fecsa/Enher/HidroEmpordá employees: Defined-benefit pension scheme with annual salary increases in line with the CPI. This scheme is treated in exactly the same way as a defined benefit scheme. The obligations to these employees are not significant.

The defined benefit schemes have a limited number of members and no more employees can join.

The amounts recognised in the statement of financial position for post-employment benefits are as follows:

Post-employment benefits			<i>Millions of Euros</i>
	31 December 2011	31 December 2010	
Present value of defined benefit obligations:	(64)	(76)	
Current employees	(38)	(41)	
Former employees	(2)	(19)	
Early retired	(24)	(16)	
Fair value of plan assets	51	44	
Net total	(13)	(32)	

Movement in defined benefit scheme obligations is as follows:

Post-employment benefits			<i>Millions of Euros</i>
	2011	2010	
Opening actuarial liability	(76)	(60)	
Financial cost	(3)	(3)	
Current cost	(2)	(2)	
Benefits paid in the period	1	3	
Actuarial gains and losses	23	(14)	
Payments/(Receipts)	(4)	—	
Other movements	(3)	—	
Closing actuarial liability	(64)	(76)	

Changes in the fair value of defined benefit plan assets are as follows:

Defined benefit plan assets			<i>Millions of Euros</i>
	2011	2010	
Opening market value	44	46	
Estimated benefit	2	2	
Company contribution	2	1	
Payments	(1)	(3)	
Actuarial gains and losses	4	(2)	
Closing market value	51	44	
Opening provision/assets balance	(32)	(14)	
Closing provision/assets balance	(13)	(32)	

The balance at 31 December 2011 comprises an asset of Euros 4 million for pensions, classified under non-current loans to third parties in the statement of financial position, and a liability of Euros 17 million for electricity employees, classified under non-current employee benefits in the statement of financial position.

Defined benefit plan assets include the following:

Defined benefit plan assets			<i>Percentage</i>
	2011	2010	
Shares	30	28	
Fixed income assets	65	67	
Other (cash)	5	5	
Total	100	100	

The following were the most significant actuarial assumptions considered in the calculations:

	2011	2010	
Mortality tables	PERM/F 2000	PERM/F 2000	
Technical interest rate	4.66%	3.37%	
Annual pension review	2.3%	2.3%	
Annual salary increase	2.3%	2.3%	

Retirement age is that set forth in Law 27/2011, of 1 August 2011.

The projected unit credit method is used, where each year of service generates a unit of rights to the benefits, with each unit determined separately.

The Company has the above obligations covered by the amounts shown in the statements of financial position at 31 December 2011 and 2010.

b) Workforce restructuring plans

Provisions for the various workforce restructuring plans included in the statement of financial position are the result of individual or collective agreements with the Company's employees, whereby the Company undertakes to supplement state benefits in the event of termination of employment by agreement between the parties.

The Company has made provisions for the various workforce restructuring plans involving employees who are currently in service or have taken early retirement. Under these plans, employees are guaranteed benefits from the date of early retirement until retirement age and, in certain cases, a pension annuity to supplement the state pension.

Two types of plans were in force at 31 December 2011 and 2010:

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

The deadline for employees to avail of these restructuring plans has passed and the obligation therefore mainly relates to employees who have left the Company.

2. Voluntary redundancy scheme approved in 2000.

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

Employees aged 50 or over at 31 December 2005 are entitled to early retirement at the age of 60. They may sign up to the scheme between the ages of 50 and 60, provided that there is an agreement between the employee and the company concerned.

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

In February 2006, the Directorate General for Employment amended the initial ruling on this scheme whereby the statute of limitations for employees that are aged over and under 50 can be extended beyond 31 December 2005.

A total of 266 and 245 employees were considered in the valuation of the two schemes mentioned above for 2011

and 2010. Of these employees, 100 in 2011 and 155 in 2010 had not yet left the Company.

The economic conditions applicable to the employees who have signed up to these schemes are basically as follows:

- For personnel taking early retirement, the Company will pay the employee from the date of termination of their contract until the first date on which retirement can be taken after unemployment benefit contributions have ceased and, at most, until the employee's right is vested on reaching retirement age, a termination benefit based on their last annual salary and subject to review in line with the CPI. Any unemployment benefits and any other official early retirement benefits received prior to the retirement date will be deducted from the resulting amounts.
- Employees under the age of 50 who have signed up to the voluntary redundancy scheme approved in 2000 receive a termination benefit of 45 days' salary per year of service plus an additional amount of one or two annual salary payments depending on the age of the employee in question at 31 December 2005.

The Company recognises the full expense of these schemes when the obligations arise, either because the employee is entitled unilaterally to sign up to the scheme, individual or collective agreements have been reached with personnel, or there is a certain expectation that such an agreement to leave the Company will be arranged. The obligation is determined based on the corresponding actuarial calculation subject to annual review. Gains or losses caused by changes in assumptions, mainly the discount rate, are recognised in profit and loss.

The charge against profit and loss in 2010 is essentially due to the provision required to cover the cost of the scheme launched by the Company that year to bring forward the departure of personnel involved in this workforce restructuring plan.

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

Actuarial assumptions

	2011	2010
Mortality tables	PERM/F 2000	PERM/F 2000
Technical interest rate	2.74%	2.49%
Future CPI	2.30%	2.30%

c) Other provisions

Other provisions are made to cover various liabilities derived from claims from third parties, lawsuits and other contingencies.

At the date of preparation of these financial statements, the main lawsuits or arbitration proceedings involving the Company are as follows:

1. On 8 May 2008, a decision was made on the motion filed by ENDESA at the Spanish Supreme Court to quash a ruling by the Spanish High Court rendering null and void the order of 29 October 2002 regulating the competition transition costs (hereinafter "CTCs") for 2001, passed in the appeal for judicial review no. 825/2002 filed by Iberdrola, S.A. The Supreme Court rejected ENDESA's motion to quash the ruling from the Spanish High Court. Enforcement of the judgment is not expected to have a significant economic impact on the Company.
2. On 24 June 2009, the Investigation Division of the Spanish National Competition Authorities (hereinafter "CNC") filed charges against several electricity distributors including ENDESA for alleged infringement of article 1 of Anti-Trust Law 15/2007, of 3 July 2007 and article 81 of the EC Treaty, consisting of alleged collusive agreements which, according to the Competition Authorities, could have been arranged to impede, restrict or falsify competition in the power supply market in Spain. The disciplinary proceedings initiated by the CNC are to analyse the existence of possible illegal agreements between the distribution companies to delay the

change in supplier. The case was extended in terms of the parties (to also include the Spanish Electricity Sector Association UNESA) and allegations (to include possible collusion to win major customers). On 13 May 2011, the board of the CNC ruled that ENDESA should pay a fine of Euros 27 million. This ruling has been appealed in the Spanish High Court, which issued a judicial decree on 15 September 2011 suspending payment of the fine and accepting ENDESA's proposal for interim relief.

3. During 2011, the Spanish High Court passed four rulings (two on 9 June, one on 18 July and the other on 26 September) partially upholding the appeals filed by ENDESA in relation to the ENDESA tax group's income tax assessment for 1998 to 2001. The income tax settlements to be made pursuant to the Spanish High Court's criteria involve recognising interest payable to the ENDESA tax group of Euros 63 million. The tax authorities have withdrawn the motion filed to quash these rulings.

The Company's directors do not expect that any additional significant liabilities to those already recognised in the accompanying statements of financial position would arise as a result of the above-mentioned lawsuits and arbitration proceedings.

11. Non-current and current financial liabilities

Movement in non-current financial liabilities in 2011 and 2010 is as follows: (tables 4 and 5).

Table 4. Non-current financial liabilities

Millions of Euros

	Balance at 31/12/2010	Drawn	Repaid	Transfers to current	Other	Balance at 31/12/2011
Non-current payables	3,752	25	(2,121)	(929)	—	727
Interest-bearing loans and borrowings	3,631	13	(2,034)	(929)	—	681
Derivatives (Note 13)	116	—	(87)	—	—	29
Other financial liabilities	5	12	—	—	—	17
Non-current payables to group companies and associates (note 18)	8,218	65	(1,195)	(33)	—	7,055
Group companies and associates	8,216	65	(1,195)	(33)	—	7,053
Derivatives (Note 13)	2	—	—	—	—	2
Total non-current payables	11,970	90	(3,316)	(962)	—	7,782

Table 5. Non-current financial liabilities*Millions of Euros*

	Balance at 31/12/2009	Drawn	Repaid	Transfers to current	Other	Balance at 31/12/2010
Non-current payables	6,054	656	(737)	(2,238)	17	3,752
Interest-bearing loans and borrowings	5,889	650	(700)	(2,225)	17	3,631
Derivatives (Note 13)	160	6	(37)	(13)	—	116
Other financial liabilities	5	—	—	—	—	5
Non-current payables to group companies and associates (note 18)	4,560	3,666	(1)	(7)	—	8,218
Group companies and associates	4,552	3,664	—	—	—	8,216
Derivatives (Note 13)	8	2	(1)	(7)	—	2
Total non-current payables	10,614	4,322	(738)	(2,245)	17	11,970

The balances of current financial liabilities at 31 December 2011 and 2010 are as follows:

Current financial liabilities*Millions of Euros*

	31 December 2011	31 December 2010
Current payables	2,390	326
Interest-bearing loans and borrowings	2,314	242
Derivatives (Note 13)	70	34
Other financial liabilities	6	50
Current payables to group companies and associates (Note 18)	1,599	2,647
Group companies and associates	1,503	2,605
Derivatives (Note 13)	96	42
Total current payables	3,989	2,973

a) Classification of financial liabilities by category

The classification of financial liabilities by category and class and a comparison of the fair value with the carrying amount are as follows:

Financial liabilities*Millions of Euros*

Nature / Category	31 December 2011				
	Financial liabilities held for trading	Other financial assets at fair value through profit and loss (1)	Debts and payables	Hedging derivatives	Total
Interest-bearing loans and borrowings	—	23	658	—	681
Derivatives (Note 13)	3	—	—	28	31
Other financial liabilities	—	—	7,070	—	7,070
Non-current payables / Non-current financial liabilities	3	23	7,728	28	7,782
Interest-bearing loans and borrowings	—	—	2,314	—	2,314
Derivatives (Note 13)	146	—	—	20	166
Other financial liabilities	—	—	1,509	—	1,509
Current payables / Current financial liabilities	146	—	3,823	20	3,989
Total	149	23	11,551	48	11,771
Total fair value	149	23	11,615	48	11,835

(1) All financial liabilities that are embedded in a fair value hedge from the contract date.

Financial liabilities*Millions of Euros*

Nature / Category	31 December 2010				
	Financial liabilities held for trading	Other financial assets at fair value through profit and loss (1)	Debts and payables	Hedging derivatives	Total
Interest-bearing loans and borrowings	—	22	3,609	—	3,631
Derivatives (Note 13)	16	—	—	102	118
Other financial liabilities	—	—	8,221	—	8,221
Non-current payables/Non-current financial liabilities	16	22	11,830	102	11,970
Interest-bearing loans and borrowings	—	—	242	—	242
Derivatives (Note 13)	73	—	—	3	76
Other financial liabilities	—	—	2,655	—	2,655
Current payables / Current financial liabilities	73	—	2,897	3	2,973
Total	89	22	14,727	105	14,943
Fair value	89	22	14,741	105	14,957

(1) All financial liabilities that are embedded in a fair value hedge from the contract date.

Financial liabilities held for trading, financial liabilities at fair value through profit and loss and hedging derivatives are measured at fair value.

Financial liabilities held for trading are financial derivatives not designated for accounting purposes as hedging instruments.

Pursuant to the measurement criteria, items covered by fair-value hedging derivatives are included under other financial liabilities at fair value through profit and loss.

The fair value of financial liabilities is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each month, translated to Euros at the exchange rate prevailing on the last working day of each month. These measurements are made using out-of-house tools, such as Bloomberg and SAP.

b) Classification by maturity

Details of financial liabilities by maturity are as follows: (tables 6 and 7).

Table 6*Millions of Euros*

	31 December 2011	2012	2013	2014	2015	2016	Subsequent years
Interest-bearing loans and borrowings	2,995	2,314	145	145	145	178	68
Derivatives	99	70	29	—	—	—	—
Other financial liabilities	23	6	5	6	3	1	2
Group companies and associates	8,556	1,503	41	—	22	6,954	36
Derivatives with group companies and associates	98	96	2	—	—	—	—

Table 7*Millions of Euros*

	31 December 2010	2011	2012	2013	2014	2015	Subsequent years
Interest-bearing loans and borrowings	3,873	242	1,996	332	182	182	939
Derivatives	150	34	58	56	—	—	2
Other financial liabilities	55	50	—	—	—	—	5
Group companies and associates	10,821	2,605	—	—	—	22	8,194
Derivatives with group companies and associates	44	42	1	1	—	—	—

In 2011, the average rate of interest was 2.4% on interest-bearing loans and borrowings and 3.4% on payables to Group companies.

In 2010, the average rate of interest was 3.00% on interest-bearing loans and borrowings and 2.50% on payables to Group companies.

c) Items recognised in the income statement and in equity

Movement in the different categories of financial liabilities recognised in the income statement and directly in equity is as follows:

Category	Millions of Euros			
	2011		2010	
	Profit and loss	Equity	Profit and loss	Equity
Financial liabilities held for trading	(146)	—	(90)	—
Other financial assets at fair value through profit and loss	(1)	—	(1)	—
Debts and payables	(380)	—	(366)	—
Hedging derivatives	(60)	50	(76)	30
Total	(587)	50	(533)	30

d) Hedged financial liabilities

Details of hedged financial liabilities are as follows:

Class	Type of hedge	Millions of Euros	
		2011	2010
With third parties	Fair value	21	21
	Cash flow	3,147	3,163

e) Other aspects

At 31 December 2011 and 2010, ENDESA had undrawn long-term lines of credit for Euros 8,258 million and Euros 6,153 million, respectively. The amount at 31 December 2011 includes Euros 3,500 million with ENEL Finance Internacional, B.V., while no credit existed with this company at 31 December 2010. The amount of these credit facilities, together with current assets, sufficiently covers the Company's short-term payment obligations.

ENDESA's debt is subject to the usual covenants in contracts of this type. None of these covenants contain obligations whereby failure to maintain certain financial ratios would lead to early repayment of the debt.

ENDESA has loans and other finance agreements with financial institutions totalling Euros 300 million, which may require early repayment in there is a change in control of ENDESA.

As regards clauses relating to credit ratings, at 31 December 2011 ENDESA had entered into financial transactions amounting to Euros 300 million that could require additional guarantees or renegotiation if its credit rating were downgraded. At 31 December 2010, this amount was Euros 450 million.

At 31 December 2011 and 2010, ENDESA was not in breach of its financial obligations or any other covenants that could require early repayment of its liabilities.

The Company's directors do not consider that these clauses will change the current/non-current classification in the accompanying statement of financial position.

12. Risk management policy

ENDESA is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and supervision systems, all of which are implemented throughout the Group of which it is the parent.

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

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

a) Interest rate risk

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

The objective of interest rate management is to achieve a balance in the structure of debt that minimises the year-on-year cost of the debt with limited income statement volatility.

Depending on ENDESA's estimates and targeted debt structure, hedging transactions are carried out by arranging derivatives to mitigate these risks.

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

Net position	Millions of Euros	
	31 December 2011	31 December 2010
Fixed interest rate	2,716	2,791
Protected interest rate (*)	—	100
Floating interest rate	8,610	11,291
Total	11,326	14,182

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

The reference interest rate for the borrowings arranged by ENDESA is mainly Euribor.

Details of hedged financial assets and the derivative financial instruments obtained to hedge them are provided in Notes 7 and 11.

b) Currency risk

Currency risk essentially affects the following transactions:

- Debt denominated in foreign currencies arranged by the Group companies.

- Payments or collections to be made in international markets for purchases or sales of fuel stocks or capital expenditure by Group companies.
- Investments in Group companies that have investments in foreign operations with a functional currency other than the Euro and dividend payments or share capital reductions.

ENDESA has contracted currency swaps and exchange rate insurance to mitigate its currency risk.

ENDESA does not have a significant portion of debt that is in foreign currency or that is not hedged by derivatives and exchange rate insurance at 31 December 2011 or 2010.

The Company also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

Assets and liabilities in foreign currency are disclosed in Note 14.

c) Liquidity risk

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

At 31 December 2011, ENDESA had liquidity of Euros 8,279 million, comprising Euros 21 million in cash and cash equivalents and Euros 8,258 million in unconditionally drawable credit facilities. At 31 December 2010, these amounts were Euros 14 million and Euros 6,153 million, respectively and therefore, ENDESA had liquidity of Euros 6,166 million at that date. The amount at 31 December 2011 includes Euros 3,500 million corresponding to the line of credit with ENEL Finance Internacional, B.V.

The classification of financial liabilities by contractual maturities is shown in Note 11 b.

d) Credit risk

Given the current economic climate, ENDESA is monitoring credit risk very closely.

Nonetheless, ENDESA does not have significant credit risk, as its investments are essentially those made to finance the shortfall in revenue from regulated activities, which will be recovered through the Spanish electricity system, while the remaining transactions are primarily with ENDESA Group counterparties.

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

- ENDESA places its cash surpluses in accordance with the Group's risk management policy, which dictates that counterparties must be leading entities in the markets in which they operate.
- Interest-rate and exchange-rate derivatives are arranged with highly solvent entities and 85% of transactions are with entities with a credit rating of A- or higher.
- No single counterparty represented more than 38% of the total credit risk relating to financial instruments.

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

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

Details of financial assets exposed to credit risk are provided in Note 7.

e) Risk measurement

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

The portfolio of positions included for the purpose of the current value at risk calculations is made up of debt and financial derivatives.

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

- Euribor interest rate
- US dollar Libor interest rate
- The exchange rates of the various currencies included in the calculation

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

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

Taking into account these assumptions, the value at risk of ENDESA's positions described above is as follows:

<i>Millions of Euros</i>		
	31 December 2011	31 December 2010
Financial positions:		
Interest rate	1	2
Foreign currency	—	—
Portfolio of investment	—	—
Total	1	2

The value at risk positions changed in 2011 and 2010 on the basis of the maturity/arrangement of transactions as the years progressed.

13. Derivative financial instruments

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

The Company categorises its hedges as follows:

- Cash flow hedges: hedge the cash flows on the hedged underlying.
- Fair value hedges: hedge the fair value of the hedged underlying.

Details of the valuation of derivative financial instruments at 31 December 2011 and 2010 are as follows: **(table 8)**.

Table 8

Millions of Euros

	31 December 2011		31 December 2010	
	Assets	Liabilities	Assets	Liabilities
Cash flow interest rate hedge	—	48	—	105
Fair value interest rate hedge	2	—	1	—
Cash flow foreign currency hedge	—	—	—	—
Other derivatives	144	149	77	89

Details by maturity of the notional and/or contractual amounts of derivatives contracted by the Company, and their fair value at 31 December 2011 and 2010, are as follows: (tables 9 and 10).

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

Cash flow hedges

At the end of 2011, a gross reduction of Euros 6 million was recognised in equity and an expense of Euros 59 million transferred from equity to the income statement in relation with cash flow hedges.

At the end of 2010, a gross reduction of Euros 41 million was recognised in equity and an expense of Euros 75 million

Table 9. Derivatives

Millions of Euros

31 December 2011								
		Notional value						
	Fair value	2012	2013	2014	2015	2016	Subsequent	Total
INTEREST RATE HEDGES								
Cash flow hedges:	(48)	2,018	910	—	—	—	—	2,928
Swaps	(48)	2,018	910	—	—	—	—	2,928
Fair value hedges:	2	—	—	—	—	21	—	21
Swaps	2	—	—	—	—	21	—	21
OTHER DERIVATIVES								
Interest rate:	(5)	221	—	—	—	—	—	221
Swaps	(5)	221	—	—	—	—	—	221
Foreign currency:	—	4,224	76	—	—	—	—	4,300
Futures	—	4,224	76	—	—	—	—	4,300
Total	(51)	6,463	986	—	—	21	—	7,470

Table 10. Derivatives

Millions of Euros

31 December 2010								
		Notional value						
	Fair value	2011	2012	2013	2014	2015	Subsequent	Total
INTEREST RATE HEDGES								
Cash flow hedges:	(106)	592	1,615	910	—	—	45	3,162
Swaps	(104)	492	1,615	910	—	—	45	3,062
Options	(2)	100	—	—	—	—	—	100
Fair value hedges:	1	—	—	—	—	—	21	21
Swaps	1	—	—	—	—	—	21	21
OTHER DERIVATIVES								
Interest rate:	(13)	75	195	1,500	—	—	—	1,770
Swaps	(13)	75	195	—	—	—	—	270
Options	—	—	—	1,500	—	—	—	1,500
Foreign currency:	2	3,811	214	52	—	—	—	4,077
Futures	2	3,811	214	52	—	—	—	4,077
Total	(116)	4,478	2,024	2,462	—	—	66	9,030

transferred from equity to the income statement in relation with cash flow hedges.

Expenses of Euros 1 million in 2011 and 2010 were recognised in the income statement for the ineffective portions of hedges.

Fair value hedges

At the end of 2011, income of Euros 2 million is recognised in the income statement for fair value hedging instruments (income of Euros 1 million in 2010).

Other derivatives

At the end of 2011, an expense of Euros 2 million was recognised in the income statement for other derivatives (expense of Euros 11 million in 2010).

14. Foreign currency

At 31 December 2011 and 2010, assets and liabilities in US dollars had an overall value of Euros 41 million of assets in 2011 and Euros 854 million of liabilities in 2010.

Details of foreign currency balances at that date are as follows:

Table 11

	2011			2010		
	On transactions settled during the year	On balances not due	Total	On transactions settled during the year	On balances not due	Total
Financial assets:						
Non-current loans to Group companies	41	—	41	—	—	—
Derivatives	—	—	—	—	—	—
Cash in hand and at banks	1	(1)	—	48	(1)	47
Total financial assets	42	(1)	41	48	(1)	47
Financial liabilities:						
Non-current interest-bearing loans and borrowings	—	—	—	—	—	—
Other current financial liabilities	—	—	—	—	(1)	(1)
Derivatives	(1)	—	(1)	—	1	1
Total financial liabilities	(1)	—	(1)	—	—	—
Total	41	(1)	40	48	(1)	47

Millions of Euros

	2011	2010
Assets	—	854
Non-current loans to Group companies	—	854
Liabilities	41	—
Current interest-bearing loans and borrowings	41	—

Exchange gains and losses recognised in the income statement in 2011 and 2010, by class of financial instruments excluding those measured at fair value through profit and loss, are as follows: **(table 11)**.

15. Taxation

In 2011 and 2010, ENDESA, S.A. filed consolidated tax returns as permitted by Royal Decree Law 4/2004, which approved the Revised Income Tax Law. The Company forms part of the tax group 572/10 headed by ENEL Energy Europe, S.L.U.

The Company forms part of the VAT tax group 45/10 headed by ENEL Energy Europe, S.L.U.

During 2010 and until August 2011, ENDESA, S.A. was the head of a Canary Islands Indirect General Tax group under the basic regime.

Reconciliation between accounting profit/loss and the taxable income/tax loss

The reconciliation between accounting profit/loss and the taxable income/tax loss in 2011 and 2010 is as follows:

Millions of Euros

2011	Income statement			Income and expense recognised directly in equity		
Accounting profit after income tax	570			56		
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax charge	—	(85)	(85)	24	—	24
Accounting profit before income tax	485			80		
Permanent differences	12	(791)	(779)	—	—	—
Temporary differences						
Originating in the year	37	(9)	28	—	(525)	(525)
Originating in prior years	—	(38)	(38)	472	(27)	445
Taxable income (tax loss)	(304)			—		

2010

Millions of Euros

	Income statement			Income and expense recognised directly in equity		
Accounting profit after income tax	950			(21)		
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax charge	—	(121)	(121)	—	(3)	(3)
Accounting profit before income tax	829			(24)		
Permanent differences	79	(1,326)	(1,247)	—	—	—
Temporary differences						
Originating in the year	91	—	91	58	—	58
Originating in prior years	—	(24)	(24)	3	(37)	(34)
Taxable income (tax loss)	(351)			—		

2011

The increases due to permanent differences in 2011 essentially reflect contributions to entities regulated by Law 49/2002, of 23 December 2002, on the tax regime for non-profit organisations and tax incentives for patronage. The decreases were basically due to dividends from the consolidated group and application of the provision for liabilities.

The increases due to temporary differences essentially reflect provisions for workforce restructuring plans, provisions for energy, and the impairment of investments. The decreases are due to the application of provisions for workforce restructuring plans and the impairment of investments.

2010

The increases due to permanent differences in 2010 essentially reflect provisions made for liabilities and contribu-

tions to entities regulated by Law 49/2002, of 23 December 2002, on the tax regime for non-profit organisations and tax incentives for patronage. The decreases were basically due to dividends from the consolidated group and application of the exemption to avoid double taxation on foreign dividends.

The increases due to temporary differences essentially reflect provisions for workforce restructuring plans and the impairment of investments. The decreases are due to the application of provisions for workforce restructuring plans and the externalisation of pension and workforce restructuring obligations.

With respect to valuation adjustments to interests held in Group companies, jointly-controlled entities and associates (article 12.3. of the Income Tax Law), the changes in equity and the amounts deducted or included during the year and those yet to be included, are as follows: **(table 12)**.

Table 12

Company	Year	Amount pending integration	Impairment in year	Integrated in year	Amount pending integration at close
Nueva Marina Real Estate, S.L.	2008	—	30.683.039.19	—	30.683.039.19
	2009	30,683,039.19	—	319,154.82	30,363,884.37
	2010	30,363,884.37	11,327,916.91	—	41,691,801.28
	2011	41,691,801.28	8,832,126.78	—	50,523,928.06
Proyecto Almería Mediterráneo, S.A.	2008	62,992.03	—	—	62,992.03
	2009	62,992.03	—	—	62,992.03
	2010	62,992.03	—	—	62,992.03
	2011	62,992.03	—	—	62,992.03

The data for 2010 and prior years are the final figures included in the income tax return for those years.

The change in the subsidiary's equity during the year was as follows:

Company	Year	Initial equity	Final equity
Nueva Marina Real Estate, S.L.	2010	69,345,049.86	50,465,188.35
	2011	50,465,188.35	35,744,977.05

Reconciliation between tax payable and the income tax expense

The reconciliation between tax payable and the income tax expense in 2011 and 2010 is as follows:

	Millions of Euros	
	2011	2010
Taxable income (tax loss)		
Income statement	(304)	(351)
Income and expense recognised directly in equity	—	—
Total taxable income	(304)	(351)
Tax payable	(91)	(105)
Application of deductions	(4)	(5)
Recovery of tax credit	3	—
Effective tax	(92)	(110)
Change in deductions	(3)	—
Net tax effect, due to temporary differences	27	(23)
Prior years' adjustments	7	9
Income tax for the year:	(61)	(124)
Income tax through profit and loss	(85)	(121)
Income tax in equity	24	(3)

Prior years' adjustments mainly relate to income tax for 2010 and the ruling issued by the Spanish High Court in relation to the income tax assessments for 1998 to 2001. The adjustments in years prior to 2010 relate to the adjustment to income tax in 2009.

Deductions and rebates

In 2011, the Company applied deductions for a total of Euros 4 million, comprising Euros 1 million for double taxation and Euros 3 million for incentives to engage in certain activities and contributions to entities regulated by Law 49/2002, of 23 December 2002.

In 2010, the Company applied deductions for a total of Euros 5 million, comprising Euros 2 million for double taxation and Euros 3 million for incentives to engage in certain activities and contributions to entities regulated by Law 49/2002, of 23 December 2002.

The revenues subject to the tax deduction considered in article 42 of Royal Decree Law 4/2004, of 5 March 2004, and the years in which the related reinvestment was carried out, both by the Company itself and by the other companies forming part of the same tax group, as permitted by article 75 of Royal Decree Law 4/2004, of 5 March 2004, are as follows:

Year of application of the deduction	Income to which deduction applied (Millions of Euros)	Year of reinvestment
2005	627	2004 / 2005
2006	83	2005 / 2006

Details of the income tax expense

Details of the income tax expense in 2011 and 2010, excluding prior years' adjustments, are as follows:

Details of income tax expense/income in 2011

	2. Change in deferred taxes					Total (1+2)
	1. Current tax	a) Change in deferred tax assets			a) Change in deferred tax liability	
		Temporary differences	Tax credit for tax loss carryforwards	Other credits	Temporary differences	
Recognition in profit and loss, of which:	(92)	11	—	3	(14)	(92)
Continuing operations	(92)	11	—	3	(14)	(92)
Discontinued operations	—	—	—	—	—	—
Recognition in equity, of which:	—	8	—	—	16	24
Measurement of financial instruments	—	—	—	—	—	—
Cash flow hedges	—	—	—	—	16	16
Actuarial gains and losses and other adjustments	—	8	—	—	—	8
Total	(92)	19	—	3	2	(68)
Adjustments to tax	—	—	—	—	—	7
Total	—	—	—	—	—	(61)

Details of income tax expense/income in 2010

	2. Change in deferred taxes					Total (1+2)
	1. Current tax	a) Change in deferred tax assets			a) Change in deferred tax liability	
		Temporary differences	Tax credit for tax loss carryforwards	Other credits	Temporary differences	
Recognition in profit and loss, of which:	(110)	(20)	—	—	—	(130)
Continuing operations	(110)	(20)	—	—	—	(130)
Discontinued operations	—	—	—	—	—	—
Recognition in equity, of which:	—	(13)	—	—	10	(3)
Measurement of financial instruments	—	(8)	—	—	—	(8)
Cash flow hedges	—	—	—	—	10	10
Actuarial gains and losses and other adjustments	—	(5)	—	—	—	(5)
Total	(110)	(33)	—	—	10	(133)
Adjustments to tax	—	—	—	—	—	9
Total	—	—	—	—	—	(124)

Deferred tax assets

Movement in 2011 and 2010 is as follows:

	Millions of Euros			
	2011		2010	
	Temporary differences	Deductions pending	Temporary differences	Deductions pending
Opening balance	223	—	161	—
Temporary differences originating in year	11	—	27	—
Application of temporary differences originating in prior years	(11)	—	(7)	—
Temporary differences due to adjustments for changes in value in the year	—	—	8	—
Temporary differences due to actuarial adjustments	(8)	—	5	—
Prior years' adjustments	(6)	—	(12)	—
Deferred taxes from group portfolio	—	—	41	—
Deductions pending	—	3	—	—
Closing balance	209	3	223	—

The Company has no applicable tax loss carryforwards, only a tax credit applicable in future years for deductions not applied during the year.

The Company's directors consider that the deferred tax assets recognised will be recovered.

Deferred tax liabilities

Movement in 2011 and 2010 is as follows:

	<i>Millions of Euros</i>	
	2011	2010
Opening balance	(69)	(59)
Temporary differences in the year	(3)	—
Temporary differences due to adjustments for changes in value in the year	(16)	(10)
Prior years' adjustments	(3)	—
Closing balance	(91)	(69)

In 2011, no deferred tax assets were recognised for investments in Group companies. In 2010, Euros 41 million of deferred tax assets were recognised for such investments.

Corporate restructuring undertaken availing of the special regime in Chapter VIII, Title VII of RDL 4/2004, of 5 March 2004 on income tax

Note 7 a.1. of these notes to the financial statements sets forth the corporate restructuring undertaken in 2011 availing of the special regime in Chapter VIII, Title VII of RDL 4/2004, of 5 March 2004 on income tax regarding share exchanges, where ENEL Re, N.V. acquired the interest in Compostilla Re, S.A. by contributing other shares in ENEL Re, N.V. to ENDESA, S.A.

The carrying amount of the ENEL.Re N.V. shares is the same as the net carrying amount of the Compostilla Re, S.A. shares provided.

The notes to the Company's financial statements for 1999 to 2010 include the information required by the aforementioned article 93 of Royal Decree Law 4/2004, of 5 March 2004 regarding the corporate restructuring operations carried out in prior years.

Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 2011 year end, the Company has income tax for 2006 and subsequent years and other applicable taxes for 2008 and subsequent years open to inspection by the taxation authorities. The Company's directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of these operations, the accompanying financial statements would not be significantly affected by any resulting liabilities.

16. Income and expenses

The Company's main income and expenses for 2011 and 2010 are detailed below:

a) Revenue

The Company's revenue of Euros 1,064 million in 2011 and Euros 1,609 million in 2010 was obtained from services rendered to Group companies and dividends received.

Dividends of Euros 736 million were received in 2011 and Euros 1,328 million in 2010. These dividends were recognised as revenue in accordance with the ICAC consultation published in issue 79/2009, consultation 2 of the BOICAC (official gazette of the ICAC), as ENDESA is a holding company and the custody of securities is its ordinary activity.

Impairment losses on investments in Group companies and associates totalling Euros 8 million in 2011 and Euros 17 million in 2010 have been recognised within the operating margin.

b) Employee benefits expensel

Details of the Company's employee benefits expense in 2011 and 2010 are as follows:

	<i>Millions of Euros</i>	
	Ejercicio 2011	Ejercicio 2010
Wages and salaries	121	205
Other employee benefits:	52	45
Social security	18	16
Contributions to pension schemes	15	11
Other welfare costs	19	18
Total	173	250

17. Guarantees to third parties and other contingent liabilities

ENDESA had provided the following guarantees and collateral at 31 December 2011 and 31 December 2010:

- Guarantor for International ENDESA, B.V. for the financing obtained by that company and its financial derivatives. This financing was in turn extended to ENDESA and another Group company and totalled Euros 3,428 million and Euros 4,293 million at 31 December 2011 and 31 December 2010, respectively.
- Subordinated guarantor for an issue of perpetual preference shares, currently in effect, for Euros 180 million and Euros 1,500 million by its subsidiary ENDESA Capital Finance, L.L.C. at 31 December 2011 and 31 December 2010, respectively.
- Guarantor for ENDESA Capital, S.A.U. for the financing obtained by that company and its financial derivatives. The financing obtained totalled Euros 357 million and Euros 693 million at 31 December 2011 and 31 December 2010, respectively. This financing was in turn extended to ENDESA and another Group company.
- Commitment to provide ENDESA Financiación Filiales, S.A.U. with the financing required to enable this company to honour its commitments to finance Spanish ENDESA Group companies.
- Partial guarantor for the financing granted by a group of financial institutions to Elcogas, S.A. The amount secured was Euros 71 million and Euros 111 million at 31 December 2011 and 2010, respectively. In both cases, this represented 42% of the company's total financial debt.
- ENDESA is guarantor for 100% of the ENDESA Generación, S.A.U. tolling contract for the acquisition of all the electricity generated by Elecogas, S.A., a company in which ENDESA holds a 50% interest through ENDESA Generación Portugal, S.A. The amount secured by ENDESA was Euros 266 million at 31 December 2011 and Euros 271 million at 31 December 2010.
- Guarantor for the commercial risks of the US dollars 44 million loan granted by the Central American Bank for Economic Integration to the project vehicle Empresa Propietaria de la Red, S.A., Sucursal en Costa Rica. US dollars 40 million was drawn from this loan at 31 December 2011. At 31 December 2010, US dollars 19 million of this loan was drawn.
- Guarantor for 50% of the commissioning of the wind farm of Sociedad Eólica El Puntal. 50% of this company is controlled by the ENEL Group. The amount guaranteed is Euros 15 million at 31 December 2011 and 2010.
- Bank guarantee presented to the European Investment Bank to secure 57.14% of a loan to Central Dock Sud, S.A. (a company controlled by the ENDESA Group). The loan balance was US dollars 30 million and US dollars 20 million at the end of 2011 and 2010, respectively, US dollars 11 million and US dollars 17 million of which is guaranteed by ENDESA.
- Bank guarantee presented to the European Investment Bank to secure 18.75% of a loan to Medgaz, S.A. (12% of which is controlled by the ENDESA Group). The loan balance was Euros 492 million and Euros 500 million at the end of 2011 and 2010, respectively, Euros 92 million and Euros 94 million of which is guaranteed by ENDESA.
- ENDESA holds a 32% interest in UNESA, the Spanish Electricity Sector Association. Since May 2011, ENDESA guarantees 32% of all the amounts payable by the company to Banco Español de Crédito for the Euros 11 million credit facility with this company.

- Guarantor for third parties on behalf of ENDESA Trading, S.A.U. (a company indirectly owned by ENDESA) to cover electricity trading and procurement risks at 31 December 2011 and 2010, for Euros 197 million and Euros 185 million, respectively.

ENDESA is also guarantor for several companies in the ENEL Group in relation to different commitments totalling Euros 1,607 million at 31 December 2011 and Euros 1,374 million at 31 December 2010, as shown below:

Company	Millions of Euros	
	31 December 2011	31 December 2010
ENDESA Generación, S.A.U.	415	344
ENDESA Energía, S.A.U.	518	432
ENDESA Distribución Eléctrica, S.L.U.	100	106
ENEL Green Power España, S.L.	71	78
ENDESA Trading, S.A.U.	65	52
ENDESA Ingeniería, S.L.U.	—	59
ENDESA Ireland, Limited.	12	2
ENDESA Energía XXI, S.L.U.	230	178
Other	196	123
Total	1,607	1,374

ENDESA's management does not expect that its status as guarantor will result in significant liabilities for the Company.

18. Related-party transactions

All transactions by the directors or representatives thereof with the Company or other Group companies in 2011 and 2010 were conducted as part of its normal business and at arm's length.

For the purposes of the information included in this note, significant shareholders were considered to be the ENEL Group in 2011 and 2010.

a) Related-party transactions

Details of related-party transactions in 2011 and 2010 are as follows: (tables 13 and 14).

b) Balances with related parties

At 31 December 2011 and 2010, balances with related parties are as follows: (tables 15 and 16).

Table 13

	Millions of Euros				
	Significant shareholders	Directors and executives	Other Group companies	Associates	Other related parties
2011					
Intangible asset purchases	(18)	—	(5)	—	—
Services rendered	—	—	344	1	—
Services received	(15)	—	(35)	—	—
Finance costs	—	—	(291)	—	—
Dividends and other distributions	(991)	—	—	—	—
Dividends received	—	—	736	—	—
Provisions for equity instruments	—	—	(8)	—	—
Finance income on loans	—	—	6	2	—

Table 14

	Millions of Euros				
	Significant shareholders	Directors and executives	Other Group companies	Associates	Other related parties
2010					
Intangible asset purchases	—	—	(23)	—	—
Services rendered	—	—	301	1	—
Services received	—	(1)	(40)	—	—
Finance costs	—	—	(188)	—	—
Dividends and other distributions	(1,002)	—	—	—	—
Dividends received	—	—	1,323	—	—
Finance income on loans	—	—	11	—	—

Table 15*Millions of Euros*

2011	Significant shareholders	Directors and executives	Other Group companies	Associates	Other related parties
Non-current investment (Note 7):					
Equity instruments	—	—	18,612	—	—
Trade receivables	—	—	21	—	—
Current investment (Note 7):					
Loans to companies	120	—	4	4	—
Derivatives	—	—	42	—	—
Other financial assets	—	—	398	—	—
Non-current payables (Note 11)	—	—	(7,055)	—	—
Current payables (Note 11)	(1)	—	(1,566)	(32)	—
Trade payables	(30)	—	(3)	—	—
Guarantees provided	—	7	—	—	—
Financing agreements	—	1	—	—	—

Table 16*Millones de Euros*

2010	Significant shareholders	Directors and executives	Other Group companies	Associates	Other related parties
Non-current investment (Note 7):					
Equity instruments	—	—	18,612	3	—
Loans to companies	—	—	854	6	—
Trade receivables	—	—	48	2	—
Current investment (Note 7):					
Loans to companies	114	—	12	12	—
Derivatives	—	—	28	—	—
Other financial assets	—	—	82	—	—
Non-current payables (Note 11)	—	—	(8,218)	—	—
Current payables (Note 11)	(487)	—	(2,160)	—	—
Trade payables	—	—	(37)	—	—
Guarantees provided	—	7	—	—	—
Financing agreements	—	1	—	—	—

The Company has arranged current account financing contracts with ENDESA Financiación Filiales, S.A.U. The interest rate applied to both receivables and payables is the 6-month Euribor plus a spread equal to that on the Euribor obtained by ENDESA in credit facilities at that date. The balances of this financing at 31 December 2011 and 2010 are Euros 6,954 million and Euros 8,149 million, respectively, payable to ENDESA Financiación Filiales, S.A.U.

c) Information on the Board of Directors and senior executives

c.1. Remuneration. Board of Directors

Article 41 of the corporate bylaws states that “The remuneration of the Directors will comprise the following items: fixed monthly allotment and profit sharing. The overall

annual remuneration of the entire Board and for the foregoing items will be one thousandth of the profits of the consolidated group, as approved by the General Shareholders’ Meeting, although the Board of Directors may reduce this percentage in the fiscal years it deems appropriate. The foregoing is without prejudice to the provisions of paragraph three of this article in relation to per diem allowances.

It will be for the Board of Directors to set the distribution of the mentioned amount among the previous items and among the Directors when, as and how it freely determines.

The members of the Board of Directors will also receive per diems for attendance at each meeting of the company’s management bodies and their committees. The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be

the fixed monthly allocation. The Board of Directors may, within this limit, establish the amount of the per diems.

The remuneration contemplated in the preceding sections, deriving from membership on the Board of Directors, shall be compatible with other professional or labour earnings pertaining to the Directors for any other executive or advisory duties which, as the case may be, they perform for the company other than those of collegiate supervision and decision-making characteristic of their status as Directors, which shall be subject to the appropriate applicable legal scheme.

In accordance with the provisions of article 218 of the Corporate Enterprises Act, the Directors may only receive remuneration for profit sharing may only be received by directors after the legal and statutory reserves and allocations have been covered and after the shareholders have been recognized a minimum dividend of 4%."

The members of the Board of Directors of ENDESA, S.A. therefore received remuneration in their capacity as Company directors and for their membership, in certain cases, of boards of directors of subsidiaries, and those members of the Board of Directors who also perform executive duties received their remuneration for this item.

In 2011, the fixed monthly emolument for each director was Euros 4,006.74 gross and the fee for attending the meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee and Auditing and Compliance Committee amounted to Euros 2,003.37 gross each.

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

Fixed remuneration

	Fixed remuneration (Euros)			
	2011		2010	
	Fixed emolument	Remuneration	Fixed emolument	Remuneration
Borja Prado Eulate	48,081	812,000	48,081	812,000
Fulvio Conti (1)	48,081	—	48,081	—
Andrea Brentan	—	710,500	—	714,952
Luigi Ferraris (1)	48,081	—	48,081	—
Claudio Machetti (1)	48,081	—	48,081	—
Gianluca Comin (1)	48,081	—	48,081	—
Luis de Guindos Jurado (3) (6)	48,081	—	48,081	—
Miquel Roca Junyent	48,081	—	48,081	—
Alejandro Echevarría Busquet	48,081	—	48,081	—
José Manuel Entrecanales Domecq (2)	—	—	—	—
Rafael Miranda Robredo (3)	—	—	—	—
Carmen Becerril Martínez (4)	—	—	—	—
Valentín Montoya Moya (4)	—	—	—	—
Esteban Morrás Andrés (4)	—	—	—	—
Fernando d'Ornellas Silva (5)	—	—	—	—
Jorge Vega-Penichet López (4)	—	—	—	—
Subtotal	384,648	1,522,500	384,648	1,526,952
Total		1,907,148		1,911,600

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

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

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

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

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

(6) Gave notice on 21 December 2011 as a result of being appointed as Minister of Economy and Competitiveness.

Variable remuneration

	Variable remuneration (Euros)			
	2011		2010	
	Profit	Remune- ration	Profit	Remune- ration
Borja Prado Eulate	224,665	812,000	195,698	477,691
Fulvio Conti (1) (3)	224,665	—	97,849	—
Andrea Brentan	—	551,490	97,849	368,200
Luigi Ferraris (1)	224,665	—	195,698	—
Claudio Machetti (1)	224,665	—	195,698	—
Gianluca Comin (1) (2)	224,665	—	65,233	—
Luis de Guindos Jurado (3) (8)	224,665	—	97,849	—
Miquel Roca Junyent (3)	224,665	—	97,849	—
Alejandro Echevarría Busquet (3)	224,665	—	97,849	—
José Manuel Entrecanales Domecq (4)	—	—	48,924	—
Rafael Miranda Robredo (5)	—	—	97,849	—
Carmen Becerril Martínez (6)	—	—	97,849	—
Valentín Montoya Moya (6)	—	—	97,849	—
Esteban Morrás Andrés (6)	—	—	97,849	—
Fernando d'Ornellas Silva (7)	—	—	114,157	—
Jorge Vega-Penichet López (6)	—	—	48,924	—
Subtotal	1,797,320	1,363,490	1,744,973	845,891
Total		3,160,810		2,590,864

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

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

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

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

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

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

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

(8) Gave notice on 21 December 2011 as a result of being appointed as Minister of Economy and Competitiveness.

Attendance fees

	Attendance fees (Euros)	
	2011	2010
Borja Prado Eulate	42,071	38,064
Fulvio Conti (1) (3)	22,037	22,037
Andrea Brentan	—	—
Luigi Ferraris (1)	54,091	42,071
Claudio Machetti (1)	38,064	40,067
Gianluca Comin (1)(2)	22,037	22,037
Luis de Guindos Jurado (3) (8)	38,064	42,071
Miquel Roca Junyent (3)	52,088	58,098
Alejandro Echevarría Busquet (3)	42,071	32,054
José Manuel Entrecanales Domecq (4)	—	—
Rafael Miranda Robredo (5)	—	—
Carmen Becerril Martínez (6)	—	—
Valentín Montoya Moya (6)	—	—
Esteban Morrás Andrés (6)	—	—
Fernando d'Ornellas Silva (7)	—	—
Jorge Vega-Penichet López (6)	—	—
Total	310,523	296,499

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

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

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

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

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

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

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

(8) Gave notice on 21 December 2011 as a result of being appointed as Minister of Economy and Competitiveness.

Other remuneration

Board member	Euros	
	2011	2010
Borja Prado Eulate	8,072	7,375
Andrea Brentan	181,028	8,872
Total	189,100	16,247

Advances and loans

In 2011 and 2010, the Company did not extend any advances and/or loans to the directors and no balances were receivable from or payable to these parties.

Pension funds and schemes: Contributions

Board member	Euros	
	2011	2010
Borja Prado Eulate	208,709	163,815
Andrea Brentan	193,389	140,883

Life insurance premiums

Board member	Euros	
	2011	2010
Borja Prado Eulate	198,322	62,100
Andrea Brentan	212,622	88,362

c.2. Remuneration. Senior executives

Remuneration of senior executives in 2011 and 2010

Details of senior executives who are not executive directors, and total remuneration earned by them in the year, are as follows:

Senior executives in 2011

Name	Position
Francisco Borja Acha Besga	General Manager - Legal Counsel
Alfonso Arias Cañete	General Manager - Nuclear Power
Francisco Arteaga Alarcón (1)	Regional General Manager for Andalusia and Extremadura
José Damián Bogas Gálvez	General Manager for Spain and Portugal
Paolo Bondi	General Manager - Economic and Financial
Francesco Buresti	General Manager - Purchasing
Pablo Casado Rebóiro (1)	Regional General Manager for the Canary Islands
Enrique Durand Baquerizo	General Manager - Audit
Jaime Gros Bañeres (1)	Regional General Manager for Aragon
Rafael López Rueda	General Manager - Systems and Telecommunications
Alfonso López Sánchez	General Manager - Communications
Héctor López Vilaseco	General Manager - Strategy and Development
Salvador Montejo Velilla	General Secretary and Secretary of the Board of Directors
José Luis Puche Castillejo	General Manager - Organisation and Human Resources
Álvaro Quiralte Abelló	General Manager - Energy Management
José María Rovira Vilanova (1)	General Manager - Fecsa-ENDESA Cataluña

(1) Joined the Company in 2011.

Details of the remuneration of each senior executive are as follows:

Remuneration	Euros	
	2011	2010
Fixed remuneration	5,827,035	5,505,400
Variable remuneration	5,079,833	3,985,874
Attendance fees	—	—
Bylaw-stipulated directors' emoluments	—	—
Options on shares and other financial instruments	—	—
Other	358,988	639,277
Total	11,265,856	10,130,551

Other benefits	Euros	
	2011	2010
Advances	665,276	635,226
Loans	259,689	301,030
Pension funds and schemes: contributions	1,209,280	966,363
Pension funds and schemes: obligations assumed	—	—
Life insurance premiums	782,690	335,110

Guarantees provided by the Company to senior executives

As regards remuneration, the Company has provided guarantees on behalf of eligible senior executives amounting to Euros 7,394,606 in 2011 (Euros 7,286,626 in 2010) to cover the same early retirement entitlements as for other personnel of the same age and length of service.

c.3. Guarantee clauses: Board of Directors and senior executives

Guarantee clauses for dismissal or changes of control

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

The regime for these clauses is as follows:

Termination of the employment relationship:

- By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other causes for

compensation for termination foreseen in Royal Decree 1382/1985, of 1 August 1985.

- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

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

Post-contractual non-competition clause:

In the vast majority of the related contracts, senior executives are required not to engage in a business activity in competition with ENDESA for a period of two years; as con-

sideration, the executive is entitled to an amount equal to 1.25 times the annual fixed remuneration payment.

At 31 December 2011, ENDESA had 16 executive directors and senior executives with guarantee clauses in their employment contracts. At 31 December 2010, it had 12.

The difference in the number of senior executives compared to 2010 is due to the inclusion in 2011 of ENDESA, S.A.'s regional general managers.

c.4. Other disclosures concerning the Board of Directors

To increase the transparency of listed companies, the members of the Board of Directors have disclosed, to the best of their knowledge, the direct or indirect stakes they and their affiliates as defined in article 231 of the Corporate Enterprises Act hold in companies with the same, analogous or similar corporate purpose as that of ENDESA, S.A., and the positions or duties they perform therein:

At 31 December 2011

Director	Personal or company tax ID	Company	% ownership	Position
Borja Prado Eulate	B85721025	ENEL Energy Europe, S.L.U.	—	Director
Borja Prado Eulate	N9022122G	ENEL Green Power, S.p.A.	0.00065	—
Fulvio Conti	00811720580	ENEL, S.p.A.	0.00609	Managing Director and General Manager
Fulvio Conti	B85721025	ENEL Energy Europe, S.L.U.	—	Chairman
Fulvio Conti	N9022122G	ENEL Green Power, S.p.A.	0.003138	—
Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-Chairman
Andrea Brentan	B85721025	ENEL Energy Europe, S.L.U.	—	Managing Director
Andrea Brentan	N9022122G	ENEL Green Power, S.p.A.	—	Director
Andrea Brentan	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Luigi Ferraris	00811720580	ENEL, S.p.A.	0.00031	CFO
Luigi Ferraris	N9022122G	ENEL Green Power, S.p.A.	0.00080	Chairman
Luigi Ferraris	06152631005	ENEL Factor S.p.A.	—	Chairman
Luigi Ferraris	06377691008	ENEL Servizi S.r.l.	—	Chairman
Luigi Ferraris	05779711000	ENEL Distribuzione S.p.A.	—	Director
Luigi Ferraris	05617841001	ENEL Produzione S.p.A.	—	Director
Luigi Ferraris	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Claudio Machetti	00811720580	ENEL, S.p.A.	—	Director of Group Risk Management
Claudio Machetti	6347168E	ENEL.Re Limited	—	Chairman
Claudio Machetti	08036221003	ENEL New Hydro S.R.L.	—	Chairman
Claudio Machetti	05779711000	ENEL Distribuzione S.p.A.	—	Director
Claudio Machetti	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Claudio Machetti	05617841001	ENEL Produzione S.p.A.	—	Director
Claudio Machetti	05918271007	ENEL Trade S.p.A.	—	Director
Gianluca Comin	00811720580	ENEL, S.p.A.	0.00015	Director of External Relations
Gianluca Comin	N9022122G	ENEL Green Power, S.p.A.	0.00040	—

At 31 December 2010

Director	Personal or company tax ID	Company	% ownership	Position
Borja Prado Eulate	B85721025	ENEL Energy Europe, S.L.U.	—	Director
Borja Prado Eulate	N9022122G	ENEL Green Power, S.p.A.	0.00064	—
Fulvio Conti	00811720580	ENEL, S.p.A.	0.00563	Managing Director and General Manager
Fulvio Conti	B85721025	ENEL Energy Europe, S.L.U.	—	Chairman
Fulvio Conti	N9022122G	ENEL Green Power, S.p.A.	0.00248	—
Andrea Brentan	94.271.000-3	Enersis, S.A.	—	Vice-Chairman
Andrea Brentan	B85721025	ENEL Energy Europe, S.L.U.	—	Managing Director
Andrea Brentan	N9022122G	ENEL Green Power, S.p.A.	—	Director
Andrea Brentan	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Luigi Ferraris	00811720580	ENEL, S.p.A.	0.00031	CFO
Luigi Ferraris	N9022122G	ENEL Green Power, S.p.A.	0.00080	Chairman
Luigi Ferraris	6671156423	ENEL OGK-5 OJSC	—	Director
Luigi Ferraris	06152631005	ENEL Factor S.p.A.	—	Chairman
Luigi Ferraris	06377691008	ENEL Servizi S.r.l.	—	Chairman
Luigi Ferraris	05779711000	ENEL Distribuzione S.p.A.	—	Director
Luigi Ferraris	05617841001	ENEL Produzione S.p.A.	—	Director
Luigi Ferraris	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Luigi Ferraris	10426731005	ENEL Ingegneria e Innovazione S.p.A.	—	Director
Luis de Guindos Jurado	91.081.000-6	Empresa Nacional de Electricidad, S.A.	—	Director
Luis de Guindos Jurado	N9022122G	ENEL Green Power, S.p.A.	0.00008	—
Claudio Machetti	00811720580	ENEL, S.p.A.	—	Director of Group Risk Management
Claudio Machetti	6347168E	ENEL.Re Limited	—	Chairman
Claudio Machetti	08036221003	ENEL New Hydro Srl	—	Chairman
Claudio Machetti	05779711000	ENEL Distribuzione S.p.A.	—	Director
Claudio Machetti	8096.41.513	ENEL Investment Holding, B.V.	—	Director
Claudio Machetti	05617841001	ENEL Produzione S.p.A.	—	Director
Claudio Machetti	05918271007	ENEL Trade S.p.A.	—	Director
Claudio Machetti	05779661007	Terna, S.p.A.	—	Director
Gianluca Comin	00811720580	ENEL, S.p.A.	0.00015	Director of External Relations
Gianluca Comin	N9022122G	ENEL Green Power, S.p.A.	0.00040	—

In 2011, there were cases of conflict of interests involving the directors. The directors affected by the conflict of interests did not attend the related board meetings, thereby avoiding the possible adoption of resolutions contrary to the interests of ENDESA by its Board of Directors.

Distribution by gender: at 31 December 2011, the Board of Directors of ENDESA, S.A. was made up of eight men and no women. There were also no women on the Board of Directors at 31 December 2010.

c.5. Share-based payment schemes tied to ENDESA share price

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

c.6. Long-term employee benefits

In 2010, ENDESA set up a long-term employee benefit system known as the loyalty scheme, aimed at strengthening the commitment of senior staff to achieving the Group's strategic targets. This scheme comprises successive three-year programmes commencing each year as from 1 January 2010. To date, the programmes corresponding to the periods 2010-2012 and 2011-2013 are in force. The scheme entitles employees to a long-term incentive based on the extent to which the Company's financial targets are met (gross operating profit (EBITDA) of ENDESA and ENEL and the consolidated profit for the year of the Parent company of ENDESA and ENEL).

19. Other information

a) Personnel

The Company's average headcount in 2011 and 2010, detailed by category, was as follows:

Category	2011			2010		
	Male	Female	Total	Male	Female	Total
Management and five-year degree holders	663	374	1,037	616	334	950
Three-year degree holders	114	125	239	109	115	224
Middle management	50	134	184	36	118	154
Administration and manual workers	23	55	78	11	41	52
Total	850	688	1,538	772	608	1,380

At 31 December 2011 and 2010, the distribution of the headcount by category and gender is as follows:

Category	2011			2010		
	Male	Female	Total	Male	Female	Total
Management and five-year degree holders	682	405	1,087	620	339	959
Three-year degree holders	116	128	244	109	116	225
Middle management	67	154	221	36	118	154
Administration and manual workers	40	73	113	11	39	50
Total	905	760	1,665	776	612	1,388

b) Audit fees

Details of fees for the services provided in 2011 and 2010 by the auditors of the annual accounts of the Company and consolidated accounts of the ENDESA Group are as follows:

	Thousands of Euros			
	2011		2010	
	Ernst & Young, S.L.	Other firms affiliated with Ernst & Young, S.L.	KPMG Auditores, S.L.	Other firms affiliated with KPMG Auditores, S.L.
Audit of the financial statements	1,415	—	3,792	—
Audits other than of the financial statements and other audit-related services	35	—	282	—
Other non-audit services	—	—	—	—
Total	1,450	—	4,074	—

Audit services detailed in the above table include the total fees for services rendered in 2011 and 2010, irrespective of the date of invoice.

c) Insurance

The Company has taken out insurance policies to cover the risk of damage to property, plant and equipment of the parent company and the subsidiaries in which it has a shareholding of 50% or more. The limits and coverage are appropriate to the types of risk and country of operation. Possible claims against the Company due to the nature of its activity are also covered.

d) Information on deferred payments to suppliers and creditors

In compliance with the third additional provision of Law 5/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004 containing measures against bad debts in business operations, and the ICAC ruling dated 29 December 2010, details of payables to suppliers and creditors during 2011 are as follows:

Payments made and due	Millions of Euros	
	Amount	%
Within maximum legal period for payment	2,556	97.97
Other	53	2.03
Total payments for the year	2,609	100.00
Weighted average late payment days	14	
Deferred payments that exceed the maximum legal period for payment at year end	—	

At 31 December 2011, the Company had payables to suppliers of Euros 3 million that had exceeded the maximum period for payment.

20. Information on environmental activities

In 2011 and 2010, the Company did not incur any expenses with the main aim of minimising the impact on the environment and did not purchase any assets or receive any grants for that purpose.

The Company's directors also consider that there are no known or probable environmental expenses at year end for which provisions should be made.

No environmental information is therefore disclosed in the notes to the financial statements.

21. Events after the reporting period

Between 1 January 2012 and the date of authorisation for issue of the accompanying financial statements, ENDESA transferred additional tariff deficit collection rights to the FADE totalling Euros 757 million.

No other significant events took place between 31 December 2011 and the date of authorisation for issue the accompanying financial statements.

22. Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with other generally accepted accounting principles.

An abstract graphic consisting of several overlapping circles and flowing lines in a light blue color, centered on the right side of the page.

Management Report

for the period ended 31 December 2011

Translation from the original issued in Spanish.

In the event of discrepancy, the Spanish-language version prevails

1. Business performance

ENDESA, S.A. (hereinafter "ENDESA" or "the Company") is a holding company and its income essentially depends on the dividends from its subsidiaries and the cost of its debt. Provisions for investments can also be made or reversed based on changes in the value of its subsidiaries.

The Company's revenue of Euros 1,064 million was obtained from dividends received (Euros 736 million) and services rendered to Group companies (Euros 328 million).

Operating income amounted to Euros 1,150 million while operating expenses totalled Euros 360 million, generating EBIT for the year of Euros 790 million.

In 2011 ENDESA made a financial loss of Euros 305 million. This includes mostly finance income of Euros 86 million from loans provided, notably the funds for the shortfall in revenue from regulated activities in the Spanish electricity system, and Euros 381 million of finance expense generated by the Company's financial debt.

ENDESA's pre-tax profit was Euros 485 million with income of Euros 85 million deriving from accrued income tax. The tax income is because the dividends received from Group companies, which are the Company's main source of income, are not taxed. These companies' profits have already been taxed in the consolidated income tax return filed for the Group, headed by ENEL Energy Europe, S.L.U.

ENDESA's net income for the year was therefore Euros 570 million.

2. Investments and disposals.

Information concerning the main investments and disposals carried out in 2011 are included in Note 7 to the Financial Statements.

3. Financial transactions

ENDESA, S.A. entered into the following transactions in 2011:

- Arrangement and renegotiation of long-term bilateral loan arrangements for Euros 3,242 million maturing in 2016.
- Early repayment of loans totalling Euros 700 million.
- Partial early redemption of preference shares issued in 2003 by ENDESA Capital Finance L.L.C., redeeming Euros 1,319 million of the Euros 1,500 million issued originally.
- Early repayment in March 2011 of a Euros 1,410 million syndicated credit facility originally maturing in January 2012.
- Negotiation of financial guarantees (extending existing ones, new contracts and early repayments) totalling Euros 2,673 million.
- Arrangement on 30 November 2011 of a long-term credit facility for up to Euros 3,500 million with ENEL Finance International N.V. of which no amounts had been drawn down as at 31 December 2011.
- Arrangement on 30 December 2011 of a Euros 150 million loan with the European Investment Bank, which was pending payment as at 31 December 2011.

4. Events after the reporting period

Information concerning Events after the reporting period is included in Note 21 to the Financial Statements.

5. Outlook

ENDESA's future profits will essentially depend on the dividends from its subsidiaries which are determined by the profits made by those companies.

The Company's directors believe that ENDESA will receive sufficient dividends from its subsidiaries to meet its operating and financial costs.

6. Main risks affecting ENDESA's activity

As a holding company, ENDESA is exposed to the same risks as the ENDESA Group as any risk occurring at a subsidiary will affect the value of ENDESA's portfolio of investments and associated dividend payments.

The ENDESA Group's activities (or ENDESA in this section) are carried out against a backdrop where outside factors may affect its operations and financial results. The main risks which may affect ENDESA's operations are as follows:

6.1. Risks related to its activity and the sector

The ENDESA Group's activities are subject to a number of regulations and changes which could negatively affect its activities, financial situation and the results of its operations

The ENDESA Group's activities are subject to a number of regulations and changes which could negatively affect its activities, financial situation and the results of its operations.

The ENDESA Group's subsidiaries are subject to various regulations concerning tariffs and other aspects of their activities in Spain and all of the countries where they operate. Even though ENDESA fully complies with all prevailing laws and regulations, the ENDESA Group is subject to a complex framework of laws and regulations which the various public and private bodies endeavour to apply. The introduction of new laws and regulations or amendments to prevailing laws and regulations could negatively affect the Group's activities, economic situation and the results of its operations.

These new laws or regulations sometimes modify certain regulatory aspects which could affect existing rights which, if applicable, could adversely affect the ENDESA Group's future financial statements.

In recent years the Spanish electricity system has been operating with a revenue shortfall, giving rise to a deficit. Pursuant to Royal Decree Law 5/2005, of 11 March 2005 and subsequent legislation, some companies, ENDESA included, are obliged to finance this deficit. The ENDESA Group is also waiting to receive significant compensation for stranded costs in non-mainland generation in Spain after 2001.

Royal Decree Law 6/2009, of 30 April 2009 (which was subsequently amended by Royal Decree Law 6/2010, of 9 April

2010), establishes the possibility of collecting accumulated deficits, including stranded costs in non-mainland generation generated up to 2008, by placing the collection rights of companies which have funded this deficit into a securitisation fund. The same regulation establishes the upper limit for the deficit for 2009-2012 (subsequently amended by Royal Decree Law 14/2010, of 23 December 2010), and states that the deficit must cease to exist by 2013. Likewise, Royal Decree Law 6/2009, of 30 April 2009, allows for hedging of stranded costs for non-mainland generation from 2013 in Spanish government budgets. These stranded costs will be gradually assumed by those for the 2009-2012 period which will be covered together with the Electricity System.

At the beginning of July 2010, ENDESA informed the Deficit Securitisation Fund for the Electricity System (hereinafter "FADE") of its irrevocable commitment to transfer all its collection rights arising from financing the shortfall in revenue from regulated activities up to the end of 2010 and compensation for stranded costs in non-mainland generation from 2001 to 2008. Pursuant to Royal Decree 437/2010, of 9 April 2010, these collection rights had to be securitised within a maximum period of one year from the notification, provided that no exceptional events occur in the markets. As all the committed rights had not been transferred to the FADE before 7 July 2011 the Interministerial Commission issued a ruling in which it stated that exceptional market conditions prevailed that had prohibited the FADE from acquiring the collection rights within the agreed timeframe. ENDESA decided not to waive the commitment to transfer any collection rights, extending it for another year, i.e. until 7 July 2012.

In 2011, the ENDESA Group ceded deficit collection rights to the FADE for a total amount of Euros 5,115 million up to 31 December 2011, Euros 4,370 million of which correspond to ENDESA, S.A. Between 1 January 2012 and the date of authorisation for issue of this Management Report, the ENDESA Group ceded additional tariff deficit collection rights to the FADE totalling Euros 1,705 million, (Euros 757 million of which correspond to ENDESA, S.A.), Euros 1,266 million of which was collected by ENDESA in February, with the remaining Euros 439 million to be made in March.

Taking into account the large volume of collection rights accumulated by the ENDESA Group, the securitisation process due to take place in the coming months should, if successful, entail a significant inflow of cash and help boost the Group's financial situation. That said, the success of this process is largely dependent on the prevailing conditions in the financial markets.

The ENDESA Group's activities are subject to a number of environmental regulations and changes which could negatively affect its activities, financial situation and the results of its operations

ENDESA and its subsidiaries are subject to environmental legislation which, among other issues, demands that environmental impact studies be carried out for future projects. Licences, permits and other authorisation must be obtained in advance and all requirements detailed therein must be adhered to at all times. As in any regulated company, ENDESA cannot guarantee that:

- The public bodies will approve these environmental impact studies;
- Public opposition will not delay or cause the Group to amend a project;
- Laws and regulations will not be amended or interpreted in such a way that the financial outlay required to comply with them may increase. Likewise any operations, facilities or plans involving ENDESA Group companies may be affected.

Certain legal requirements concerning the environment in the markets where the Group operates have become more rigorous in recent years. Even though the ENDESA Group has carried out the necessary investment to meet these requirements, their application and any future amendments could negatively affect its activities, financial situation and the results of its operations. The results of its operations may also be affected by the prices of CO₂ emission rights or due to a market shortage.

A considerable amount of the ENDESA Group's power is produced in markets which are subject to market forces which may affect prices and the amount of power ENDESA sells

The ENDESA Group is exposed to market price and availability risk for the purchase of the fuel (including fuel-gas, coal and natural gas) used to generate electricity and the sale of part of the power it produces. The ENDESA Group has entered into long-term supply contracts to guarantee a secure supply of fuel for its generation activities in Spain. The Group has various natural gas supply contracts which include take or pay clauses. These contacts have been established based on reasonable assumptions of future requirements. Any major divergences from these assumptions could require higher fuel purchases than needed.

Exposure to this risk is managed long term through the diversification of contracts, management of the procurements portfolio by tying it to indices that perform in a similar or comparable way to end electricity prices (generation) or selling prices (retailing), and through contractual periodic renegotiation clauses, the aim of which is to maintain the economic equilibrium of procurements. Short- and medium-term fluctuations in the prices of procurements are managed through specific hedging transactions, generally using derivatives. Even though the Group actively manages these risks, it cannot guarantee that this management will eliminate all the market price risks relating to fuel requirements.

The ENDESA Group's activities could be affected by rainfall and climatic conditions

The Group's operations include hydroelectric generation and therefore are dependent on the prevailing rainfall at all times in the regions where the ENDESA Group has hydroelectric facilities. If there is a drought or any other conditions which negatively impact hydro generation, ENDESA's earnings could be adversely affected. Also, the electricity business is affected by climatic conditions such as average temperatures which determine consumption. Margins obtained on the business can vary according to climatic conditions.

The ENDESA Group's financial results could be affected by certain market risks

The ENDESA Group is exposed to different market risks during the normal course of business. These include interest rate risks, commodities risks and currency risks. The Group manages these risks actively to prevent them from affecting its results.

Interest rate risk

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

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

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

Currency risk

Currency risk essentially affects the following transactions:

- Debt denominated in foreign currencies arranged by Group companies and associates.
- Payments to be made in international markets for the purchases of fuel stocks.
- Income and expense of Latin American subsidiaries in their functional currency and, in some cases, tied to the performance of the US dollar.

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

In order to mitigate this risk, the ENDESA Group has entered into derivative contracts and US dollar-denominated debt to hedge US dollar-denominated income. The Group also tries to balance cash collections and payments for its assets and liabilities in foreign currency. However, risk management strategies may not be fully efficient in limiting exposure to variability of interest and foreign currency exchange rates, which could have an adverse impact on its financial position and results.

Commodity price risk

The ENDESA Group is exposed to the risk of fluctuations in commodity prices, including CO₂ emission rights and Certified Emissions Reductions (CERs), largely through the following:

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

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

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

Exposure to this risk in the long term is managed by diversifying contracts, managing the procurements portfolio by refer-

ence to indices with a similar or comparable trend to that of the end electricity (generation) or sale (marketing) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements. In the short and medium term, fluctuations in procurement prices are managed through specific hedges, generally derivatives hedges.

Liquidity risk

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

However, it is impossible to ensure that a prolonged liquidity crisis, preventing issuers from tapping the capital markets, will not negatively affect the ENDESA Group's liquidity.

Credit risk

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

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

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

- Cash placements are made with top tier entities in the markets where ENDESA operates.
- The arrangement of derivatives, and credit risk relating to commodities included within the scope of IAS 39 are carried out with highly solvent entities.

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

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

- Exhaustive monitoring of trade receivables.

Even though the measures taken by the ENDESA Group considerably reduce its exposure to credit risk, given the current economic climate the Group is unable to guarantee that it will not incur losses due to the non-payment of commercial or financial receivables.

The construction of new facilities could be affected by factors normally associated with these types of projects

The construction of power generation, transmission and distribution facilities is time-consuming and can be complicated.

This means that investment needs to be planned well in advance of the estimated start-up date of the facility. Any changes in the market conditions mean that the Group needs to adapt its decisions to the new conditions which may entail additional unplanned costs.

Also, when developing these installations the ENDESA Group must generally obtain government permits and authorisations, acquire land or sign leasing contracts, enter into equipment procurement and construction contracts, operating and maintenance contracts, fuel supply and transport contracts, consumption agreements and also ensure it has sufficient financing and debt in place. The following factors may affect the Group's capacity to build new facilities:

- Delays in obtaining regulatory approval, including environmental permits.
- Shortages or changes in the price of equipment, supplies or labour.
- Opposition from political or ethnic groups.
- Adverse changes in the political and regulatory backdrop in the countries where it operates.
- Adverse meteorological conditions which could delay the completion of the power plants or substations, natural disasters, accidents or other unforeseen incidents.
- The inability to obtain financing at interest rates that are satisfactory to ENDESA.

Any of these factors could delay the commencement or completion of construction projects and could increase the cost of the planned projects. Any costs incurred by ENDESA if it is unable to complete these projects may not be recoverable.

The ENDESA Group could be held liable for environmental, penal or other responsibilities in relation to its operations

The Group is exposed to environmental risks which are inherent in its operations, including those relating to the management of waste, spillages and emissions at its electricity production units, particularly nuclear power plants. Therefore ENDESA is liable to claims for environmental or other damages in connection to its electricity generation, transmission and distribution facilities, as well as its coal mining activities.

The ENDESA Group is also subject to risks relating to the operation of its nuclear plants and the storage and handling of low-level radioactive material. According to Spanish legislation and regulation, operators of nuclear power plants have limited responsibility in the event of incidents occurring. Those limits comply with international treaties ratified by Spain. Under Spanish legislation, nuclear plant operators are liable for a maximum of Euros 700 million worth of claims arising in relation to a single nuclear incident. ENDESA has liability insurance of up to Euros 700 million in place to cover any claims in this regard.

The Group has also taken out insurance for up to Euros 150 million in relation to claims arising as a result of pollution or other damage to third parties or their goods. If the Group were subject to claims for environmental or any other types of damages in connection with its operations (except for nuclear plants) for any amount in excess of its insurance coverage, its activity, financial situation or the results of its operations could be seriously affected.

Also, pursuant to Organic Law 5/2010, of 22 June 2010, which amended Organic Law 10/1995, of 23 November, of the Penal Code, legal entities can be held fully responsible for certain criminal activities committed by their directors, management or employees when carrying out their respective duties. In this regard, ENDESA has a control system in place aimed at preventing criminal activity within the company and, if applicable, averting any consequences.

Deregulation of the electricity sector in the European Union could lead to greater competition and lower prices

The deregulation of the electricity sector in the European Union has led to greater competition due to consolidation and the entry of new players into the area's electricity markets, including Spain. Deregulation of the electricity sector in the European Union has also caused prices to fall in some market segments due to the entry of new competitors and foreign

power suppliers. European electricity exchanges have also been established. These factors have led to greater liquidity in electricity markets. Deregulation means that many of the Group's business areas now operate in increasingly competitive markets. If the Group is unable to adapt to and correctly manage this competitive market, its activity, financial situation or the results of its operations could be seriously affected.

6.2. Risks associated with the countries where the ENDESA Group operates

ENDESA Group companies are exposed to a number of economic and political risks

ENDESA Group activities are exposed to various risks inherent in investing in and carrying out work in the various countries where the ENDESA Group operates, including risks relating to the following:

- Changes in government regulations and administrative policies.
- Application of monetary restrictions or other restrictions on capital movements.
- Changes in the business or political situation.
- Economic crises, political instability or social disturbances which may affect operations.
- Government expropriation of assets.
- Interest and exchange rate fluctuations.

Also, revenue from subsidiaries, their market value and dividends received from these subsidiaries are exposed to risks inherent in the countries where they operate. This may negatively affect demand, consumption and exchange rates.

ENDESA is unable to forecast how any future worsening of the political or economic climate in the countries where it operates, or any other changes to legislation or regulation in those countries, including changes to prevailing legislation or any other regulatory framework, may affect its subsidiaries, activities, financial situation or the results of its operations.

6.3. Operational risks

ENDESA's activity can be affected by technological failures or human error

In all the ENDESA Group's business activities, direct or indirect losses may be caused by inadequate internal processes, technological failures, human error or certain external events. Control and management of these risks, particularly those affecting generation and distribution facilities, are based on adequate training and empowerment of personnel and operating procedures, preventative maintenance plans and specific programmes, backed by quality management systems which minimise their possible occurrence and impact.

ENDESA has insurance cover to mitigate any negative economic impact these types of risks could have on the Group.

These types of risk could affect the reliability of the financial information prepared by the ENDESA Group. In order to correctly monitor these risks, the ENDESA Group has implemented internal control over financial reporting procedures (ICFR).

The Group's Annual Corporate Governance Report is attached as Appendix I to this report and includes a report on ICFR at the ENDESA Group based on the draft circular drawn up by Spain's securities market regulator, the CNMV. In compliance with this circular, the Group's external auditor has issued a report on its review of the information in the ICFR report in accordance with the pertinent professional conduct guide.

6.4. Other risks

The Group is party to legal and arbitration proceedings that could affect ENDESA

The ENDESA Group is party to various legal proceedings related with its business, including tax and regulatory disputes. It is also subject to ongoing or possible tax inspections. In general, the ENDESA Group is exposed to third party claims in all legal jurisdictions (criminal, civil, commercial, social and administrative) and national and international arbitration proceedings.

Although ENDESA considers that the appropriate provisions have been made for legal contingencies at 31 December 2011, it cannot be guaranteed that the Group will be successful in all proceedings or that an adverse ruling might not significantly and adversely impact its business operations, financial position or the results of its operations. New claims could also be made that have a major adverse effect.

7. Risk management policy

Information regarding ENDESA's risk management policy is included in Note 12 to the Financial Statements.

8. Treasury shares

At 31 December 2011 the Company held no treasury shares and no transactions involving treasury shares were carried out in 2011.

9. Research and development activities

ENDESA does not carry out any research and development activities directly as these fall within the remit of its subsidiaries.

10. Annual Corporate Governance Report as per article 538 of Royal Decree Law 1/2010, of 2 July 2010, approving the revised text of the Corporate Enterprises Act

The 2011 Annual Corporate Governance Report is attached as an appendix and forms an integral part of this report, as required by article 538 of the Corporate Enterprises Act.

Appendix I. Annual Corporate Governance Report

See annexed book.



Proposed Distribution of Profit

Translation from the original issued in Spanish.

In the event of discrepancy, the Spanish-language version prevails

The 2011 profit for the Group's parent company, ENDESA, S.A., of Euros 570,079,277.98, combined with retained earnings of Euros 2,325,398,628.16, gives a total of Euros 2,895,477,906.14.

The Company's Board of Directors will propose to the shareholders at the General Shareholders' Meeting that this amount be used to make a gross dividend payment of Euros 0.606 per share with the rest added to retained earnings.

	<i>Euros</i>
Dividend (maximum amount to be distributed based on Euros 0.6060 per share on a total of 1,058,752,117 outstanding shares)	641,603,782.90
Retained earnings	2,253,874,123.24
Total	2,895,477,906.14

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Ribera del Loira 60
28042 Madrid
Tel 912131000
www.endesa.com

endesapublicaciones